



Commonwealth of Massachusetts
Office of the State Auditor
Suzanne M. Bump

Making government work better

Official Audit Report – Issued March 18, 2016

Fall River Line Pier

For the period January 1, 2013 through December 31, 2014





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Mr. Gilbert C. Oliveira, Board Chair
Fall River Line Pier
1 Water Street
Fall River, MA 02721

Dear Chairman Oliveira:

I am pleased to provide this performance audit of the Fall River Line Pier. This report details the audit objectives, scope, methodology, and conclusions for the audit period, January 1, 2013 through December 31, 2014. My audit staff discussed the contents of this report with management of the agency, whose comments are reflected in this report.

I would also like to express my appreciation to the Fall River Line Pier for the cooperation and assistance provided to my staff during the audit.

Sincerely,

A handwritten signature in blue ink, appearing to read "SMB", written over a light blue circular watermark.

Suzanne M. Bump
Auditor of the Commonwealth

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EXECUTIVE SUMMARY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor has conducted a performance audit of certain activities of the Fall River Line Pier (FRLP) for the period January 1, 2013 through December 31, 2014.

In this performance audit, we examined certain FRLP activities related to revenue, non-payroll expenses, and safeguarding of equipment assets.

Based on our audit, we have concluded that FRLP has established adequate controls and practices in the areas we reviewed that were related to our audit objectives. We did not identify any significant deficiencies in those areas.

OVERVIEW OF AUDITED ENTITY

The Fall River Line Pier (FRLP), located at 1 Water Street in Fall River, was created by Chapter 665 of the Acts of 1945 to establish, operate, and maintain a pier for the shipment of freight and merchandise by water. On November 19, 1946, FRLP was chartered as a not-for-profit corporation to establish, operate, and maintain a pier in Fall River, Massachusetts, under the direction of a board of directors. FRLP serves the South Shore area.

FRLP's board of directors is responsible for the management of all the pier's property and business. FRLP's general manager reports to the board of directors and supervises the daily activities and the seven employees of the pier. The board and general manager have established controls and practices to reasonably ensure that resources are used effectively and in accordance with requirements such as Massachusetts Department of Conservation and Recreation (DCR) regulations and a grant agreement. DCR has been designated as the responsible oversight agency, and all FRLP budgetary matters and capital expenditures require written approval by DCR.

FRLP previously leased its premises from the Commonwealth of Massachusetts under a 50-year lease agreement, which ended in April 2014. FRLP is currently a tenant at will while negotiating a new lease agreement with the Commonwealth.

FRLP's revenue and expenses are summarized below.

	Fiscal Year 2014	Fiscal Year 2013	Combined
Revenue			
Dockage	\$ 52,976	\$ 51,698	\$ 104,674
Rentals	174,476	175,694	350,171
Exterior Parking	41,420	35,991	77,411
Other	97,242	86,495	183,737
Total Revenue	<u>\$ 366,114</u>	<u>\$ 349,878</u>	<u>\$ 715,992*</u>
Expenses			
Salaries	\$ 211,665	\$ 207,832	\$ 419,497
Fees	8,355	22,613	30,968
Utilities	29,903	26,364	56,267
Insurance	34,458	30,760	65,218

	Fiscal Year 2014	Fiscal Year 2013	Combined
Repairs and Maintenance	40,124	47,075	87,199
Other	60,409	27,137	87,546
Total Expenses	<u>\$ 384,914</u>	<u>\$ 361,781</u>	<u>\$ 746,695</u>
Net Income	<u>(\$ 18,799)*</u>	<u>(\$11,903)</u>	<u>(\$30,702)*</u>

* Variances in totals are due to rounding.

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor has conducted a performance audit of certain activities of the Fall River Line Pier (FRLP) for the period January 1, 2013 through December 31, 2014.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Below is a list of our audit objectives, indicating each question we intended our audit to answer and the conclusion we reached regarding each objective.

Objective	Conclusion
1. Are FRLP's billings and its recording and safeguarding of revenue in accordance with its established practice?	Yes
2. Are vendor payments, including disbursements from the stabilization funds, ¹ properly authorized, supported, and recorded?	Yes
3. Are equipment assets adequately safeguarded from damage, loss, and theft?	Yes

To achieve our objectives, we gained an understanding of the internal controls we deemed significant to our audit objectives and evaluated the design and effectiveness of controls over non-payroll expenses and equipment assets. We conducted further audit procedures as follows:

- We examined FRLP's financial records, both electronic and hardcopy, including pertinent source documents.
- We assessed FRLP's administrative and accounting procedures and controls.
- We reviewed the board of directors' meeting minutes and FRLP's organizational chart to gain an understanding of the entity.

1. The purpose of the stabilization funds is to fund capital repairs and improvements to the FRLP.

We also performed audit tests as follows:

- We reviewed and analyzed FRLP's policies and established practices for customer billing. Because of the size of the population, we used a nonstatistical sampling method to select a random sample of 35 out of a population of 547 customer billings to review for adherence to established practices. We also reviewed 100% of the customer billings for FRLP's largest customer to confirm that billings were prepared and payments received during the audit period.
- We reviewed and analyzed FRLP's policies and established practices for non-payroll vendor payments. Because of the size of the population, we used a nonstatistical method to select a random sample of 25 out of 414 non-payroll expense transactions, and the one stabilization-fund expenditure that occurred during the audit period, to review for proper authorization, support, and entry in the accounting records.
- We reviewed and analyzed FRLP's policies and established practices for equipment assets. Because of the size of the population, we used a nonstatistical method to select a random sample of 25 out of 124 equipment assets to confirm existence and accuracy of the inventory list. We also physically observed FRLP's property to determine whether safeguards were in place to protect equipment assets.

Because of the nonstatistical nature of our sampling methods, we did not project the results of our audit tests to the total populations in the areas we reviewed.

We determined the reliability of data obtained from Quickbooks, FRLP's electronic accounting system, by tracing certain electronic transactions to original source documents as well as performing other electronic tests of data and making relevant inquiries. We determined that the data from the system were sufficiently reliable for the purposes of our audit.