



**Commissioners**

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*An audio recording of the meeting proceedings and meeting materials are available on the Port of Seattle web site - [www.portseattle.org](http://www.portseattle.org).*

**APPROVED MINUTES  
AUDIT COMMITTEE SPECIAL MEETING FEBRUARY 5, 2013**

The Port of Seattle Commission Audit Committee met in a special meeting Tuesday, February 5, 2013, in the Commission Chambers at Pier 69, 2711 Alaskan Way, Seattle, Washington. Committee members present included Commissioner Albro, Commissioner Bryant, and Christina Gehrke. Also present were Tay Yoshitani, Chief Executive Officer; Dan Thomas, Chief Financial Officer; Joyce Kirangi, Internal Audit Department Director; Daniel Hansen, Associate Director, Protiviti; Anthony Samer, Managing Director, Protiviti; Peter Garlock, Chief Information Officer; Kim Albert, Assistant Director ICT Business Services; Brian Nancekivell, Senior Internal Auditor; Lauren Smith, Manager Human Resources Information System; Jeff Hollingsworth, Senior Manager Risk Management; Marie Fritz, Cruise Service, Emergency Preparedness Manager; Tom Barnard, Research and Policy Analyst; and Katherine Blair, Commission Records Specialist.

**Call to Order:**

The committee special meeting was called to order at 9:02 a.m. by Commissioner Bryant.

**Approval of Audit Committee Meeting Minutes of November 13, 2012, and December 4, 2012:**

**On motion by Commissioner Albro, seconded by Commissioner Bryant, the minutes of the Audit Committee special meetings of November 13, 2012, and December 4, 2012, were approved.**

**External Audits – Enterprise Technology Risk and Performance Assessment:**

Mr. Samer noted that the assessment looked at information technology (IT) enterprise-wide, noting that Aviation Maintenance and other groups have information technology responsibilities outside the Information Communication and Technology (ICT) group. Mr. Samer noted the following observations:

- Technology is essential to the work of the Port;
- The Port's IT cost profile is consistent with benchmarks for similar industries;
- ICT has kept run costs down through smart investments and efficient technology and services allowing for investment in new technology; and
- The Port's IT processes compare favorably to companies of comparable size and industry groups.

Mr. Samer stated there are three opportunities for improvement as follows:

- Based on the need of the organization, there is the ability to mature some IT processes;

- ICT and Aviation Maintenance continue to work together to better serve the Port as a whole;
- Improved communication between the Chief Information Officer (CIO) and the Commission and the Chief Executive Officer is advisable.

In response to Commissioner Albro, Mr. Samer noted that part of the reason a third party was brought in to conduct an assessment of IT at the Port was because of the lack of communication between the CIO and the Commission. He noted that the Commission did not know exactly how ICT dollars were being spent and on what projects, and perhaps if there was more communication and transparency there may not have been a need for an IT assessment.

In response to Commission Albro, Mr. Samer noted that the ICT group is capable of responding and executing a request to make best of class and innovative technology, but they need direction from the business units. Mr. Yoshitani stated that the challenge in leveraging technology in the Seaport and Real Estate divisions is that the Port is a landlord rather than an operator in those divisions. Mr. Samer noted that it is difficult to provide cutting-edge technology as a landlord.

In response to Ms. Gehrke, Mr. Hansen stated that Protiviti did look at the enterprise risk management (ERM) report, but that the performance audit conducted by Protiviti focused on controls in place, not risk areas. Ms. Gehrke recommended that the ERM team look at the Protiviti Audit Report and the process for ERM. Mr. Yoshitani stated that one of the risks that the Port has is limited ability to recruit people in IT to public sector employment.

In response to Ms. Gehrke, Ms. Kirangi stated that the Internal Audit budget should be sufficient to cover the recommendations made by Protiviti in 2013. In response to Ms. Gehrke, Ms. Kirangi stated that Internal Audit is not currently involved in the system development life cycle process for large projects; Internal Audit is still focusing on developing skills and growing as a department. Ms. Kirangi noted that it is possible for Internal Audit to become involved in the system development life cycle process for major projects in the future. She stated it would need to be considered when drafting the work plan for the year. Commissioner Bryant asked to be informed if Internal Audit is unable to assist with the major projects due to a lack of resources.

In response to Commissioner Albro, Ms. Albert noted that contractors are expensive because they are only allowed to contract for a year due to contingent worker issues, and it takes time for contractors to know and understand Port services.

#### **[Lease and Concession Audit – Concessions International, LLC:](#)**

At the discretion of the Chair, a written report was accepted in lieu of a staff presentation on the Lease and Concession Audit of Concessions International, LLC, covering the period of January 1, 2009, to December 31, 2011. The purpose of the audit, as reported, was to determine the following:

- The reported concession fees were complete, properly calculated, and remitted timely to the Port; and
- The Port and the lessee complied with significant provisions of the Lease and Concession Agreement.

The report included no findings of significance, and there was no discussion of this agenda item.

**Third Party Audit – World Trade Center - Seattle:**

Mr. Nancekivell reported that the audit was for the third-party agreement with Columbia Hospitality Inc. that runs World Trade Center, and the purpose of the audit was to determine the following:

- If Port management monitoring controls are adequate to ensure:
  - Billings are complete and accurate; and
  - Expenses are proper and in accordance with the agreement terms and conditions; and
- Whether Columbia Hospitality Inc. complied with the agreement terms and conditions, as amended, related to revenues and expenses.

He stated the period for the audit was January 1, 2010, through December 31, 2011. He reported there were no findings of significance.

In response to Commissioner Bryant, Mr. Nancekivell confirmed that the audit was only for the World Trade Center, not Bell Harbor Conference Center.

**Enterprise Risk Management – Seaport Cruise Operations:**

Ms. Smith stated that ERM is trying to define risk internally and risk tolerance. She noted some of the points in the ERM for ICT were addressed prior to the Protiviti performance assessment.

Ms. Smith noted that participants are asked to rate the likelihood that the risk will happen in the next three-to-five years on a nine-point scale from almost certain to none. She commented that on the impact scale, for the seaport cruise operations ERM, there were five categories: financial, operational, compliance and security, community, and environmental. She noted that participants do not rate each impact individually, but as a whole. In response to Commissioner Albro, Ms. Smith noted that the subject matter experts help describe the language for what the various levels of impact are on the rating scale. Commissioner Albro asked to have the language as consistent as possible for all ERMs in order to be able to compare the ERMs across the Port. Mr. Yoshitani stated that the changing language for impact is a weakness in the system, as different people have to create the different matrices. Mr. Yoshitani commented that it will be necessary to look at the ERM from a corporate view and what is critical from a corporate standpoint. Ms. Smith noted that participants are asked to vote twice on each risk, once for how likely the risk is and second for how large the impact would be.

Mr. Hollingsworth noted that currently risk is represented in the risk ranking matrix by four colors. He commented that there has been discussion about limiting the risk ranking groups to three in the risk ranking. Ms. Smith noted that there have not been any low risk items in any of the three ERMs completed because those risks are not mentioned by the participants as they are perceived as being handled.

Commissioner Bryant asked for comparative operating costs for cruise operations for Vancouver and San Diego. He commented on the possibility of the Audit Committee's bringing the issue of rising costs for the cruise terminal before the full Commission after reviewing information about Vancouver and San Diego. Commissioner Albro stated that he felt the next step would be to guide the operating unit through a separate matrix that will identify risk and the means and cost of mitigation and evaluate mitigating the risks

on cost effectiveness. Mr. Yoshitani commented on costs to mitigate risk has be examined at a division standpoint. Mr. Thomas noted there have been three ERM reports so far at a rate of one ERM per year. Commissioner Bryant commented that it would beneficial to focus enterprise risk management on Seaport, taking into account the Arena, possible tolling on Interstate 90, and State Road 509.

**Required Annual Communication to the Port of Seattle Audit Committee:**

Ms. Kirangi stated that Internal Audit Department Charter has been reviewed with the Audit Committee and the Commission and was adopted December 11, 2012. She commented that the Internal Audit department is independent; reporting to the Audit Committee and administratively to the CEO and stressed that no one in the organization interferes with the Internal Audit department's work. Ms. Kirangi noted that in 2012 the Internal Audit department went through a peer review and passed, and she assured the Audit Committee that the Internal Audit department has quality control processes in place and that they continue to improve on those processes.

**Adjournment:**

There being no further business, the special meeting was adjourned at 10:57 a.m.

Courtney Gregoire  
Minutes approved: April 2, 2013