

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.

**APPROVED MINUTES
AUDIT COMMITTEE SPECIAL MEETING APRIL 2, 2013**

The Port of Seattle Commission Audit Committee met in a special meeting Tuesday, April 2, 2013, in the Commission Chambers at Pier 69, 2711 Alaskan Way, Seattle, Washington. Committee members present included Commissioner Bryant, Commissioner Gregoire, and Christina Gehrke. Also present were Tay Yoshitani, Chief Executive Officer; Laurie Tish, Moss Adams, LLC; Brian Nancekivell, Internal Audit Staff; Joe McWilliams, Managing Director, Real Estate; Joyce Kirangi, Director, Internal Audit Department; Tom Barnard, Research and Policy Analyst; and Katherine Blair, Commission Records Specialist.

Call to Order:

The committee special meeting was called to order at 8:31 a.m. by Commissioner Bryant.

Approval of Audit Committee Meeting Minutes of February 5, 2013:

On motion by Commissioner Gregoire, seconded by Commissioner Bryant, the minutes of the Audit Committee special meeting of February 5, 2013, were approved.

[Update on Comprehensive Annual Financial Report Audit:](#)

The Audit Committee received a presentation from Ms. Tish that included the following relevant information:

- The main use for the audit and report on financial statements is for the issuance of revenue bonds;
- Moss Adams provides the single audit report, which is a report on the federal programs at the Port over a certain dollar threshold. The single audit is done on behalf of the federal government;
- A separate audit and report is issued on the Passenger Facility Charges;
- Moss Adams also provides an audit and report on the schedule of net revenue available for revenue bond debt service to be in compliance with the debt covenants
- The opinion and all reports are expected to be issued on or before April 30, 2013;
- Management exit conferences have been scheduled;
- Moss Adams will return at the June 2013 meeting to present the final audit results; and
- As of April 2, 2013, there have been no findings of material weakness.

Third Party Audit – Bell Harbor International Conference Center:

Ms. Kirangi stated the Bell Harbor International Conference Center (BHICC) is owned by the Port, but that Columbia Hospitality runs it. Ms. Kirangi noted that Columbia Hospitality manages 15 properties in Washington. She noted that all costs incurred are paid by the Port. In response to Commissioner Bryant, Ms. Kirangi stated that capital costs or asset costs are not included in the audit. Ms. Kirangi reported that the purpose of the audit was to determine the following:

- Port management monitoring controls are working effectively 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 terms of the agreement.

She noted the period of the audit was January 1, 2010, through December 31, 2011.

Ms. Kirangi noted that Port staff meets with Columbia Hospitality monthly to discuss the financial statements and the state of the business.

Ms. Kirangi noted there were opportunities for improvement, which were listed in the report as audit findings. The findings are listed in the report under the following headings:

1. Port Management monitoring could be strengthened:
 - a. Unreasonable employee cost allocated to the Port;
 - i. Port reimbursed Columbia Hospitality based on Budget;
 - ii. Unreasonable cost allocations to the Port facility; and
 - b. Related-party transactions.

Ms. Kirangi noted that the Port has been paying Columbia Hospitality based on budget for probably 10-15 years. Ms. Kirangi stated that it is possible the Port over paid Columbia Hospitality and Internal Audit has asked management to look into that possibility. Ms. Kirangi noted that management also needs to look into the reasonableness for the portion of the salaries for various positions with Columbia Hospitality that the Port is paying. Ms. Kirangi noted that the agreement is complicated and the level of monitoring required to ensure compliance is very demanding. In response to Commissioner Gregoire, Ms. Kirangi stated that the agreement with Columbia Hospitality does not specify that they should not co-mingle public funds. Ms. Kirangi noted that what is lacking at the Port is a methodology for the allocations the Port is paying.

Ms. Kirangi noted that there were no disclosures of related-party transactions made to the Port as required by the contract. Ms. Kirangi noted that there were events given discounts or hosted for free, but since BHICC is a public facility the usage must be equitable. In response to Commissioner Bryant, Mr. McWilliams stated that there is no written criterion for when discounts are given. Commissioner Bryant stated that he does not oppose giving Columbia Hospitality the flexibility to give discounts, but that there should be a written justification in the file detailing the reasons for the discount. He asked for a follow-up at the June meeting.

Limited Operational Audit – 457 Deferred Compensation Plan and 401(a) Plans:

Mr. Nancekivell noted that the state and union plans were not included in the audit. He stated that the purpose of the audit was to determine whether:

- The plans comply with IRS requirements, such as:
 - Contributions do not exceed annual contribution limits
 - Loans and unforeseen emergency withdrawals have been administered in accordance with Plan regulations
- The Port's fiduciary responsibilities have been adequately met, such as:
 - Sufficient information is provided so employees can make informed investment decisions
 - A variety of investment choices are available with different risk and reward characteristics.

He noted the plans were converted in 2012, and so the audit period covered January 1, 2012, through December 31, 2012. He reported there were no audit findings.

Commission Office – Audit Termination Memo:

Mr. Barnard stated the audit of the Commission Office is being deferred until 2014 to allow time to fill staff vacancies.

Adjournment:

There being no further business, the special meeting was adjourned at 9:25 a.m.

Courtney Gregoire
Minutes approved: June 11, 2013