



Washington State Auditor Troy Kelley

November 26, 2013

Port of Seattle Audit Committee member,

We are pleased to present the recommendations made as a result of our 2012 accountability audit. Each of the items discussed in the attached document is being reported as an exit item. We consider these opportunities to improve the internal control environment at the Port but do not represent significant or material concerns. These items will not be included or referenced in our audit report.

We have discussed each of the items with Executive management and want to share them with you also. We are not planning on discussing these as our exit conference scheduled for December 3, 2012; however, if you have any questions or concerns we would be happy to address them.

It was a pleasure working with Port staff and we look forward to meeting with you.

Matthew Rose
Washington State Auditor's Office
Assistant Audit Manager

Enclosure

PORT OF SEATTLE 2012 ACCOUNTABILITY AUDIT EXIT ITEM COMMENTS

Police department

Citations

RCW 46.64.10 requires every record of traffic citations be audited monthly by the appropriate fiscal officer of the government agency to which the traffic enforcement agency is responsible. The Port of Seattle Police Department currently only performs an audit once a year and periodic undocumented spot checks.

We recommend the Department perform a monthly audit as required by state law.

Citation Revenue

Processing and collection of citations is performed by King County District Court. Local revenue collected from these citations is retained by the County and the Port does not incur any costs for processing of citations. There is no formal agreement between the two entities.

We recommend the Department formally document the rationale behind this arrangement.

Disposition of Unclaimed and Forfeited Property

The Port of Seattle Police Department currently contracts with internet vendor to sell unclaimed and forfeited property. RCW 63.32.20 requires the Port to advertise the sale of unclaimed property in a local newspaper at least ten days prior to sale. We determined the Department does not consistently advertise with a local newspaper.

We recommend the Department advertise in the local newspaper and maintain record of proof as required by state law.

The Police department receives payments and an explanation of items sold from the internet vendor. The department forwards the payment and a prepared deposit slip to the Accounting Department, who deposits the check. Currently neither department performs a reconciliation of funds received to funds deposited.

We recommended the Port develop and follow policies and procedures to reconcile funds to supporting documentation to ensure completeness.

Use of Seizure Funds

RCW 69.50.505 requires net proceeds not required to be paid to the state treasurer be used exclusively for the expansion and improvement of controlled substance related law enforcement activity. We determined the expenditures for the travel to the Reserve Sailor of the Year Event do not appear to meet this requirement.

We recommend the Department develop and follow policies and procedures to ensure use of seizure and forfeiture net proceeds comply with state law.

Third party cash receipting/processing

Payment Card Industry (PCI) Compliance

Per our communication with Selena Tonti, Information Security Senior Manager on 10/7/2013 the Port is not PCI compliant. The airport's parking garage is noncompliant due to documentation of processes and monitoring. All other credit card locations and e-payments are noncompliant due to the storage of some customers' credit card data on Port servers. The Port has been working with a contractor to perform a gap analysis.

We recommend the Port develop and follow policies and procedures to ensure PCI compliance.

Service Organization Control (SOC) Report

Per our discussions with Lisa Lam, Manager Financial Reporting & Controls and Revenue Services/Taxes on 10/2/2013 and Selena Tonti, Information Security Senior Manager on 10/7/2013 the Port has not acquired the SOC reports for their third-party cash receipting vendors, where applicable.

We recommend the Port develop and follow policies and procedures to obtain and review SOC reports for third-party cash receipting vendors to improve monitoring controls.

State grants

Annual Report Preparation

We found the Port's State Schedule 16 did not include pass-thru activity for the Terminal 117 grant resulting in an understatement of approximately \$298,000, or 19 percent of the Department of Ecology grant.

We recommend the Port develop and follow policies and procedures to include all state grant activity on the Schedule 16 to ensure completeness.

Industrial Development Corporation

Disbursements

The Corporation does not have statutory authority to make payments for economic development. Based on our review, the payments made during the audit period for the China Trade Mission and Washington State Tourism Promotion programs appear to be for economic development.

RCW 39.84.130 allows a transfer of surplus funds from the Corporation to the creating entity for growth management, planning, or other economic development purposes. We determined these funds should have been transferred from the Corporation to the Port with expense made by the Port.

We recommend the Corporation develop and follow policies and procedures that payments are only made for allowable purposes or transferred to the Port to ensure compliance with state law.