



Internal Audit Briefing

**Presented to the Port of Seattle
Audit Committee and Tay Yoshitani, CEO**

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Director, Internal Audit**

February 5, 2013

Agenda

- **Audit Report**

1. Lease and Concession Audits

- Concessions International

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2. Operational Audits

- Central Processing System
 - None
- Comprehensive Operational Audit
 - None
- Limited Operational Audit
 - None
- 3rd Party Audit
 - World Trade Center (WTC) – Seattle

- **Briefing/Updates**

1. Peer Review Follow-Up Action Items

Background

Concessions International operates seven retail locations at the airport. Under the terms of the agreement with the Port, the lessee agreed to pay a Minimum Annual Guarantee (MAG) or percentage fees on their gross receipts generated at the airport. The percentage concession fees range from 10% on branded food and beverage up to 26.5% on souvenirs.

	2009	2010	2011	2012
Food & Beverage	\$964,664	\$1,083,771	\$1,084,950	\$1,115,790
Liquor	\$139,122	\$ 164,146	\$200,633	\$193,301

Source: PeopleSoft

Audit Objectives

The purpose of the audit was to determine whether:

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

We examined the books and records of Concessions International for a period of thirty-six months from January 1, 2009, through December 31, 2011.

Audit Result

➤ No Findings

Background

The Port of Seattle owns the World Trade Center Seattle (WTCS). The Facility was developed under the Washington State authority of RCW 53.29 – Trade Center Act. The primary objective of the Facility is to foster international trade and commerce and to expose Seattle to international trade.

The Port has outsourced the day-to-day management of the WTCS to Columbia Hospitality Inc. (CHI), including sales, marketing, member services, etc.

The Port is responsible for all operating costs for the Facility, including management and incentive fees to CHI.

Audit Objectives

The purpose of the audit was to determine whether:

1. Port management monitoring controls are adequate to ensure:
 - Billings are complete and accurate
 - Expenses are proper and in accordance with the agreement terms and conditions
2. Columbia Hospitality, Inc. (CHI) complied with the agreement terms and conditions, as amended, related to :
 - Revenues
 - Expenses

We reviewed information for the period January 1, 2010, through December 31, 2011.

Highlights and Accomplishments

- CHI submits a detailed annual budget for the Port's approval. The budget includes monthly budgeted amounts by detailed categories of revenue and expense types and the details of assumptions used in preparing the budget expenses.
- On a monthly basis, representatives from the Port's Real Estate and Seaport Finance & Budget departments meet with CHI management to review marketing and financial reports and activities. These reports include, among other items:
 - Analysis of forecasted operating performance for two quarters and the fiscal year
 - A summary line item review of revenue & expenses vs. budgeted and an explanation of the variances; Port management approves the explanations provided
 - Approval of monthly expenses by the responsible Port management
 - A listing of monthly expenses from which a sample is selected for detailed review by the responsible Port management

Audit Result

➤ No Findings

- Peer Review Follow-Up Action Items