

Internal Audit Briefing

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

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Agenda

- **Audit Report**

1. Lease and Concession Audits

- None

2. Operational Audits

- Central Processing System
 - None
- Comprehensive Operational Audit
 - None
- Limited Operational Audit
 - 457 Deferred Compensation Plan and 401 (a) Plans
- 3rd Party Audit
 - Bell Harbor International Conference Center (BHICC)

- **Briefing/Updates**

- Commission Office – Audit Termination Memo

Background

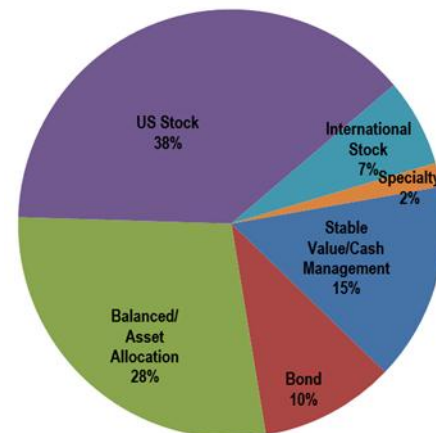
For eligible employees, the Port offers the following retirement benefits:

- * 457 Deferred Compensation Plan
- * 401(a) Plans for non-represented employees and Police & Firefighters
- * Washington State Public Employee Retirement System (PERS)
- * Union pension benefits

The state , union plans and the executive 401(a) plan were outside the scope of this audit.

Asset Category for 457 Plan	Balance
Stable Value/Cash Management	\$15,820,573
Bond	10,805,602
Balanced/Asset Allocation	29,709,019
US Stock	40,541,635
International Stock	7,012,584
Specialty	1,891,769
Total Asset Value	\$105,781,181

Source: ICMA-RC



Audit Objectives

The purpose of the audit was to determine whether:

1. 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.
2. 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.

We examined the information for the period January 1, 2012, through December 31, 2012.

Audit Result

➤ No Findings

Background

The Port of Seattle Port of Seattle owns and operates the Bell Harbor International Conference Center (BHICC) as a trade and meeting place for local and international businesses to promote and foster international trade and commerce. The Port has outsourced the day-to-day operations and management of BHICC to Columbia Hospitality under a third-party management services agreement. The Facility has been in operation since 1995. The agreement provides a 3% Base Management Fee, based on gross revenue, and an Incentive Management Fee up to 27.5% of the Net Operating Profit.

(in thousands)	2011	2010
Revenue		
Food & Beverage	\$2,770	\$2,936
Conference and Meeting Room	2,729	1,841
Audio Visual	1,358	1,052
Other	1,719	1,593
Gross Revenue	\$8,576	\$7,422
Expense		
Cost of Sales	\$1,272	\$1,133
Direct Expenses	2,695	2,647
Operating Expenses	1,952	1,787
Fixed Expenses	261	234
Management Fee	257	222
Incentive Management Fee	351	142
Maritime Event Center net income/(loss)	(2)	(2)
Operating Expenses	\$6,790	\$6,167
Net Income/(Loss)	\$1,786	\$1,255

source: BHICC Consolidated Income Statement.

Audit Objectives

The purpose of the audit was to determine whether:

1. Port management monitoring controls are working effectively to ensure:
 - Billings are complete and accurate.
 - Expenses are proper and in accordance with the agreement terms and conditions.
2. Determine whether Columbia Hospitality, Inc. complied with the terms of the agreement.

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

Highlights and Accomplishments

- Columbia Hospitality submits a detailed annual budget for the Port's approval. The budget includes monthly budgeted amounts by detailed categories of expense types and the details of assumptions used in preparing the budgeted expenses.
- On a monthly basis, representatives from the Port's Real Estate and Seaport Finance & Budget departments meet with Columbia Hospitality management to review BHICC reports and activities, which include the following items :
 - * Analyses of operating performance forecast for two quarters.
 - * A summary financial statement line item review including an explanation for the variances.

Audit Result

- As outlined in the audit finding, Port management monitoring could be strengthened.
 - unreasonable employee cost allocated to the Port
 - related-party transactions

- Commission Office – Audit Termination Memo