

PORT OF SEATTLE
MEMORANDUM

DATE: July 3, 2013

TO: Audit Committee

FROM: Melinda Miller, Director, Portfolio & Asset Management

SUBJECT: Bell Harbor International Conference Center Internal Audit follow-up memo

During the June Audit Committee meeting, the committee requested that staff revise their Management Response memo to answer to the following five specific issues as posed by Commissioner Bryant.

1) Committee request: Briefly describe the new format for monthly reports

As a result of the 2013 audit, CHI will include the following *new* reports in the monthly Owner's Report that is reviewed by Real Estate management and Seaport Finance:

- a) Monthly Payroll Report for Shared Staff and Central Services
- b) Affiliated (Related) Party Transactions for events booked including CHI business use of Port facilities

These new reports will be added to the information that has been historically provided and reviewed:

1. Narrative with brief overview of financial conditions
2. Quarterly Forecast of Net Income
3. Consolidated Rolling Three Quarter Forecast for Combined Event Centers (Bell Harbor International Conference Center (BHICC), Smith Cove Event Center (SCEC) & World Trade Center Seattle (WTCSE))
4. Year-to-Date Market Conditions Report and Related Action Plans to Address Revenue Shortfall to Budget, submitted as necessary
5. Consolidated Forecast of all the event centers with three quarter forecast
6. Capital Projects Overview
7. Affiliated Party Transactions (when purchasing from or making payments to...)
8. Legal and regulatory issues
9. Highlights for each Event center noting higher revenue generating events
10. New Sponsors for WTCSE
11. Renewing Sponsors WTCSE
12. Action Steps and Sales initiatives WTCSE
13. Expense Budget Variance Reports:
 - a. BHICC 12 Month Budget Expense Variance Report
 - b. SCEC 12 Month Budget Expense Variance Report
 - c. WTCSE 12 Month Budget Expense Variance Report

14. Summary of Capital Reserves for the Combined Event Centers January through December:
 - a. Combined Capital Reserve Accruals
 - b. BHICC Capital Reserve Accruals
 - c. SCEC Capital Reserve Accruals
 - d. WTCSE Capital Reserve Accrual
15. Consolidated Income Statements Summary at the Department Level:
 - a. Consolidated Income Statements combined for all Event Centers (BHICC, WTCSE, & SCEC)
 - b. Consolidated Income Statement for BHICC
 - c. Consolidated Income Statement for BHICC & SCEC combined
 - d. Consolidated Income Statement for WTCSE
 - e. Consolidated Income Statement for SCEC
16. Balance Sheet for BHICC, SCEC, and WTCSE
17. BHICC use of CTA space – details of events in the CTA leased space and payment due CTA at a pre- approved rate by the Port
18. BHICC/SCEC Income Statement (reported for each use)
19. Unifocus Guest Surveys for the month

2) Committee request: Provide a brief description of the allocation methodology (for shared staff and centralized services)

2010- Present:

During the audit period, CHI approach to staffing costs was to manage to the budgeted payroll costs that were approved by the Port during review of the Annual Plan. The departmental budgets were viewed as a “whole” not as “individual staff” line expenses. Their intent was to not exceed our budgeted department budgets and at times did charge by the budgeted amounts while other times they charged by “actual” time spent.

Actual shared staff and centralized services charges were determined by subjective percentages of time spent during the month and the resulting charges were determined on a monthly basis jointly by the General Manager, CFO, and President based on various factors including business volumes, staff turnover, skill level of staff in specific positions, market wage demands and adjustments, efficiencies found, types of groups and related revenue, temporary assignments, FMLA, etc. While this approach ultimately did save the Port money, our agreement requires clear documentation of actual costs that can more easily be reviewed by the Port on a regular basis.

July 2013- Moving Forward

As we move forward, CHI will continue to utilize their staff in the most efficient and effective manner necessary to respond to shifting demands of the conference market and the specific needs of the users of our facilities and the Port. They will improve the reporting of payroll for all shared staff and centralized services on *an individual staff member basis* by submitting a “Monthly Payroll Report” format of which was developed by the Port Management Team to

provide improved documentation and visibility of actual payroll charges. This report will be included in the monthly Owner's Report and discussed at the monthly meeting. A copy of this new format is attached

3) Committee request: Conduct an analysis of the last 3.5 years (of payroll charges for shared staff and centralized services)

The audit suggested that due to CHI's approach to allocating payroll for shared staff, the Port may have reimbursed CHI in excess of the costs incurred by them. As recommended by the audit, we have analyzed the charges for shared staff and central services to assess whether the costs reimbursed by the Port exceeded the actual payroll costs incurred by CHI for the audit period through April, 2013. Our conclusion is that the Port did not overpay for these costs. Quoting from the memo from Seaport Finance to Real Estate Management:

"2010** - Net impact of posting allocations using budget rather than actual pay at budgeted percentage was that the Port was not overcharged. Amount charged was \$3,614 less than amounts calculated using actual pay at budgeted percentage.

Note**: Internal Audit's Schedule A for 2010 did not take into account staff turnover or the impact of a family leave in Human Resources. Turnover and family leave are ordinary costs of doing business.

2011 - Net impact of posting allocations using budget (for some) rather than actual pay at budgeted percentage was that the Port was not overcharged. Amount charged was \$18,203 less than amounts calculated using actual pay at budgeted percentage.

2012 - Net impact of posting allocations using budget (for some) rather than actual pay at budgeted percentage was that the Port was not overcharged. Amount charged was \$11,078 less than amounts calculated using actual pay at budgeted percentage.

2013 - 2013 year-to-date actuals have been largely analyzed, but will be completed in the context of implementing new procedures for the full year."

An explanation of our methodology and the summary results of the analysis are include in the attached "Analysis of Allocated Payroll Costs Bell Harbor International Conference Center and the related Schedule 1 – 2010, Schedule 2-2011 and Schedule 3-2012.

4) Committee request: Formalize the monitoring procedures into a single document

We have consolidated our various written monitoring procedures into a single document and have included a copy as an attachment to this memo.

5) Committee request: Identify the clarifications to the management agreement which are criteria for any variation off the standard. Any adjustments to this standard need a note.

During the audit process we identified various procedures or definitions that needed further clarification. We do not feel that revision of the Management Agreement is necessary at this time and we have incorporated written descriptions of the following into our monitoring procedures:

Related Party Transactions – As required by the agreement, CHI will disclose events that are booked by affiliates *and* request prior written approval for any financial transactions (e.g. purchasing) from affiliated entities. CHI will include this information in their monthly Owner’s Report to Port management.

Booking Policy and negotiated conference rates - CHI has refined and documented their booking policy in writing and will use the document to provide clear guidance to the sales team to encourage consistency. *CHI will provide written documentation for criteria used in negotiating event contracts utilizing the below mentioned eight elements.*

Regarding public use of the facility, it is important to know that most hospitality booking agreements are negotiated. The following explains how CHI negotiates pricing for group business at Port conference facilities. The total pricing for events varies on a regular basis due to eight different elements that are taken into consideration when making a proposal.

The sales team meets on a daily basis to look at a variety of booking options and develop opportunities to secure the business. The general booking policy includes the following eight elements:

1. Date/s of Event (Peak or Off-Season)
2. Size of Group (e.g. one Room or a buy-out)
3. Number of days of facility utilization
4. Food, Beverage, Space and Equipment requested
5. Time in advance for inquiry and booking (lead time)
6. Historical volume of business from client
7. Future potential business volume from client
8. Business demographic of attendees relative to future use of the facility

CHI use of Port facilities - Regarding CHI’s internal business use of our facilities, we believe that it is a benefit to BHICC and the WTCSE for CHI and Bell Harbor team members to utilize the facilities for business meetings that include non-BHICC staff (e.g. staff meetings and orientations, General Manager meetings, etc., client entertaining, tastings, etc.) as it provides exposure of Port facilities to clients and staff other CHI businesses. Likewise, it is a value for Bell Harbor team members to visit other CHI venues for the purposes of idea generation, client entertaining, service standard development, etc.

To that end, and as is common in the industry, have approved a joint marketing and use agreement between BHICC and CHI that will allow team members from each CHI property to

utilize the services of other facilities on a cost recovery basis which will result in no expense to the property. A formula for calculating the cost is included. This agreement will provide clarity, transparency, and consistency for CHI business use of the Port's facilities and will be reported as "Related Party Transactions" in the monthly Owner's Report.

Attachments:

- 1) Monthly Payroll Report format
- 2) Memo regarding " Analysis of Allocated Payroll Costs for Bell Harbor International Conference Center" prepared by Seaport Finance
- 3) Schedule 1 – 2010 Allocated/Shared Staff – Summary Spreadsheet
- 4) Schedule 2 – 2011 Allocated/Shared Staff– Summary Spreadsheet
- 5) Schedule 3 – 2012 Allocated/Shared Staff– Summary Spreadsheet
- 6) Management Agreement Monitoring Procedures

MONTHLY PAYROLL REPORT FORMAT - EXAMPLE

BHICC Example
For Future Monitoring
Included in Monthly Package

Dept	Name	Position	Current Month				Year-to-Date (assumes 12/31)									
			Actual Salary	Budget Salary	Actual Alloc %	Budget Alloc %	Actual Charge to Port	Budget Charge to Port	Actual FAV (UnFAV)	Budget FAV (UnFAV)						
Accounting	TBD	A/R	5,000.00	6,250.00	50%	50%	2,500.00	3,125.00	625.00	60,000.00	75,000.00	50%	50%	30,000.00	37,500.00	7,500.00
Accounting	TBD	Controller	5,893.33	6,250.00	40%	100%	2,333.33	6,250.00	3,916.67	70,000.00	75,000.00	40%	60%	28,000.00	45,000.00	17,000.00
Accounting	TBD	Accountant	5,416.67	5,250.00	60%	50%	3,250.00	2,625.00	(625.00)	65,000.00	63,000.00	60%	50%	39,000.00	31,500.00	(7,500.00)
Accounting	TBD	Accountant	4,583.33	4,750.00	25%	40%	1,145.83	1,900.00	754.17	55,000.00	57,000.00	25%	40%	13,750.00	22,800.00	9,050.00
	Accounting Total		20,893.33	22,500.00	NA	NA	9,229.17	13,900.00	4,670.83	250,000.00	270,000.00	NA	NA	110,750.00	136,800.00	26,050.00
Human Reso	TBD	HR Manager	0.00	0.00	0%	0%	0.00	0.00	0.00	0.00	0.00	0%	0%	0.00	0.00	0.00
Human Reso	TBD	Recruiter	0.00	0.00	0%	0%	0.00	0.00	0.00	0.00	0.00	0%	0%	0.00	0.00	0.00
NA	NA	NA	0.00	0.00	0%	0%	0.00	0.00	0.00	0.00	0.00	0%	0%	0.00	0.00	0.00
NA	NA	NA	0.00	0.00	0%	0%	0.00	0.00	0.00	0.00	0.00	0%	0%	0.00	0.00	0.00
	Human Resources Total		0.00	0.00	NA	NA	0.00	0.00	0.00	0.00	0.00	NA	NA	0.00	0.00	0.00
GM	TBD	CCO	0.00	0.00	0%	0%	0.00	0.00	0.00	0.00	0.00	0%	0%	0.00	0.00	0.00
GM	TBD	Operations	0.00	0.00	0%	0%	0.00	0.00	0.00	0.00	0.00	0%	0%	0.00	0.00	0.00
NA	NA	NA	0.00	0.00	0%	0%	0.00	0.00	0.00	0.00	0.00	0%	0%	0.00	0.00	0.00
NA	NA	NA	0.00	0.00	0%	0%	0.00	0.00	0.00	0.00	0.00	0%	0%	0.00	0.00	0.00
	GM Total		0.00	0.00	NA	NA	0.00	0.00	0.00	0.00	0.00	NA	NA	0.00	0.00	0.00
Sales	TBD	VP Sales	0.00	0.00	0%	0%	0.00	0.00	0.00	0.00	0.00	0%	0%	0.00	0.00	0.00
Sales	TBD	Sales Mgr	0.00	0.00	0%	0%	0.00	0.00	0.00	0.00	0.00	0%	0%	0.00	0.00	0.00
Sales	TBD	Corp Sales Mgr 1	0.00	0.00	0%	0%	0.00	0.00	0.00	0.00	0.00	0%	0%	0.00	0.00	0.00
Sales	TBD	Sales Mgr 1	0.00	0.00	0%	0%	0.00	0.00	0.00	0.00	0.00	0%	0%	0.00	0.00	0.00
Sales	TBD	Senior Sales Mgr	0.00	0.00	0%	0%	0.00	0.00	0.00	0.00	0.00	0%	0%	0.00	0.00	0.00
Sales	TBD	Senior Sales Mgr	0.00	0.00	0%	0%	0.00	0.00	0.00	0.00	0.00	0%	0%	0.00	0.00	0.00
Sales	TBD	Senior Sales Mgr	0.00	0.00	0%	0%	0.00	0.00	0.00	0.00	0.00	0%	0%	0.00	0.00	0.00
	Sales Total		0.00	0.00	NA	NA	0.00	0.00	0.00	0.00	0.00	NA	NA	0.00	0.00	0.00

ATTACHMENT #1

To: Melinda Miller
From: Boni Buringrud, Director Seaport Finance & Budget
Subject: Analysis of Allocated Payroll Costs Bell Harbor International Conference Center
Date: July 2, 2013

Per your request, Susie Archuleta, Senior Financial Analyst III, and I prepared an analysis of actual payroll costs incurred by Columbia Hospitality (CHI) to manage Bell Harbor International Conference Center (BHICC) and compared these costs to amounts reimbursed by the Port. The years we analyzed were 2010, 2011, and 2012 full year actuals*¹.

The analysis was broken down into two separate parts to address issues raised in the audit.

Part 1. Accounting and Human Resources

Objective: Answer the question, "Did the costs reimbursed by the Port exceed actual payroll costs incurred?" Per Internal Audit, these positions were charged to the Port based on Budget.

Conclusions: The summary results of the analysis are included in Schedule 1-2010, Schedule 2-2011 and Schedule 3-2012 attached.

2010** - Net impact of posting allocations using budget rather than actual pay at budgeted percentage was Port was not overcharged. Amount charged was \$3,614 less than amounts calculated using actual pay at budgeted percentage.²

2011 - Net impact of posting allocations using budget (for some) rather than actual pay at budgeted percentage was Port was not overcharged. Amount charged was \$18,203 less than amounts calculated using actual pay at budgeted percentage.

2012 - Net impact of posting allocations using budget (for some) rather than actual pay at budgeted percentage was Port was not overcharged. Amount charged was \$11,078 less than amounts calculated using actual pay at budgeted percentage.

¹ *2013 year-to-date actuals have been largely analyzed, but will be completed in the context of implementing new procedures for the full year.

² **Internal Audit's Schedule A for 2010 did not take into account staff turnover nor the impact of a family leave in Human Resources. Turnover and family leave are an ordinary cost of doing business.

3. **Earnings information by employee for each year.** Information was provided by CHI for each position that was budgeted or charged to BHICC and represented amounts earned for each year exclusive of PTO pay. Amounts were adjusted by CHI to exclude the first paycheck of the year (which relates to prior year) and include the first paycheck of following year (which relates to current year). *In some cases, CHI provided us with salary information for positions that did not appear applicable to the analysis (i.e. salary information for some CHI employees whose salaries were not being charged to BHICC was included). In other cases, salary information that was needed was not initially included because the records were located at other locations.*
4. **Calculated field "Actual Applicable Earnings".** For Accounting and Human Resources this was calculated by multiplying Actual Earning times Approved Budget Time Percent. For the Part 2. departments this was equal to Actual Reimbursement but was backed into by calculating an Average Allocation % (Actual Reimbursement/Actual Earnings).

Accounting and Human Resources Department -

Basis for Comparison: Compared "Applicable Earnings" to "Amount Charged".

Calculation of Applicable Salary: Actual Earning multiplied by Approved Budget Time Percent

Positions/People Included: All positions included in the Approved Budget. If more than one person held that a position during the year due to turnover and /or family leave, then multiple people were included for one position. Turnover and family leave are an ordinary cost of doing business.

General Manager, Sales & Marketing, Food Payroll, Audio – Visual & Technology – Salaried Staff

Basis for Comparison: Compared "Actual Percent" to "Budget Percent" (where available) and Actual Charge to Budgeted Charge

Calculation of Applicable Salary: Actual Earnings multiplied by Actual Percent

Calculation of Actual Percent: Amount Charged divided by Actual Earnings

Positions/People Included: All salaried persons allocated or charged to BHICC for the above departments.

BELL HARBOR INTERNATIONAL CONFERENCE CENTER
INTERNAL AUDIT AND AUDIT COMMITTEE RESPONSE
2010 ALLOCATED/SHARED STAFF

PART 1. - POSITIONS PER INTERNAL AUDIT "PAID ON BUDGET" - DID COSTS REIMBURSED EXCEED ACTUAL PAYROLL COSTS INCURRED?

	2010 Earnings* (a)	Allocation % Approved Budget (b)	Allocation % Actual (c)	Actual Applicable Earnings (d) = (a) x (c)	Budget Applicable Earnings (from budget)	Act Reimbursement To CHI (e)	(Over)/Under (d) - (e)	Notes
Accounting								
CFO	\$103,508	50%	50%	\$51,754	\$62,400			
Assistant Controller	86,885	100%	100%	86,885	72,383			
AR Clerk	25,913	100%	100%	25,913	32,374			
	\$216,306			\$164,552	\$167,157	\$166,728	(\$2,176)	
Human Resources								
Dir Training & Dev	\$77,900	50.0%	50.0%	\$38,950	\$41,000			Family Leave in 2010
VP Human Resources	71,533	50.0%	50.0%	35,767	58,000			Coverage for Family Leave
Interim Dir Human Resources	56,358			28,179	0			
HR Generalist	65,154	100.0%	100.0%	65,154	59,893			
Recruiter (end 10/31/10)	28,699	100.0%	100.0%	28,699	24,000			
Recruiter (start 12/5/10)	2,679			2,679	0			Fill Open Position
HR Payroll Specialist	39,189	50.0%	50.0%	19,595	21,049			
HR Admin (end 12/15/10)	4,107	50.0%	50.0%	2,053	15,601			
HR Admin (start 11/9/10)	3,913			1,957	0			Fill Open Position
On Boarding Migr	39,098	0.0%	0.0%	0	0			Unbudgeted Resource
	\$388,630			\$223,031	\$219,543	\$217,242	\$5,789	
							\$3,614	No - did not over pay

PART 2. - SALARIED POSITIONS - PAID ON ACTUAL TIME SPENT AS DETERMINED BY COLUMBIA HOSPITALITY

	2010 Earnings* (a)	Avg. Allocation % Approved Budget (b)	Avg. Allocation % Actual (c) = (a)/(e)	Actual Applicable Earnings (d) = (a) x (c)	Budget Applicable Earnings (from budget) (f)	Act Reimbursement To CHI (e)	Budget Variance FAV/(UNFAV) (f) - (e)	Notes
Department								
General Manager/Ops	\$ 143,601.22	100%	25%	\$ 35,478.34	\$ 90,005.00	\$ 35,478.34	\$ 54,526.66	Charged less than Budget
Sales & Marketing	\$ 489,737.12	88%	73%	\$ 355,671.99	\$ 386,823.00	\$ 355,671.99	\$ 31,151.01	Charged less than Budget
Audio - Visual & Technology	\$ 119,584.36	54%	55%	\$ 65,395.63	\$ 72,103.00	\$ 65,395.63	\$ 6,707.37	Charged less than Budget
Food Payroll	\$ 284,257.31	100%	94%	\$ 264,450.19	\$ 264,061.00	\$ 268,450.19	\$ (4,389.19)	Charged more than Budget
	\$ 1,037,180.01			\$ 724,996.15	\$ 812,992.00	\$ 724,996.15	\$ 87,995.85	Charged less than Budget

Note*: Earnings represent amounts earned during the year exclusive of PTO pay. Amounts adjusted to exclude first paycheck of year which relates to prior year and includes the first paycheck of the following year which relates to current year.
CHI is responsible for the accuracy of earnings data provided, staffing start and end dates, and for breakouts of amounts charged and credits given.

BELL HARBOR INTERNATIONAL CONFERENCE CENTER
INTERNAL AUDIT AND AUDIT COMMITTEE RESPONSE
2011 ALLOCATED/SHARED STAFF

PART 1. - POSITIONS PER INTERNAL AUDIT "PAID ON BUDGET". DID COSTS REIMBURSED EXCEED ACTUAL PAYROLL COSTS INCURRED?

	2011 Earnings* (a)	Allocation % Approved Budget (b)	Allocation % Actual (c)	Actual Applicable Earnings (d) = (a) x (c)	Budget Applicable Earnings (from budget)	Act Reimbursement To CHI To CHI (e)	(Over)/Under (d) - (e)	Notes
Accounting								
CFO (end 2/15/11)	\$ 3,494.93	50%	50%	\$1,747	\$46,575	0		
CFO (start 2/15/11)	\$ 96,145.19		50%	\$48,073	\$0	0		Fill Open Position
Assist Controller (end 8/31/11)	54,749	100%	100%	54,749	93,598	\$ 51,628.49		
Assist Controller (start 9/12/11)	24,814		100%	24,814	0	\$ 20,038.00		Fill Open Position
AR Clerk (end 6/30/11)	8,161	100%	100%	8,161	33,669	\$ 8,163.60		
AR Clerk (start 4/9/11)	21,052	100%	100%	21,052	0	\$ 21,547.38		Fill Open Position
Accountant	36,519	0%	0%	0	0	\$ 26,152.40		
Senior Accountant	11,318	0%	0%	0	0	\$ 11,543.00		
	\$ 256,252.16			\$158,595	\$173,842	\$139,073	\$19,522	
Human Resources								
Dir Training & Dev	74,784	50%	50%	37,392	42,640			
VP Human Resources	111,297	50%	50%	55,648	60,320			
HR Generalist	42,167	100%	100%	21,083	62,288			
Recruiter	40,276	50%	50%	20,138	24,000			
HR Payroll Specialist	33,978	50%	50%	16,989	21,049			
HR Admin (end 10/31/11)	21,879	50%	50%	10,940	15,601			
HR Admin (transfer 11/21/11)	20,701	0%	4%	863	0			Trsf so 1/12 x 50% of Earnings
On Boarding Migr	41,132	0%	0%	0	0			Reduction in amt charged
	\$386,214			\$163,053	\$225,898	\$ 164,372.15	(\$1,319)	
							\$18,203	No - did not over pay

PART 2. - SALARIED POSITIONS - PAID ON ACTUAL TIME SPENT AS DETERMINED BY COLUMBIA HOSPITALITY

	2011 Earnings* (a)	Avg. Allocation % Approved Budget (b)	Avg. Allocation % Actual (c) = (e)/(a)	Actual Applicable Earnings (d) = (a) x (c)	Budget Applicable Earnings (from budget) (f)	Act Reimbursement To CHI (e)	Budget Variance FAV/(UNFAV) (f) - (e)	Notes
Department								
General Manager/Ops	\$ 135,325.59	100%	22%	\$ 30,416.68	\$ 90,005.00	\$ 30,416.68	\$ 59,588.32	Charged less than Budget
Sales & Marketing	\$ 451,066.00	93%	83%	\$ 376,601.62	\$ 396,139.00	\$ 376,601.62	\$ 19,537.38	Charged less than Budget
Audio - Visual & Technology	\$ 123,423.74	53%	80%	\$ 99,340.40	\$ 72,885.00	\$ 99,340.40	\$ [26,455.40]	Charged more than Budget
Food Payroll	\$ 277,836.30	100%	89%	\$ 246,372.19	\$ 320,147.00	\$ 247,333.79	\$ 72,813.21	Charged less than Budget
	\$ 987,651.63			\$ 752,730.89	\$ 879,176.00	\$ 753,692.49	\$ 125,483.51	

Note*: Earnings represent amounts earned during the year exclusive of PTO pay. Amounts adjusted to exclude first paycheck of year which relates to prior year and includes the first paycheck of the following year which relates to current year.

CHI is responsible for the accuracy of earnings data provided, staffing start and end dates, and for breakouts of amounts charged and credits given.

BELL HARBOR INTERNATIONAL CONFERENCE CENTER
INTERNAL AUDIT AND AUDIT COMMITTEE RESPONSE
2012 ALLOCATED/SHARED STAFF

PART 1. - POSITIONS PER INTERNAL AUDIT "PAID ON BUDGET". DID COSTS REIMBURSED EXCEED ACTUAL PAYROLL COSTS INCURRED?

Accounting	2012 Earnings* (a)	Allocation % Approved Budget (b)	Allocation % Actual (c)	Actual Applicable Earnings (d) = (a) x (c)	Budget Applicable Earnings (from budget)	Act Reimbursement To CHI (e)	(Over)/Under (d) - (e)	Notes
CFO	\$ 111,166.46	0%	0%	\$0	\$0	\$0		
Controller	72,233	100%	100%	72,233	92,698	47,700		
AR Clerk	28,243	0%	0%	0	0	27,573		
Senior Accountant (end 6/12/12)	21,157	100%	100%	21,157	48,924	21,682		
Senior Accountant (start 7/17/12)	23,305		100%	23,305	0	0	\$19,740	Fill Open Position
	\$ 256,103.94			\$116,695	\$141,622	\$96,955		
Human Resources								
HR Generalist/Mgr	61,858	100%	100%	61,858	61,689	66,168		
Recruiter	42,159	100%	100%	42,159	43,361	46,510		
	\$104,017			\$104,017	\$105,050	112,678.00	(\$8,661)	
							\$11,078	No - did not over pay

PART 2. - SALARIED POSITIONS - PAID ON ACTUAL TIME SPENT AS DETERMINED BY COLUMBIA HOSPITALITY

Department	2012 Earnings* (a)	Avg. Allocation % Approved Budget (b)	Avg. Allocation % Actual (c) = (e)/(a)	Actual Applicable Earnings (d) = (a) x (c)	Budget Applicable Earnings (from budget) (f)	Act Reimbursement To CHI (e)	Budget Variance FAV/(UNFAV) (f) - (e)	Notes
General Manager/Ops	\$ 175,789.29	nm	40%	\$69,707	\$103,448	\$69,707	\$33,741	Charged less than Budget
Sales & Marketing	\$ 339,136.10	nm	81%	\$273,770	\$305,492	\$273,770	\$31,722	Charged less than Budget
Audio - Visual & Technology	\$ 140,330.35	nm	86%	\$120,417	\$107,276	\$120,417	(\$13,141)	Charged more than Budget
Food Payroll	\$ 355,177.95	nm	82%	\$290,747	\$342,395	\$290,747	\$51,648	Charged less than Budget.
	\$ 1,010,433.69			\$ 754,640.55	\$ 858,611.00	\$ 754,640.55	\$ 103,970.45	Charged less than Budget

Note*: Earnings represent amounts earned during the year exclusive of PTO pay. Amounts adjusted to exclude first paycheck of year which relates to prior year and includes the first paycheck of the following year which relates to current year.
CHI is responsible for the accuracy of earnings data provided, staffing start and end dates, and for breakouts of amounts charged and credits given.

Dated modified: June 20, 2013

**MONITORING PROCEDURES
For
CONFERENCE AND EVENT CENTERS MANAGEMENT AGREEMENT
(CECMA)**

**Current and Implemented Changes to the Procedures to Monitor the Third Party
Management Agreement for Bell Harbor International Conference Center/Conference and
Event Center Management Agreement**

A. ANNUAL PLAN (Budget)

**Current Procedures performed by Seaport Finance and Real Estate Management on the
proposed Annual Plan submitted by Columbia Hospitality, Inc. (CHI)**

- 1) Before August 1, Manager shall submit to the Port a full annual plan (the "Annual Plan") for the Facility for the following calendar year.
- 2) Recalculate key accounts, including Capital Reserve, Management Fee, and Incentive Management Fee, for accuracy. Follow-up as necessary.
- 3) Perform analytical procedures on Proposed Budget compared to current year forecast, current year budget, and prior year actuals.
 - Analyze changes between Proposed Budget and current year forecast, current year budget and prior year actuals. Ask questions and evaluate responses for reasonableness. Follow-up as necessary.
 - Compare Proposed Budget revenue margins against same for current year forecast, current year budget and prior year actuals. Ask questions and evaluate responses for reasonableness. Follow-up as necessary.
 - Compare budget for consistency to Pro Forma, include written explanations for shortfalls to revenue.
- 4) Review salary and benefit assumptions for Operations, Accounting, and Marketing staff as presented in the Proposed Budget Document details.
- 5) Attend CHI Marketing Plan Budget Presentation and review its consistency with submitted Financial Plan. Consider financial accounting implications of proposed capital plan improvements for inclusion in Port Budget.
- 6) Review utilization of the Capital Reserve Account for use of funds that support the Port's mission within the agreement.
- 7) Contracts CHI entered into for services were approved as included in the budget under the expense line items – no additional review of the contract document.
- 8) Review the marketing and promotional hosting budgets with detail from CHI for the proposed uses. Determine if expense is marketing or promo hosting – adjust budget line item allocation as necessary.

- 9) Send written approval for the Annual Plan to CHI by September 15, which approval is subject to final approval by the Port Commission as part of the Port budget process.
- 10) Provide Finance and Budget with the approved expense budget to comply with the funds the Port is allowed to deposit to the Expense Account.

Additional Procedures to be performed on submitted Annual Plan by Seaport Finance and Real Estate Management

- 11) Gain big picture understanding of CHI corporate services staffing function and the breadth of the CHI organization.
- 12) CHI to provide written descriptions for their procedures and processes for charging salaries, benefits, bonuses, and PTO to the Port for salaried positions.
- 13) Review detailed written explanations and calculations that support the reasoning for percent of payroll allocations to Port facilities for shared staff and central services.
- 14) Check budget document to ensure that allocation percentages used in budget are consistent with documentation provided. CHI will provide a summary of staffing showing budgeted salary and budgeted allocation to Port properties.
- 15) Vendor contracts that CHI proposes to enter into will be submitted to the Port for review and approval.

B. MONTHLY REVIEW AND MONITORING

Current Procedures performed monthly By Seaport Finance and Real Estate Management

- 1) Review actual monthly and year-to-date performance to Budget.
- 2) Ensure that Budget numbers used in analysis are consistent with submitted/approved Budget
- 3) Significant variances from Budget as determined by provisions of agreement are identified. Review variance explanations for reasonableness and completeness.
- 4) Test the Incentive Management Fee calculation (on a quarterly basis)
- 5) Select random sample of 25 actual cash disbursements for the month including check number and dollar amount. Disbursements are tested as follows:
 - Confirm that the list of invoices they have provided match random sample requested including check number and dollar amount.
 - Review invoice to determine that detail matches amount of check
 - Review invoice for payee/product being consistent with BHICC & WTC Seattle business, is not a related party, and is not advancing funds for a private use of public funds
 - Confirm that check for payroll matches the CHI schedule for payroll for BHICC/WTC Seattle
 - Review address to location where service is provided/product delivered
 - Ask questions to understand unusual items. Follow-up as appropriate.
- 6) If an employee reimbursement check is selected as part of the random selected, the detailed backup for the reimbursement is reviewed. Are reimbursements consistent with understanding of CHI practices (e.g. payments for parking, cell phone)?
- 7) Review backup for voided checks and ask why check was voided
- 8) Compare that the Operating Expense Reimbursement request of funds agree with the attached check register that includes:
 - Paid Management Fee Invoice if paid during that request period.
 - E-file document for Monthly Sales Tax
 - E-file document for Quarterly L&I Tax
 - Reimbursement request attached to Request for Check (Book Transfer) approved by Real Estate Department
- 9) Review disclosed Related (Affiliated) Party Transactions.
- 10) Attend Monthly Owner's Meeting to discuss:
 - Market conditions, sales and marketing programs, current and forecasted events
 - Operations – Maintenance issues
 - Status of capital projects
- 11) Review CHI requests that required prior Port approval for use of Promo Hosting funds (e.g. events for WTCSeattle member receptions)
- 12) Review monthly utilization of Capital Reserve. CHI submits a request for approval for use of the capital fund for purchase of FF&E, which has been approved in the

Capital Plan established at the time of the budget review. Port reviews if purchase is in line with the Furniture, Fixture and Equipment (FF&E) guidelines, in line with the Port's interests, and in compliance with the Agreement.

Additional procedures to be performed on monthly basis

- 13) New Payroll Report will be submitted on a monthly basis
- 14) CHI will provide written explanations for changes in allocations percentages in the year and for significant salary changes.
- 15) CHI will disclose "related party transactions" events that are booked by affiliates and will submit prior approval for any related party transaction (e.g. purchasing) from affiliated entities and include this information in the monthly Owner's Report to the Port.
- 16) CHI has defined a general booking policy for events at POS facilities which have been reviewed and approved by Real Estate. Additional documentation for event contract negotiating decisions will be periodically reviewed for completeness.
- 17) During the monthly meeting with CHI financial staff, review Petty Cash receipts and verify the appropriate use of account funds. Also perform random on-site audit by Port staff from Accounts Payable of the petty cash account that balance agrees with allocated funds for Petty Cash