

Internal Audit Briefing

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

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Director, Internal Audit

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Agenda

- **Audit Report**
 1. Lease and Concession Audits
 - Vino Volo
 - InMotion – no reportable findings/conditions
 2. Operational Audits
 - Central Processing System
 - None
 - Comprehensive Operational Audit /Departmental Audit
 - Aviation Maintenance Department
 - Limited Operational Audit
 - None
 - 3rd Party Audit
 - None

- **Briefing/Updates**
 - Internal Audit 2013 Metric
 - Internal Audit 2013 Work Plan Status
 - Proposed 2014 Internal Audit Work Plan

Background

Vino Volo is located in the Central Terminal Marketplace. Its product line consists of wines from around the world, sold by the bottle, glass or tasting flights; lunch, dinner, and small-plates; and wine-related merchandise, books, and magazines.

Vino Volo entered into its first lease and concession agreement with the Port of Seattle on April 17, 2006, for a 10-year term ending April 30, 2016.

Key Financials for Vino Volo Lease & Concession Agreement

Audit Period May 1, 2010 - September 30, 2012

Gross Receipts	\$	3,976,695
Concession Payments	\$	437,436

Data Source: Vino Volo's CFO-Certified Annual Financial Reports

Audit Objectives

The purpose of the audit was to determine whether:

1. The reported concession revenue is complete, properly calculated, and remitted timely.
2. The lessee complied with significant provisions of the lease and concession agreement.

The scope of our audit covered the period from May 1, 2010 – September 30, 2012.

Audit Result

- Concession revenue reported by Vino Volo was complete, calculated properly, and remitted timely, except for overpayment of the concession fee. Vino Volo complied with significant provisions of the lease and concession agreement.

One Finding

1. Vino Volo overstated gross receipts and overpaid the concession fee.

Audit Recommendation

Port management work with Vino Volo to resolve the overpayment and ensure future gross receipts are reported in accordance with the terms of the agreement.

Background

Aviation Maintenance is the Port's largest department with approximately 360 employees and an annual operating budget of approximately \$56 million. There are nine separate labor unions representing approximately 300 Aviation Maintenance employees.

The Department's primary objective is to ensure properly functioning systems and equipment at aviation facilities.

Operating Expenses (in thousands)	2011	2012
Salaries, Wages, & Benefits	36,299	41,361
Equipment & Supplies	5,644	6,770
Other Expenses	6,414	5,700
Total	48,357	53,831

Data Source: PeopleSoft, as of November 7, 2013

Audit Objectives

The purpose of the audit was to determine whether the Department's controls are adequate to ensure:

1. Inventory records are accurate and complete.
2. Asset information is recorded completely, accurately, and timely in the Maximo system.
3. The preventive maintenance program is timely and effective.

We reviewed information for the period January 1, 2012 – September 30, 2013.

Audit Result

- Aviation Maintenance's controls are adequate to ensure that inventory records are accurate and complete, asset information is recorded completely, accurately and timely, and the preventive maintenance program is timely and effective.

No Reportable Findings/Conditions



- Internal Audit 2013 Metric
- Internal Audit 2013 Work Plan Status
- Proposed 2014 Internal Audit Work Plan

➤ Internal Audit 2013 Metrics

