

# Internal Audit Briefing

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

Joyce Kirangi, CPA, CGMA  
Director, Internal Audit

February 04, 2014

A decorative graphic at the bottom of the slide consisting of a series of overlapping, rounded rectangular shapes in shades of blue and green, creating a wave-like pattern.

# Agenda

- **Audit Report**

1. Lease and Concession Audits

- None

2. Operational Audits

- Central Processing System

- None

- Comprehensive Operational Audit /Departmental Audit

- Accountability for Tools and Equipment under \$20,000
- Port Construction Services (PCS) Close-Out Process


- Limited Operational Audit

- None

- 3<sup>rd</sup> Party Audit

- None

- **Briefing/Updates**

- Finalize Internal Audit 2014 Work Plan
  - Required Annual Communication to the Audit Committee
- 
- A decorative footer graphic consisting of several overlapping, rounded, horizontal shapes in shades of blue and green, arranged in a wave-like pattern across the bottom of the slide.

### Background

The Port's threshold to distinguish capital assets from personal property (expensed items) is \$20,000.

Accountability for the Port's personal property, which is the focus of this audit, is at management discretion.

During 2011 and 2012, the Port expended \$2.8 and \$3.3 million, respectively, on tools and equipment. Many of these items are considered "small and attractive" and at risk of loss and misuse.

Account Code	Description	2011	2012
61600	Furniture/Equipment	\$ 847,104	\$ 1,161,533
61650	Radios	166,890	310,980
61700	Shop Tools/Miscellaneous Equipment	230,242	305,090
61760	Computers/Telephones	1,525,306	1,522,911
	TOTAL	\$2,769,542	\$ 3,300,514

Data Source: PeopleSoft

## Audit Objectives

The purpose of the audit was to determine whether Port management controls are adequate to ensure tools and equipment purchases under \$20,000 are:

1. Accounted for and safeguarded.
2. In compliance with requirements governing surplus and disposal.

We reviewed information for the period January 1, 2012 - April 30, 2013.

A decorative graphic at the bottom of the slide consisting of several overlapping, rounded, horizontal shapes in shades of blue and green, mirroring the colors in the Port of Seattle logo.

## Audit Result – One Reportable Condition /Finding

### One Finding

- Port management controls are not adequate to ensure equipment purchases under \$20,000 are accounted for and safeguarded and in compliance with requirements governing surplus and disposal.

## Background

Port Construction Services (PCS) is a department in the Port's Capital Development division whose primary mission is to collaborate with other Port departments on the completion of smaller-scale projects/activities.

The Close-Out Process (COP) is a management control to ensure that all financial and regulatory requirements are satisfied. This includes finalizing records for submission, reconciling financial documents, and supplying critical maintenance and management information to Port customers.

### **Annual Close-Out's by Port Construction Services**

*By Fiscal Year, 2011-2013*

	2011	2012	2013	TOTAL
Close-Outs	65	142	80	287

Data Source: Project Management Information Systems Reports

A decorative graphic at the bottom of the slide consisting of several overlapping, rounded shapes in shades of blue and green, mirroring the Port of Seattle logo's color scheme.

## Audit Objectives

The purpose of the audit was to determine whether Port Construction Services' management has adequate controls to ensure:

1. The Close-Out Process complies with applicable Port policies and procedures.
2. The Close-Out Process sufficiently identifies, retains, or transmits all required records after project completion.

We reviewed information for the period January 1, 2013 – December 31, 2013

## Audit Result

- Management has adequate controls to ensure that the Close-Out Process complies with Port policies and procedures, as well as sufficiently identify, retain, and transmit required records after project completion.

No Reportable Findings/Conditions

A decorative graphic at the bottom of the slide consisting of several overlapping, rounded rectangular shapes in shades of blue and green, mirroring the colors in the Port of Seattle logo.



- Finalize Internal Audit 2014 Work Plan
- Required Annual Communication to the Audit Committee