



INTERNAL AUDIT REPORT

LIMITED OPERATIONAL AUDIT

EMPLOYEE LEARNING AND DEVELOPMENT POLICY TUITION REIMBURSEMENT PROGRAM

JANUARY 1, 2012- DECEMBER 31, 2013

ISSUE DATE: MAY 20, 2014

REPORT NO. 2014-07

TABLE OF CONTENTS

Transmittal Letter 3

Executive Summary 4

Background 5

Audit Scope And Methodology 5

Conclusion 6

TRANSMITTAL LETTER

Audit Committee
Port of Seattle
Seattle, Washington

We have completed an audit of the Employee Learning and Development Policy (HR-12), which provides for college tuition reimbursement. We reviewed information for the period January 1, 2012 - December 31, 2013.

We conducted the audit in accordance with Generally Accepted Government Auditing Standards and the International Standards for the Professional Practice of Internal Auditing. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We extend our appreciation to the management and staff of the Human Resources and Development Department (HRD) for their assistance and cooperation during the audit.



Joyce Kirangi, CPA, CGMA
Internal Audit, Director

AUDIT TEAM	RESPONSIBLE MANAGEMENT TEAM
Brian Nancekivell, Senior Auditor	Gary Buchanan, HRD Director
Jack Hutchinson, Audit Manager	Annalee Luhmann, Learning and Leadership Manager

EXECUTIVE SUMMARY

AUDIT SCOPE AND OBJECTIVES

The purpose of the audit was to determine whether management has implemented adequate controls to ensure compliance with the Employee Learning and Development Policy (HR-12). We reviewed information for the period January 1, 2012 - December 31, 2013.

BACKGROUND

The Employee Learning and Development Policy (HR-12) provides for college tuition reimbursement funded and administered by HRD. Employees must submit a request one year prior to anticipated enrollment. The employee's manager, department director, and division director must approve the employee's request. Annually, a committee reviews all employee requests and scores them based on available budget. The HRD Director provides final approval of the committee's recommendations.

For employees who have completed two years of continuous employment, reimbursement is at 50% of the tuition costs up to an annual cap of \$7,500 for undergraduate study and \$15,000 for graduate study. For employees who have completed four years of continuous employment, reimbursement is at 75%, with the same caps.

AUDIT RESULT SUMMARY

Management has implemented adequate controls to ensure compliance with the Employee Development and Learning Policy.

BACKGROUND

The Employee Learning and Development Policy (HR-12) provides for college tuition reimbursement funded and administered by HRD. Employees must submit a request one year prior to anticipated enrollment. The employee’s manager, department director, and division director must approve the employee’s request. Annually, a committee reviews all employee requests and scores them based on available budget. The HRD Director provides final approval of the committee’s recommendations.

For employees who have completed two years of continuous employment, reimbursement is at 50% of tuition costs up to an annual cap of \$7,500 for undergraduate study and \$15,000 for graduate study. For employees who have completed four years of continuous employment, reimbursement is at 75%, with the same caps.

Reimbursement requires an itemized tuition invoice and evidence of satisfactory course completion. The employee must attain, at minimum, a grade of “C” or its equivalent, to receive reimbursement or avoid repayment of a tuition advance. Any employee taking graduate level courses, if separated from the Port within two years of course completion, must repay the full amount of the tuition.

FINANCIAL HIGHLIGHTS

TUITION REIMBURSEMENT PROGRAM FINANCIAL HIGHLIGHTS

FISCAL YEAR	NUMBER OF PARTICIPANTS	BUDGETED EXPENDITURES	ACTUAL EXPENDITURES
2012	27	\$150,000	\$130,878
2013	21	180,000	148,268
TOTAL	48	\$330,000	\$279,146

Data Source: Human Resources Department, PeopleSoft Financials

AUDIT SCOPE AND METHODOLOGY

We reviewed information for the period 2012 and 2013. We utilized a risk-based audit approach from planning to testing. We gathered information through research, surveys, interviews, observations, and data analysis, in order to obtain a complete understanding of the HR-12 policy and procedures.

We applied additional detailed audit procedures to areas with the highest likelihood of significant negative impact. To determine if management had implemented adequate controls to ensure compliance with the policy and procedures:

- We reviewed the participant files maintained by HRD and the associated tracking methodology.
- We tested a risk-based sample of 10 program participants for each year, representing 59% and 69% of program expenditures for the respective years. We determined whether:
 - Application forms were properly approved.
 - Expenditures were properly supported and there was sufficient proof of course completion.
 - Complied with the program reporting requirements.
 - Individual expenditures reconciled to the General Ledger.
 - Total program expenditures in the tracking methodology reconciled to the General Ledger.

CONCLUSION

Management has implemented adequate controls to ensure compliance with the Employee Learning and Development Policy.