

Internal Audit Briefing

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

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May 20, 2014

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Agenda

- **Audit Report**
 1. Lease and Concession Audits
 - None
 2. Operational Audits
 - Central Processing System
 - None
 - Comprehensive Operational Audit /Departmental Audit
 - Airport Public Parking Operation
 - Aviation Building Department
 - Limited Operational Audit
 - Fire and Police Payroll Process Review
 - Police Forfeiture Funds
 - Tuition Reimbursement Program
 - 3rd Party Audit
 - None
- **Briefing/Updates**
 - CPO Efficiency Review by an Independent Consultant

Comprehensive Operational Audit Airport Public Parking Operation

Our audit focused on the management established monitoring controls over parking receipting operations based on system reports and other information.

**Review of Established Management Controls:
(these are controls outside a system application)**

- ✓ Safeguarding and accountability of collected parking receipts
 - ✓ Establish policies and procedure over parking receipting operation
 - ✓ Management monitoring and review of daily system output reports
 - ✓ Supervisor approval of exception parking transactions
 - ✓ Evidence of management verification and review of exception parking transactions
 - ✓ Documentation and audit trail -- evidence of management review
 - ✓ Review and reconciliation of collected parking fee receipts to system generated reports
 - ✓ Reconciliation of bank deposits to supporting records
 - ✓ Etc.
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Background

The Port of Seattle owns and operates the Seattle-Tacoma International Airport (STIA) parking garage. The Landside Operations Department runs the day-to-day operation using an automated parking revenue system to process parking transactions and to report parking revenue.

Revenue from parking operations is a significant portion of Port revenue, bringing in approximately \$50 million per year; this is the single largest Port-operated revenue stream. Credit cards are the most common method of payment comprising of almost 95% of total parking receipts in 2012 and 2013.

Public Parking Receipts

Payment Type	2012		2013	
	Receipts	Percentage	Receipts	Percentage
Cash	\$2,925,112	5.5%	\$2,874,971	5.2%
Credit Card	\$50,725,355	94.5%	\$52,655,053	94.8%
Total	\$53,650,467		\$55,530,023	

Source: Parking Revenue System

Audit Objectives

The purpose of the audit was to determine whether:

1. Established management controls are adequate to ensure:
 - Parking exception transactions are properly reviewed, approved, and documented
 - Recorded cash and credit card transactions are reconciled to bank deposits
 - Parking fees are charged in compliance with Commission- approved tariff rates
2. To determine whether the parking revenue system completely captures a record of each vehicle exiting the parking garage.

We reviewed Airport Public Parking Garage information for the period January 1, 2013 - April 11, 2014.

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Audit Result - No Reportable Condition /Finding

Management controls are adequate to ensure that exception transactions are properly reviewed, approved and documented, recorded cash and credit card transactions are reconciled to bank deposits, and parking fees are charged in accordance with the Commission-approved tariff. The tube-counting devices captured 99.2% of the vehicles exiting the garage when compared to the vehicle records captured in the parking revenue system.

Background

The Aviation Building Department formed in 1997, by an interlocal agreement between the Port of Seattle and the City of SeaTac. The agreement allows the Port to administer and issue permits for all Port of Seattle projects located within the city limits.

The Department collects permit fees for building and mechanical plan reviews for tenant construction projects at the airport. The Department employs five FTEs, three of whom are field and plan review inspectors. The Department utilizes an internally developed Permit Tracking System (ABD system) for billing and collecting fees.

AVIATION BUILDING DEPARTMENT PERMIT REVENUES AND EXPENSES			
PERMIT TYPE	2011	2012	2013
Building Permit and Plan Review Fee Revenue	\$137,291	\$208,541	\$191,230
Salaries and Benefits Expense	639,634	654,502	554,886
Other Expense	26,935	37,515	28,219
TOTAL	\$803,860	\$900,558	\$774,335

Data Source: PeopleSoft Financials

Audit Objectives

The purpose of the audit was to determine whether Port management controls are adequate to ensure:

1. Permit and plan review fee receipts were complete, properly recorded and deposited timely and intact.
2. Inspections and/or plan reviews outside normal business hours were properly authorized and billed.
3. Department expenditures were properly authorized and for legitimate business purposes.

We reviewed information for the period January 1, 2011 - December 31, 2013.

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Audit Result

- Management monitoring controls are not adequate to mitigate the risks related to the complete, properly recorded, timely, and intact deposit of permit and plan review fee receipts, proper authorization and billing of after-hour inspection services, and properly authorized and legitimate expenditures.

One Reportable Condition/Finding

- The aviation building department's management controls are not adequate to mitigate the risks associated with the absence of the separation of duties.

Background

Pay and benefits are the most significant expense for Fire and Police. Due to the union agreements, there is significant complexity in the departments' payroll processes as compared to salaried, non-represented Port employees.

PORT FIRE AND POLICE SALARIES, WAGES, AND BENEFITS - 2013		
FIRE DEPARTMENT		
Actual Salaries, Wages, and Benefits		\$11.8 M
Total Represented Employees (Local 1257)	Fire Fighters	67
Total Employees*	--	73
POLICE DEPARTMENT		
Actual Salaries, Wages, and Benefits		\$20.1 M
Represented Employees (Local 117)**	Officers	76
	Sergeants	16
	Dispatch	16
	Communication Specialist	8
	Non-Sworn Supervisors	3
	Commanders	5
	TOTAL REPRESENTED	124
Total Employees*	--	131

Data Source: PeopleSoft Financials

Data Note: *As of December 31, 2012

**Each labor group has a separate agreement under Local 117

Audit Objectives

The purpose of the audit was to determine whether Fire and Police management has implemented adequate controls to ensure:

1. Actual pay and benefits meet the terms of the union agreements and applicable state laws and regulations.
2. Payroll records at Fire and Police Departments are accurate and complete.


We reviewed information for the period from January 1, 2012 - August 31, 2013. We audited only represented employees.



Audit Result

- Fire and Police Departments have implemented adequate controls to ensure their actual pay and benefits are reasonably accurate and complete. However, the management of other Port departments involved in pay and benefits administration processes has not designed or implemented adequate inter-department communication controls to ensure that actual pay and benefits administration processes fully meet the terms of the union agreements. Although the known errors/oversights have not been financially significant, there have been numerous errors and omissions that have impacted a number of employees over prolonged periods.

One Reportable Condition/Finding

- More formalized communications and coordination efforts are required among port departments in order to successfully implement labor agreements.
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Background

Police participates in seizure and forfeiture programs to control illegal narcotics. The Department has participated in the federal and Valley Narcotics Enforcement Team (VNET) programs as far back as 2005. The state program began in late 2009. When seizures occur, the seizures are held in trust until there is a legal order to return the seized item or money to the party from which it was seized or to release the item or money to the seizing agency.

PORT OF SEATTLE POLICE DEPARTMENT FORFEITURE REVENUES					
Source of Forfeiture Revenues	2010	2011	2012	2013	TOTAL
Federal	\$177,893	\$25,603	\$0	\$29,323	\$232,819
Valley Narcotics Enforcement Team	81,000	50,000	0	0	131,000
State	271,449	189,339	98,790	56,438	616,016
TOTAL	\$530,342	\$264,942	\$98,790	\$85,761	\$979,835


Data Source: PeopleSoft Financials

Audit Objectives

The purpose of the audit was to determine whether management controls over Police Forfeiture Funds are adequate to ensure:

1. Seized property is properly processed in accordance with state law from point of seizure to point of forfeiture.
2. Forfeited property is properly accounted for.
3. Expenditures of forfeited property are in compliance with federal, state, and local laws regarding:
 - a. Allowability of expenditures of forfeiture funds.
 - b. Timely and accurate reporting of activity of forfeited funds.
 - c. Time period within which forfeited funds are to be expended.

We reviewed information for the period January 1, 2010 - December 31, 2013.

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Audit Result

- Management controls over Police Forfeiture Funds are adequate to ensure seized property is properly processed, forfeited property is properly accounted for, reports are timely and accurate, and funds are expended within mandated time period. However, controls are not adequate to ensure expenditures of forfeited funds are allowable.

One Reportable Condition/Finding

- The police department did not comply with the applicable legal requirements for the use of forfeiture funds.

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.

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 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.



Audit Result - No Reportable Condition /Finding

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



- CPO Efficiency Review by an Independent Consultant
 - Mobius Industries was awarded the contract, and the work began on 3/3/2014.
 - The review is scheduled to be complete no later than 6/30/2014.
 - To date, it is about 60% complete, schedule-wise.