



**Commissioners**

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**APPROVED MINUTES  
AUDIT COMMITTEE SPECIAL MEETING MAY 20, 2014**

The Port of Seattle Commission Audit Committee met in a special meeting Tuesday, May 20, 2014, in the Commission Chambers at Pier 69, 2711 Alaskan Way, Seattle, Washington. Committee members present included Commissioner Bryant. Commissioner Creighton and Christina Gehrke participated by telephone. Also present were Tay Yoshitani, Chief Executive Officer; Joyce Kirangi, Internal Audit Department Director; Jack Hutchinson, Internal Audit Manager; Laurie Tish of Moss Adams LLC; Tyler Parrick of Moss Adams LLC; Ben Wolfgram, Senior Internal Auditor; Brian Nancekivell, Senior Internal Auditor; Ruth Riddle, Senior Internal Auditor; Jeff Hollingsworth, Senior Manager, Risk Management; Lauren Smith, Manager, Human Resources and Development Information System; Tom Barnard, Research and Policy Analyst; and Paul White, Commission Clerk.

**Call to Order:**

The committee special meeting scheduled to begin at 8:30 a.m. in accordance with notice published pursuant to RCW 42.30.080 was called to order at 8:30 a.m. by the Clerk due to the absence of committee members and [immediately adjourned to 9:00 a.m.](#) in Commission Chambers.

The committee special meeting was called to order at 9:02 a.m. by Commissioner Bryant. Commissioner Creighton and public member Christina Gehrke participated by telephone.

**Approval of Audit Committee Meeting Minutes of December 3, 2013:**

**On motion by Commissioner Creighton, seconded by Commissioner Bryant, the minutes of the Audit Committee special meeting of December 3, 2013, were approved.**

**Moss Adams 2013 Audit Exit Conference:**

The committee received a [presentation](#) from Ms. Tish and Mr. Parrick that included the following relevant information:

- All audit reports are dated April 25, 2014, and work is complete.
- The opinion on financial statements for Enterprise Fund and the Warehousemen's Pension Trust Fund has been issued. These statements comprise the Port's Comprehensive Annual Financial Report. The opinions are unmodified.
- Single audit reports on internal controls and compliance over financial reporting and on compliance for federal award programs are nearly finalized. An audit and report on the schedule of passenger facility charges was also performed.

- A deficiency in internal controls was noted related to a vendor-supplied ancillary revenue operating system. There were no other findings of noncompliance.
- Areas of audit focus and methodology were delineated.
- Required communications were delivered, including statements related to auditor and management responsibilities, audit scope, significant accounting policies, consistency and clarity of financial statements, management participation, absence of proposed or passed audit adjustments that would affect net position, consultation with other external auditors, absence of difficulties encountered or illegal acts discovered, ability to continue as a going concern, consideration given to identifying fraud, and the independence of the auditor, Moss Adams, from the Port of Seattle.

**Comprehensive Operational Audit – Airport Public Parking Operation:**

The committee received a [presentation](#) from Mr. Wolfgram that included the following relevant information:

- The audit covered the period January 1, 2013, through April 11, 2014.
- Its purpose was to determine whether management controls are adequate to ensure exception transactions are properly processed, cash and credit card transactions are reconciled to bank deposits, and parking fees are charged in compliance with approved tariff rates, as well as to determine whether the parking revenue system completely captures a record of each vehicle exiting the garage.
- The audit concluded that management controls are adequate to ensure the functions described above and tube-counting devices captured 99.2 percent of the vehicles exiting the garage as compared to vehicle records in the parking revenue system.
- Exception transactions are those that are out of the ordinary in some way, such as use of validation coupons or removal of vehicles by tow truck or similar circumstances that require additional management scrutiny.
- There were no reportable findings from this audit.
- Performance of the internal processing of the public parking system was outside the scope of this audit.

**Comprehensive Operational Audit – Aviation Building Department:**

The committee received a [presentation](#) from Mr. Hutchinson that included the following relevant information:

- The audit covered the period January 1, 2011, through December 31, 2013.
- Its purpose was to determine whether management controls are adequate to ensure permit and plan review fee receipts were complete, properly recorded, and deposited timely; inspections and plan reviews outside normal business hours were properly authorized and billed; and department expenditures were properly authorized and for legitimate business purposes.
- There was one finding that management controls were not adequate to mitigate the risk associated with absence of separation of duties. In small departments, incompatible duties are often concentrated. The audit found that insufficient management oversight resulted in errors relating to approval of overtime and unbilled inspection hours, incorrectly (under) calculated fees and untimely collection of fees, untimely deposits, and employee travel expenses.
- A written report following implementation of measures to respond to these findings will be submitted to the Audit Committee.

**Limited Operational Audit – Fire and Police Payroll Process Review:**

The committee received a [presentation](#) from Mr. Nancekivell that included the following relevant information:

- The audit covered the period January 1, 2012, through August 31, 2013.
- Its purpose was to determine whether management has implemented adequate controls to ensure actual pay and benefits meet terms of bargaining agreements and applicable laws and regulations and to ensure payroll records are accurate and complete.
- The audit found that the Fire and Police Departments have implemented adequate controls as noted above, but that more formalized communications and coordination efforts are required among the multiple Port departments involved in administering various bargaining agreement details to successfully implement the agreements. Errors affecting numerous employees, although not financially significant, have occurred over prolonged periods.

**Limited Operational Audit – Police Forfeiture of Funds:**

The committee received a [presentation](#) from Ms. Riddle that included the following relevant information:

- The audit covered the period January 1, 2010, through December 31, 2013.
- Its purpose was to determine whether management controls are adequate to ensure proper processing of seized property in compliance with state law, proper accounting of forfeited property, and that expenditures of forfeited property comply with federal, state, and local laws, particularly allowability of expenditures, reporting of activity of forfeited funds, and restrictions on the time period during which forfeited funds are to be expended.
- The audit found that management controls were adequate to ensure the functions described, with the exception of ensuring that expenditures of forfeited funds are allowable. The department made expenditures of approximately \$326,000 that did not have the necessary close connection to the cause of their seizure.
- Recommendations included reimbursement of the state forfeiture fund from appropriate resources for the unallowable expenditures, development of clear guidance and authorization forms, and implementation of review processes to detect improper charges in a timely manner.

**Limited Operational Audit – Tuition Reimbursement Program:**

Without objection, a written report and [presentation slides](#) were accepted in lieu of a verbal presentation on the Tuition Reimbursement Program Limited Operational Audit, covering the period of January 1, 2012 through December 31, 2013. The purpose of the audit, as reported, was to determine whether management had implemented adequate controls to ensure compliance with the Employee Learning and Development Policy HR-12.

The report included no findings of significance, and there was no discussion of this agenda item.

**Central Procurement Office Efficiency Audit Review Update:**

Ms. Kirangi reported that there is a consultant conducting the Central Procurement Office Efficiency Audit Review. Port Commissioners will be interviewed as part of the audit, and work is expected to be complete by June 30, 2014.

**Enterprise Risk Management Project – Aviation Facility and Infrastructure and Maintenance Operations:**

The committee received a [presentation](#) from Mr. Hollingsworth and Ms. Smith that included the following relevant information:

- The project included a series of activities designed to identify areas of risk within the department and develop objectives and strategies for mitigating these risks.
- Objectives developed included the following, which were linked to related Airport Strategies:
  - ▶ Limiting growth of operations and maintenance costs to a compound annual growth rate of 2.8 percent between 2012 and 2018.
  - ▶ Meeting future electrical growth needs through conservation and use of renewable energy resources.
  - ▶ Minimizing lifecycle capital and operations and maintenance costs.
  - ▶ Developing a comprehensive computer based asset management system to anticipate Airport and tenant needs.
  - ▶ Grow continuous process improvement across the Port by increasing the number of process improvements and increasing participation at all levels.
  - ▶ Operate all electrical, mechanical, and communication systems reliably to the benefit of tenants and passengers.
  - ▶ Reduce greenhouse gas emissions by 15 percent below 2005 levels by 2020.
  - ▶ Operate a world class international airport by ensuring safe and secure operations.
  - ▶ Improving overall safety of aircraft and vehicular movement measured by an increase in a composite annual score of 100 total possible points, ranking a variety of safety events.
  - ▶ Continue to manage and renegotiate agreements with the City of SeaTac.
- Risk was ranked based on impact and likelihood.
- A Risk Assessment Matrix for the department was developed.

*[Clerk's note: At the time of adjournment, this agenda item was not yet completed. It was announced that it would be taken up again at a later date.]*

**Adjournment:**

At 9:45 a.m., the Committee recessed due to loss of a quorum resulting from technical difficulties of the telephone system. The special meeting was reconvened by Commissioner Bryant at 9:52 a.m. and immediately adjourned.

John Creighton  
Minutes approved: July 30, 2014