

INTERNAL AUDIT BRIEFING

PRESENTED TO THE PORT OF SEATTLE
AUDIT COMMITTEE AND
MR. TED FICK, CEO

JOYCE KIRANGI, CPA, CGMA
DIRECTOR, INTERNAL AUDIT

TUESDAY, OCTOBER 21, 2014

AGENDA

Audit Report

1. Lease and Concession Audits
 - Anton Airfood (dba Anthony's at Sea-Tac)
2. Operational Audits
 - Central Processing System
 - General Ledger
 - Comprehensive Operational Audit/Departmental Audit
 - None
 - Limited Operational Audit
 - Customer Facility Charge (CFC) Compliance
3. Third-Party Audit
 - None

Briefing/Update

- Capital Projects Audit Update
- 2014 Work Plan Status Update & Risk Assessment for the 2015 Work Plan
- Proposed Internal Audit 2015 Budget

CENTRAL PROCESSING SYSTEM GENERAL LEDGER



INTERNAL AUDIT

BACKGROUND

The General Ledger (G/L) is the core of the PeopleSoft Financial Management System. The PeopleSoft subsystem applications, such as payables and receivables, create and post appropriate journals to the General Ledger. From the G/L, the Port produces monthly detailed and summary accounting information and annual financial reports.

The Port has used the PeopleSoft Financial Management System since 1997. The latest upgrade (Version 9.1) was implemented in September 2013. AFR is currently deploying system updates/bundles to all six PeopleSoft Financial modules which also incorporate an upgrade to PeopleTools scheduled to be completed by October 2014.

CENTRAL PROCESSING SYSTEM GENERAL LEDGER

AUDIT OBJECTIVES AND SCOPE

The purpose of the audit was to determine whether management controls over the General Ledger are adequate to ensure:

- Access to the general ledger is proper.
- Journal entries to the general ledger are proper and accurate.
- All journal entries are accounted for.

We reviewed information for the period January 1, 2013 - June 30, 2014.



CENTRAL PROCESSING SYSTEM GENERAL LEDGER



INTERNAL AUDIT

AUDIT RESULT

Management controls over the general ledger are adequate to ensure access is proper, entries are proper and accurate, and all journal entries are accounted for.

No Reportable Findings.



LIMITED OPERATIONAL AUDIT CUSTOMER FACILITY CHARGE (CFC) COMPLIANCE



INTERNAL AUDIT

BACKGROUND

The Customer Facility Charge (CFC) is a user fee paid only by those renting cars at the airport. Rental car companies collect the CFC and remit revenue to the Port. The revenue is used to cover all rental car facility expenses including but not limited to busing operations and debt services. The Port has been collecting the CFC fee since 2006, and the current fee is \$6 per day.

The Port collects approximately \$30 million annually and incurs roughly \$26 million in operating and debt service expenditures. Any excess revenue is accumulated to finance future capital costs.

FINANCIAL HIGHLIGHTS

(in thousands)	2012	2013
Sources of Funds		
CFC Collections	\$30,016	\$31,549
Interest Earnings	191	104
Uses of Funds		
Debt Service	19,689	19,667
Operating Costs	6,146	6,363
Project Expenditures (capital)	17,122	2,512
Ending CFC Fund Balance	\$12,634	\$15,745
<small>Data Source: Aviation Finance & Budget</small>		

LIMITED OPERATIONAL AUDIT CUSTOMER FACILITY CHARGE (CFC) COMPLIANCE



INTERNAL AUDIT

AUDIT OBJECTIVES AND SCOPE

The purpose of the audit was to determine whether:

- Management controls over operating costs are adequate to ensure compliance with applicable Revised Code of Washington (RCW) 14.08.120 in the use of the CFC funds.

We reviewed information for the period January 1, 2012 - July 31, 2014.



LIMITED OPERATIONAL AUDIT CUSTOMER FACILITY CHARGE (CFC) COMPLIANCE



INTERNAL AUDIT

AUDIT RESULT

Port management has implemented adequate controls to ensure reasonable compliance with the use of Customer Facility Charge (CFC).

No Reportable Findings.



BRIEFING/UPDATE

- Capital Projects Audit Update
- 2014 Work Plan Status Update & Risk Assessment for the 2015 Work Plan
- Proposed Internal Audit 2015 Budget



BRIEFING/UPDATE



INTERNAL AUDIT

Proposed Internal Audit 2015 Budget

Overall Budget Highlights

	2013		2014		2015	
	Amount	%	Amount	%	Amount	%
Salaries/Wages and Benefits	1,167,551	85.81%	1,229,327	86.46%	1,269,748	86.83%
Outside Services	128,450	9.44%	129,950	9.14%	124,750	8.53%
Travel, Training, and Other Emp Expense	45,550	3.35%	45,139	3.17%	51,479	3.52%
Telecommunications	5,820	0.43%	5,880	0.41%	5,520	0.38%
General Expense	4,340	0.32%	3,950	0.28%	4,121	0.28%
Equipment Expense	5,950	0.44%	4,560	0.32%	3,760	0.26%
Supplies/Stock	3,000	0.22%	3,000	0.21%	3,000	0.21%
	1,360,661	100.00%	1,421,806	100.00%	1,462,378	100.00%



BRIEFING/UPDATE



INTERNAL AUDIT

Proposed Internal Audit 2015 Budget

Additional Items for the 2015 Budget

Request Item	Committee Approval	Management Approval
Senior Construction Auditor Request Amount: \$102,708	Pending Discussion with the Committee	Management has preliminarily approved \$60,000 for consulting services.
Contracted Services for Subject Matter Experts (SMEs) Request Amount: \$100,000	Pending Discussion with the Committee	Management has preliminarily approved the use of the Corp contingency funds for this purpose, as needed.
ACL Analytics Tool – Server Version Request Amount: \$15,000	Pending Discussion with the Committee	Management has preliminarily approved full \$15,000
Peer Review by ALGA Request Amount: \$15,000	Pending Discussion with the Committee	Management has preliminarily approved full \$15,000