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APPROVED MINUTES AUDIT COMMITTEE SPECIAL MEETING JANUARY 6, 2016

The Port of Seattle Commission Audit Committee met in a special meeting Wednesday January 6, 2016, in the Commission Chambers at Pier 69, 2711 Alaskan Way, Seattle, Washington. Committee members present included Commissioner Creighton and Christina Gehrke. Commissioner Albro participated by telephone. Also present were Dan Thomas, Chief Financial Officer; Joyce Kirangi, Internal Audit Department Director; Margaret Songtangaruk, Senior Internal Auditor; Mike Merritt, Commission Chief of Staff; and Amy Dressler, Assistant Commission Clerk.

Call to Order:

The committee special meeting was called to order at 1:30 p.m. by Commissioner Creighton.

Approval of Audit Committee Meeting Minutes of December 1, 2015:

The minutes of the Audit Committee special meeting of December 1, 2015, were approved.

Lease and Concession Audit – Puget Sound Dispatch

The Committee received a [presentation](#) from Ms. Kirangi that contained the following information:

- The purpose of this audit was to determine whether Port management monitoring controls are adequate and effective to ensure that Puget Sound Dispatch submits a detailed statement showing gross receipts derived from the concession agreement and pays a percentage fee in excess of the minimum annual guarantee when applicable.
- The audit also sought to determine whether concession fees were complete, properly calculated, and remitted timely, whether Port management and Puget Sound Dispatch complied with significant financial terms of the concession agreement.
- Additionally, this audit explored the gross receipts provision, which is unusual because it uses estimates.
- The focus was on records for the period of November 1, 2011-August 31, 2015.
- It was determined that monitoring controls over the Puget Sound Dispatch concession agreement are not adequate to ensure accurate and complete reporting of concession fees. This type of estimate-based fee agreement called for more management involvement in monitoring the contract than occurred during the examination period. Further knowledge of the methodology used by Puget Sound Dispatch to calculate payments, a better understanding of taxi regulations and how zones are determined, and monitoring by management of the taxicab activities at the Airport would have been necessary to provide effective monitoring of this agreement.

- It was determined that Puget Sound Dispatch did not report gross receipts accurately and completely. Two methods were used to calculate gross receipts: During the period of November 2011 to March 2015, a simple formula was used that multiplied the number of outbound trips by the average fare, but the outbound trip count did not use complete information. The second method was reported using data on gross receipts based on dispatch system data, which also resulted in underreporting.
- Finally, it was determined that Puget Sound Dispatch did not comply with the 3-year record retention requirement specified in the concession agreement. Records were incomplete or missing for the audit period.
- Port management agreed with the audit findings, stating that the use of a concession agreement in lieu of a per-trip fee was an untried method undertaken in an effort to break new ground. It is recommended that future agreements move back to a per-trip fee to ensure greater accuracy and accountability.
- Steps taken by management include improved tracking of vehicle tags in order to keep track of trips, more time and effort spent staying abreast of changes to King County tariffs, and the transfer of administration for this contract from Aviation Operations to Aviation Business Development.

Public Testimony

At the discretion of the chair, public comment regarding the Puget Sound Dispatch audit was heard. Testimony was received from the following individuals:

- Chris Van Dyk, Quality Ground Transportation. Mr. Van Dyk also submitted written materials that are included here as minutes [Exhibit A](#) and are available for public review.
- Abdul Yusuf, For Hire Association. Mr. Yusuf also submitted an e-mail that is included here as minutes [Exhibit B](#) and is available for public review.
- Sheila Stickel, Consultant, Puget Sound Dispatch. Ms. Stickel also submitted written materials that are included here as minutes [Exhibit C](#) and are available for public review.
- Samatar Guled, General Manager, Eastside for Hire.
- Henry Yates, Consultant, Eastside for Hire.

Adjournment:

There was no further business, and the special meeting adjourned 3:07 p.m.

John Creighton

Minutes Approved: February 22, 2016