



P.O. Box 1209  
Seattle, Washington 98111  
[www.portseattle.org](http://www.portseattle.org)  
206.787.3000

## **APPROVED MINUTES AUDIT COMMITTEE SPECIAL MEETING AUGUST 8, 2016**

The Port of Seattle Commission Audit Committee met in a special meeting Monday, August 8, 2016, in the Commission Chambers at Pier 69, 2711 Alaskan Way, Seattle, Washington. Committee members present included Commissioner Albro, Commissioner Creighton, and Christina Gehrke. Also present were Ted Fick, Chief Executive Officer, Dan Thomas, Chief Financial Officer; Jessica Martin-Carscadden, Internal Audit Manager; Patricia Ly, Administrative Staff Assistant, Dan Chase, Senior Internal Auditor, Brian Nancekivell, Senior Internal Auditor; Michael Ehl, Director, Airport Operations; Aaron Pritchard, Commission Issues & Policy Manager; and Amy Dressler, Assistant Commission Clerk.

### **Call to Order:**

The committee special meeting was called to order at 2:04 p.m. by Commissioner Albro.

### **Approval of Audit Committee Meeting Minutes of May 9, 2016:**

**The minutes of the Audit Committee special meeting of May 9, 2016, were approved.**

### **Update – Flexible Work Plan:**

The committee received a report from Ms. Martin-Carscadden that included the following information:

- 45 percent of planned audits are substantially complete.
- The remaining planned audits are on schedule.

### **Update – Association of Internal Auditors Conference:**

The committee received a report from Ms. Ly that included the following information:

- Port of Seattle's sponsorship of this conference extended to facilitation of social events and other conference activities.
- The conference was a success; attendees gave positive feedback about both conference events and Seattle as a travel destination.

### **Lease and Concession Audit – SeaTac Rentals, Inc. dba Payless Car Rental**

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

- Information for the period of May 17, 2012, to May 31, 2014, was reviewed.

- The purpose of the audit was to determine whether Port management monitoring controls are adequate and effective to ensure that concession fees were complete, properly calculated, and remitted timely, that provisions of the lease and concession agreement were complied with, and that Customer Facility Charges (CFCs) were properly collected and remitted.
- It was determined that Customer Facility Charges were underreported, and a recommendation was issued that Port management seek \$19,602 in CFC charges, and consider assessing a late fee and other charges relating to costs of the underpayment.

**Lease and Concession Audit Termination – [Marel Seattle Inc.](#):**

Ms. Martin-Carscadden informed the committee that after initial planning and risk assessment, it was decided to discontinue the audit of food processing systems and services provider Marel Seattle Inc. because no significant risks were identified.

**Comprehensive Operational Audit – [Ground Transportation](#):**

The Committee received a [presentation](#) from Mr. Chase that included the following information:

- The purpose of this audit was to determine:
  - Accuracy and timeliness of Seattle Tacoma International Limousine Association (STILA) billing and payments.
  - Accuracy and completeness of STILA-reported trip data.
  - Effectiveness of billing processes.
  - Whether staffing levels are sufficient.
  - Effectiveness of management monitoring controls.
- It was found that staffing levels may not be adequate. Staffing is at a level proportionate to lower passenger volumes seen during the recession.
- It was found that the internal control structure lacks management oversight and approval.

Mr. Ehl responded that requests for additional staff have been made, including seven new ground transportation controllers in the 2017 budget. Spot-audits for transportation network companies (TNCs) are being done on a monthly basis. A process improvement occurred in 2014; this audit examined information that included data prior to that change. He reported that Aviation Business Development has formed a contract compliance committee to identify where resource and subject matter expertise gaps exist, in order to determine how to more effectively monitor contracts.

In response to an inquiry from Commissioner Albro about recommendations for more effective contract administration, Mr. Thomas suggested a future report from the contract compliance committee on recommendations for best practices.

**Information Technology Audit – Health Insurance Portability and Accountability Act Compliance:**

Consultants from Apgar & Associates, originally scheduled to participate in this presentation, were unable to attend the meeting due to travel difficulties. This item was postponed to a future meeting.

**Additional New Business -- Capital Projects Audit Engagement Additional Funding:**

The committee received a presentation from Ms. Martin-Carscadden and Mr. Nancekivell that contained the following information:

- Capital project audits are a new task for Internal Audit.
- The addition of four capital project audits (completion of the Runway 16C/34C reconstruction project, International Arrivals Facility, NorthSTAR, and baggage optimization replacement) is suggested.
- Additional audit staffing is requested in order to accomplish these audits. Hiring new in-house staff, hiring contractors, and shifting duties of existing staff were considered.

In response to Commissioner Creighton's inquiry whether a contractor with subject matter expertise would be more efficient than hiring an additional permanent employee, Mr. Nancekivell pointed out that the Sustainable Airport Master Plan alone will call for 25 years' worth of major capital projects requiring oversight. Commissioner Creighton stressed the importance of carefully weighing pros and cons when deciding between hiring in-house talent and using contractors.

- An additional \$83,000 is requested for the 2016 audit plan. This will be for a contract audit to benchmark the Port's aviation capital management processes with comparable airports.

Commissioner Albro asked why this benchmarking project is time-sensitive and cannot be incorporated into the 2017 work plan. Mr. Nancekivell responded that the expertise to do this project does not exist in-house, but many firms exist who have the necessary current expertise.

Commissioner Creighton mentioned that there are upcoming waterfront projects that may also benefit from capital project audit scrutiny.

Commissioner Albro indicated a wish to develop an holistic approach to determining what Internal Audit's role is regarding the OnePort strategy and Northwest Seaport Alliance. He suggested meeting again in September to provide further feedback regarding this request in order to incorporate the necessary resource requests into the 2017 budget and audit plan.

**Adjournment:**

There being no further business, the special meeting was adjourned 3:05 p.m.

John Creighton

Minutes approved: October 10, 2016.