

EXTERNAL AUDITS

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|---|----------------------------------------------------------------------------------------------------|
| 1 | State Auditor's Office Accountability Audit Entrance Meeting |
| 2 | Health Insurance Portability and Accountability Act (HIPAA) Compliance Audit -- Apgar & Associates |



UPDATES

- | | |
|---|----------------------------------------------|
| 1 | 2016 Flexible Workplan Status Update |
| 2 | Management Update on Contract Administration |



Status Legend: E - exited with the Committee P - Pending Exit w/AC O - ongoing audit NS - not started

Audit Category	Audit	Status	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Lease and Concession Agreements	1 CLEAR CHANNEL WORLDWIDE	P												
	2 LOUIS DREYFUS CORP - PIER 86	O												
	3 AIRPORT MANAGEMENT SERVICES LLC (Hudson)	O												
	4 MAD ANTHONY'S AT P 66 AND CHINOOK'S AT FISHERMEN'S TERMINAL	E												
	5 CRUISE TERMINAL OF AMERICA	E												
	6 THE CLIPPER NAVIGATION INC.	E												
	7 THE MAREL SEATTLE	E												
	8 TERRI D'S CATERING DBA ACT-3	E												
	9 EAN LLC (Enterprise, Alamo and National RAC) - carried forward from 2015	E												
	10 FIREFLY CAR RENTAL - carried forward from 2015	E												
	11 SEATAC RENTALS dba PAYLESS CAR RENTAL - carried forward from 2015	E												
Comprehensive Operational	12 AIRPORT OPERATIONS - GROUND TRANSPORTATION	E												
	13 AIRPORT SECURITY DEPARTMENT/CREDENTIAL CENTER	E												
	14 POLICE DEPARTMENT	O												
	15 LANDSIDE EMPLOYEE PARKING	NS												
3rd Party Management	16 AIRPORT CLUB INTERNATIONAL &	O												
	17 CLUB CASCADE LOUNGE (VIP)	O												
	18 BELL HARBOR INTERNATIONAL CONFERENCE CENTER (P66 BHIC)	O												
	19 WORLD TRADE CENTER (WTC - S) P66 CLUB/RESTAURANT	O												
Limited Operational	20 AIRPORT TERMINAL -- JANITORIAL SERVICES PROGRAM	NS												
	21 CENTRALIZED INTERNATIONAL SUPPORT SERVICES PROGRAM	O												
	22 CAPITAL PROGRAM - RECONSTRUCTION OF CENTER RUNWAY	E												
Information Technologies Projects	23 HIPAA COMPLIANCE - HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT	E												
	24 GENERAL CONTROL - END-POINT SECURITY	P												
	25 IT ASSET MANAGEMENT/RADIO COMMUNICATION EQUIPMENT	NS												
Consulting Services	1 TRANSPORTATION NETWORK COMPANIES (TNCs)	E												
	2 FOLLOW-UP 2015 YELLOW CAB AUDIT	E												
	3 SELECTION OF EXTERNAL FINANCIAL AUDITOR	E												
	4 OTHERS	O												

Percentage

Total # of audits	25	100%
# of Completion	14	56%
# of in progress	8	32%
# of not started	3	12%



LEASE AND CONCESSION AGREEMENT AUDIT

Clipper Navigation, Inc.

BACKGROUND

Clipper Navigation, Inc. (also known as Clipper Vacations) is a privately held company in Seattle, Washington and offers transportation services, tours, and accommodation packages. The company was established in 1986 and serves the Pacific Northwest and Western Canada.

The Port of Seattle and Clipper Navigation, Inc., entered into a lease agreement dated April 24th, 2014 whereby Clipper Navigation, Inc. agreed to pay Base Rent to lease certain property located at Pier 69. In addition to Base Rent, a per-passenger charge is paid to the Port of Seattle for every embarking or dis-embarking passenger.

FINANCIAL HIGHLIGHTS

CLIPPER NAVIGATION RENT PAYMENTS

YEAR	AMOUNT
MAY 1, 2014 - APRIL 30, 2015	\$ 277,269.95
MAY 1, 2015 - APRIL 30, 2016	277,269.95

Data Source: PeopleSoft



LEASE AND CONCESSION AGREEMENT AUDIT

Clipper Navigation, Inc.

AUDIT OBJECTIVES AND SCOPE

The purpose of the audit was to:

1. Evaluate the design and operating effectiveness of Port management monitoring controls.
2. Determine compliance with the significant terms and conditions within the Lease Agreement between Clipper Navigation, Inc. (Lessee) and the Port of Seattle. Specifically, we evaluated:
 - Accuracy and timeliness of the billings and payments
 - Rent surety
 - Insurance

We reviewed and analyzed records for the period May 1, 2014 through April 30, 2016.



LEASE AND CONCESSION AGREEMENT AUDIT

Clipper Navigation, Inc.

AUDIT RESULT

Based on the audit procedures performed, Clipper Navigation, Inc. materially complied with most of the significant terms and conditions of the Lease Agreement.

We also concluded that internal controls are generally operating effectively. However, our testing identified an opportunity to further strengthen controls related to rent surety (see Finding #1).



LEASE AND CONCESSION AGREEMENT AUDIT

Clipper Navigation, Inc.

AUDIT RESULT – FINDING #1

CONTROLS OVER RENT SURETY REQUIREMENTS ARE NOT ALWAYS OPERATING EFFECTIVELY

When the new lease dated April 24, 2014 was signed, management evaluated the amount, but did not obtain a letter of credit for the new lease, which created a lapse in coverage of approximately 29 months. An amendment, dated September 2016, was obtained to reinstate the letter of credit after Internal Audit brought this issue to the attention of management during the audit.



NEW BUSINESS

- | | |
|---|-------------------------------------------------------------------|
| 1 | 2017 Internal Audit Budget |
| 2 | Request for Review of Audit Committee and Internal Audit Charters |

