



P.O. Box 1209  
Seattle, Washington 98111  
www.portseattle.org  
206.787.3000

**APPROVED MINUTES  
AUDIT COMMITTEE SPECIAL MEETING SEPTEMBER 12, 2017**

The Port of Seattle Commission Audit Committee met in a special meeting Tuesday, September 12, 2017, in the Commission Chambers at Pier 69, 2711 Alaskan Way, Seattle, Washington. Committee members present included Commissioner Gregoire, Commissioner Felleman, and Christina Gehrke. Also present were Glenn Fernandes, Director, Internal Audit; Olga Darrington, Partner, Moss Adams; Tyler Reparuk, Manager, Moss Adams; Dan Chase, Acting Internal Audit Manager; Aaron Pritchard, Commission Issues and Policy Manager; and Amy Dressler, Assistant Commission Clerk.

**Call to Order:**

The committee special meeting was called to order at 9:00 a.m. by Commissioner Gregoire.

**Approval of Audit Committee Meeting Minutes of June 27, 2017:**

**The minutes of the Audit Committee special meeting of June 27, 2017, were approved.**

**External Audit –[Moss Adams Engagement Service Plan](#)**

The Committee received a presentation from Ms. Darrington and Mr. Reparuk that contained the following information:

- An introduction to the audit team, including IT specialists and small business participant firm Branch Richards.
- A summary of the audit phases and proposed schedule, which will result in a completed audit in May 2018.
- The services provided, to include:
  - An audit and report on the financial statements for the Enterprise Fund and Warehousemen's Pension Fund.
  - An audit and report on internal control and compliance with government auditing standards.
  - An audit and report on the schedule of Passenger Facility Charge program receipts and expenditures.
  - An audit and report on the schedule of net revenues available for revenue bond debt service.
  - Agreed upon procedures and report to the State of Washington Department of Ecology relating to the Terminal 91 facility.

- A summary of recent and upcoming significant GASB pronouncements; there are no new GASB pronouncements affecting the Port for 2017, but some coming in 2018 and 2019.

In response to inquiries about the consistency and accuracy of management estimates, Ms. Darrington stated that the audit team examines whether appropriate resources are used to develop estimates.

**Update – Capital Development – International Arrivals Facility:**

The Committee received a [report](#) from Mr. Fernandes addressing concerns raised at recent public meetings regarding payments to subcontractors. Internal audit has examined processes and made recommendations.

**Update – Eastside for Hire Inc.:**

The Committee received a [report](#) from Mr. Fernandes indicating that an examination of the current contract indicates requirements are not being met. A report will be issued highlighting violations.

**Update – 2017 Audit Plan:**

The Committee received a [report](#) from Mr. Fernandes stating that as of the end of July, four of the 23 audits in the 2017 work plan had been completed. Mr. Fernandes proposed removing four of the remaining audits, which are lower risk, with the likelihood that they will be included in the 2018 work plan. The remainder will be substantially completed by the end of 2017.

**The 2017 Audit Plan was amended to remove four audits (Maritime Maintenance Shops, Aviation Commercial Management, Disbursements/Accounts Payable and SeaTac Utilities).**

**Update –2018 Internal Audit Proposed Budget:**

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

- The proposed budget includes the addition of a Certified Information Systems Auditor (CISA) to focus on IT matters.
- The budget also includes \$190,000 to use an external firm with subject matter expertise for two complicated IT audits.

**The proposed 2018 budget was approved for recommendation to the full commission.**

**Lease and Concession Audit – [Bell Street Pier 66 Parking Garage:](#)**

The Committee received a presentation from Mr. Chase that included the following information:

- The period examined was July 2014-February 2017.
- The purpose of the audit was to determine whether management internal controls were effective and whether the lessee, Republic Parking, complied with significant lease provisions.
- The audit found that internal controls were not always effective; the system for issuance and maintenance of garage key cards to Port employees does not accurately reflect the cards issued. Cards will be reissued by employee number during the open enrollment period, and management will have more direct oversight of the list of Port employees eligible to have active parking passes.

- It was also found that credit card transaction fees were improperly deducted from gross revenue, resulting in an underpayment of concession fees amounting to \$114,000. The issue was reported to the Port by Republic Parking, who repayed the fees.

**Lease and Concession Audit – ATZ Inc, dba Doug Fox Parking:**

Without objection, a written report was accepted in lieu of a verbal presentation on the Internal Audit Report for ATZ Inc. dba Doug Fox Parking (ATZ), covering the period of October 1, 2013, through June 30, 2016. The purpose of the audit, as reported, was to determine:

- Port monitoring controls were effective to ensure that reported concession fees were complete, properly calculated, and remitted timely; and
- The Port and ATZ complied with the significant terms of the lease.

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

**Lease and Concession Audit – Dufry North America, LLC:**

Without objection, a written report was accepted in lieu of a verbal presentation on the Internal Audit Report for Dufry North America LLC covering the period of August 1, 2014-July 31, 2016. The purpose of the audit, as reported, was to determine:

- Port management monitoring controls were effective; and
- Dufry North America LLC complied with the significant terms of the lease and concession agreement.

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

**Limited Operational Audit – Promotional Hosting and Trade/Business & Community Development:**

The Committee received a presentation from Mr. Chase that included the following information:

- Records for the period of January 2015 through December 2016 were reviewed.
- The purpose of the audit was to determine whether expenses were reasonable and allowable, and management controls were adequate to ensure compliance with laws and policy.
- It was found that the approval process for expenses was not always effective to ensure compliance with state laws and Port policy. Several incidences of inappropriate expenses were found, as well as some incidences where approval documentation was not complete or timely.
- Management response from Rudy Caluza, Director, Accounting and Financial Reporting, indicated that current systems do not allow for robust tracking of these expenses, but that a procurement is under way for a Concur electronic workflow system similar to the one used for travel cards.

**Limited Operational Audit –Port Travel Credit Card Program:**

The Committee received a presentation from Mr. Chase that included the following information:

- The period of January 2015 through February 2017 was reviewed.
- The purpose of the audit was to determine whether management internal controls were effective.
- It was determined that internal controls are generally adequate, but not always effective to ensure compliance with state laws and Port policy; 16 percent of transactions were not approved within 30 days of the billing statement date.

- Mr. Caluza provided the management response, stating that solid policies are in place regarding card use. Issues will be handled via follow-up with employees with reminders of the 30-day policy, followed by a suspension of the card if expenses aren't reported within 60 days.

**Adjournment:**

There being no further business, the special meeting was adjourned 10:45 a.m.

Fred Felleman

Minutes approved: December 19, 2017