

# Updates



# Key Audits in Process

- Capital Development - International Arrivals Facility
- Eastside for Hire, Inc.
- Transportation Network Companies



# 2017 Audit Plan Update



# 2017 Audit Plan Challenges

- Staff turnover/newly hired staff
  - Two Sr. Auditors started in January and February respectively
  - Contractor hired in January to fill open position
  - Manager turnover and position not filled
- Director transition
- Inadequate resources to complete plan
- Budgeted time to complete an audit too aggressive





Request to move four highlighted audits (in red) into 2018 audit plan



# 2018 Internal Audit Proposed Budget



Per the Audit Committee Charter, the Audit Committee reviews the budget and recommends approval to the Commission. Therefore, I respectfully submit our proposed 2018 budget for your consideration.





# 2017 Budget Highlights

## Request for an additional Resource

- Salaries/Wages and Benefits reflect a request for an additional Sr. Internal Auditor (IT Focus). Budgeted Headcount has remained unchanged at 9.2 for the last four years.

## Outside Services

- Approximately \$190,000 with an outside firm to provide specific expertise and to assist us in conducting two IT Audits in 2018. Consistent with 2017.



# 2018 Budget Highlights and Notes

	2016 Actual		2017 Budget		2017 Forecast / Jul		2018 Budget	
	Amount	%	Amount	%	Amount	%	Amount	%
Salaries/Wages and Benefits (1)	\$1,107,331	76.10%	\$1,366,481	77.21%	\$ 1,316,481	79.03%	\$1,561,708	85.43%
Outside Services (2)	251,510	17.28%	345,130	19.50%	300,130	18.02%	207,280	11.34%
Equipment Expense	5,090	0.35%	8,910	0.50%	6,910	0.41%	11,380	0.62%
Office Supplies & Stock	1,467	0.10%	1,500	0.08%	1,300	0.08%	1,000	0.05%
Travel, Training, and Other Emp Expense (3)	31,855	2.19%	40,159	2.27%	34,159	2.05%	38,040	2.08%
General Expenses	2,968	0.20%	2,713	0.15%	2,213	0.13%	2,240	0.12%
Trade Business & Community	50,000	3.44%						
Telecommunications	4,958	0.34%	4,944	0.28%	4,644	0.28%	6,420	0.35%
	\$1,455,179	100%	\$1,769,837	100%	\$1,665,837	100%	\$1,828,068	100%

The budget was prepared using 2018 Port budget guidelines.



# Completed Audits



## LEASE AND CONCESSION AUDIT BELL STREET P-66 PARKING REVENUE

### BACKGROUND

The Port of Seattle owns the Bell Street Parking Garage located at 9 Wall Street on the Seattle waterfront. The garage contains approximately fifteen hundred spaces.

Republic Parking Northwest (RPNW) has managed the garage on a month-to-month basis since 1992. The Lease is required to be month-to-month because it is partially funded with government bonds.

# BELL STREET P-66 PARKING REVENUE

## FINANCIAL HIGHLIGHTS

### BELL STREET WORLD TRADE CENTER PARKING GARAGE REVENUE

ACCOUNT	ACCOUNT DESCRIPTION	6	12	12	2
		MONTHS	MONTHS	MONTHS	MONTHS
		2014	2015	2016	2017
44360	SALE OF UTILITIES - ELECTRICITY - MARINE	\$5,290	\$11,983	\$12,824	\$2,710
44420	SALE OF UTILITIES - SURFACE WATER	4,374	9,517	8,325	1,443
44460	REVENUES: OPERATING COSTS	6,357	9,372	9,372	1,562
45330	SPACE RENTAL GENERAL - L/H TAX	911,855	1,882,114	1,854,131	198,689
49140	MISCELLANEOUS REVENUE (RETAIL) - SALES TAX	486	1,041	0	0
<b>TOTAL</b>		<b>\$928,362</b>	<b>\$1,914,027</b>	<b>\$1,884,652</b>	<b>\$204,404</b>

Data Source: PeopleSoft Financials

## AUDIT OBJECTIVES AND SCOPE

The purpose of the audit was to determine whether:

- 1) Management internal controls were effective.
- 2) The lessee complied with significant lease provisions.

We reviewed and analyzed records for the agreement period July 2014 through February 2017.



**AUDIT RESULT**

Real Estate Asset Management internal controls were not always effective.

The Lessee complied with significant terms within the contract.

**AUDIT RESULT – REPORTABLE FINDING**

**Finding One**

The Lease and Concession Agreement (425) dated August 12, 2002 does not allow credit card fees to be deducted from gross revenue.

Real Estate Asset Management does not receive or review the Gross Receipts Report prior to billing by AFR.

From July 2014 through October 2016, RPNW deducted credit card fees from gross revenue which was not detected by the Port's Real Estate Asset Management resulting in an underpayment of concession fees of \$114,000.



AUDIT RESULT – REPORTABLE FINDING

**Finding Two**

According to section nine of the Lease and Concession Agreement between the Port and RPNW, the Port is entitled to 500 unassigned parking passes (garage key cards) at no cost. The agreement also states that the Lessee and the Port are to work together to establish procedures for issuance and maintenance of garage key cards.

Port management does not currently have an effective system for issuance and maintenance of garage key cards.

As of March 31, 2017 the Port's Master key card List reflected 390 active garage key cards while RPNW Master List reflected 1098.



## LIMITED OPERATIONAL AUDIT

## Promotional Hosting and Trade/Business Community Development

## BACKGROUND

Promotional hosting activities are explicitly related to promoting trade and industrial development. Promotional hosting may include reasonable and customary entertainment and souvenirs of nominal value, incidental to such events.

The Trade, Business, and Community Development (TBCD) program is for costs and expenses incurred for events and activities that relate to the Port's specific statutory purpose and authority. TBCD events and activities are designed to or have the effect of:

- Promoting trade or tourism in the region
- Informing or educating the general public about the Port of Seattle
- Promoting or increasing the awareness of Port facilities, programs, or services

TBCD events and activities and their costs are approved in advance by the Development Funding Review Committee.





## Promotional Hosting and Trade/Business Community Development

### FINANCIAL HIGHLIGHTS

<b>PROMOTIONAL HOSTING AND TRADE/BUSINESS AND COMMUNITY DEVELOPMENT EXPENSES</b>			
<b>ACCOUNT</b>	<b>2015</b>	<b>2016</b>	<b>TOTAL</b>
66100- Promotional Hosting	\$335,244	\$264,700	\$599,944
66400- Trade/Business Community Development	\$827,139	\$817,007	\$1,644,146
<b>TOTAL</b>	<b>\$1,162,383</b>	<b>\$1,081,707</b>	<b>\$2,244,090</b>

Data Source: PeopleSoft Financials

### AUDIT OBJECTIVES AND SCOPE

The purpose of the audit was to determine whether:

- 1) Promotional hosting and TBCD expenses were reasonable and allowable.
- 2) Management controls were adequate to ensure compliance with laws and policy.

We reviewed and analyzed records for the period January 2015 through December 2016.

### AUDIT RESULT

Internal controls were not always operating effectively. As a result, not all expenses were reasonable or were in compliance with state laws and Port policy.



**AUDIT RESULT – REPORTABLE FINDING**

**1. THE APPROVAL PROCESS OF TBCD AND PROMOTIONAL HOSTING EXPENSES WERE NOT ALWAYS EFFECTIVE TO ENSURE COMPLIANCE WITH STATE LAWS AND PORT POLICY**

**Trade Business and Community Development:**

- Three transactions at a total cost of \$3,130 were incorrectly charged to TBCD.
- One event that included an alcohol bar package at a cost of \$965. Alcohol purchases are not allowed.
- A welcome dinner comprised of three members of the executive leadership team and their spouses at a cost of \$665. Port employees are normally responsible for reimbursing the Port for any amounts incurred by the Port with respect to spouse attendance. The dinner included two \$50 corking fees. Alcohol is not an allowable TBCD expense. The event was originally approved as promotional hosting and subsequently changed to TBCD but was not approved by the Development Funding Review Committee.
- documentation was not maintained to support all TBCD approvals.
- Four instances where the TBCD form was approved after the expenditures were incurred.

**AUDIT RESULT – REPORTABLE FINDING**

**Issue No. 1 continued**

**Promotional Hosting:**

- Three procurement card transactions with a total cost of \$2,285 were incorrectly charged to promotional hosting.
- One procurement card transaction for promotional items for the Northwest Seaport Alliance at a total cost of \$4,554. A list of the recipients of these items was not maintained.



## LIMITED OPERATIONAL AUDIT PORT TRAVEL CREDIT CARD PROGRAM

### BACKGROUND

The Port of Seattle (Port) issues credit cards to Port commissioners and employees who travel and/or incur Port business expenses. Personal or non-Port charges on Port credit cards constitute a lending of credit and are strictly prohibited.

The Accounting and Financial Reporting Department (AFR) administers the travel credit card program which includes establishing and maintaining policies, determining credit limits, reviewing, and issuing travel credit card requests.

**FINANCIAL HIGHLIGHTS**

**TRAVEL AND ENTERTAINMENT EXPENSE**

<b>TOP 5 EXPENSE ACCOUNTS</b>	<b>2015</b>	<b>2016</b>	<b>2017*</b>	<b>Total</b>
Registration Fees/Seminars	\$395,114	\$466,303	\$87,196	\$948,614
Domestic Air Travel, Other	287,983	301,724	86,360	676,067
Hotel Tax	300,771	316,300	27,264	644,336
Employee Food & Beverage	147,741	161,907	15,191	324,839
Lodging & Other Travel	119,399	126,792	19,234	265,424
<b>TOTAL</b>	<b>\$1,251,008</b>	<b>\$1,373,027</b>	<b>\$235,245</b>	<b>\$2,859,280</b>

Data Source: Concur Travel Expense Application

\* As of February 28, 2017

**AUDIT OBJECTIVES AND SCOPE**

The purpose of the audit was to determine whether:

- 1) Management internal controls were effective.

We reviewed information for the period January 2015 through February 2017.



## AUDIT RESULT

In general, internal controls were adequate. However, we identified instances where internal controls were not always effective.

## AUDIT RESULT – REPORTABLE FINDING

### 1. INTERNAL CONTROLS ARE NOT ALWAYS EFFECTIVE TO ENSURE COMPLIANCE WITH STATE LAWS AND PORT POLICY

*Accounting Policy 1- Port Travel Credit Cards, Travel Planning, Fund Advances, states (in part):*

- The Accounting and Financial Reporting Department (AFR) will suspend the ability to use credit cards for any accounts having charges that are not validated, expensed and approved through Concur after 60 days of the original billing statement date.

Revised Code of Washington section 42.24.115 states, in part:

- “...upon billing or no later than thirty days of the billing date, the officer or employee using a charge card issued under this section shall submit a fully itemized travel expense voucher.”
- “The municipal corporation or political subdivision shall have unlimited authority to revoke use of any charge card issued...”



**AUDIT RESULT – REPORTABLE FINDING**

Of the total number of transactions from January 2015 through February 2017, 16% were not approved within 30 days from the billing statement date.

The table below reflects the number of days between the original statement billing date and the date the transaction was expensed.

<b>CORPORATE TRAVEL CARD EXPENSE</b>				
<b>DAYS FROM BILLING STATEMENT</b>	<b>TRANSACTIONS</b>	<b>PERCENT</b>	<b>AMOUNT</b>	<b>PERCENT</b>
0-30 days	17,096	84%	\$2,773,480	82%
31-60 days	2,009	10	365,916	11
Greater than 60 days	1,244	6	240,799	7
<b>TOTAL</b>	<b>20,349</b>	<b>100%</b>	<b>\$3,380,194</b>	<b>100%</b>

Data Source: Concur Travel Expense Application

\* As of February 28, 2017

