



Office of the Washington State Auditor

Pat McCarthy

**Presented to Port of Seattle
Audit Committee**

**Accountability Audit
Exit Conference**

December 19, 2017

SAO Audit Team



Kelly Collins, CPA, Director of Local Audit – Kelly has been with the Washington State Auditor’s Office since 1992. In her role she oversees the audit teams which perform the audits for over 2,200 local governments. She serves on the Washington Finance Officers Association Board and is a member of the Washington Society of Certified Public Accountants’ Government Auditing and Accounting Committee.



Mark Rapozo, CPA, Assistant Director of Local Audit – Mark has been with the Washington State Auditor’s Office since 1983. In his role as Assistant Director he assists with the statewide oversight and management of all the audits for local government.



Joe Simmons, CPA, Audit Manager – Joe has been with the State Auditor’s Office since 1987 and became Audit Manager of Team Central King County in November of 2015. In his prior role as Assistant Audit Manager on two different teams he worked on audits of state and local governments throughout Pierce, Kitsap, Mason, Clallam, and Jefferson counties.



Elizabeth Pyatt, Assistant Audit Manager – Elizabeth has been with the State Auditor’s Office since 2013. During her time with the Office, she has conducted financial statement, federal grant compliance, and accountability audits for state and local governments throughout the Seattle area.



Melia Lucero, CPA; Audit Lead – Melia holds a Master of Accounting degree and has been with the State Auditor’s Office since 2014. In her role as Assistant State Auditor, Melia has worked on two different teams covering state and local governments throughout King County, which include the larger audits of King County, the University of Washington, the Port of Seattle, and Harborview Medical Center.

Accountability Audit Report

Port of Seattle Accountability Report

Audit Scope

Determined if controls were in place to protect public resources and if the Port was in compliance with laws and regulations relating to financial matters for the period January 1, 2016 through December 31, 2016.

Results in Brief

“In the areas we audited, Port operations complied with applicable requirements and provided adequate safeguarding of public resources. The Port also complied with state laws and regulations and its own policies and procedures in the areas we examined.”

PRELIMINARY DRAFT - Please do not duplicate, distribute or disclose

AUDIT SUMMARY

Results in brief

In the areas we audited, Port operations complied with applicable requirements and provided adequate safeguarding of public resources. The Port also complied with state laws and regulations and its own policies and procedures in the areas we examined.

About the audit

This report contains the results of our independent accountability audit of the Port of Seattle from January 1, 2016 through December 31, 2016.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

Our audit involved performing procedures to obtain evidence about the Port's uses of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Self-insurance programs
- Port economic grant programs
- State grant agreements
- Moorage revenue
- Procurement of personal service contracts

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Accountability Audit Areas

Self-insurance programs

Reviewed controls over claims administration, contracts language, solvency requirements, and proper approvals from state

Proper reporting to State (BARS schedule 21)

Audit result: no issues

Economic grant programs

Reviewed the Economic Development Partnership program and the Cooperative Tourism program for allowability of activities.

Reviewed the monitoring of subrecipients to ensure compliance with grant agreements

Audit results: no issues

***Audit highlight:** It was a pleasure working with Bill Ellis for the Economic Development Partnership program. Even though, he has only been with the Port for less than six months, he was very knowledgeable of the program and assisted us with any questions raised.*

Accountability Audit Areas

State grants

Reviewed the Toxics Cleanup Remedial Action grant program from the Department of Ecology

Reviewed internal controls and selected transactions to test for adequate support

Audit results: no issues

Moorage revenue

Bell Harbor and Harbor Island marinas

Reviewed internal controls and selected transactions fees charged to ensure fees were in compliance with the established marine tariffs.

Audit results: Department recommendation on rate policy

***Audit highlight:** We appreciate the assistance provided by Kiu Holmes. She was able to explain the reimbursement process through the Department of Ecology with ease. We also appreciate her maintenance of Port records, which allowed for an efficient audit.*

We would like to thank Giuseppe Alvarado for his prompt and knowledgeable responses to our inquiries regarding marina operations. We would also like to thank Michael Cink for his availability, patience, and professionalism over the course of the audit.

Accountability Audit Areas

Procurement of personal service contracts

Reviewed the procurement methods of personal service contracts, including the use of competition waivers

Reviewed internal controls over selected contracts and compliance with state law (RCW 53.19)

Audit result: Department audit recommendations

***Audit highlight:** The Port's Central Procurement Office provided us valuable assistance during our audit over the procurement of personal service contracts. Specifically, Nora Huey and Sofia Mayo provided us prompt and knowledgeable responses to auditor requests with patience and great professionalism.*

Prior Year Finding Follow-up

- Based on our follow-up procedures, we consider the prior year finding to be resolved.
- A summary schedule of prior audit findings is included in our audit report.

Audit highlight: *We appreciate the Port’s efforts to address the prior year audit finding. Rudy Caluza provided valuable assistance to us, as our main point of contact. We appreciate his availability and willingness to provide us timely audit responses and updates.*

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS		
Port of Seattle King County January 1, 2016 through December 31, 2016		
<p>This schedule presents the status of findings reported in prior audit periods. The status listed below is the representation of the Port of Seattle. The State Auditor’s Office has reviewed the status as presented by the Port.</p>		
Audit Period: January 1, 2015 through December 31, 2015	Report Ref. No: 1018567	Finding Ref. No: 2015-001
Finding Caption: The Port paid extra compensation to employees that did not comply with the State Constitution.		
Background: On December 31, 2015, 642 non-represented employees received a one-time special payment, equal to 7 percent of annual salary, that ranged in amounts from \$3,850 to \$24,500 for a total expense to the Port of \$4,782,796. The Port Commission at the December 8, 2015, open public meeting under Resolution Number 3712 authorized the one-time payment. The Resolution stated the reason for the payment as: “. . . One-time Special Pay: Consistent with the Port’s Total Rewards Program, and particularly with respect to supporting a high-performing organization that enables the Port to attract and retain the most qualified high-performing employees, and in response to the newly adopted 40 hour work week, all eligible salaried employees will, on December 31, 2015, receive a one-time payment consisting of 7 percent of the employee’s annual compensation amount . . .” The method in which the Port executed this one-time payment constitutes extra compensation not allowed by the state Constitution. The Port did not establish performance standards or goals that exceeded normal employment requirements prior to the payment of the extra compensation as required by the state Constitution.		
Status of Corrective Action: (check one) <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: 		

Concluding Remarks

We would like to take this opportunity to extend our appreciation to the Port staff for their cooperation and assistance given to us during the audit.

We would like to thank our audit liaison Debbi Browning and her staff for their assistance in making sure our auditors received all requested information in an timely and efficient manner.

Report Publication

The Accountability audit report will be released and published on December 19, 2017. You can view it at: www.sao.wa.gov

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