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**APPROVED MINUTES
AUDIT COMMITTEE SPECIAL MEETING OCTOBER 7 2008**

The Port of Seattle Commission Audit Committee met in a special meeting at 9:00 a.m., Tuesday, October 7, 2008 in the Commission Chambers at Pier 69, 2711 Alaskan Way, Seattle, WA. Commissioners Hara and Tarleton were present, as well as citizen committee member Steve Miller. Also in attendance were CEO Tay Yoshitani and Joyce Kirangi, Port Internal Audit Manager.

CALL TO ORDER

The committee special meeting was called to order at 9:01 a.m. by Commissioner Lloyd Hara.

- **Motion for approval of minutes for audit committee meeting of September 2, 2008 - Tarleton**

Motion carried by the following vote:

In Favor: Hara, Tarleton (2)

Follow-up Report on SAO Audit Recommendations

Presenters: Joyce Kirangi, Port Internal Audit Manager and Jack Hutchinson, Senior Internal Auditor

Ms. Kirangi provided information on ways in which SAO recommendations were being addressed by staff. The areas addressed included the following:

- **SAO Recommendation #2** – Review of major recent and ongoing projects to identify cases where engineers' estimates and contractors' proposed amounts are consistently the same and, in such cases, undertake a further evaluation of underlying causes; followed by remedial actions as appropriate.
- **SAO Recommendation # 7** – Review of change orders negotiated and approved under all contracts to determine if there were incorrect mark-ups on change orders.

- SAO Recommendation #11 – Evaluate all Port Construction Services contracts during the past three years to determine where instances of lapping contractor invoices occurred and take corrective actions as appropriate.
- SAO Recommendation #14 – Initiate a review of all professional services agreement to determine the full extent to which competition requirement have been circumvented and take corrective actions as appropriate.
- SAO Recommendation #16 – (a) Determine the extent to which costs in violation of Federal grant requirements have been claimed for reimbursement and received from Department of Transportation and other federal agencies, (b) notify applicable federal grant officers of the violations, and (c) initiate corrective actions prescribed by federal officials.
- SAO Recommendation #17 – Review all professional services agreements to assure that (a) such agreements comply with state law in terms of being for specific Port requirements rather than being used as supplements of Port staffing, (b) the agreements are being administered in strict conformity with contract provisions and requirements, (c) the contracts contain defined labor category qualifications, and (d) contract files are complete and maintained by Port employees rather than contractor personnel.

SAO Performance Audit – Lessons Learned

Presenter: Dakota Chamberlain, Director, Seaport Project Management

A document was provided to the committee reflecting [lessons learned](#) by staff in their response to the 2007 SAO audit. Mr. Chamberlain reviewed ideas which could be useful in responding to future audits.

Status Report on Response to 2007 TKW Audit

Presenter: Ray Rawe, Chief Engineer, Engineering Services

Mr. Rawe presented to the committee an update of issues from the 2007 TKW audit, noting which items a considered closed, and which are still outstanding and in process of being addressed.

Moss Adams 2008 Engagement Service Plan

Presenters: Laurie Tish and Lillian Mramba of Moss Adams

Information was provided to the committee on the areas of focus for the 2008 Moss Adams audit.

ADJOURNMENT

There being no further business, the meeting was adjourned at 11:10 a.m.

Commissioner Lloyd Hara