

Internal Audit Briefing

Presented to the Port of Seattle

Audit Committee and Tay Yoshitani, CEO

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Agenda

- I. Prior Audit Highlights and Accomplishments
- II. Forward Thinking – 2009 and beyond
- III. Annual Risk Assessment and 2009 Work Plan

I. Prior Audit Highlights and Accomplishments

- Over \$2 Millions in concession recovery to date.
- 3 additional audit staff hired during 2008.
- Completed a number of department operational audits, including ID/Badge, Public Parking, Ground Transportation, two maintenance departments, and the Real Estate Recreational Boating. Internal Audit issued a number of recommendations to help management enhance department operations and controls.
- Completed three concession audits of RAC (Rent-A-Car), including Enterprise, Dollar, and Advantage. In the past years, Internal Audit has recovered more than \$1 million in in RAC concession underreporting.

I. Prior Audit Highlights and Accomplishments

- Completed an audit of all the in-flight kitchens leases, including Gate Gourmet, Flying Food, and Sky Chefs.
- Completed a number of lease audits, including Odyssey.
- Completed a follow-up audit of six selected recommendations from the Washington State Auditor's Office 2007 performance audit. Internal Audit confirmed some of the SAO findings, including the PCS altering of contractor's invoices.
- Completed two employee investigations and the CEO issued appropriate disciplinary actions.

I. Prior Audit Highlights and Accomplishments

- The following third-party agreements, concessions, and leases are currently underway: World Trade Center, Bell Harbor Conference Center, Cruise Terminal of America (CTA), Host, Airport Management Services Inc., Seattle Restaurant Associates, and a review of operational effectiveness of the Port procurement system.
- The following Rent-A-Car (RAC) reviews have recently been completed and exited with management.
 - ✓ Advantage – Suggested Recovery \$16,516
 - ✓ Dollar-- Suggested Recovery \$741
 - ✓ Enterprise -- Suggested Recovery \$1,076.

II. Forward Thinking

- Performance Audits: based on the Audit Committee long-term goals and objective, the Committee has tasked Internal Audit to incorporate performance audits in its audits. In the next five years, the goal is to have 50 percent of the Internal Audit projects focus on performance audits. Implementation of performance audit will start in 2009.
- Enterprise-Risk-Management (ERM): the Audit Committee has requested Port management to implement a port-wide ERM system. Internal Audit will conduct a performance audit of the Port ERM system(s) and provide assurance and consulting services related to the ERM efficiency and effectiveness.

III. Annual Risk Assessment and 2009 Work Plan

Risk Analysis & Exposure

- Central Processing Systems *
- Lease and Concession
- 3rd Party Mgmt.
- Financial Reporting/GL
- Special Investigations
- Dept. Internal Control Reviews
- Federal Assistance
- Performance/Operational Effectiveness
- Enterprise Risk Mgmt.
- Capital Improvement Pgm.

III. Annual Risk Assessment and 2009 Work Plan

Assessment Process (example)

Risk Exposure	Auditable Unit	Risk Factors					
		2007	Inherent Risk	Control Risk	Performance Risk	Compliance Risk	Total
Central Processing Systems	Payroll	110 M					
	Accounts Payable	628M					
	Billing / AR	345M					
	Procurement						

III. Annual Risk Assessment and 2009 Work Plan

Assessment Process (example)

Risk Exposure	Auditable Unit	Risk Factors					
		2007 Exp	Inherent Risk	Control Risk	Performance Risk	Compliance Risk	Total
Dept. Accountability /Compliance	Av. Maint.	51M					
	Police	19M					
	SeaTec Utility	13M					
	Air Term Op	11M					
	Marine Maint	10M					

III. Annual Risk Assessment and 2009 Work Plan

2009 Work Plan

- ✓ Central Processing Systems (15%)
- ✓ Organizational operations/Internal Control Reviews (23%)
- ✓ Lease and Concession (35%)
 - ✓ Revenue Confirmation
 - ✓ Management Monitoring Efficiency and Effectiveness
 - ✓ Performance Aspects – new in 2009
- ✓ 3rd Party Management (3%)
- ✓ Performance (10%)
 - ✓ ERM Performance Audits

III. Annual Risk Assessment and 2009 Work Plan

2009 Work Plan -- continued

- ✓ Contingency (14%)
 - ✓ McKay Investigation per Commission motion of 12/9/2008 (i.e., 11 uncooperative contractors and subs for performance and legal compliance)
 - ✓ Internal Special Investigations