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**APPROVED MINUTES
AUDIT COMMITTEE SPECIAL MEETING FEBRUARY 3, 2009**

The Port of Seattle Commission Audit Committee met in a special meeting at 9:00 a.m., Tuesday, February 3, 2009 in the Commission Chambers at Pier 69, 2711 Alaskan Way, Seattle, WA. Commissioners Hara and Creighton were present, as well as citizen committee member Steve Miller. Also in attendance were Deputy CEO Linda Strout and Joyce Kirangi, Port Internal Audit Manager.

CALL TO ORDER

The committee special meeting was called to order at 9:00 a.m. by Commissioner Lloyd Hara. Commissioner Hara acknowledged Commissioner Creighton as a new member of the Audit Committee for 2009, replacing Commissioner Tarleton.

Approval of Minutes – None.

Discussion of Concession and Lease Audits

Presenters: Mark Reis, Managing Director, Aviation Division and Rudy Caluza, Director, Accounting and Financial Reporting

Mr. Reis expressed to the committee his positive feelings of the internal audit department, referencing audits performed over the past year, including the departments of Aviation Maintenance, Security and ID Access, and Landside Operations.

The committee and staff discussed the importance of lease administration. Mr. Reis stated that although it is the responsibility of management to keep up to date on information related to insurance and security of tenants, the internal audit department can also identify areas where management can improve with their lease administration efforts.

Mr. Miller suggested that there might be a way to come up with clear division of functions of both managerial staff and internal audit staff regarding lease administration and contract compliance work.

Responding to comments from Commissioner Hara regarding cash activity at the Airport parking garage, Mr. Reis noted that significant improvements had been made in that area, and stated the importance that staff auditors are independent from those who work in the operation area and actually handle the cash.

Rudy Caluza, Director of Accounting and Financial Reporting, noted that audits being done are two-fold. The concessionaires need to be audited to be in compliance with their leases and contracts, and also the departments responsible for administering the leases need to be audited. He reiterated the need for independence in the conducting of the audits.

Mr. Caluza noted that after looking at trends at other airports comparable to Sea-Tac, industry best practices show that concessions are high revenue loss risks and internal audit functions are focused very highly in the concessions area.

Ms. Strout noted some concern within the internal audit team about having some clarity about the possible need to contract out for some audit work in the future, due to the need for different skill sets.

Status Report on Response to the 2007 TKW Audit

Presenter: Elaine Ko, Director, Office of Social Responsibility (OSR)

Ms. Ko provided a [report summary](#) document, reflecting audit recommendations completed, and a timeline for those still in progress.

Ms. Ko noted that of the recommendations within the [TKW audit report](#), 12 findings have been completed, 7 more would be completed by the end of second quarter, including obtaining Commission approval of a new OSR Policy/Procedure, and that 7 recommendations are ongoing, such as training and work with the Chief Procurement Office on small business issues.

Commissioner Hara commented on the need to address public perceptions that the Port only selects contractors from a very limited pool of candidates, most notably in the small business sector. Ms. Ko responded that the Office of Social Responsibility is making good progress by making information easily available to businesses regarding what they need to know if they are interested in working with the Port.

In response to an earlier question from the committee, Ms. Ko provided a chart of '[Small Business Program Metrics](#),' and noted that refining the metrics would be a priority activity in the 2009 OSR work plan.

Public comment regarding the Port's small business program was received from the following:

- David Fukuhara, Concessionaire at Sea-Tac Airport. Mr. Fukuhara commented that he feels Sea-Tac is making good progress in the small business program, but that it is

difficult to get into the Port and feels that providing guidelines for small business would be a good thing.

Commissioner Hara noted that the following item was being added to the agenda:

Follow-up on Response to TKW Audit on Project Delivery

Presenter: Ray Rawe, Director, Engineering Services.

Mr. Rawe provided a [report](#) summary document, reflecting audit recommendations completed, and a timeline for those still in progress.

Mr. Rawe stated that within the 11 recommendations resulting from the audit, there was a total of 37 action items. He noted that 17 action items had been completed, 6 are nearly completed, and the remaining 14 had yet to be vetted.

Discussion of Updated Audit Committee Charter

Presenter: Tom Barnard, Research and Policy Analyst

Mr. Barnard provided and reviewed a [document](#) for discussion which showed the main differences between the current Audit Committee Charter ([Charter](#)) and the proposed revised Charter.

Commissioner Hara clarified that today's meeting would be for input from the Committee to finalize the Charter, and it would then need to be approved by the full Commission in public session.

Mr. Miller requested the section stating that the Committee would abide by "Yellow Book Standards" be either deleted or modified to state that the "Yellow Book Standards" would be used as a guide.

Mr. Miller suggested that under the section of 'Duties,' there be additional language regarding the relationship with the State Auditor's Office (SAO). Commissioner Creighton stated that he would like to see separated out a section regarding the SAO.

Ms. Strout asked that under the section 'Purpose and Authority,' language be added regarding keeping the CEO apprised of requests for information from Port employees on departmental audit matters.

Mr. Miller noted a provision added to the proposed new Charter stated that the public member may be removed during his or her term by the Commission President.

Commissioner Hara stated that the proposed changes would be incorporated into the document and the item would be placed on an upcoming agenda for final committee approval, which would be followed by a vote by the full Commission.

Review of Upcoming Audit Committee Calendar Dates

The suggestion was made to not schedule internal audit reports for each month, but to list them as an item every other month, with the exception that if an internal audit report is completed, they will come to report sooner.

Mr. Miller stated that he would still like to see a report back on Enterprise Risk Management and current thinking, and commented that this is an item which should be included in the calendar.

Mr. Miller commented on moving certain calendar items up earlier in the year, for example having in December the discussion of the draft internal audit workplan for the following year.

Commissioner Hara noted his interest in contacting the SAO to see when they can come for their entrance conference regarding the scope of their next audit

Mr. Miller stated he would like to see a line item soon regarding the Port's plan for planning and helping to conduct the next SAO audit, and perhaps looking again at lessons learned from the previous audit.

Mr. Miller commented that he thought discussion of the long-term vision and mission may only need to be addressed twice a year rather than every 3 months. Commissioner Hara suggested having an initial discussion after 90 days, and then decide when to have follow-up.

ADJOURNMENT

There being no further business, the meeting was adjourned at 11:07 a.m.

Commissioner Lloyd Hara