



Port of Seattle 2008 Interim Fieldwork Results

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Agenda

- Evaluation of Internal Controls
- Port Systems and Significant Processes
- Assessment of Controls
- Compliance Testing
- Results of our Interim Tests



Evaluation of Internal Controls

COSO defines internal control as a process, affected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of defined objectives

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations



Evaluation of Internal Controls

Five components of internal control

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring



Evaluation of Internal Controls

ERM framework is designed to achieve these objectives

- Strategic
- Operations
- Reporting
- Compliance

Two additional components in addition to those of COSO's framework

- Objective setting
- Event identification



Moss Adams Approach

Top-down approach

- Assess entity-level controls and information technology (IT)
- Identify significant accounts and processes
- Obtain documentation of significant accounts and processes
- Assess design and implementation and perform walkthroughs of significant controls
- Identify “key controls” for testing
- Perform test of controls and compliance



Entity-Level Controls and IT

Entity-level controls are the foundation for all other controls (Control Environment)

- Tone at the top
- Delegation of authority
- Policies and procedures
- Audit committee

IT is comprised of general controls (ITGCs) and application controls

- We evaluate ITGCs using the COSO framework as well
- We test application controls in conjunction with financial statement controls



IT General Controls Procedures

- Review infrastructure controls and overall IT operations
- Targeted application layer testing and general ledger access
- Inquiries, inspection, observation, and walkthroughs
- Review emphasis on newly implemented Marina Management System, ERP Gateway, and Clarity Budgeting System
- Assessed against impact on financial reporting process
- Measured against industry-accepted best practices



Significant Accounts and Processes

- Administration of federal grants and related administrative controls
- Billings, cash receipts, and receivables
- Signatory Lease and Operating Agreement
- Procurement, cash disbursements, and payables
- Payroll
- Capital projects
- Treasury and Investments
- Debt and related accounts
- Pollution remediation obligation and contingencies
- Third party management
- Financial close and reporting
- Budget



Assessment of Controls

We perform the following procedures

- Understand the design and implementation of key controls surrounding all significant accounts and processes
- ‘Walkthroughs’ of transactions
- Observation, inquiries and re-performance
- Attribute testing of samples of transactions



Compliance Testing

Major programs for 2008 are Airport Improvement Program and Transportation Security Grant

- Approximately \$31 million in expenditures
- Approximately 91% of total grant expenditures

Passenger Facility Charge (PFC) Program will be tested in March



Compliance Testing

We also performed test of controls and substantive testing of compliance for all direct and material compliance requirements. In March, we will perform additional testing for grant claims filed in the fourth quarter.

- Allowable costs
- Cash management
- Davis-Bacon Act
- Equipment management
- Matching
- Period of availability
- Procurement
- Real property acquisition
- Reporting
- Special tests and provisions



Results of Interim Testing

- We obtained the planned level of reliance on internal controls
- There were no material weaknesses noted as a result of our tests of internal controls governing accounting, IT general controls and administrative systems that would indicate a material weakness
- There were no findings or instances of noncompliance noted