

**Commissioners**

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Chair and President  
John Creighton  
Patricia Davis  
Lloyd Hara  
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**APPROVED MINUTES  
AUDIT COMMITTEE SPECIAL MEETING APRIL 14, 2009**

The Port of Seattle Commission Audit Committee met in a special meeting at 9:00 a.m., Tuesday, April 14, 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 CEO Tay Yoshitani and Joyce Kirangi, Port Internal Audit Manager.

**CALL TO ORDER**

The committee special meeting was called to order at 9:07 a.m. by Commissioner Lloyd Hara.

**Approval of Minutes**

Motion for approval of the Minutes of the February 3, 2009 Audit Committee Meeting – Creighton

Motion carried by the following vote:

In Favor: Creighton, Hara (2)

Mr. Miller participates as a non-voting member of the Committee

Motion for approval of the Minutes of the February 27, 2009 Audit Committee Meeting – Creighton

Motion carried by the following vote:

In Favor: Creighton, Hara (2)

Mr. Miller participates as a non-voting member of the Committee

**Internal Audit Report of Bell Harbor International Conference Center**

Presentation documents: Computer slide [presentation](#) from Joyce Kirangi and [report](#) titled, “Internal Audit Report – Bell Harbor International Conference Center (BHICC) Management Services Agreement No.488”

Presenters: Ms. Kirangi and Margaret Songtantaruk, Internal Auditor

Staff provided background on the audit, which was conducted for the period of January 1, 2005 through December 31, 2007.

Ms. Kirangi spoke to the objectives of the audit, which included determining:

1. Whether Columbia Hospitality, Inc. (CHI) complied with the provisions of the management services agreement, as well as other applicable laws and regulations, and
2. Whether Port management effectively monitored the agreement with Columbia Hospitality, Inc.

Ms. Kirangi noted that there was only one area of concern within this particular audit, which was from a management point of view, and the need to be more connected to the management of the agreement, as well as the need to further monitor the day-to-day operations of the contractor who monitors activities at Bell Harbor.

Regarding the inadequate monitoring system of BHICC, staff addressed the following, more specific issues:

- Lack of an established level of monitoring related to the third-party employee compensation costs paid by the Port
- Unsubstantiated methodology or support for cost allocation
- Improper advance of public funds for private activities
- Improper classification of expenses
- Ineffective monitoring of sales activity to CHI and its affiliates

Staff clarified to the Committee that other similar contracts to the one being discussed are with the World Trade Center Seattle, which CHI also manages, and also a contract with Wright-Runstad.

It was noted that although there are areas of concern with CHI, CHI is doing what they are allowed to under the current contract. It was suggested that the contract be looked at regarding possible double incentives being provided, when perhaps there should be one incentive.

It was suggested that staff return in 90 days to follow-up on the implementation of changes recommended as a result of the audit.

**Operational Risk Assessment & Mitigation of Accounting and Financial Reporting**

Presentation document: Computer slide [presentation](#) titled, “Risk Assessment & Mitigation – Accounting & Financial Reporting (AFR) Department”

Presenters: Rudy Caluza, Director, Accounting & Financial Reporting and Diane Jensen, Senior Manager, Accounting & Financial Reporting, Business Technology

Mr. Caluza commented that the Accounting & Financial Reporting Department had recently completed a risk assessment of the department and reviewed ways in which any risks found could be addressed.

Mr. Caluza provided background on the department, the responsibilities and core operations, of the department, and commented on how the department staff are effectively stewards of public funds and assets.

Mr. Caluza noted that the approach to the assessment was more of a practical approach than a structured approach, and commented that it may be a model which could be used by other Port departments in the future.

Five key areas of focus of the risk assessment were noted by Mr. Caluza, which included:

- Legal compliance with policies and procedures
- Organizational structure
- Management oversight
- Records and documentation
- Risk management

Ms. Jensen reported on the broad scope taken during the assessment, which included all members of the department, covering all of the department’s key operations.

Key action areas noted by Ms. Jensen were:

- Strengthen control points & Confirm system controls
- Enhance monitoring & reviews
- Refine policies & desk procedures
- Strengthen organizational training & communication

It was noted that out of 150 action items identified in the risk assessment, 100 have been completed, and the remaining 50 have been assigned with a name and due date. There is also a plan to continue monitoring the results with action plan updates.

Responding to a question from Mr. Miller, Mr. Caluza stated that as a result of the assessment, no new objectives were really identified; however, the result was to be more serious about and strengthen current objectives.

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Although no timeline was stated, Commissioner Hara suggested that staff may want to come back to the Committee to report on the payoffs of the risk assessment which was conducted.

Mr. Miller expressed appreciation for the report on the AFR risk assessment, noting that hopefully it could set the tone to provide some sort of template for other departments within the Port.

**ADJOURNMENT**

There being no further business, the meeting was adjourned at 10:44 a.m.

Commissioner Lloyd Hara