

Internal Audit Briefing

**Presented to the Port of Seattle
Audit Committee and Tay Yoshitani, CEO**

Joyce Kirangi, CPA, Internal Audit Manager

April 14, 2009

Agenda

Audit Report

3rd Party Management Services Agreement

- Bell Harbor International Conference Center (BHICC)

Audit Objectives

The purpose of our audit was to determine whether:

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

Conclusion

- Columbia Hospitality Inc. materially complied with the terms of the agreement; however, we determined that the current Port monitoring system is not effective in managing the risks associated with the BHICC management services agreement.
- Our report has identified opportunities to improve the effectiveness of the management monitoring system.

Bell Harbor International Conference Center (BHICC)

Inadequate Management Monitoring System

- 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