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**APPROVED MINUTES
AUDIT COMMITTEE SPECIAL MEETING MAY 5, 2009**

The Port of Seattle Commission Audit Committee met in a special meeting at 9:00 a.m., Tuesday, May 5, 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.

Approval of Minutes

None.

[Lease and Concession Audit: Anton Airfood of Seattle, Inc.](#)

Presentation documents: Computer slide presentation and report from Joyce Kirangi, Internal Audit Manager

Presenter: Jack Hutchinson, Senior Internal Auditor

Mr. Hutchinson reported on an audit done of Anton Airfood of Seattle, Inc., which operates a restaurant at Seattle-Tacoma International Airport. The audit covered the period of July 1, 2005 through June 30, 2008.

Mr. Hutchinson reported that there were no audit issues resulting from the audit, and that Anton Airfood was found to have adequate management monitoring and accurate and timely reporting and remittance of concession payments.

In summary, the audit of Anton Airfood was a clean audit with no reportable findings.

Management Agreement Audit – World Trade Center West, Managed by Wright-Runstad

Presentation documents: Computer slide presentation and report from Joyce Kirangi, Internal Audit Manager

Presenter: Jack Hutchinson, Senior Internal Auditor

Mr. Hutchinson noted that this was an audit of a third-party management agreement, specifically Wright-Runstad, who manages the World Trade Center West (WTC-W). The period of the audit conducted was from January 1, 2007 through December 31, 2008.

Mr. Hutchinson provided background of the third-party agreement, noting that day-to-day management of WTC-W was outsourced to Wright-Runstad & Company. He stated that all revenue generated by the facility is remitted to the Port, and the Port pays for all facility operating expenses, including costs related to compensation, benefits, and payroll taxes for Wright-Runstad employees working at WTC-W.

It was noted that at the end of the audit, it was found that Wright-Runstad materially complied with the terms of the agreement, but that the current Port monitoring system is not effective in managing the risks associated with the agreement. Specifically, compensation costs paid by the Port was ineffective for the period of the audit.

The recommendation made regarding the audit finding was that Port management should implement an appropriate level of monitoring and review to ensure that it is aware of what it pays at WTC-W related to third-party employee compensation costs.

Responding to questions from Commissioner Hara about the return on investment at WTC-W, Dan Thomas, Chief Financial Officer stated that an analysis had not been done, but that staff could return with that information if needed. Commissioner Hara stated that it would be helpful, in terms of understanding the asset.

Mr. Miller stated his appreciation of a more current audit report than some that have previously come before the committee.

Moss-Adams 2008 Audit Exit Conference of Financial Statements

Presentation document: Computer slide [presentation](#) titled, “Results of 2008 Audit”

Presenters: Laurie Tish, Moss-Adams and Lillian Mramba, Moss-Adams

Ms. Tish noted that reports would be issued dated April 30, 2009, which was when audit work was completed on the Enterprise Fund; the Warehousemen’s Pension Trust Fund; and the Schedule of Net Revenues Available for Revenue Bond Debt Service. She stated that also nearly complete was the audit and report on Schedule of Passenger Facility Charges

(PFC's), and that the audit of the Federal Financial Assistance Program should be completed in about two weeks.

Ms. Tish noted that although a management letter of recommendations would be issued, there were not really any material weaknesses found, and that the letter was more along the lines of providing helpful hints.

Ms. Mramba reviewed major areas of focus of the financial statement audits, which included:

- Internal Control Environment
- Management Estimates
- Bonds and Related Accounts
- Revenue Recognition
- Signatory Lease and Operating Agreement (SLOA)
- Accounting For Leases
- Net Assets
- Capital Assets
- Pollution Remediation Obligations (GASB No. 49)
- Administration of Federal Awards and Related Administrative Controls

Within the PFC Program Audit, it was stated that one instance of noncompliance was noted.

Responding to Commissioner Hara's questions about areas which were tested this year in comparison to last year, Ms. Tish responded that the implementation of GASB 49, regarding pollution, was one area, as well as leases, which were looked at more closely than in the past.

Ms. Tish reviewed information that would be forthcoming in the Moss-Adams letter of recommendations, including the importance of staff taking annual inventory of oldest capital assets to see if they are still pertinent. She also commented on the complexity of GASB 49 and stated there would be suggestions for management to help maintain consistency with the policy. Ms. Tish commented on observations of information technology, including the fact that some of the Port software programs are nearing the end of their life, as well as of their vendor support.

Mr. Miller commented on responsibilities of the committee to external auditors, which include a review of the independent auditors' annual financial statements and related notes and management discussion analysis; review of the management letters and the schedule of unadjusted differences; review of the independent auditors' single audit of the federal grant awards administered by the Port. He noted that in addition to these three items, which are included as a part of the Audit Committee Charter, is an item that he also wanted to see addressed, that being a review of the independent auditors' judgments about the quality of the Port's accounting procedures as applied in its financial statements.

Ms. Tish responded that she believed some of the results speak for themselves, in that it is fairly rare for her on any audit to not have a post-audit adjustment. She commented on the

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level of professionalism and level of technical expertise in the accounting department, that is outstanding and something to be very proud of.

ADJOURNMENT

There being no further business, the meeting was adjourned at 10:05 a.m.

Commissioner Lloyd Hara