



Commissioners

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An audio of the meeting proceedings and meeting materials are available on the Port of Seattle web site -

<http://www.portseattle.org/about/organization/commission/commission.shtml>

**APPROVED MINUTES
AUDIT COMMITTEE SPECIAL MEETING AUGUST 4, 2009**

The Port of Seattle Commission Audit Committee met in a special meeting at 9:00 a.m., Tuesday, August 4, 2009 in the Commission Chambers at Pier 69, 2711 Alaskan Way, Seattle, WA. Committee members Hara and Miller were present, as well as CEO Tay Yoshitani. Commissioner Tarleton was also in attendance. Committee member Creighton was absent.

CALL TO ORDER

The committee special meeting was called to order at 9:00 a.m. by Commissioner Lloyd Hara.

Approval of Minutes

None.

Audits of Rent-A-Car Lease Agreements with Avis, Budget, and Hertz

Presentation documents: [Memorandum](#) dated August 4, 2009, computer slide [presentation](#), and reports from Jack Hutchinson, Manager, Internal Audit Department

Presenter: Mr. Hutchinson

Mr. Hutchinson stated that the period of the audits conducted was November 2006 through October 2008. The Internal Audit Department contracted with the independent CPA firm of Branch, Richards & Co. who conducted the audits using agreed-upon procedures. The objectives of the audits were

- To determine whether the lessees properly calculated, reported and paid the correct amount of concession fees

- To determine whether the lessees properly collected and remitted the correct amount of Customer Facility Charges (CFC) to the Port.

It was noted that CFC charges appeared to have been collected and paid to the Port in accordance with the lease agreements.

Avis Rent A Car System, Inc.

Mr. Hutchinson stated that Avis has been taking what is called an incremental discount and they have not been including this discount as part of the concessions agreement. Although the discount is legitimate, the agreement does not allow that discount to be deducted from concessionable revenue. He noted that there was a discrepancy of approximately \$627,000 of undisclosed concessionable revenue.

Budget Rent A Car System, Inc.

It was noted that a discrepancy was also discovered in the audit of Budget for an amount of approximately \$200,000, however it did not result in a recoverable concession fee

Hertz Corporation

Mr. Hutchinson noted that an issue from a previous audit of Hertz, called a local rental deduction, appears to have been resolved.

Committee member Miller asked about upcoming contract negotiations, and Jim Schone, Director, Aviation Business Development and Management, responded that the rental car company contracts will be placed on a holdover status between the end of their current contract and the time they move into the new Rental Car Facility.

Mr. Miller stated that he felt there are some recommendations that would be useful in developing the next RFP as well as the contract negotiations, for example a requirement that every rental car company disclose all discounts that they have recorded in their books, not just the ones that are in the agreement; and that any new fees that they start to charge be reported.

CEO Yoshitani commented on the importance of clearly writing contracts in order to avoid ambiguity.

Mr. Miller suggested that perhaps in a year from now, staff consider an additional procedure that the auditors would look at to review contract language improvements.

Update on Requested Audits

Presenter: Jack Hutchinson, Manager, Internal Audit Department

Presenter: Mr. Hutchinson

Mr. Hutchinson commented on audits not included as a part of the Internal Audit Department's work plan. He noted that these are reviews which are unforeseen when the budget is created and are covered out of contingency funds.

It was noted that a review currently in process was of the Acquisition and Relocation Department at the Airport, and that Internal Audit hoped to exit with the Audit Committee in September.

Review of Tracking Calendar

Presentation document: Annual Audit Committee [Calendar](#) for 2009 and Internal Audit work for 2009

Presenter: Tom Barnard, Commission Research and Policy Analyst

Committee member Miller suggested that the Committee review the calendar for the remaining months of 2009 to decide what why would like to have as items on upcoming agendas. He proposed that the 2010 Internal Audit workplan be placed on the November 3 agenda for an initial discussion and n the December 1 agenda for final discussion.

Committee discussion also took place regarding the State Auditor's Office (SAO) returning to report on the performance audit. A date was not decided upon and it was decided that a schedule would be confirmed at a later date.

Other items discussed to be placed on the Committee calendar were the financial and grant audit, appointments and transition issues, and audit committee governance, which Commissioner Tarleton suggested be addressed prior to the end of the year when Commissioner Hara leaves office.

Commissioner Hara asked about the remaining length of the Moss Adams contract. Rudy Caluza, Director of Accounting and Financial Reporting, responded that their contract of 3 years has concluded and has a renewal option of 4 to 5 years. Commissioner Hara stated that he felt discussion of this contract should come back to the Audit Committee.

Commissioner Hara stated that he had received a letter from the State Auditor's Office (SAO) regarding an estimated cost to complete certain audits during the 2009 audit period. A copy of the letter is, by reference, made a part of these minutes, is marked Exhibit '[A](#),' and is on file in Port offices. Commissioner Hara commented that he would like to have this as a topic of discussion at next month's committee meeting.

10. ADJOURNMENT

There being no further business, the meeting was adjourned at 9:45 a.m.

(A digital recording of the meeting is available on the Port's website.)

Lloyd Hara