



**Port of Seattle**

***Internal Audit Report***

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**Human Resources and Development**

**Department Audit**

**Audit Period January 1, 2007 through December 31, 2008**

Issue Date: November 3, 2009

Report No.: 2009-16

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### **Internal Auditor's Report**

We have completed an audit of the Human Resources and Development department. The purpose of the audit was to determine if Human Resources and Development:

1. Performs a regular risk assessment that adequately addresses the risks impacting their department, as well as the controls necessary to mitigate those risks to an acceptable level.
2. Effectively monitors and maintains data relied upon for the proper calculation and disclosure of other post-employment benefits in accordance with GASB 45 - *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.
3. Effectively monitors Pier 69 Flex Passes in accordance with the Port's Commute Trip Reduction policy and procedures.

Management has the primary responsibility to establish and implement effective controls. Our audit objective was to assess and test those controls in order to establish whether the controls were adequate and operating effectively.

We conducted the audit using due professional care. We planned and performed the audit to obtain reasonable assurance that department controls relating to risks, postemployment benefits, and Flex Passes are adequate and operating as intended.

We found no significant issues during the review; however, we identified opportunities to strengthen existing controls over the department's risk assessment process, OPEB eligibility list, and Pier 69 Flex Passes, which have been communicated to management in a separate letter.

We extend our appreciation to the Human Resources and Development department for their assistance and cooperation during the audit.



Joyce Kirangi, CPA  
Director, Internal Audit

## Executive Summary

**Audit Scope and Objective** The purpose of the audit was to determine if Human Resources and Development:

- Performs a regular risk assessment that adequately addresses the risks impacting their department, as well as the controls necessary to mitigate those risks to an acceptable level.
- Effectively monitors and maintains data relied upon for the proper calculation and disclosure of other post-employment benefits in accordance with GASB 45 - *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.
- Effectively monitors Pier 69 Flex Passes in accordance with the Port's Commute Trip Reduction policy and procedures.

We reviewed information relating to fiscal years 2007 and 2008.

**Background** HRD is part of the Port's Corporate Division and has offices located at both Pier 69 and the airport. Like any other organization HRD is primarily responsible for hiring employees. However, the Port's HRD department is rather large and responsible for many other functions at the Port including benefits and compensation, consulting, diversity, training, and communication. In respect to communication, HRD is responsible for educating employees on numerous issues affecting the Port and its staff; including changes to health insurance plans and wellness programs, furlough requirements and rules, the voluntary separation program, the telecommuting pilot program, the implementation of a new Human Capital Management System, and the creation of the Resource Center in response to the Port's reduction in workforce.

**Audit Result Summary** We found no significant issues during the review; however, we identified opportunities to strengthen existing controls over the department's risk assessment process, OPEB eligibility list, and Pier 69 Flex Passes, which have been communicated to management in a separate letter.

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**Human Resources and Development**  
**Audit Period: January 1, 2007 – December 31, 2008**

**Background**

The Human Resources & Development department engages and equips employees to achieve exceptional results thus sustaining the Port of Seattle as a vital, high performing organization. With offices located both at the airport and Pier 69, this large department consists of 30 full time employees operating with a wide spectrum of responsibilities. Aside from HRD's primary responsibility of hiring employees, the department is also responsible for benefits and compensation, consulting, diversity, training, and communication. In regards to communication, HRD is responsible for educating employees on numerous issues affecting the Port and its staff such as changes to health insurance plans and wellness programs, furlough requirements and rules, the voluntary separation program, the telecommuting pilot program, the implementation of a new Human Capital Management System, and the creation of the Resource Center in response to the Port's reduction in workforce.

The department does not generate revenue but is responsible for collecting funds from employees who choose to purchase Flex Passes.

Department expenses for 2006 through 2008 are as follows:

(in thousands)	2006		2007		2008	
GL Category	Expense	%	Expense	%	Expense	%
Salaries, Wages & Benefits	\$ 1,537	67%	\$ 2,652	73%	\$ 2,255	74%
General Expenses	138	6%	161	4%	149	5%
Outside Services	230	10%	510	14%	348	12%
Supplies & Stock	48	2%	27	1%	31	1%
Equipment Expense	69	3%	32	1%	25	1%
Worker's Compensation	4	0%	6	0%	5	0%
Telecommunications	9	0%	9	0%	9	0%
Travel & Other Employee	266	12%	246	7%	209	7%
Promotional Expense	1	0%	9	0%	1	0%
Property Rentals	7	0%	0	0%	0	0%
<b>Grand Total</b>	<b>\$ 2,309</b>	<b>100%</b>	<b>\$ 3,652</b>	<b>100%</b>	<b>\$ 3,032</b>	<b>100%</b>

Source: PeopleSoft

The department's top expense accounts at fiscal year-end (excluding those expenses associated with salaries and benefits) are as follows:

Expense Account	2006	2007	2008
Non-Architectural & Engineering Services	\$ 121,133.70	\$ 337,789.37	\$ 206,668.70
Registration Fees/Tuition	148,310.52	124,133.79	102,819.04
Metro/Ferry Pass Expense *	61,647.76	56,472.10	77,459.74
Advertising	69,247.45	93,314.78	73,841.01

Source: PeopleSoft

\* The year-end balance of the Metro/Ferry Pass Expense account is net of any adjustments and Flex Pass sales. The actual amount of Flex Pass Purchases was \$77,406, \$80,995 and \$94,423 for 2006, 2007 and 2008, respectively.

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One of the department's employee benefit related responsibility involves compiling and maintaining a list of Other Post-Employment Benefits (OPEB) eligible employees. The Port is required by Government Accounting Standards Board (GASB) under statement 45 to compute and disclose financial liability associated with OPEB. Based on the list by Human Resources and Development, Accounting and Financial Reporting (AFR) calculates and discloses the liability on its annual financial statements. Below is the Port's OPEB liability as of December 31, 2008.

GASB 45 Plan Name	Net OPEB Obligation	# of Plan Participants
LEOFF Plan 1 Members' Medical Services Plan	\$ 6,919,000	33
Retiree Medical Insurance Plan	\$ 5,624,000	229
Retiree Life Insurance Plan	\$ 593,000	346

Source: Comprehensive Annual Financial Report for the Year Ended December 31, 2008

### **Audit Objective**

The audit objective was to determine if Human Resources and Development:

- 1) Performs a regular risk assessment that adequately addresses the risks impacting their department, as well as the controls necessary to mitigate those risks to an acceptable level,
- 2) Effectively monitors and maintains data relied upon for the proper calculation and disclosure of other post-employment benefits in accordance with GASB 45 - *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and
- 3) Effectively monitors Pier 69 Flex Passes in accordance with the Port's Commute Trip Reduction policy and procedures.

### **Scope of the Audit**

The scope of this audit included information relating to fiscal years 2007 and 2008.

### **Audit Approach**

To achieve the audit objective, we performed the following procedures:

- Obtained an understanding of the department's operations and the significant compliance requirements.
- Reviewed department controls related to the audit areas.
- Obtained and analyzed relevant financial and non-financial data.
- Performed audit procedures to achieve the audit objective.

### **Conclusion**

We found no significant issues during the review; however, we identified opportunities to strengthen existing controls over the department's risk assessment process, OPEB eligibility list, and Pier 69 Flex Passes, which have been communicated to management in a separate letter.