

Internal Audit Briefing

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

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Agenda

Audit Reports

- Department Audits
 - Human Resources and Development (HRD)
- Internal Audit 2009 Work Plan Status
- Preliminary Discussion of Internal Audit 2010 Work Plan

Dept. Mission Statement

Human Resources & Development (HR&D) engages and equips employees to achieve exceptional results. We partner with others to sustain the Port of Seattle as a vital, high-performing organization.

Brief Introduction

HRD is a department of approx. 30 FTEs and has an assortment of responsibilities including, but is not limited to, hiring, benefits, compensation, consulting, diversity, and training.

Audit Objective

To determine if HRD:

- Performs a regular risk assessment to adequately addresses risk
- Effectively monitors and maintains Other Post-Employment Benefit (OPEB) data
- Effectively monitors Pier 69 Flex Passes

The audit covered the period from January 1, 2007 through December 31, 2008.

Financial Highlights

The department operates on an average annual expense budget of approx. 3.5 million.

Below are expense highlights in thousands for a 2-year period ending 2008.

Description	2007	2008
Salaries/Wages & Benefits	2,666	3,085
Metro/Ferry Pass	56	81
Registration/Tuition	124	115
Advertising	93	118

- Audit Findings
 - Clean Audit Report
- Management Letter Items
 - Risk Assessment Process
 - OPEB Information
 - Flex Passes

2009 Work Plan Status

- Seaport audit projects have been intentionally put on hold due to ongoing SAO Performance audit.
- ERM and performance aspects were embedded into department audits rather than as discrete reviews.
- Furlough (10 working days per employee=525 hours) was not part of contingency in 2009 work plan.
- Budgeted 1 FTE in 2009 has not been filled due to the Port hiring freeze and nation-wide financial crisis.

Central Processing Systems

Audit Unit	Completed	Ongoing	Remaining
Payroll		✓	
Accounts Payable		✓	

2009 Internal Audit Work Plan Status

2009 Work Plan Status

Organizational Operations/Internal Control Reviews

Audit Unit	Completed	Ongoing	Remaining
Seaport Security	✓		
Police Department	✓		
HR&D	✓		
Lease Management		✓	
ICT		✓	
Airfield Security	✓		

2009 Internal Audit Work Plan Status

2009 Work Plan Status

Lease and Concession Audits

Audit Unit	Completed	Ongoing	Remaining
Louis Dreyfus Corp	✓		
SSA TERMINALS LLC			✓
EAGLE MARINE SERVICES LTD			✓
HERTZ CORPORATION	✓		
AVIS RENT A CAR SYSTEM	✓		
BUDGET RENT A CAR	✓		
MAD ANTHONY'S INC PIER 66	✓		
MAD ANTHONY'S INC.	✓		

2009 Internal Audit Work Plan Status

2009 Work Plan Status

Lease and Concession Audits - continued

Audit Unit	Completed	Ongoing	Remaining
KIEWIT GENERAL JOINT VENTURE			✓
CONCESSIONS INT'L INC.			✓
FIREWORKS	✓		
BORDERS INC		✓	
STONEPATH LOGISTICS INT'L SERVICES INC			✓
ANTON AIRFOOD	✓		
CLEAR CHANNEL WORLDWIDE			✓

2009 Internal Audit Work Plan Status

2009 Work Plan Status

3rd Party Management

Audit Unit	Completed	Ongoing	Remaining
Wright Runstad & Co.	✓		

Requested Reviews

Audit Unit	Completed	Ongoing	Remaining
Office of Social Responsibility	✓		
Acquisition & Relocation	✓		
Other Limited Reviews	✓		

Preliminary Discussion of 2010 Internal Audit Work Plan

2010 A.R.A.P. Update

- Refreshed Financial Data
- Engaged and solicited management for input
- Begun in-depth analysis of:
 - Relevant Financial Information (i.e., budget and actual)
 - Historical/Upcoming (to the extent known)
- Organizational Changes
 - Emerging Issues
 - Prospective Management Input
 - In/External Recent Audit Issues (including Corrective Action Plan)

Preliminary Discussion of 2010 Internal Audit Work Plan

Internal Audit General Approach on Work Plan

– Risk-Based

–Internal Audit selects a theme, where possible, in each audit category

- In-Flight meal concession in 2007
- Boating and Marina operations in 2008
- Rent-A-Car on a 3-year cycle by ownership
- Security related department audits in 2009
- All remote cash collection locations – continuous

Preliminary Discussion of 2010 Internal Audit Work Plan

2010 Work Plan Considerations

- Performance auditing
 - Departments or Port-wide programs
- Enterprise Risk Management (ERM)
- Continuing Coverage
 - Revenue Audits - Self-Reporting Lease and Concession Agreements
 - Internal Controls, Accountability, and Compliance
 - Central Processing Common Systems
- Follow-up on significant prior audit issues
- Continuous Auditing and Monitoring