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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 NOVEMBER 3, 2009**

The Port of Seattle Commission Audit Committee met in a special meeting at 9:00 a.m., Tuesday, November 3, 2009 in the Commission Chambers at Pier 69, 2711 Alaskan Way, Seattle, WA. Committee members Creighton, Hara and Miller were present, as well as CEO Tay Yoshitani and Joyce Kirangi, Port Internal Audit Manager. Commissioner Tarleton was also in attendance as an observer.

CALL TO ORDER

The committee special meeting was called to order at 9:07 a.m. by Commissioner Lloyd Hara.

Approval of Minutes

Motion for approval of the Minutes of September 1, 2009 – Creighton

Motion carried by the following vote:

In Favor: Creighton, Hara (2)

Mr. Miller participates as a non-voting member of the Committee.

Note: As there was not a quorum for the October 6 meeting, it was not necessary to vote on official minutes. Notes were taken regarding discussions held on that date, however.

Internal Audit Report of Human Resources and Development (HR&D) Department

Presentation documents: Computer slide [presentation](#) from Joyce Kirangi, Director, Internal Audit Department and [report](#) titled, 'Internal Audit Report – Human Resources and Development Audit'

Presenters: Ms. Kirangi, Jack Hutchinson, Manger, Internal Audit, and Andy Medina, Senior Internal Auditor

Beginning the presentation, the HR&D Mission Statement was reviewed, which follows: “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.”

Ms. Kirangi noted that the HR&D Department consists of approximately thirty FTE’s which have an assortment of responsibilities including employee hiring, benefits, compensation, consulting, diversity and training.

It was noted that the audit covered the 2-year period of 2007 through 2008 and that objectives of the audit included assuring that the department regularly performs risk assessments; that the department effectively monitors and maintains data regarding Other Post-Employment Benefits (OPEB); and that the Pier 69 Flex Pass program, the commute trip reduction program, is effectively monitored.

Ms. Kirangi stated that the department has an annual expense budget of approximately \$3.5 Million and provided highlights on major areas of expense within the department, noting that as a service provider, the department’s greatest expenses are related to salaries/wages and benefits.

Ms. Kirangi stated that in general, this was a clean audit, and although no significant issues were noted as a result, areas were identified in which existing controls could be strengthened and these areas were communicated to management. It was suggested that the department have a more formal plan for looking at risk assessment issues, and Ms. Kirangi noted that this would be discussed further when Enterprise Risk Assessment as a whole throughout the organization was addressed.

Another area identified for strengthening was regarding maintaining data on employees who have retired and also on previous employees who are deceased. The final area mentioned was regarding the Flex Pass program, where it was suggested that management implement stronger controls over how many passes are purchased; how many are sold; and how many are left unsold at the end of the year.

Ms. Kirangi noted that the department has been proactive in addressing items brought to their attention as a result of the audit.

Rosalee Walz, Director, HR&D, stated her appreciation of the work done by the internal audit team, noting that the work has been taken seriously. She reiterated that a formal risk assessment plan would be implemented as part of the department’s 2010 work plan.

Commissioner Hara asked that a follow-up presentation be provided to the Audit Committee within the next 90 days in order to inform the Committee of any actions implemented in response to the audit.

Preliminary Discussion of 2010 Internal Audit Workplan

Presentation document: Computer slide presentation

Presenter: Ms. Kirangi

As introduction to discussion of the 2010 Workplan, Ms. Kirangi reviewed the status of projects which were a part of the 2009 Workplan, noting those which have been completed, those which are ongoing, and those still remaining.

Ms. Kirangi commented on the importance of continued communication with various departments, of listening to the CEO, and of listening to concerns of the Audit Committee regarding their concerns. She stated that the department will be doing some performance auditing as well as focusing on risk assessment, and she noted that there will be continued cycling of audits. Also noted was the need to conduct audits which add value to the organization by being proactive.

Ms. Kirangi stated that she would like to have further input from the Committee, as well as from management, regarding their areas of concern, as well as how they would like to see the department's resources split in the conducting of future audits. She also commented that she would like to see further discussion of what is expected of the Internal Audit department regarding Enterprise Risk Management (ERM).

Dan Thomas, Chief Financial Officer, stated that although there is a great deal of Enterprise Risk Management taking place throughout the organization, there has not really been a formal framework used. He noted that part of the issue was a lack of understanding of what a true ERM is and what the final work product would look like. He also stated that Mr. Miller had shared with him the COSO framework for ERM. He said that an ERM framework would likely be applied as a pilot program and then be brought back to the Committee for review.

Mr. Miller suggested that as there will be a new Audit Committee as of January, 2010, it would be important for them to discuss their views on where they think the function should be in another five years in order to help facilitate the team as far as where it wants to be as far as general concepts and allocating priorities.

Mr. Miller commented that it would be a good idea for the department to be fully up to date on lease issues that had been reviewed by the State Auditor's Office (SAO), not necessarily to duplicate any efforts, but to have appropriate information should the SAO look into the Port's leases again next year.

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Mr. Miller encouraged staff to provide management with language for leases and what information should be included going forward. Mr. Yoshitani mentioned another option, which would be to provide 'boilerplate' language to an outside attorney for review and comment.

Following discussion of this year's Voluntary Separation Program (VSP), Mr. Miller commented on the significance of the risk factor when there is significant organizational change, noting that this would be a good area to look at.

Tom Barnard, Policy Analyst suggested to the Committee that an adequate length of time be allowed for the Audit Department to prepare their reports to the Committee.

ADJOURNMENT

There being no further business, the meeting was adjourned at 10:55 a.m.

Lloyd Hara
Commissioner