

Internal Audit Briefing

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

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Agenda

- **Audit Report**
 - Lease and Concession Audits
 - In-Flight Meal Concessionaires
 - ❖ Flying Food
 - ❖ Gate Gourmet
 - ❖ Sky Chefs
 - Qdoba
 - Palino
 - System Audit
 - Billing and Accounts Receivable

Lease and Concession Audits

Background

	Concession Paid				
	Flying Food	Gate Gourmet	Sky Chefs	Qdoba	Palino
2007	\$1,088,030	\$1,029,383	\$908,508	\$367,474	\$346,378
2008	983,987	1,098,441	1,351,834	467,513	352,925
2009	845,402	798,665	1,654,627	429,821	315,391

	Concession Terms
Flying Food	3.5% for non-airline sales 7% for airline sales
Gate Gourmet	
Sky Chefs	
Qdoba	Minimum Annual Guarantee (MAG) of 85% of the previous year's payments, plus a percentage fee to the extent that the fee exceeds the MAG. The percentage fee ranges from 10% to 15% of total receipts.
Palino	

Lease and Concession Audits

Audit Objectives

The purpose of the Lease and Concession audits was to determine whether:

- 1) Reported concession was complete, properly calculated and remitted timely to the Port.
- 2) Port and the lessee complied with provisions of the Lease and Concession Agreement.
- 3) Lease and Concession Agreement, as amended, complies with applicable state and Port requirements.

Lease and Concession Audits

Audit Result

	Issue	Suggested Recovery
Flying Food	Misclassification of Gross Sales – airlines sales versus non-airline sale – rates are different	\$26,624
	Untimely Payments (9 instances of late payment in 2008)	\$1,178
Gate Gourmet	Untimely Payments (21 and 20 instances of late payment for 2008 and 2009, respectively)	\$2,978
Sky Chefs	Disallowed Revenue Deductions	\$6,890
Qudoba	Untimely Payments (11 and 12 instances of late payment for 2008 and 2009, respectively)	\$2,204
Palino	Clean Report	
		\$39,874

System Audit Billing and A/R

Background

The billing and accounts receivable functions for the Port are handled centrally by the Revenue Services team within Accounting and Financial Reporting (AFR). Revenue Services is responsible for managing accounts receivables and collection efforts, which includes assessing finance charges and one-time late fees.

Revenue Services is staffed with 15 FTEs and processes approximately \$1/2 billion in billings annually .

System Audit Billing and A/R

Background (continued)

The following are top five business units that account for approximately 90% of the total billings.

(in millions)

Business Unit	2008	2009	2010 (as of 7/31)
Lease STIA	290	301	171
Lease Marine	84	84	45
Corporate STIA	66	64	34
Containers	22	17	11
Ground Access	10	10	6

Audit Objectives

- To determine if the Port has implemented effective controls to ensure that the Billing and Accounts Receivable system is efficient, complete, and accurate with respect to:
 - System access and segregation of duties
 - Accounts receivable aging
 - Credits and write-offs to customer account balances
 - Pier 69 receipting and cash handling procedures

Audit Result

- Clean Audit Report