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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 JANUARY 12, 2010**

The Port of Seattle Commission Audit Committee met in a special meeting at 9:00 a.m., Tuesday, January 12, 2010 in the Commission Chambers at Pier 69, 2711 Alaskan Way, Seattle, WA. Committee members Albro, Tarleton and Miller were present, as well as CEO Tay Yoshitani and Joyce Kirangi, Port Internal Audit Manager.

CALL TO ORDER

The committee special meeting was called to order at 9:57 a.m. by Commissioner Gael Tarleton.

There were no minutes for approval from the December 1, 2009 Audit Committee Meeting as there were new members appointed to the Committee beginning January, 2010 who were not eligible to vote. Notes were taken regarding discussions held on that date, however.

Commissioner Tarleton stated that this was the first meeting of the Port Commission's Audit Committee for 2010 and noted the new Commissioners who would rotate in as members – Commissioners Tom Albro, and Commissioner Gael Tarleton. Mr. Steve Miller will continue as a member of the Committee. She noted that Committee meetings would be held monthly, and usually held on the first Tuesday of each month.

Present at the meeting were Committee members Albro, Tarleton and Miller as well as CEO Yoshitani and members of the Port's internal audit team.

Discussion of Proposed 2010 Internal Audit Work Plan

Presenters: Joyce Kirangi, Director, Internal Audits and Jack Hutchinson, Manager, Internal Audit Department

Ms. Kirangi noted for clarification that the Internal Audit Department is only one of the components of the group that completes audits. She stated that Moss-Adams, an independent CPA firm conducts financial audits as well as the single audit of Federal money, and noted that the State

Auditor's Office (SAO) conducts an accountability audit. She commented on other regulatory audits which are sometimes conducted by the Department of Retirement or the Department of Revenue, and others, perhaps by unions, all of which would come before the Audit Committee.

Ms. Kirangi noted [two audits](#) which were complete and which the Audit Team would like to exit were those of the [Clear Channel Lease](#) and [Concessions Audit for advertising](#) at the Airport as well as the Aviation Business Development Departmental Audit. She stated that, however, since the main goal for this meeting was to review the upcoming workplan for 2010, the closing of these audits would be discussed following that review.

Ms. Kirangi reviewed the process by which the Internal Audit Departments determines which areas will be audited, noting that they annually go through a risk assessment process. She stated that financial analysis is completed and data reviewed, as well factoring in which programs had been audited the previous year. She stated that they perform risk-based audits and do not conduct them just for the sake of auditing.

Ms. Kirangi noted that one area which is looked at each year is the Central Processing System, a system which processes transactions at the Port, such as in payroll and accounts payable and receivable. She commented on the importance of having a clear understanding of what controls exist within that system, and how effective they are. She stated that during 2010 the department is proposing to look at the areas of accounts receivable and the billing system.

Regarding departmental audits, she stated that internal controls are looked at as well as compliance with policies and procedures to see how effectively the department is functioning. Also looked at is the area of accountability regarding the use of public resources. For 2010, the department is proposing to look at areas including public parking, the Fire Department, Fishermen's Terminal and the Marketing Departments.

In the area of Third Party Management activity, Mr. Kirangi noted that they hoped to conduct an audit of the Port Café, stating that their lease agreement expires in June, 2010 so there is still enough time to address any issues that may arise before the next Request for Proposals (RFP).

Commissioner Tarleton stated that she would like to see a plan for the Port Café audit and when the end date will be.

Commissioner Albro encouraged Ms. Kirangi to adopt a policy that the year prior to a lease expiring, those tenants would be audited and results would be included as part of the RFP process.

In the category of Lease and Concessions Audits, it was noted that some of those which were proposed for 2009 were put on hold due to the fact that the SAO is doing an audit of the Seaport and Real Estate Division leases. For 2010, proposed areas to be looked at included small rental car agencies.

Commissioner Tarleton commented on the need to help the public understand that we audit concessions across the board, and that those exist in the Seaport, the Aviation and the Real Estate Divisions.

Following discussion of the list of the projects which were provided for discussion at the meeting, and clarification that the list is not exhaustive, Commissioner Albro noted that he would appreciate information showing all leases and concessionaires reflecting which ones will not be audited since there is no financial significance or no business risk associated.

Ms. Kirangi briefly addressed follow-up of significant prior audit findings and continuous monitoring which would be done in 2010. Also briefly reviewed were audits being proposed as performance audits, and commented on a pilot program which is being established to implement Enterprise Risk Management (ERM).

Commissioner Albro raised the idea of considering a loaned executive program internally, perhaps at mid-management level where employees might be loaned to the Internal Audit Department during the year. Mr. Yoshitani noted the creativity of the idea and that he would like to explore it further.

Mr. Miller commented on the good balance of addressing competing demands that had been presented. He noted the importance of the scopes of audits being discussed further in advance than has been done previously. He also commented on directing language about lease contracts to what should be there as opposed to what is there.

He also noted that he would be interested in seeing which operations do not run through the Central Processing System which Ms. Kirangi referred to earlier. He also commented on the issue of the responsibility of internal audit vs. management in the monitoring of leases.

Regarding the area of performance, Mr. Miller noted that it might be beneficial to explore risks that may have resulted across the organization due to the 2009 downsizing.

Mr. Yoshitani commented on the very aggressive [schedule](#) being proposed by the Internal Audit team and wanted to be sure that the schedule correlates with the number of man-hours the department has available.

Commissioner Albro noted the importance of seeing an outline of what the scope will be for the ERM pilot program.

It was agreed by the Committee to approve the [workplan for 2010](#) as presented and discussed.

It was suggested that due to time constraints, the two presentations of audit exits be rescheduled until the February meeting and the Committee move forward with their discussion of their long-range goals and objectives.

Discussion of Updating Long-Range Goals and Objectives

A [draft document](#) for discussion purposes was provided, and the discussion by the Committee members followed.

As background information, Mr. Miller noted that the document being discussed is based on feedback received from Committee members regarding the Committee governance, the audit charter, and setting vision for the future, and stated that three goals which came out of this were:

- Increase focus on management and program performance
- Broaden the focus of internal control audit work
- Modify the focus of revenue audits

Commissioner Tarleton commented on the audit committee charter, which had been revised and strengthened after a substantial amount of work. She also noted the importance of the Committee realizing that they are looking at the Port as a whole and that gradually this will help the Port see across the entire enterprise.

She also noted that even though the Committee sets annual goals, it is not clear as to who evaluates the Committee, and stated a desire to develop a system to help evaluate those goals in order to increase the value of the work being done. It was suggested that perhaps individuals who interact with the Audit Committee provide feedback on those interactions, commenting her thought that those comments should be provided anonymously.

Commissioner Tarleton noted that during 2010, she wants to address the issue the scope of the individual audit's workplan in order to assure the Committee is giving sufficient guidance so that the scope of work leads to the desired results.

Another goal Commissioner Tarleton suggested adding was implementing a review of the Audit Committee's work so that the Committee is actually reporting to the full Commission from data.

Other comments by Commissioner Tarleton regarded the importance of communicating to the public that Audit Committee meetings are regularly held in public, increasing visibility transparency

Commissioner Albro stated a separate goal he would like to consider incorporated to address the issue of whether time is used well and whether we are providing to the organization what they need in order to execute what we charge them with. Following discussion, it was clarified that this may not be a goal which should be incorporated into the Audit Committee goals document, but should be just thought of as part of the philosophy of both the Committee and the full Commission.

Mr. Miller offered to be the receiver of any other input that may come up and suggested that perhaps the final Goals and Objectives could be adopted at the next Committee meeting.

ADJOURNMENT

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

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

Gael Tarleton