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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 JUNE 8, 2010**

The Port of Seattle Commission Audit Committee met in a special meeting at 9:00 a.m., Tuesday, June 8, 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. Commissioner Creighton was present as an observer.

CALL TO ORDER

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

APPROVAL OF MINUTES

Motion for approval of the Minutes of the May 4, 2008 meeting – Albro

Second – Tarleton

Motion carried by the following vote:

In Favor: Albro, Tarleton

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

Moss-Adams Exit Conference – Comprehensive Annual Financial Report (CAFR)

Presentation Documents: Computer slide [presentation](#) from Moss-Adams, “Results of 2009 Audit”

Presenter: Laurie Tish, Moss-Adams; Rudy Caluza, Director, Accounting and Financial Reporting; and Lisa Lam, Financial Reporting and Controls Manager

Ms. Tish provided a summary of the reports issued by Moss-Adams, noting that the audit had been completed in April, and that all of the audit reports, including the report on the financial statements,

the schedule of net revenues, and the single audit report and passenger facility charge report, were completed at nearly the same time. She commented on the significance of this, due to the magnitude of work required to complete the reports, and stated that the reports had been filed with the appropriate federal agencies approximately three months prior to the required due date. She also stated that all of the reports issued were very clean and that an unqualified opinion had been issued on the financial statements, and there were no material weaknesses noted.

Responding to Commissioner Albro's question as to what may have been significant issues in previous audits, Ms. Tish noted that some of the previous findings of non-compliance and control deficiencies related to procurement as well as areas of information technology, although very minor. She stated that it is believed that all previous issues have been resolved and addressed appropriately.

Mr. Caluza stated that the Accounting department is maintaining information related to how mitigation is being done to handle risk exposure. He agreed to provide this documentation to the Committee for further perspective and context.

Ms. Tish then reviewed a summary of the areas of the audit efforts, which include the following:

- Internal control environment
- Accounts within financial statements that employ management estimates
- Revenue Recognition
- Collectability
- Signatory lease and operating agreement (SLOA) with the Airlines
- Leases
- Bonds and related accounts
- Capital assets
- Net assets
- Warehousemen's Pension Trust Fund, which is treated as a separate audit

Ms. Lam responded to questions posed from Commissioner Albro regarding areas of the CAFR regarding the Warehousemen's Pension Trust Fund, and differences between accounting methods of the private sector compared to the public sector.

Committee member Miller reiterated that seeing the differences in public accounting methods from the private point of view can be quite difficult due to differing perspectives.

Ms. Tish then noted that other areas of focus included:

- Administration of federal awards and related administrative controls and compliance
- Passenger Facility Charge Program, which is also treated as a separate audit

Ms. Tish commented on the required communications resulting from the audit, and noted again the positive experience of working with Port staff in completing the audit.

Responding to Mr. Miller's question as to when the Audit Committee might receive the reports on the federal audit and the schedule of expenditures, Ms. Tish stated that they have been issued, and Mr. Caluza confirmed that they will be provided to the Audit Committee as well as the report on the Passenger Facility Charges.

Responding to questions from Commissioner Albro regarding the Port's mortgage-backed securities, Dan Thomas, Chief Financial and Administrative Officer, stated that Craig Kerr, Treasury Manager, would be able to provide any answers to the Committee regarding that program.

Discussion followed regarding capitalization policy of intangibles, such as air rights.

Commissioner Tarleton stated her belief that the policy of what should be capitalized versus what is expensed should be part of the audit discussions going forward, as there needs to be clarity on what can legally be done.

Administration Briefing on Port Accounts Receivables

Presenters: Dan Thomas, Chief Financial and Administrative Officer, Rudy Caluza, Director, Accounting and Financial Reporting Services and Sherry Pittman, Senior Manager, Revenue Services and Payroll. A computer slide [presentation](#) was provided.

Mr. Thomas provided context for the briefing, noting that several months ago there were internal audits conducted on concessions agreements, and some of the findings of those audits were related to late fees which had not been billed or collected appropriately under those agreements. As follow-up to those findings and whether or not those late fees could now be collected, Mr. Thomas stated that a team of legal staff and property managers had had discussions of this, and that the previous methods were viewed as discretionary. He noted that the recommendation to the Chief Executive Officer, which met with his concurrence, was to not go back to attempt to collect fees which had not appropriately been billed in the past. He stated, however, that staff will move forward with implementing a finance charge which can automatically be billed rather than having a late fee. He noted that this could involve amending the concessions agreements.

Commissioner Albro stated his concern of amending the agreements unilaterally, as by so doing, a benefit is being yielded to another party, and consideration would be needed for doing so.

Commissioner Tarleton noted that the conditions will need to be applied consistently and need to be enforceable.

Proposed Changes to Audit Committee Charter

Due to time constraints, Tom Barnard, Policy Analyst, suggested that this item be deferred until the July Audit Committee meeting, perhaps at the beginning of that agenda to allow sufficient time for discussion. He stated that he would provide documents to the Committee in advance of that meeting in order to allow them to provide comments prior to the discussion.

**PORT COMMISSION MINUTES OF THE AUDIT COMMITTEE MEETING
TUESDAY, JUNE 8, 2010**

P. 4

It was also noted that the July Audit Committee meeting would take place on July 13 rather than July 6 as it was previously scheduled.

ADJOURNMENT

There being no further business, the meeting was adjourned at 11:03 a.m.

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

Tom Albro
Secretary