

Internal Audit Briefing

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

**Joyce Kirangi, CPA
Director, Internal Audit**

December 7, 2010

Agenda

- **Audit Report**
 - Lease and Concession Audits
 - Sodexho America
 - Smarte Carte
- **2011 Work Plan Preliminary Discussion**
 - Prior Year Audit Coverage
 - Preliminary 2011 Audit Coverage

Lease and Concession Audits

Background

❖ Sodexho America

- Vending machine concessionaire
- Currently operates 80+ machines throughout the airport

| | 2007-2008 | 2008-2009 | 2009-2010 |
|-----------------|-------------|-------------|-------------|
| Reported Gross | \$1,727,461 | \$1,517,078 | \$1,427,206 |
| Concession Paid | 649,359 | 602,036 | 526,870 |

❖ Smarte Carte

- Luggage cart and charging station concessionaire
- Currently operates 50+ stations throughout the airport

| | 2007 | 2008 | 2009 |
|-----------------|-------------|-----------|-----------|
| Reported Gross | \$1,086,427 | \$924,577 | \$844,276 |
| Concession Paid | 530,796 | 566,253 | 486,805 |

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.

Audit Result

❖ Sodexho America

- Untimely Payments
- Management Letter Item
- ❑ Noncompliance with Business Enterprise Program (RCW 74.18.200 through 74.18.230)

❖ Smarte Carte

- Clean Audit Report

2010 Work Plan Status

➤ No. of Audits Exited in 2010

➤ 18

➤ No. of Special Projects Completed

➤ 4

➤ No. of Ongoing Audits

➤ 5 in the wrap-up stage.

➤ 6 at/around the end of fieldwork. All fieldwork will be completed by year end.

➤ Carryover to 2011 Work Plan

➤ 5

Prior Year Audit Coverage

| | 2008 | 2009 | 2010 |
|-------------|------|------|------|
| Aviation | 6 | 13 | 19 |
| Cap. Dev. | 3 | 0 | 1 |
| Corp. | 1 | 6 | 6 |
| Real Estate | 7 | 3 | 2 |
| Seaport | 2 | 2 | 1 |
| | 19 | 24 | 29 |

Prior Year Audit Coverage

| | 2008 | 2009 | 2010 |
|-------------|------|------|------|
| Aviation | 32% | 54% | 66% |
| Cap. Dev. | 16% | | 3% |
| Corp. | 5% | 25% | 21% |
| Real Estate | 37% | 13% | 7% |
| Seaport | 10% | 8% | 3% |

2011 Work Plan Discussion

Preliminary 2011 Audit Coverage

| | Actual | | | | Preliminary* |
|-----------------------|--------|------|------|------|--------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 |
| Systems | 1 | 1 | 2 | 1 | |
| Department | 6 | 7 | 7 | 5 | 1 |
| 3 rd Party | 0 | 2 | 1 | 1 | |
| Leases | 5 | 8 | 11 | 11 | 2 |
| Follow-Up | 0 | 0 | 0 | 3 | |
| Continuous M. | 0 | 0 | 0 | 2 | |
| Performance | 0 | 0 | 0 | 5 | 2 |
| ERM | 0 | 0 | 0 | 1 | |
| Contingency | 0 | 1 | 3 | 0 | |
| | 12 | 19 | 24 | 29 | 25 |

* includes 2010 carryovers