

PORT OF SEATTLE
MEMORANDUM

DATE: November 1, 2011

TO: Audit Committee

FROM: Joyce Kirangi, Internal Audit Director

SUBJECT: Risk Survey Among Key Port Leaders for Internal Audit 2012 Risk Assessment

Internal Audit conducts a variety of procedures to prepare its annual risk assessment. Included are a series of interviews with key Port leaders across five divisions to obtain management perspectives on the current business environment and to assess risk landscape in their respective responsibility areas and for the Port as a whole. Specifically, the following two questions were posed to each interviewee:

1. What risk do you see in your area to which Internal Audit can add value through an independent and objective review?
2. Considering the Port as a whole, what areas (e.g., systems, processes, departments, etc.) do you see a risk of negative impact?

We began the interviews some 90 days ago and have recently completed the process. We have met with the following key leaders:

- Commissioner Creighton
- Commissioner Tarleton
- Tay Yoshitani, CEO
- Kurt Beckett, Chief of Staff
- Dan Thomas
- Borgan Anderson
- Jeff Hollingsworth
- Jim Schone
- James Jennings
- Colleen Wilson
- Joe McWilliams
- Dave Soike
- Vickie Rawlins
- Gary Buchanan
- Elizabeth Leavitt
- Mike Ehl
- Patricia Akiyama
- Linda Styrk
- Peter Garlock
- Ralph Graves
- Rudy Caluza
- Mark Reis
- Wendy Reiter
- Luis Navarro
- Deanna Zachrisson

The following are not all-inclusive but represent common areas of concern among interviewees. They are not listed in any order of importance.

- Compliance cost regarding CPO policies and procedures (efficiency)
- Electronic Technician (ET) at Aviation Maintenance being a de facto second IT department (efficiency)
- Hiring practices in regard to minimum qualifications
- Business continuity including succession planning to minimize “brain drain” and/or loss of institutional memories due to staff turnover and retiring baby boomers
- Use of service or PTO days following a separation announcement
- 3rd party management agreements
- Accuracy and completeness of airline and lessee self-reported information, especially in regard to revenue calculations
- Consistency and enforcement of insurance and indemnity provisions in various contracts
- Rightsizing ICT as it relates to FTEs and budget – also cost effectiveness and efficiency as it relates to ICT technology operation and delivery of service
- New policy and/or process reviews (e.g., P-card, ERM, LEAN, etc.)
- Cost allocations, including revenue diversion concerns from the airport
- Commission Office Departmental Audit
- Seaport Division air emission programs--compliance and monitoring of the programs
- Performance audit of Port employees head counts -- ~1800 in 2012 budget

Survey Results September 2011
Internal Audit Department
Organization and Types of Audits conducted

* = Port Authorities

Internal Audit Department Organization and Types of Audits conducted	Question # 1. Does your internal audit group audit both the traditional organization internal controls and ALSO audit lease and concession contract compliance?	Question # 2. Does your organization have two separate and distinct audit groups? One for the traditional internal controls and another group for lease and concession audits?	Other Comments
Alaska Department of Transportation & Public Facilities	YES	NO	We conduct all types of audits for the State DOT. We also audit highways, ferries, and public buildings.
Athens International Airport	YES	NO	We conduct both types of audits, although we have one employee who is kind of specialized in concession audits.
Austin-Berstrom International Airport	YES	NO	Our airport is owned by the City of Austin. The Austin Office of the City Auditor audits the whole city departments. The City Aviation Division runs the airport and has auditors who conduct concession audits, parking, IT, internal controls, and conduct risk assessment.
City of El Paso	YES	NO	We conduct Performance Audits, Compliance, Financial Audits, and Operational Audits on all City departments. In addition, we do Airport Concessions and Vendor Contracts Audits. Functionally, we report to the City Manager, and Legistratively to the Internal Audit Committee (4 members of City Council).
City of Phoenix - Sky Harbor International Airport	YES	NO	We have a team of 6 auditors and 1 audit manager assigned to the Airport. This team conducts both internal control audits and airport lease and concession. We report to the City Manager.
CVG - Cincinnati/Northern Kentucky International Airport	YES	NO	We conduct both types of audits. We administratively report to the CEO and functionally to the Audit Committee.
Dallas/Fort Worth International Airport	YES	NO	Our 15 auditors perform all types of audits - Financial, Operational, Compliance, IT, Revenue, and Contract audits. The department is independent of management and reports to the Board of Directors.
Denver International Airport	YES	NO	We conduct both internal controls and concession audits. Internal controls is a newer audit activity for our group.
Greater Orlando Aviation Authority	YES	NO	The airport facilities are owned by the City of Orlando, but the airport itself is a special district (airport authority) and has a separate governing board.
Greater Rochester International Airport	N/A	N/A	Our Internal Audit Function is outsourced.

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Greater Toronto Airports Authority - Canada	NO	YES	There are two separate and distinct audit groups - one for internal controls and the other group for lease concession and compliance.
Hartsfield - Jackson Atlanta International Airport	YES	NO	Internal Audit conducts both types of audits - internal controls and lease and concession. We also outsource some audits to private CPA firms if needed.
Hillsborough County Aviation Authority, Tampa International Airport	YES	NO	We are independent of management. We have passed two peer reviews in accordance with the Yellow Book.
Honolulu International Airport	YES	NO	We perform both audit functions
Jacksonville Aviation Authority	YES	NO	We perform both organization internal control audits and the airport lease and concession arrangements. Internal Audit is independent of management and reports to the Board of Directors.
John Wayne Airport - California	YES	NO	The County Internal Audit Function conducts concession/lease/license audits and other county functions and/or internal controls. The airport internal audit functions concentrates on construction auditing and providing consulting services to PARCS/parking system
Lambert- St. Louis International Airport	YES	NO	
Lee County Port Authority	YES	NO	One of the auditor is assigned primarily at the airport.
Los Angeles World Airports - Los Angeles International Airport, LA/Ontario International Airport, and Van Nuys Regional Airport)	NO	YES	Revenue auditors are under the Controller. They are responsible for auditing Airport Lease and Concessions. Our audit group reports to the Deputy Executive Director of Administration. We make our audit presentation to the Audit and Ethics Committee bi-monthly.
Louisville Regional Airport Authority	YES	NO	
Lusaka International Airport	YES	NO	Performs both internal controls and lease and concession audits.
Maryland Aviation Administration - Baltimore	YES	NO	We have a staff of 4 auditors, and we conduct all types of audits - whatever needs to be done we do. Operational/organization audit reports are issued to the CEO, and tenants/concession, and contractor audit reports are issued to the related party.
Massachusetts Port Authority /Logan International Airport	YES	NO	We conduct both types of audits, including construction and system audits.

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McCarran International Airport - Las Vegas	YES	NO	McCarran International Airport is part of the Clark County of Nevada. The County has another audit group that audits the rest of the County government, but all airport activities are audited by the airport auditors. The types of audits which include contract compliance (lease/concession), and internal control audits. We just recently added the internal control audits.
Metropolitan Washington Airports Authority	YES	NO	We conduct both types of audits -- traditional internal controls and lease and concession audits. Internal Audit is independent of management and reports to the Board of Directors.
Niagara Frontier Transportation Authority (NFTA)	YES	NO	All auditors share in the types of audits that we do.
Port Authority of New York & New Jersey (JFK, Newark, and LaGuardia airports etc.)	YES	NO. We have one Audit Group with various work groups within it.	Our Audit Department is organized by major types of audits. We have the following 8 divisions within Internal Audit. Construction Audits, Corporate Audits, Information Systems & Technology Audits, Maintenance & Service Agreements Audits, Operational Audits Percentage Agreements Audits, Revenue Audits, and World Trade Audits. All auditors review internal controls applicable to their audits. However, the more traditional agency-wide internal controls is conducted by the Corporate Audits division. We are independent from management. We report directly to the Port authority's Inspector General and have a dotted line to the Audit Committee. We average approx. 10-13 auditors per airport.
Port of Oakland - Port Authority	YES	No. We have one Audit Group. Some audit staff concentrate on lease and concession audits	The Audit Department reports directly to the Board.
Port of Portland - Port Authority	YES	NO	We conduct both types of audits. We also have a seaport that we audit as well. Audit staff conducts all types of audits.

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Port of Seattle - Port Authority	YES	NO	The authority is comprised of an airport, seaport, and real estate. Internal Audit Department reports to the Audit Committee and administratively to the CEO.
Raleigh-Durham Airport Authority	YES	NO	We have one audit group that conducts both audits - process (internal controls) audits, and compliance audits that include lease and concessions.
Reno-Tahoe Airport Authority	YES	NO	We conduct both types of audits, but one auditor is specialized in auditing parking revenue.
Salt Lake City International Airport	YES	NO	For a long time, the focus of our audit function was contract compliance, but we have transformed to internal controls, now conducting both types of audits.
San Diego County Regional Airport Authority	YES	NO	Our audit group performs audit of airport Internal Control Processes, Leases & Concessions, Contract Payments, and Construction Activity.
San Antonio Airport System	YES	NO	Our group performs both types of audits
Spokane International Airport	YES	NO	We conduct both internal controls, and lease and concession audits.
Tucson Airport Authority	YES	NO	Internal Audit is independent of management. We report to the Board through the Audit Council.
Wayne County Airport Authority (WCAA) in Detroit	YES	NO	We conduct both internal controls and lease concession audits. We also outsource some of our audits to private CPAs when needed.