

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 7a

Date of Meeting January 11, 2011

DATE: January 5, 2011

TO: Tay Yoshitani, Chief Executive Officer

FROM: Dan Thomas, Chief Financial & Administrative Officer
Rudy Caluza, Director, Accounting & Financial Reporting

SUBJECT: SAO's Performance Audit of the Port's Real Estate Management

PURPOSE OF BRIEFING:

The Port Commission will hold a public hearing to consider the findings of and receive public comment on the State Auditor's Office (SAO) Performance Audit of the Port's Real Estate Management and Selected Programs issued on December 13, 2010, pursuant to RCW 43.09.470.

SYNOPSIS:

The SAO is mandated to conduct periodic performance audits to review and analyze the economy, efficiency, and effectiveness of the policies, management, fiscal affairs, and operations of state and local governments, agencies, programs and accounts. The SAO issued an audit of the Port of Seattle's Real Estate Management and other selected programs on December 13, 2010. The audit centered on the Port's real estate management and leasing operations, as well as focusing on past sales and purchases of Port property.

All SAO performance audit reports are submitted to the corresponding legislative body and made available to the public on or before thirty days after the completion of each audit. Subsequently, within the following thirty day period, the corresponding legislative body is required hold at least one public hearing to consider the findings of the audit and receive comments from the public.

The Joint Legislative Audit Review Committee (JLARC) also holds hearings on performance audit. That hearing was held on January 5, 2011. Port staff members, including Chief Finance and Administrative Officer Dan Thomas and Managing Director, Real Estate Division, Joe McWilliams traveled to Olympia to testify before the committee. SAO staff members were complimentary toward the Port's response to audit recommendations and noted the significant reforms implemented throughout the organization during the last few years.

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The Port of Seattle Commission is the elected body ultimately responsible for establishing policy for the Port of Seattle. Therefore, the procedure for officially responding to the SAO performance audit requires taking public testimony and having a discussion at a public hearing within thirty days of the release of the audit. After public testimony is heard and the audit is discussed by the Commission, it will publicly approve the Port's final response to the audit in matters involving policy or recommendations suggesting Commission action.

The SAO released its performance audit report publicly on December 13, 2010. Port staff members prepared a thorough initial response to the recommendations made in the report, which was contained in the SAO audit report. However, any response by the Commission itself during the preparation of this audit would have had to take place in public, as required by the Open Public Meetings Act. Current SAO procedures prevented such discussion to occur by requiring responses to drafts of the audit be submitted privately to the SAO prior to publication of the audit report.

Given that the Commission must both determine responses to policy recommendations made by the SAO to the Commission and finalize the Port's response in public session, a number of issues may be taken up at this meeting, including:

- Commission oversight over Real Estate transactions.
- Progress on the comprehensive strategic plan known as the "Century Agenda."
- Commission discussion of the purchase of the East Side Corridor.
- Commission input prior to the publication of the Audit Report.

STRATEGIC OBJECTIVES:

- **Be a high performance organization:** The Port makes it a high priority to be transparent and accountable to the taxpayers of King County, as stewards of public funds and resources. The Port embraces the responsibility to ensure that its operations and programs continuously improve in quality, efficiency, and effectiveness in order to instill public trust and provide ongoing benefit to the residents of King County and the region.

OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:

- SAO's Performance Audit Report on Real Estate Management and Selected Programs released December 13, 2010.

PREVIOUS COMMISSION ACTION OR BRIEFING:

No previous commission action.