

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 5c

Date of Meeting June 7, 2011

DATE: May 27, 2011

TO: Tay Yoshitani, Chief Executive Officer

FROM: Dan Thomas, Chief Financial & Administrative Officer
Rudy Caluza, Director, Accounting & Financial Reporting
Lisa Lam, Senior Manager, Financial Reporting & Controls

SUBJECT: External Audit Services for the Financial Statement, Single Audit (federal grant compliance) and Passenger Facility Charge (PFC) Auditing Services for the Port's 2011-2015 Operating Periods

Amount of This Request: Not to exceed \$2.6 million

Source of Funds: Operating budget & Portwide non-operating budget

Estimated Workers Employed: 10 to 15

ACTION REQUESTED:

Request authorization for the Chief Executive Officer to execute a contract for external independent audit professional services for the period 2011-2015. The contract will be in the amount not-to-exceed \$2.6 million for the full term of the contract (three years with two one-year renewal options at the Port's discretion). Service Directives will be issued on an annual basis ordering the annual external audits.

SYNOPSIS:

Annual independent audits are required for the financial statements of the Port's Enterprise Fund and the Warehousemen's Pension Trust Fund for purposes of obtaining an independent auditors opinion as to the fairness in presentation of the financial results and position. Independent audits are also required for the Port's administration of federal grants and PFC revenues in accordance with applicable regulations. These audits have been covered under the existing external audit services contract which expired in April 2011 as the 2010 audit services were completed.

As in the past, the Port openly and competitively selects the external auditor. The Request for Qualification ("RFQ") for independent external audit services was reviewed and approved by the Audit Committee at the February 1, 2011 meeting. The RFQ process from drafting, advertising to evaluation was led by the Central Procurement Office and observed by the Director of Internal Audit in accordance with Resolution No. 3605, as amended. Four proposals were received in response to the RFQ. At least ten percent of the subcontract work associated with the Port's external audits is to be performed by small business.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

May 27, 2011

Page 2 of 2

At the May 3, 2011 meeting, the Audit Committee reviewed and approved management's recommendation to select Moss Adams, LLP., as the Port's independent external auditors for the operating periods 2011 through 2015 based on the results of the RFQ process.

SCOPE OF WORK:

The annual external audit services will include the following deliverables:

- Independent Audit and Opinion – Financial Statements of the Port's Enterprise Fund
- Independent Audit and Opinion – Financial Statements of the Warehousemen's Pension Trust Fund
- Independent Audit and Opinion – Net Revenue Available for Revenue Bond Debt Service
- "Single Audit" and Report of Federal Grants Awarded
- Passenger Facility Charge Program Audit and Report

For each annual audit, the audit services schedule is as follows:

Perform Planning and Interim Audit work	September to November
Perform Final Audit work	February to April
Issuance of Audit Reports	By April 30

SOURCE OF FUNDS:

The total contract cost for the five years results in an amount not-to-exceed \$2.6 million. The fee for the 2011 audit services, which is conducted during latter 2011 and first half of 2012, is included in the Accounting & Financial Reporting (AFR) department's 2011 approved budget and will be included in the 2012 AFR proposed operating budget, and in non-operating budgets as appropriate. The funding sources are approximately 55% and 45%, respectively. For audit services in 2012–2015, the funds will be requested in the Port's respective annual budgets.

STRATEGIC OBJECTIVES:

Be a high performance organization: To be transparent and accountable for public funds and timely report on the Port's financial results and position. To be in full compliance with prescribed industry accounting and financial reporting standards, and federal regulations.

TRIPLE BOTTOM LINE:

The RFQ for external audit services incorporated the Port's "Small Business Initiative" goals to allow at least 10% of subcontracting work with small businesses.

PREVIOUS COMMISSION ACTION:

None.