

# Internal Audit Briefing

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

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Director, Internal Audit**

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# Agenda

- **Audit Report**
  - Performance audit
    - Aviation Over Time - Current Practices
  - Lease and Concession Audits
    - Rent-A-Car Audits
      - Dollar RAC
      - Fox RAC
- **2011 Work Plan Preliminary Discussion**
  - Internal Audit Risk Assessment Process Walk-Through
  - Preliminary List of 2011 Audits

# Aviation Division Overtime

## Background

- A total of 27 separate work units in the division incurs overtime.

(in 000's)		2008			2009			2010		
Type	Division	Hr	\$	% of \$	Hr	\$	% of \$	Hr	\$	% of \$
Reg	Aviation	1,636	52,150	42%	1,568	52,925	41%	1,417	50,317	40%
	CDD	408	15,102	12%	413	16,146	13%	395	16,016	13%
	Corp	857	34,550	28%	884	39,254	31%	857	39,927	31%
	Real E.	295	9,561	8%	280	9,671	8%	301	10,610	8%
	Seaport	111	5,092	4%	110	5,331	4%	107	5,410	4%
Reg Sum		3,307	116,453	94%	3,255	123,327	96%	3,077	122,280	96%
OT	Aviation	70	3,421	3%	42	2,208	2%	40	2,279	2%
	CDD	10	498	0%	13	632	0%	5	287	0%
	Corp	65	3,384	3%	38	2,087	2%	33	2,016	2%
	Real E.	10	483	0%	8	412	0%	6	336	0%
	Seaport	0	6	0%	0	7	0%	0	6	0%
OT Sum		156	7,791	6%	101	5,347	4%	85	4,924	4%
Grand Total		3,463	124,245	100%	3,356	128,675	100%	3,161	127,204	100%

## Audit Objectives

The purpose was to determine whether the Division:

- 1) Provides adequate oversight to ensure discretionary overtime is driven by operational necessity, as opposed to non-value added/low risk tasks.
- 2) Manages overtime results based on achievable, realistic estimates and/or assumptions within established budgetary goals/targets.
- 3) Manages overtime hours with an emphasis on costs/benefits with an awareness of risk-based alternatives.

## Audit Result

- Clean Audit Report
- Management Letter Item

# Lease and Concession Audits

## Background

### ❖ Dollar

- Concession of 80% of the total amount paid to the Port in the previous agreement year.

	2007	2008	2009
Reported Gross	\$12,157,119	\$13,700,673	\$15,371,427
Concession Paid	\$ 1,200,905	\$ 1,428,315	\$ 1,504,796

### ❖ Fox

- 4% of the annual gross revenue over \$480,000 which is to be adjusted annually by the Consumer Price Index (CPI).

	2008	2009
Reported Gross	\$ 6,603,567	\$ 217,979
Concession Paid	\$ 5,976,073	\$ 234,926

## 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.
- 4) Customer Facility Charges (CFC) were properly collected and remitted timely to the Port.

# Lease and Concession Audits

## Audit Result

### ❖ Dollar

- Underreported Gross Revenue
- Untimely Payments

### ❖ Fox

- Underreported Gross Revenue
- Underreported Customer Facility Charge (CFC)
- Untimely Payments



## 2011 Work Plan Status

- Internal Audit Risk Assessment Process Walk-Through
- Preliminary List of 2011 Audits