

Internal Audit Briefing

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

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Director, Internal Audit**

February 1, 2011

Agenda

- **Audit Report**
 - Performance audit
 - Travel and Entertainment - Current Practices
 - Lease and Concession Audits
 - Rent-A-Car Audits
 - Dollar RAC
 - Fox RAC
 - Internal Audit 2011 Work Plan

Travel & Entertainment

Background

- The Port's travel and entertainment expenses are primarily concentrated in the following accounts.

<i>T&E Account</i>	<i>2008</i>	<i>2009</i>	<i>2010 (as of December)</i>	<i>Total</i>
Airfare	\$466,327	\$195,504	\$304,114	\$965,946
Lodging	581,749	256,890	383,074	1,221,713
Food & Beverage	303,652	188,612	176,288	668,552
Registrations	977,056	520,826	988,322	2,486,204
<i>Total</i>	2,328,784	1,161,832	1,851,799	5,342,415

Audit Objectives

The purpose was to determine if:

- 1) The Port has implemented effective monitoring controls to ensure that travel and entertainment expenses are necessary and reasonable.
- 2) Port policies and procedures are adequate to ensure compliance with local, state, and federal laws and regulations.

Audit Result

- Clean Audit Report
- Management Letter Items

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	\$ 5,976,073
Concession Paid	\$ 217,979	\$ 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

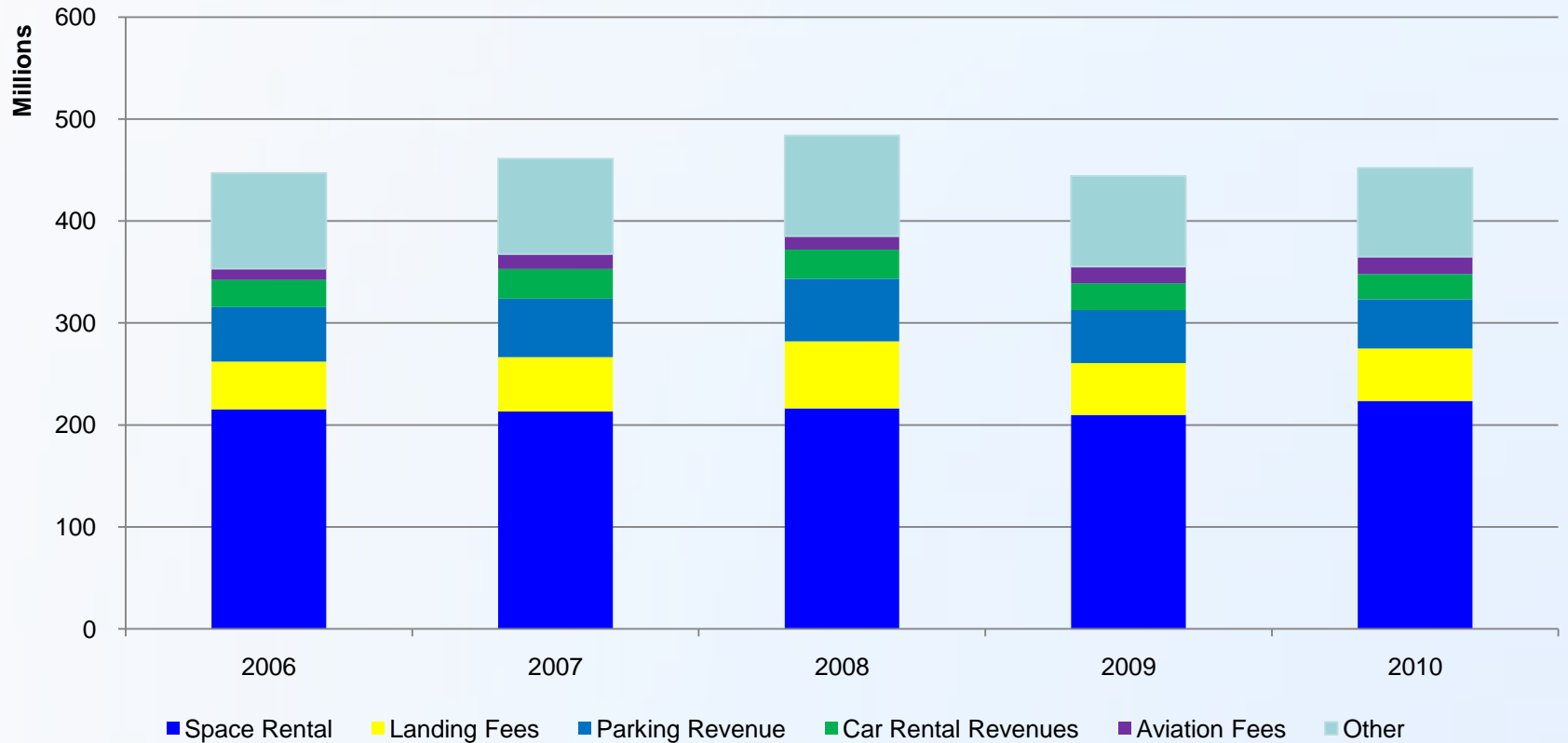
❖ Fox

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

Internal Audit 2011 Work Plan

- Risk Assessment Slides
- Proposed 2011 Audits (see attached)

5-Year Operating Revenue Trend



Operating Revenue by Dept. Node

(in millions)

Node Description	2006	2007	2008	2009	2010
Aeronautical	\$179	\$186	\$195	\$174	\$193
Landside	96	102	105	93	87
Seaport Container Operations	50	49	53	56	57
Concessions	28	31	28	29	28
Seaport Container Support Properties	12	12	13	13	13
Cruise Services	5	7	9	11	11
Third Party Management	13	14	15	10	9
Airport Properties	17	12	13	13	9
Recreational Boating	6	6	8	9	9
Fuel Hydrant Special Facility	8	8	3	8	8

Top 10 Dept. Nodes in Operating Expenses

(in millions)

Node Description	2006	2007	2008	2009	2010
Aviation Maintenance	\$40	\$41	\$49	\$46	\$45
Aeronautical	20	22	24	22	24
Police Department	17	19	19	18	19
ICT	11	13	14	17	18
Aviation Exec/AVEX	13	15	20	13	13
Aviation Utilities	16	13	13	15	13
Marine Maintenance	9	10	12	11	12
Landside	10	10	10	8	8
Aviation Facilities	5	6	7	6	6
Third Party Management	10	10	10	7	6

Operating Expenses by Account Category

(in millions)

GL Category	2006	2007	2008	2009	2010
Salaries & Benefits	\$73	\$79	\$89	\$96	\$95
Wages & Benefits	51	63	69	57	65
Outside Services	50	48	64	42	39
Utilities	21	19	19	21	18
General Expenses	2	12	13	8	8
Equipment Expense	6	6	7	5	6
Supplies & Stock	9	6	8	7	6
Travel & Other Employee Exp	3	3	4	3	3
Telecommunications	1	1	1	2	1
other	4	4	6	4	3

2011 Work Plan

Full Time Equivalent (FTE) Count by Division

Division Description	2006	2007	2008	2009	2010
Aviation	827	876	879	838	781
Capital Development	256	227	313	264	257
Corporate	444	442	474	470	456
Real Estate	194	187	196	180	184
Seaport	55	60	71	66	64

Top 5 Vendors in Operating Expenses

Ranking	Vendors	2010
1	ABM JANITORIAL SERVICES	\$8,281,144
2	SEATTLE CITY LIGHT	6,262,744
3	BONNEVILLE POWER	4,908,962
4	KONE INC	3,259,386
5	KING COUNTY TREASURER	3,072,556

Agreement-driven Revenue

(in millions)

	2006	2007	2008	2009	2010
Total Operating Revenue (PeopleSoft G/L)	\$447	\$461	\$484	\$444	\$452
Agreement-driven Revenue (PROPWorks system)	\$264	\$302	\$302	\$362	\$366
% of Agmt-driven revenue to the Port Operating Revenue	59%	66%	62%	82%	81%

Top 20 Customers in Total Billings

(in millions)

No.	Name	2009	2010	No.	Name	2009	2010
1	ALASKA AIRLINES	\$62	\$61	11	HERTZ	\$8	\$8
2	SSA TERMINALS	26	29	12	AMERICAN AIR	8	8
3	DELTA AIR LINES	12	24	13	HOST INT'L	7	8
4	UNITED AIRLINES	20	20	14	AIRPORT MGMT	7	7
5	EAGLE MARINE	20	20	15	US AIRWAYS	7	6
6	HORIZON AIR	18	19	16	AVIS	6	6
7	SOUTHWEST AIR	12	12	17	LOUIS DREYFUS	6	6
8	CTA	11	12	18	NATIONAL RAC	5	4
9	SEATAC FUEL	9	9	19	CLEAR CHANNEL	4	4
10	CONTINENTAL AIR	8	8	20	ALAMO RAC	5	4