



Internal Audit Briefing

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

**Joyce Kirangi, CPA
Director, Internal Audit**

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Agenda

- **Audit Report**
 - Comprehensive Operational Audit
 - Sea-Tac Utilities
 - Public Parking – Aviation Landside Operation
 - Third-Party Arrangements Operational Audit
 - Sea-Tac Airport Lost and Found
 - Limited Operational Audit
 - Mobile Devices/Smartphones
 - Concession and Lease Audit
 - None



Comprehensive Operational Audit Sea-Tac Utilities

Background

The department generates on average \$6 million in annual tenant direct billing revenues and incurs approx. \$14 million per year in operating expenses. Below are direct billing revenues by utility for the past three years.

<i>(in thousands)</i>	2008		2009		2010	
Electric	3,128	52%	3,432	57%	3,498	55%
Surface Water	1,115	19%	1,115	18%	1,144	18%
Water	951	16%	780	13%	803	13%
Sewer and Others	780	13%	724	12%	930	14%
Total	5,974	100%	6,051	100%	6,375	100%

Source: PeopleSoft



Comprehensive Operational Audit Sea-Tac Utilities

Audit Objectives

The purpose of the audit was to determine if management has implemented adequate controls to assure that:

1. Utility billing is complete, accurate and in accordance with the tariff.
2. Costs in the utility rate calculation are relevant, reasonable and complete.

We reviewed information relating to fiscal year 2010.



Comprehensive Operational Audit Sea-Tac Utilities

Audit Result

- Clean Audit Report



Comprehensive Operational Audit Public Parking

Background

The Port of Seattle owns and operates the Seattle-Tacoma International Airport (STIA) public parking garage. The parking garage offers 13,000 parking stalls and generates approximately \$50 million in revenues annually. Below are revenues and expenses for the past three years.

<i>(in thousands)</i>	2008	2009	2010
Parking Revenues	\$ 53,548	\$ 44,797	\$ 45,060
Operating Expenses	\$ 6,450	\$ 5,628	\$ 5,705

Source: PeopleSoft



Comprehensive Operational Audit Public Parking

Audit Objectives

The purpose of the audit was to determine if management has adequate controls to ensure effective parking operations in compliance with applicable requirements.

Specifically, whether monitoring controls are working effectively as intended in the following areas:

- Complete and proper processing of high-risk transactions
- Overtime compensation was proper and for actual time worked

The scope of the audit included a one-year period from January 1, 2010 to December 31, 2010.



Comprehensive Operational Audit Public Parking

Audit Result

- One Finding
 - » Incomplete Management Monitoring of Exception Parking Transactions



Third-Party Arrangements Operational Audit Sea-Tac Airport Lost and Found

Background

In 1998, Sea-Tac Airport's Lost and Found Program was contracted to Washington Works. The Port's goal was three-fold: 1) support Washington Works' welfare to work program, 2) serve the traveling public with an effective Lost and Found operation and 3) comply with applicable state laws that govern Lost and Found property. Following the dissolution of Washington Works in 2002, YWCA has been operating Lost and Found with 4.5 FTEs at an annual contract cost of \$285,000.

On average, Lost and Found handles 20,000 items annually. Approximately, 90% of the items are either returned to owners or donated to charities.



Third-Party Arrangements Operational Audit Sea-Tac Airport Lost and Found

Audit Objectives

The purpose of the audit was to determine whether management has implemented adequate controls to ensure:

- Inventory items properly claimed, donated, transferred to Port use or disposed of
- Inventory items donated to bona fide charities
- Small and attractive items in inventory can be accounted for
- Receipts issued for found items can be accounted for in the inventory system
- Compliance with contract requirements
- Compliance with applicable laws

We reviewed information relating to the period January 1, 2008, through December 31, 2010, including activity through the end of fieldwork in early May 2011.

Third-Party Arrangements Operational Audit Sea-Tac Airport Lost and Found



Audit Result

- Clean Audit Report



Limited Operational Audit Mobile Devices/Smartphones Review

Background

The Port started providing mobile devices in the early 1990's, primarily to Fire and Police Department staff. Since then, the issuance has been steadily increasing and stabilized to approximately 780+ smartphones and 200+ air cards as of December 31, 2010.

The Port incurs approximately \$ 580,000 annually for services related to the smartphone plans.



Limited Operational Audit Mobile Devices/Smartphones Review

Audit Objectives

The purpose of the audit was to determine if the Port is effectively managing mobile devices.

Specifically, whether management:

- Provides sufficient, complete, and clear policy directives and governance on proper mobile device usage.
- Monitors usage adequately to ensure that Port issued smartphones are utilized for the intended productivity benefits.
- Has implemented adequate controls over usage levels and negotiated rate structures to ensure the best economic interest of the Port.

We reviewed current Port practices based on billings and usage data from 2010.



Limited Operational Audit Mobile Devices/Smartphones Review

Audit Result

- One Finding
 - » Inadequate Management Controls and Unclear Policy Regarding Smartphone Usage