



Internal Audit Report

Third-Party Arrangements Operational Audit

Sea-Tac Airport Lost and Found

January 1, 2008 to December 31, 2010

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Transmittal Letter

We have completed an audit of the Sea-Tac Airport Lost and Found Program (Program). The purpose of the audit was to determine whether internal controls are adequate to ensure that property is properly processed and the Program complies with applicable legal requirements.

We reviewed information relating to Lost and Found activity from January 1, 2008 – December 31, 2010, and through the end of fieldwork in early May 2011.

Management has primary responsibility to establish and implement effective controls. Our role was to assess and test those controls in order to establish whether the controls were adequate to ensure effective operations and compliance.

We conducted the audit using due professional care. The audit was planned and performed to obtain reasonable assurance that controls are adequate and operating effectively as intended in the aforementioned areas.

The Lost and Found Program at Sea-Tac Airport is operated by experienced staff of a third-party manager. Although there are minor internal control weaknesses, we noted no issues of significance.

We extend our appreciation to the Sea-Tac Lost and Found Program staff for their assistance and cooperation during the audit.



Joyce Kirangi, CPA
Internal Audit Director

Executive Summary

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

- 1) Inventory items properly claimed, donated, transferred to Port use or disposed of
- 2) Inventory items donated to bona fide charities
- 3) Small and attractive items in inventory can be accounted for
- 4) Receipts issued for found items can be accounted for in the inventory system
- 5) Compliance with contract requirements
- 6) 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.

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.

In 2002, Washington Works dissolved, and the Port's Commissioners authorized transition of the remaining contract term to the YWCA. In January 2003, the Port entered into an agreement with the YWCA, which continues through the current time, to provide training opportunities to women and families returning to the work force.

The Lost and Found offices are located on the mezzanine level in the main airport terminal. The Program is staffed from 7-5, Monday through Friday. After hours, the Port police and other authorized personnel can secure lost property and retrieve certain items (e.g., car keys) in the Lost and Found offices.

The YWCA provides 4.5 FTEs at an annual contract cost of \$285,000. Oversight is provided by Airport Operations and Customer Service.

Audit Result Summary Based on the audit procedures performed, the Sea-Tac Airport Lost and Found Program has adequate controls and properly tracks and disposes of items in compliance with applicable legal and contract requirements. Although there are minor internal control weaknesses, we noted no issues of significance.

Background

The Director of Airport Operations and Customer Service requested this audit. Since the Sea-Tac Airport Lost and Found Program has been operated by a third-party since 1998, the Auditor concurred there was a need to audit the Program.

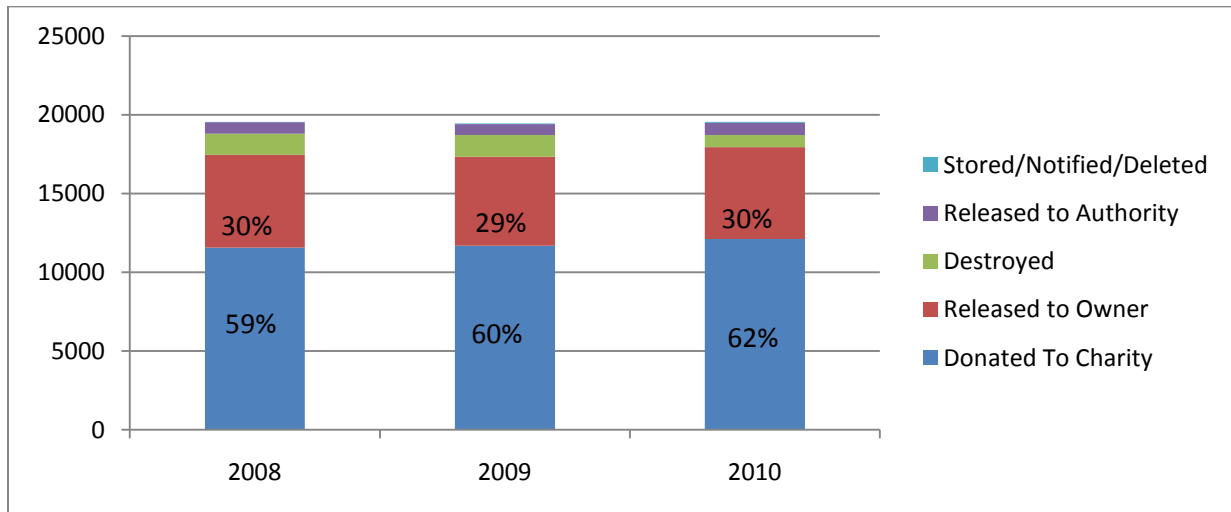
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Airport Operations and Customer Service manages the Lost and Found Program under Chapter 63.21 RCW and provides oversight of day-to-day operation by the YWCA. The YWCA provides 4.5 FTEs at an annual contract cost of \$285,000. The YWCA manager has been with Lost and Found since 2004. The other staff started between 1998 (with Washington Works) and 2009. In addition to regular staff, the YWCA sponsors two to four interns annually.

The following graph depicts the volume of activity flowing through the Lost and Found Program and the status of the items.



Audit Objectives

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Highlights and Accomplishments

Since assuming responsibility for the administration of the Sea-Tac Airport Lost and Found Program in 2002, the YWCA has served the traveling public well.

- As shown on the graph above, approximately 20,000 pieces of travelers' lost items are accounted for, disposed of or released to their rightful owners through this partnership Program.
- The Program provides job and training opportunities to women and families at the Sea-Tac Airport Lost and Found.
- Approximately ten women have participated in the YWCA's Community Jobs (CJ) internships at the Lost and Found since January 2008.
- By providing training and employment opportunities for economically disadvantaged women and families, the Lost and Found partnership also helps the Port achieve its mission to "Create Economic Vitality Here."

Audit Scope and Methodology

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. We identified risks and developed our audit procedures to address those risks. We assessed and evaluated controls over the following areas:

Inventory of Found Items

We conducted physical inventory of lost items testing with the focus on high-risk items as follows:

- Cash
- Cell phones
- Credit cards
- High-value jewelry
- Cameras
- Laptops
- Medicines

Of the 1,712 items in inventory on the testing date, 200 met our definition of high-risk items, and we selected 56 items for testing. We verified the items selected from the inventory list to the physical inventory. We selected a limited number of items from the physical inventory and traced them to the list.

Beyond the active items in inventory, we also verified that currency returned to owners was properly supported. For the period January 1, 2011, through April 20, 2011, \$9,931 was returned to the owners. We selected the larger dollar amounts representing \$5,038, and traced the items to the “Release of Property” forms. The purpose of the test was to determine whether the currency had been properly signed for by the owners. The period selected for testing provided access to documents retained on site (older documents are in archives).

Transfers of Items to the Port

We identified the cash transferred to the Port for the period 2010 of \$6,256 and verified the amount was actually transferred. We verified the amounts deposited from the Lost and Found against the amounts received into the Port’s General Fund.

Donations to Charities

We identified the charities to which items are being donated and reviewed the process whereby these charities were selected. We determined whether they represent bona fide charities in accordance with the law.

Contract Compliance

We identified the following significant contract requirements in the current contract and reviewed the process that ensures compliance in the following areas:

1. Certificate of Liability Insurance
2. Worker compensation account with Labor and Industries
3. Monthly Performance Reports
4. Reports of complaints and commendations

We further determined whether the contract requirements had been met.

Revised Code of Washington (RCW) Compliance

We identified the applicable RCWs and reviewed the process that ensures compliance.

We further determined whether the Lost and Found Program had complied with the applicable RCWs.

Conclusion

Based on the audit procedures performed, the Sea-Tac Airport Lost and Found Program has adequate controls and properly tracks and disposes of items in compliance with applicable legal and contract requirements. Although there are minor internal control weaknesses, we noted no issues of significance.