

**PORT OF SEATTLE**  
**MEMORANDUM**

**COMMISSION AGENDA**

**Item No.** 7b

**Date of Meeting** October 11, 2011

**DATE:** October 5, 2011  
**TO:** Tay Yoshitani, Chief Executive Officer  
**FROM:** Tom Barnard, Research and Policy Analyst  
**SUBJECT:** Review of the Work of Audit Committee

**SYNOPSIS:**

The Port of Seattle Audit Committee is required to report to the Port of Seattle Commission periodically to review its work and results. The period covered for this briefing is from June 2011 through September 2011.

This review will cover the following activities:

- Internal Audit reports reviewed by the Audit Committee
- Other work reviewed by the Audit Committee
- Discussion on improvements to the work of the Audit Committee

**BACKGROUND:**

The Audit Committee was created to “represent the Commission and have review and oversight authority on matters relating to the Port's auditing process and procedures.” Its main tasks are to:

- Review and recommend to the Commission the independent auditors to be selected to audit the financial statements, the federal grant and Passenger Facilities Charge programs of the Port of Seattle, and other audit services;
- Meet with independent auditors and financial management to review proposed audits for the current year and review such audits at their completion, including any recommendations of the independent auditor;
- Review the adequacy and effectiveness of the accounting and financial controls of the Port of Seattle, and recommend improvement of such internal controls or establish new controls, assisted by the independent auditors, the Internal Audit Manager, and Port staff; and

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- Perform oversight over periodic independent performance audits to be conducted on the Port of Seattle, and report the results of such audits to the Commission when completed.

## **AUDIT COMMITTEE ACHIEVEMENTS FOR JULY - SEPTEMBER 2011:**

The Audit Committee reviewed nine reports prepared by the Internal Audit Manager during the July-September 2011 period, which covers three meetings of the Audit Committee. These include:

- Four Lease and Concession Audits
  - CityIce Cold Storage, LLC
  - Shilshole Bay Fuel Dock, LLC
  - Enterprise Holdings, LLC, DBA/Enterprise Rent-A-Car
  - Bill & Nick, Inc., d/b/a Bay Cafe
- Four Operational Audits, including:
  - A limited Operational Audit of the Capital Improvement Program and Mobile/Smartphone usage;
  - A limited Operational audit of the Port of Seattle Fleet Maintenance -- Aviation and Marine
  - A Comprehensive Operational audit of Seaport Container Management
  - A Third-Party Arrangements Operational Audit of the Club International Lounge
- A Department Audit of the Sea-Tac Airport Office Building and Conference Center

The Audit Committee also heard a review of Port of Seattle “Whistleblower” Policy by Workplace Responsibility Officer Vickie Rawlins.

## **AUDIT COMMITTEE ISSUES UNDER REVIEW**

In addition, the Audit Committee has continued to discuss possible changes to the program and work of the Audit Committee. Overall Commission input on the following issues is being sought. These issues so far include:

- A continuing discussion aimed at understanding better what resources need to be devoted to the various types of auditing the Internal Audit Department performs, as well as its methodology for selection of audits for the Internal Audit’s Annual Work Plan.

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- The effects of reorganizing audit functions into two separate and distinct audit groups, with one group dedicated to traditional lease and concession audits.
- A discussion of how the peer review process should be scoped, organized and procured to accurately provide an assessment of the work of the Internal Audit Department and the Audit Committee.
- A proposal for selecting an alternative member of the Audit Committee, to be present in the event that a Commissioner is unable to attend, as two Commissioners are needed to constitute a quorum.

This work continues, and it may generate possible changes to the work of the Audit Committee, including:

- The Audit Committee may request Commission approval for a particular budget recommendation to be included in the 2012 budget to augment the current work of the Internal Audit Department;
- Further changes to the Audit Committee Charter may be brought forward to bring the Charter into compliance with peer-reviewed auditing standards; and
- Finally, the Audit Committee may prepare its own work plan, parts of which would provide additional guidance to the Internal Audit Department on the 2012 Work Plan.

## **OTHER DOCUMENTS ASSOCIATED WITH THIS BRIEFING:**

None.