



# **Internal Audit Briefing**

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

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Director, Internal Audit**

January 10, 2012



# Agenda

- **Audit Report**
  1. Lease and Concession Audits
    - Simply Wheelz (dba Advantage Rent-A-Car) - No Finding/No Discussion
    - Emerald Catering - No Finding/No Discussion
    - Cruise Terminals of America (CTA)
  2. Operational Audits
    - Central Processing System
      - None
    - Comprehensive Operational Audit
      - None
    - Limited Operational Audit
      - ABM Janitorial Contract
    - 3<sup>rd</sup> Party Audit
      - None
- **Preliminary Scope Discussion for IT Risk Assessment and Performance Audit**
- **Peer Review Scope**
- **2012 Proposed Internal Work Plan**



# Concession and Lease Audit Simply Wheelz (dba Advantage Rent-A-Car)

## Background

Simply Wheelz is a subsidiary of The Hertz Corporation. Simply Wheelz began as Advantage Rent-A-Car at Seattle-Tacoma International Airport in May 2009 after Hertz had acquired Advantage Rent-A-Car out of bankruptcy. The Sea-Tac location is the only Advantage Rent-A-Car location in the State of Washington.

The terms of the agreement provide for a Minimum Annual Guarantee (MAG) to be paid to the Port on a monthly basis. Additionally, the agreement requires a 10% Percentage Fee the extent the fee exceeds the MAG

Below are financial highlights for the last two agreement years:

Year	Reported Gross Revenue	Paid Concession
2009	\$ 2,016,799	\$ 339,972
2010	5,175,706	517,570

Source: PropWorks



# Concession and Lease Audit Simply Wheelz (dba Advantage Rent-A-Car)

## Audit Objectives

The purpose of the audit 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. Customer Facility Charges (CFC) were properly collected and remitted timely to the Port.

The scope of the audit covered the period from May 1, 2009 through October 31, 2010.



# Concession and Lease Audit Simply Wheelz (dba Advantage Rent-A-Car)

## Audit Result

- No Audit Findings



# Concession and Lease Audit Emerald Cove Enterprises

## Background

In 2009, the Port of Seattle entered into its first agreement with a caterer for the exclusive rights to cater events at the Airport Conference Center. The concession agreement was awarded to Emerald Cove Enterprises of Normandy Park, Washington. Emerald Cove is a full-service caterer, founded in 1999.

The concession percentage per the agreement is 25% of gross revenues on food and beverage sales to external customers of the Airport Conference Center.

Below are financial highlights for the last two agreement years:

Reporting Period	Gross Sales	25% Commission
9-1-09 – 9-30-10	\$91,979	\$22,995
10-1-10 – 9-30-11	\$125,335	\$31,333



# Concession and Lease Audit Emerald Cove Enterprises

## Audit Objectives

The purpose of the audit was to determine whether :

- 1.The concession revenue was complete, properly calculated, and remitted timely to the Port.
- 2.The concessionaire complied with significant provisions of the lease and concession agreement.

The scope of the audit covered the period September 23, 2009, through September 30, 2011.



# Concession and Lease Audit Emerald Cove Enterprises

## Audit Result

- No Audit Findings





# Concession and Lease Audit Cruise Terminal of America (CTA)

## Background

CTA has entered into an agreement with the Port to lease and operate the cruise terminal facilities, in exchange for which it remits a percentage fee to the Port as follows:

- 0% - for gross receipts less than \$400,000
- 73% - for gross receipts greater than \$400,000 but less than \$4.9 million
- 76% - for gross receipts greater than \$4.9 million

Below are financial highlights for the last three agreement years:

Year	Gross	Percentage Fee
2008	\$12,280,187	\$9,384,994
2009	12,413,916	8,995,576
2010	13,659,453	9,942,185

Source: PropWorks and PeopleSoft



# Concession and Lease Audit Cruise Terminal of America (CTA)

## Audit Objectives

The purpose of the audit was to determine whether :

- 1.The revenue reported was complete, properly calculated, and remitted timely to the Port.
- 2.The parties complied with significant provisions of the lease and concession agreement.
- 3.Port management oversight of the lease agreement was adequate.

The scope of the audit covered the period January 1, 2009, through December 31, 2010.



# Concession and Lease Audit Cruise Terminal of America (CTA)

## Audit Result

### ➤ Three Audit Findings

1. Cruise Terminals of America (CTA) did not report gross revenues in accordance with the lease agreement.

See Recommendations and Management Response in the audit report

2. CTA did not fully comply with its lease agreement with the Port of Seattle and certain multi-tier service arrangements hindered the port's understanding of parking/shuttle costs.

See Recommendations and Management Response in the audit report

3. Port management did not properly administer the terms of the CTA agreement.

See Recommendations and Management Response in the audit report



# Limited Operational Audit- ABM Janitorial Contract

## Background

Sea-Tac has historically contracted with a third-party vendor for the janitorial services. The current three-year janitorial contract with ABM was awarded by the Port Commission on January 13, 2009 with the provision for two one-year extensions. The contract covers the main terminal complex and satellites, comprising approximately 94 percent of total janitorial services areas.

Aviation Operations manages the ABM contract. The Port expends over \$8.0 million annually for janitorial services at the airport. The contract cost is charged based on the service area. The size of the agreement in terms of dollar amount is one of the largest at the Port of Seattle in terms of vendor-related operating expenses.



# Limited Operational Audit- ABM Janitorial Contract

## Audit Objectives

The purpose of the audit was to determine whether management has adequate and effective monitoring over:

1. Financial management to ensure accountability and completeness.
2. Performance management to ensure compliance and effective oversight.

We reviewed information for the period February 1, 2009 through the end of fieldwork in November 2011.



# Limited Operational Audit- ABM Janitorial Contract

## Audit Result

### ➤ Two Audit Findings

1. The current contract lacks specific industry standards and measures. .
2. The Port's oversight and monitoring of the contract has not been consistent and complete.



# Preliminary 2012 Work Plan Discussion

## Preliminary 2012 Audits by Type

Audit Type	Count	Est. Hours	
		Hours	%
Lease and Concession	9	2,800	32%
Limited Operational Audit	7	3,250	38%
Comprehensive Operational Audit	6	1,700	20%
3RD Party Management	2	600	7%
Central Key Processing Systems	1	300	3%
Contingency		875	10%



# Preliminary 2012 Work Plan Discussion

## Central Key Processing System

- General Ledger Accounting Processes

## Comprehensive Operational Audits

- Commission Office
- Air Terminal Operation
- Ground Transportation
- Noise Program
- Risk Management
- Real Estate Division Portfolio Management

## 3<sup>rd</sup> Party Management Audits

- World Trade Center (WTC) - Seattle
- Bell Harbor International Center





# Preliminary 2012 Work Plan Discussion

## Limited Operating Audits

- Compliance Cost of CPO series policies/procedures
- Delegation of Authority Policy
- Corp. Cost Allocations/Aviation Revenue Diversion
- 3<sup>rd</sup> Party Administrator of self-funded Medical and Dental
- Monitoring of Insurance Requirements on Various Contracts
- Procurement Card Administration
- Human Resources Policies/Procedures related to the use of service/PTO hours after separation

## Lease and Concession Audits

- HOST International, Inc.
- National car rental
- Alamo rent a car
- Hertz Corporation
- Avis rent a car system
- Seattle Restaurant Associates
- Concessions int'l Inc.
- Crane Rental
- budget rent a car