



**Commissioners**

Gael Tarleton  
Commission President  
Tom Albro  
Bill Bryant  
John Creighton  
Rob Holland

P.O. Box 1209  
Seattle, Washington 98111  
[www.portseattle.org](http://www.portseattle.org)  
206.787.3000

Tay Yoshitani  
Chief Executive Officer

*An audio recording of the meeting proceedings and meeting materials are available on the Port of Seattle web site - [www.portseattle.org](http://www.portseattle.org).*

**APPROVED MINUTES  
AUDIT COMMITTEE SPECIAL MEETING NOVEMBER 13, 2012**

The Port of Seattle Commission Audit Committee met in a special meeting Tuesday, November 13, 2012, in the Commission Chambers at Pier 69, 2711 Alaskan Way, Seattle, Washington. Committee members present included Commissioner Albro, Commissioner Bryant, and Christina Gehrke. Also present were Tay Yoshitani, Chief Executive Officer; Joyce Kirangi, Internal Audit Department Director; Jack Hutchinson, Internal Audit Manager; Melinda Miller, Manager Seaport Commercial Development; Tom Barnard, Research and Policy Analyst; and Katherine Blair, Commission Records Specialist.

**Call to Order:**

The committee special meeting was called to order at 9:04 a.m. by Commissioner Albro.

Mr. Barnard responded to Commissioner Bryant that an update was received on the progress of the Information Technology assessment from the consultant, which was distributed to members of the Audit Committee prior to the meeting of November 13, 2012.

**Approval of Audit Committee Meeting Minutes of September 11, 2012, and October 2, 2012:**

**On motion by Commissioner Bryant, seconded by Commissioner Albro, the minutes of the Audit Committee special meetings of September 11, 2012, and October 2, 2012, were approved.**

**[Lease and Concession Audit – Avis Rent-a-Car and Budget Rent-a-Car:](#)**

Mr. Hutchinson explained that Avis Rent-a-Car and Budget Rent-a-Car are owned by the same parent company. He stated that since the two audits have the same purpose, objectives, and findings, he would present them together. Mr. Hutchinson stated the purpose of the audits was to determine the following:

- The reported concession fees were complete, properly calculated, and remitted timely to the Port;
- The Port and the lessee complied with provisions of the lease and concession agreement, as amended; and
- Customer facility charges were properly collected and remitted timely to the Port.

The audit period covered November 1, 2008, through October 31, 2011. Mr. Hutchinson reported findings as follows:

- Noncompliance with record retention requirements related to certain key records; and
- Underreporting of concession revenues.

Mr. Hutchinson noted the records used to reconcile reported revenue were not available for 2009 and incomplete in 2010, but for 2011 all the records required were available.

In response to Ms. Gehrke, Mr. Hutchinson stated it is unclear whether the Internal Audit department can accommodate a two-year audit cycle for Avis and Budget lease agreements. He noted there would be future discussions between management and the Internal Audit department regarding the lease cycle.

**Comprehensive Operational Audit – Real Estate Portfolio Management Department:**

Mr. Hutchinson reported that a comprehensive operational audit requires a review of every operation the department conducts, including a review of payroll, expenses, organizational structure, and operational expenses. After the review, Internal Audit decides on an audit objective. He stated the audit objectives for the Real Estate Portfolio Management Department comprehensive operational audit were to determine the following:

- Real Estate Division lease agreements comply with the Port's Real Estate Policies 1 and 2; and
- Real Estate and Seaport Division agreements are effectively managed within PROPWorks.

He noted that the audit period covered 18 months, January 1, 2011, through June 30, 2012.

He reported one audit finding that the Department's controls for its Real Estate agreement development process were inconsistently applied to ensure compliance with the Port's Real Estate Policy number one.

Ms. Miller noted that there are currently six real estate policies and staff is working on number seven. She stated the policies are constantly under review. Commissioner Albro asked what is covered under policies three through six and why they were not included in the audit. Mr. Hutchinson stated that a comprehensive audit is not an audit of all activity, but a review of everything followed by a risk assessment, and an audit of high-risk areas, and in this case real estate policies one and two were evaluated to be higher risk. Mr. Yoshitani suggested that staff come back to discuss policies three through six.

Commissioner Albro requested the report be revised to include information about the risk assessment and why real estate policies three through six were not included in the audit.

*[Clerk's Note: A list of policies and procedures maintained by the Port's Legal Department includes two Real Estate Policies: RE-1 and RE-2; and six Real Estate Procedures: RE-1 through RE-6.]*

**Proposed Internal Audit Department Charter:**

Commissioner Albro asked if the language in the Internal Audit department charter clearly stated the compliance standards for reporting of the Internal Audit department. He recommended either selecting a word stronger than "review" in the independence section on page four, which reads as follows: "review the

appointment, replacement or dismissal of the Internal Audit Director and recommend to the full Commission for approval” or adding a sentence to page one that the Internal Audit Department Director serves at the pleasure of the Port Commission. Commissioner Bryant suggested replacing the word “review” with “propose.” Ms. Gehrke suggested the word “recommend” instead of “review” or “propose.” Commissioner Bryant concurred with that recommendation and proposed that the charter be recommended to the full Commission for approval. Commissioner Albro concurred. Mr. Yoshitani asked who will be responsible for conducting the Internal Audit Director’s annual review. Commissioner Albro stated that would be the responsibility of the Chief Executive Officer (CEO). Commissioner Bryant stated that he does not expect the Audit Committee to conduct interviews for replacement should the need arise, but he would expect the CEO to make a recommendation to the Audit Committee.

**Preliminary 2013 Internal Audit Budget:**

Ms. Kirangi noted that the budget for the contracted services based on a three-year information technology (IT) audit plan resulting from the IT risk assessment is now \$50,000 higher than originally budgeted for 2013. In response to Commissioner Albro, Ms. Kirangi noted the budget is now \$50,000 higher than originally presented to the Audit Committee.

**Proposed Audit Committee Charter:**

Mr. Barnard acknowledged that there is a typo on page three of the Audit Committee Charter included in the packet that will be corrected prior to final passage by the Commission. Commissioner Bryant asked to have more time to review the Audit Committee Charter. Mr. Barnard asked to have any comments sent to him via email in order to incorporate them into the charter before returning on December 4, 2012.

**2013 Internal Audit Work Plan:**

Ms. Kirangi noted that the Internal Audit department begins meeting with managers in October to ask how the Internal Audit department can provide value within the business departments and to the Port as an enterprise. She noted that the peer review demonstrated that the process for the work plan is working as intended. In response to Commissioner Albro, Ms. Kirangi confirmed that the Internal Audit department will return at the next Audit Committee meeting with a work plan for 2013. Commissioner Bryant asked if he could send suggestions to the Internal Audit department before December 4, 2012. Ms. Kirangi asked to have any suggestions emailed to her.

**Adjournment:**

There being no further business, the special meeting was adjourned at 10:04 a.m.

Tom Albro  
Minutes approved: February 5, 2013