



Internal Audit Report

Comprehensive Operational Audit

Port of Seattle Aviation Division – Noise Programs

January 1, 2010– December 31, 2011

Issue Date: March 6, 2012
Report No. 2012-05

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Transmittal Letter

Audit Committee
Port of Seattle
Seattle, Washington

We have completed a comprehensive audit of the Aviation Noise Programs Department.

We reviewed information relating to Aviation Noise Programs from January, 1 2010 to December 31, 2011.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We extend our appreciation to the Noise Programs staff for their assistance and cooperation during the audit.



Joyce Kirangi, CPA
Director, Internal Audit Department

Executive Summary

Audit Scope and Objective The purpose of the audit was to determine whether:

1. The monitoring on approved programs from the 2002 Part 150 Study is effective in the following specific areas:
 - a. Expenditures by the Noise Programs department for residential and school insulation programs are appropriate and accurate.
 - b. Processing of applications for residential insulation is efficient and timely.
 - c. The current Part 150 Study professional services contract payments are in compliance with the scope and deliverables.
2. The funds from the Port's tax levy contributed to the Aviation High School are effectively monitored.

We reviewed information for the period January, 1 2010 to December 31, 2011.

Background The Noise Programs is part of the Aviation Community Development group and responsible for a variety of noise programs at the Seattle-Tacoma International Airport. The department consists of six FTEs with an average annual operating budget of over \$ 1.3 million.

The Port of Seattle has a number of airport noise programs that have been an on-going effort for several decades. Most of the programs were developed from airport and community planning efforts, including several federal Part 150 studies.

The department manages the following two noise programs at Sea-Tac:

1. Noise Remedy
 - The program provides sound insulation to significantly reduce the aircraft noise.
2. Noise Abatement
 - The program reduces and manages aircraft noise through a variety of programs including, in flight procedures, engine maintenance run-up rules.

Audit Result Summary Management has effective monitoring on selected programs from the 2002 Part 150 Study. We noted, however, that the funds from the Port's tax levy contributed to the Aviation High School were not effectively monitored. This audit issue was also reported by the Washington State Auditor's Office in its accountability report (Report No. 1007272, released Feb. 27, 2012). The issue was communicated to the Port Commission and Port Leadership, and Port management has already responded to the audit finding. Accordingly, we are not repeating the description of the finding in this audit report.

Port management has developed further more detailed oversight methodology as outlined in Appendix A.

Background

The Aviation Division's Noise Programs in the Community Development is responsible for a variety of noise programs. The department consists of six FTEs with the following operating expenses:

	2010	2011
Salaries and Benefits	\$557,166	\$579,536
Outside Services	740,353	420,425
Telecommunications	19,833	15,957
Travel & Other Employee Exps	10,154	15,051
Others	34,631	4,830
Total Operating before Capital Charges	\$1,362,137	\$1,035,799

Source: PeopleSoft

The Port of Seattle has a number of airport noise reduction programs for neighbors of Seattle-Tacoma International Airport that have been an on-going effort for several decades. Most of the programs were developed from airport and community planning efforts, including several federal Part 150 studies. Part 150 is a voluntary planning effort that enables the airport to use federal funds for noise mitigation projects.

The following are the significant department activities:

Updated Part 150 Study

The Part 150 Study is a technical and community involvement effort to evaluate overall airport noise in order to determine the impacts on the community and evaluate potential mitigation programs, including working with the communities on land use controls. The updated study began in 2009 and is currently underway.

Community Outreach is a requirement within FAA's Part 150 regulation. The goal of community outreach for the study is to engage all local agencies and citizens to ensure that concerns and suggestions are received and adequately considered as part of the study.

Noise Remedy Program

The Noise Remedy program provides sound insulation to significantly reduce the aircraft noise that people hear within homes and schools that are located within the areas impacted from Sea-Tac operations. The insulation program is relatively expensive with an average cost of \$100,000 per home.

This program has been ongoing for many years and some 9,300 homes to date have been insulated.

Noise Abatement Program

Noise Abatement programs are aimed at reducing and managing aircraft noise through a variety of programs including in flight procedures, engine maintenance run-up rules, Fly Quiet program, and

noise and flight track monitoring. Noise Abatement programs have been developed through the Part 150 process and through noise mediation and have been adopted by Port Commission Resolution.

Complaint tracking and monitoring is part of the noise abatement program. The Noise Office manages a phone service and website for managing incoming complaints.

Highlights and Accomplishments

In 2010 and 2011, the Airport Noise Office successfully managed the Airport Noise and Community Land Use Planning efforts through the formal FAA Part 150 process. Numerous outreach meetings were held with the public and local elected officials to understand their concerns and allow participants to provide input to the study.

Ongoing sound insulation projects continue to move forward with the funding for sound renovation at building #9 at Highline Community College, sound reduction funding for the Highline School District, and continued funding for single family home sound renovations.

In 2010, the department implemented the Port's first Job Order Contracting (JOC) to improve contracting methods. The Noise Office also responded to over 4,275 calls to the noise hotline during 2010 and 2011.

Noise abatement work continue forward over the past two years with the successful implementation of a Fly Quiet program aimed at providing a positive incentive for airlines to reduce noise. The program awards the top airlines each year who contribute the most to noise reduction.

Audit Scope and Methodology

We reviewed information for the period 2010-2011. We utilized a risk-based audit approach from planning to testing. We gathered information through interviews, observations and analytical reviews, in order to obtain a complete understanding of the Noise Programs and tested the relevant controls.

We applied additional detailed audit procedures to areas with the highest likelihood of significant negative impact as follows:

- We randomly selected and reviewed ten disbursements by the Noise department related to residential insulation from 2010-2011 to determine whether they were appropriate and accurate.
- We reviewed all eight disbursements (\$1.7 million) from 2010-2011 for the school insulation program to determine whether they were appropriate and accurate.
- We reviewed a judgmental sample of 13 applications from 29 active applications for residential insulation for efficiency and timeliness of processing.

- We reviewed a judgmental sample (\$490,000 or 48% of the total) of professional service contract payments for the current Part 150 Study from 2010-2011 for compliance with the contract requirements.
- We reviewed the current monitoring of contributions to the Aviation High School to determine whether it is sufficient and adequate.

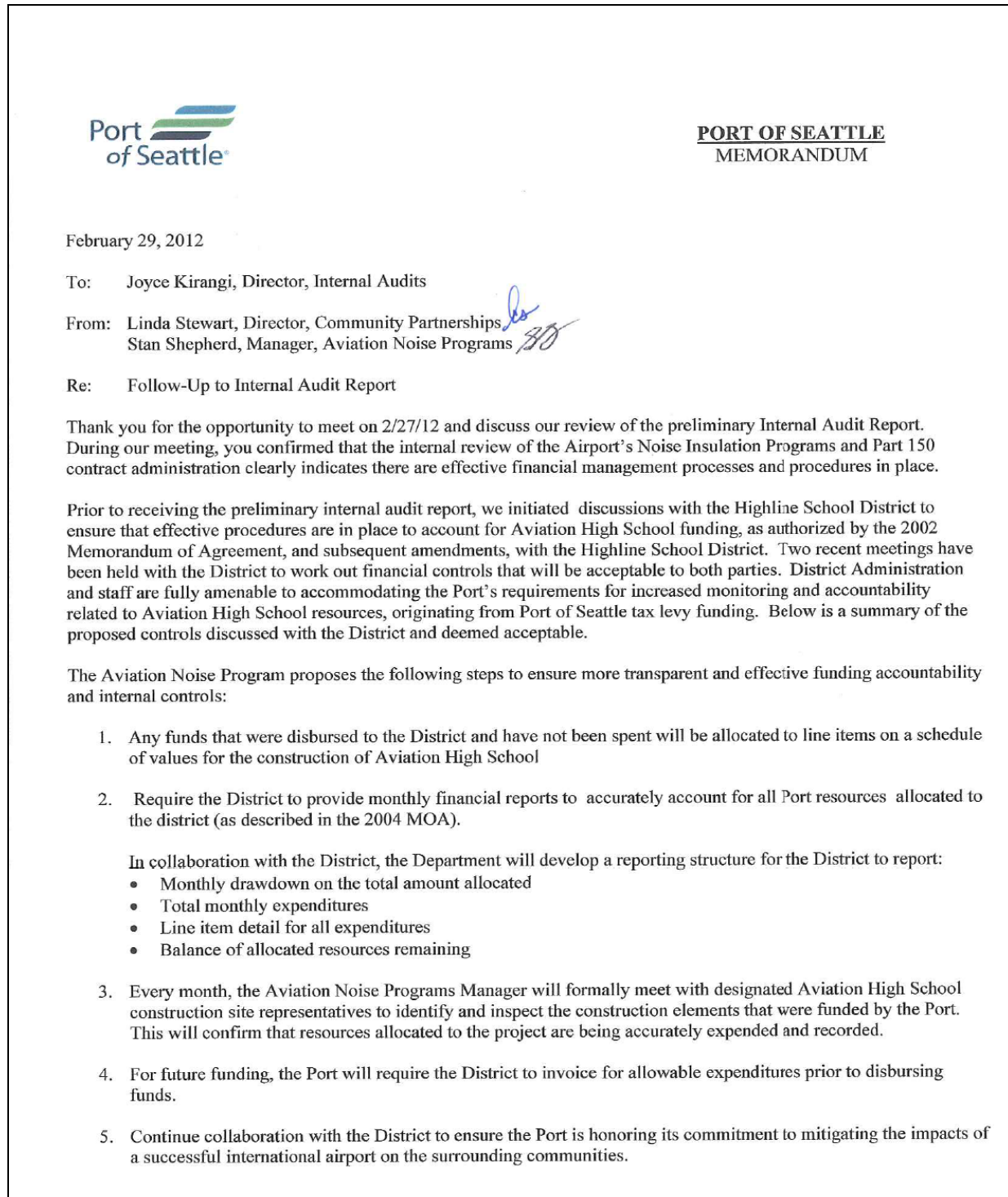
Conclusion


Management has effective monitoring on selected programs from the 2002 Part 150 Study. We noted, however, that the funds from the Port's tax levy contributed to the Aviation High School were not effectively monitored. This audit issue was also reported by the Washington State Auditor's Office in its accountability report (Report No. 1007272, released Feb. 27, 2012). The issue was communicated to the Port Commission and Port Leadership, and Port management has already responded to the audit finding. Accordingly, we are not repeating the description of the finding in this audit report.

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Appendix A

Below is an image copy of the department's detailed oversight monitoring methodology.



 **PORT OF SEATTLE**
MEMORANDUM

February 29, 2012

To: Joyce Kirangi, Director, Internal Audits

From: Linda Stewart, Director, Community Partnerships *ls*
Stan Shepherd, Manager, Aviation Noise Programs *SS*

Re: Follow-Up to Internal Audit Report

Thank you for the opportunity to meet on 2/27/12 and discuss our review of the preliminary Internal Audit Report. During our meeting, you confirmed that the internal review of the Airport's Noise Insulation Programs and Part 150 contract administration clearly indicates there are effective financial management processes and procedures in place.

Prior to receiving the preliminary internal audit report, we initiated discussions with the Highline School District to ensure that effective procedures are in place to account for Aviation High School funding, as authorized by the 2002 Memorandum of Agreement, and subsequent amendments, with the Highline School District. Two recent meetings have been held with the District to work out financial controls that will be acceptable to both parties. District Administration and staff are fully amenable to accommodating the Port's requirements for increased monitoring and accountability related to Aviation High School resources, originating from Port of Seattle tax levy funding. Below is a summary of the proposed controls discussed with the District and deemed acceptable.

The Aviation Noise Program proposes the following steps to ensure more transparent and effective funding accountability and internal controls:

1. Any funds that were disbursed to the District and have not been spent will be allocated to line items on a schedule of values for the construction of Aviation High School
2. Require the District to provide monthly financial reports to accurately account for all Port resources allocated to the district (as described in the 2004 MOA).

In collaboration with the District, the Department will develop a reporting structure for the District to report:

- Monthly drawdown on the total amount allocated
- Total monthly expenditures
- Line item detail for all expenditures
- Balance of allocated resources remaining

3. Every month, the Aviation Noise Programs Manager will formally meet with designated Aviation High School construction site representatives to identify and inspect the construction elements that were funded by the Port. This will confirm that resources allocated to the project are being accurately expended and recorded.
4. For future funding, the Port will require the District to invoice for allowable expenditures prior to disbursing funds.
5. Continue collaboration with the District to ensure the Port is honoring its commitment to mitigating the impacts of a successful international airport on the surrounding communities.