



Internal Audit Briefing

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

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Agenda

- **Audit Report**

1. Lease and Concession Audits

- Reissued - Cruise Terminals of America (CTA) with an addendum to reflect Seaport Management Supplemental Information

2. Operational Audits

- Central Processing System
 - None
- Comprehensive Operational Audit
 - Aviation Noise Programs
- Limited Operational Audit
 - None
- 3rd Party Audit
 - None

- **Briefings/Updates**

- Internal Audit exited the CTA audit at the January Committee meeting with the following three audit findings:
 1. Cruise Terminals of America (CTA) did not report gross revenues in accordance with the lease agreement.
 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.
 3. Port management did not properly administer the terms of the CTA agreement.

- At the request of the Committee, Seaport Management has provided supplemental information related to the findings.

Background

The Aviation Division's Noise Programs with six FTEs in the Community Development group is responsible for the following two noise programs at Sea-Tac:

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

Below are department expenses for the last two years:

	2010	2011
Salaries and Benefits	\$557,166	\$579,536
Outside Services	740,353	420,425
Others	64,618	35,838
Total Operating before Capital Charges	\$1,362,137	\$1,035,799

Source: PeopleSoft

Audit Objectives

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:
 - Expenditures by the Noise Programs department for residential and school insulation programs are appropriate and accurate.
 - Processing of applications for residential insulation is efficient and timely.
 - 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.

The scope of the audit covered the period January 1, 2010, through December 31, 2011.

Audit Result

➤ One Audit Finding

- * Inadequate Monitoring of Port's Tax Levy Contributions to the Aviation High School

This finding was also recently reported by the Washington State Auditor's Office (Report No. 1007272, released Feb. 27, 2012). The finding was communicated to the Port Commission and Port Leadership, and the Port has already responded to the audit finding. Accordingly, we are not repeating the finding again in our audit report.

Note: Aviation Noise Programs management has developed further detailed oversight monitoring procedures that are incorporated in this report.

- Internal Audit Department Policy/Procedure Updated based on 2011 Government Auditing Standards
 - Proposed Internal Audit Department Charter
- Association of Local Government Auditors (ALGA) Peer Review
- RFP for Enterprise Technology Risk and Performance Assessment
 - Response Due by 3/15/2012