



# Internal Audit Briefing

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

**Joyce Kirangi, CPA  
Director, Internal Audit**

August 7, 2012

# Agenda

- **Audit Report**

1. Lease and Concession Audits

- National Rent-A-Car
- Alamo Rent-A-Car

2. Operational Audits

- Central Processing System
  - None
- Comprehensive Operational Audit
  - None
- Limited Operational Audit
  - Procurement Card Administration
- 3<sup>rd</sup> Party Audit
  - None

- **Briefing/Updates**

1. 2012 Work Status
2. Audit Services Requests by Management

## Background

National and Alamo are wholly owned by privately held Enterprise Holdings, Inc. headquartered in St. Louis , MO. National and Alamo maintain a local administrative office and operate from the consolidated rental car facility.

Fiscal Year	National		Alamo	
	Reported Gross Revenue	Paid Concession	Reported Gross Revenue	Paid Concession
2008 – 2009	26,953,984	4,055,120	23,765,153*	4,057,922*
2009 – 2010	29,592,351	2,959,235	24,124,032	2,412,403
2010 – 2011	32,466,920	3,246,692	22,419,994	2,379,554
	\$89,013,255	\$10,261,047	\$70,309,179	\$8,849,879

\* MAG is greater than concession for the Agreement Year

## Audit Objectives

The purpose of the audit was to determine compliance with:

1. The reported concession was complete, properly calculated, and remitted timely to the Port.
2. The Port and the lessee complied with significant provisions of the Lease and Concession Agreement, as amended.
3. Customer Facility Charges (CFC) were properly collected and remitted timely to the Port.

We reviewed information for the period November 2008, through October 2011.

## Audit Result

- Finding
  - Clean Audit Report

## Background

As of April 1, 2011, the Port of Seattle introduced a new procurement card program and policy (CPO-7) and substantially expanded the use of procurement cards throughout the Port. The new program promotes repetitive, small dollar purchases, and cardholders are not restricted to specific vendors. This new program is intended to provide a more efficient process and reduce the costs of purchasing routine goods and services.

As of February 2012, there were 142 active cards, and the total procurement card expenditures for the period April 1, 2011, through February 29, 2012, were \$5.2 million.

### Top Two Departments' P-card Expenditures Before and After CPO-7

	Procurement Card Expenditures April 30, 2009, thru March 31, 2011 (23 months) Before CPO-7	Procurement Card Expenditures April 1, 2011, thru February 29, 2012 (11 months) After CPO-7
Aviation Maintenance.	\$1,080,189	\$1,905,440
Seaport Maintenance	392,429	883,191

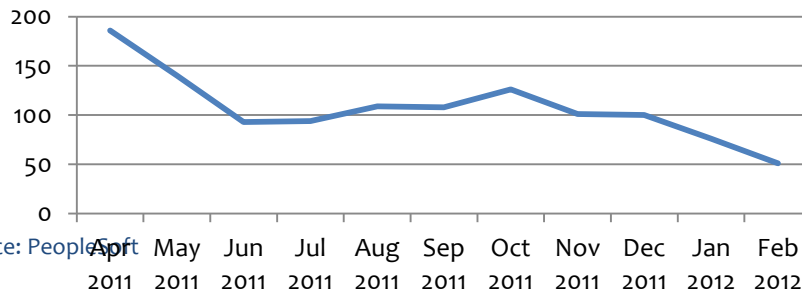
Source: PeopleSoft

## Background continued

The top five P-card vendors and other vendors before and after CPO-7 are identified below, with total P-card vendors increasing from 505 to 1,595.

Procurement Card Expenditures April 30, 2009, thru March 31, 2011 (23 months) Before CPO-7			Procurement Card Expenditures April 1, 2011, thru February 29, 2012 (11 months) After CPO-7		
XEROX CORP	\$589,499	15%	KEENEYS OFFICE SUPPLY,	\$390,386	7%
W W GRAINGER	407,011	10%	UNIFORM&CAREER APPAR EL	373,205	7%
UNIFORM&CAREER APPAREL	385,936	10%	W W GRAINGER	204,649	4%
KEENEY'S OFFICE SUPPLY	333,291	9%	DELL	129,114	3%
UNITED REPROGRAPHICS	281,639	7%	BRATWEAR	83,136	2%
Others (about 500 vendors)	1,934,551	49%	Others (about 1,590 vendors)	4,108,340	77%
<b>Total</b>	<b>\$3,931,927</b>	<b>100%</b>	<b>Total</b>	<b>\$5,288,830</b>	<b>100%</b>

The reduction in POs and the increase in P-card purchases have reduced accounts payable processing costs.



Source: PeopleSoft  
 Apr 2011 May 2011 Jun 2011 Jul 2011 Aug 2011 Sep 2011 Oct 2011 Nov 2011 Dec 2011 Jan 2012 Feb 2012

## Audit Objectives

The purpose of the audit was to determine whether:

1. The procurement card (P-card) program is efficient and effective
2. Management controls are adequate to ensure:
  - Proper assignment and monitoring of roles and responsibilities
  - Safe and secure distribution of P-cards
  - Compliance with the requirements of CPO-7
  - Rebate is accurate and maximized

We reviewed information for the period April, 1 2011, through February 29, 2012.



## Audit Result

- Improvement Opportunity
  - The Current Guidance Of CPO-7 Could Be Improved To Optimize the Use Of The Procurement Card, While Continuing To Manage Risks To The Port.

- 2012 Work Plan Status
- Audit Services Request by Management Not Part of the Department's 2012 Work Plan
  - Two Requests
    - Doug Fox Parking – lease audit
    - Review/Consult Airport Public Parking Control Processes