



INTERNAL AUDIT REPORT

Survey and Mapping Department
Comprehensive Operational Audit

January 1, 2013 – December 31, 2014

ISSUE DATE: MAY 07, 2015
REPORT NO. 2015-07

TABLE OF CONTENTS

TRANSMITTAL LETTER.....	3
EXECUTIVE SUMMARY	4
BACKGROUND.....	5
FINANCIAL HIGHLIGHTS	5
AUDIT SCOPE AND METHODOLOGY.....	5
CONCLUSION	6
SCHEDULE OF FINDINGS AND RECOMMENDATIONS.....	7
1. THE DEPARTMENT CONTROLS FOR OVERTIME AND TRAVEL EXPENSES ARE NOT ADEQUATE.....	7

TRANSMITTAL LETTER

Audit Committee
Port of Seattle
Seattle, Washington

We have completed an audit of the Survey and Mapping Department. We reviewed information for the period January 1, 2013 - December 31, 2014.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards and the International Standards for the Professional Practice of Internal Auditing. 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 management and staff of the Survey and Mapping Department for their assistance and cooperation during the audit.



Joyce Kirangi, CPA, CGMA
Internal Audit, Director

AUDIT TEAM	RESPONSIBLE MANAGEMENT TEAM
Margaret Songtantaruk, Senior Auditor	Tina Soike, Chief Engineer
Jack Hutchinson, Manager	Garry Ensley, Survey & Mapping Manager

EXECUTIVE SUMMARY

AUDIT OBJECTIVES AND SCOPE

The purpose of the audit was to determine whether management controls are adequate to ensure:

- Non-regular payroll (2nd/3rd shifts and overtime) compensation is proper.
- Travel expenses are appropriate in compliance with Port Policy AC-1 and AC-2.

We reviewed information for the period January 1, 2013 - December 31, 2014. Details of our audit's scope and methodology are on page 5.

BACKGROUND

The Survey and Mapping Services Department is part of the Engineering Management Services group within the Port of Seattle's Capital Development Division. The Department provides survey services including construction layout, utility locates, lease line lay out, etc. to all Port divisions.

The Survey and Mapping Services is a department of about 15 FTEs with an annual operating budget (before capital charges and transfers) of approximately \$1.9 million. Almost all (~94%) of the Department expenses are in salaries, wages, and benefits. The Department has experienced a sharp increase in overtime activity in recent years, as construction at the Aviation Division has expanded.

AUDIT RESULT

Management controls are not adequate to mitigate the risks related to non-regular hours and travel expenses. See discussion in Finding 1 of the Schedule of Findings.

BACKGROUND

The Survey and Mapping Services Department is part of the Engineering Management Services group within the Port of Seattle's Capital Development Division. The Department provides survey services including construction layout, utility locates, lease line lay out, etc. to all Port divisions.

The Survey and Mapping Services is a department of about 15 FTEs with an annual operating budget (before capital charges and transfers) of approximately \$1.9 million. Almost all (~94%) of the Department expenses are in salaries, wages, and benefits. The Department has experienced a sharp increase in overtime activity in recent years as construction at the Aviation Division has expanded. It was, therefore, important to assess whether the Department has established effective controls to handle the increased overtime activity.

FINANCIAL HIGHLIGHTS

The Department's actual expenses for the audit period are as follows:

Department Expenses Before Capital Charges and Transfers		
Account Description	2013	2014
Salaries, Wages, and Benefits	\$ 1,478,322	\$ 1,701,963
Travel & Other Employee Expenses	16,691	22,558
Other	3,705	(622)
Intra-department Allocations	68,673	64,408
TOTAL	\$ 1,567,391	\$ 1,788,307

Data Source: Data Source: PeopleSoft Financials

AUDIT SCOPE AND METHODOLOGY

We reviewed information for the period January 1, 2013 - December 31, 2014. We utilized a risk-based audit approach from planning to testing. We gathered information through document reviews, staff interviews, observations, and data analyses, in order to obtain a complete understanding of the Department operations. We assessed significant risks and identified controls to mitigate those risks. We evaluated whether the controls were functioning as intended.

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

- 1) To determine whether management controls are adequate to ensure that non-regular payroll (2nd/3rd shifts, and overtime) compensation is proper.

- We conducted a variety of analyses, including weekend and project overtime analyses, to select a risk-based sample of 8 employees for 102 work days.
 - For each item in the risk-based sample, we examined evidence for prior approval, verified the accuracy of overtime calculations, and reviewed available documentation to support the number of hours worked.
 - We corroborated working hours with Port personnel outside of the Department to ensure propriety of overtime hours.
- 2) To determine whether management controls are adequate to ensure that travel expenses are appropriate and in compliance with the Port Policy AC-1 and AC-2.
- We tested a risk-based sample of 59 items for proper approval, allowability, and complete documentation to support the expenses.

CONCLUSION

Management controls are not adequate to mitigate the risks related to non-regular hours and travel expenses. See discussion in Finding 1 of the Schedule of Findings.

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

1. THE DEPARTMENT CONTROLS FOR OVERTIME AND TRAVEL EXPENSES ARE NOT ADEQUATE

a) Overtime

The Commission approved Salaries and Benefits Resolution defines overtime as hours worked in excess of regularly scheduled 40 hours per week. The resolution requires overtime be pre-approved by supervisor or manager, and provides a disciplinary action to those working overtime without pre-authorization. The approval is an acknowledgement of business necessity from management, and as such the prior approval is important from accountability perspectives.

We tested a risk-based sample of 8 employees for 102 work days. We determined there was no documented evidence of overtime prior approval. Although staff and supervisors related informal conversations authorizing overtime, there was no formalized process to request and pre-approve overtime. Of the 102 days tested, we identified evidence of overtime hours worked for only 14 days, and that evidence lacked certain details to completely support the hours worked. In the absence of documented evidence to support overtime hours, we conducted additional procedures to corroborate selected hours. No indicators of inappropriate use of overtime came to our attention.

A lack of management process to pre-approve overtime contributed to the observed exceptions. The inadequate control, if continued, could lead to mis/abuse of overtime.

b) Travel Expenses

Port Policy AC-2 provides a framework for acceptable travel and business expenses and outlines how employees can obtain reimbursements. We tested a risk-based sample of 59 employee travel expenses and found the Department controls were inadequate. When controls are inadequate, errors or inappropriate transactions (big or small) can go undetected.

Testing Results:

Travel Expense Test				
	Test Amount	Audit Results		
		Allowed	Disallowed	Questionable
Air Travel – baggage fee	\$ 75	\$ 75		
Local Transportation	121	121		
Lodging	2,163	1,158	\$ 311	\$ 694
Meals	1,116	703	180	233
TOTAL	\$ 3,475	\$ 2,057	\$ 491	\$ 927

Data Source: PeopleSoft Financials

The majority of the disallowed cost consists of lodging/meals for an additional night following the end of a conference. The conference in question completed all its activities at 3 p.m., according to the conference agenda, and thus there was no Port business purpose for the extra night. Also included in the disallowed are meals, the costs of which were already included in the conference registration fee.

The questionable costs are expenses with potentially qualifying circumstances; however, these circumstances were not always clearly reflected in the existing documentation. Thus, the following warrant further examination by management: 1) Extra night stays for which a business purpose is not clearly documented, 2) Between-meal sundry purchases, and 3) Purchases before the travel status.

Unfamiliarity with the Policy contributed to the observed exceptions and, if not corrected, could result in improper expenses.

Recommendations:

We recommend management:

1. Design and implement a system of controls to ensure pre-approval of overtime.
2. Train staff in AC-2 on travel expenses.
3. Recover the disallowed travel expense, if appropriate.

Management Response:

Department Response to Pre-Approval of Overtime.

Survey and Mapping Services does concur with the findings that the pre-approval process of overtime was lacking in a written format. In response to the audit findings Survey and Mapping Services has implemented a more thorough written process to preapprove overtime. Survey and Mapping Services is working with the overall engineering department to setup an Overtime Guidelines procedure that will be followed. This will consist of an email, text or written document that will be sent to the manager or designee with justification for the work needed, data and duration of the overtime and what project the employee will be working on. This will be approved by their Manager or designee prior to the overtime being performed. If the manager is unavailable the overtime will be approved within one business day. At the end of each pay period the manager or designee will reconcile the overtime with the HCM Payable time report for further verification. Engineering has also created a SharePoint folder to keep all of the overtime documentation and will be checked periodically. The Engineering Overtime Guidelines may change as we move forward with the implementation.

Department Response to Travel Expenses.

Survey and Mapping Services agrees with the Auditors findings. Survey and Mapping Services has tasked each employee with reading both the AC-1 and AC-2 Policies that correspond to travel and each employee has already signed a document stating that they have read each policy. Survey and Mapping Services has also made a Travel Guidelines check list that includes items that pertain to travel expenses outlined in the AC-2 policy that will be given to each employee before they

embark on their travel. We have already had a team meeting to go over this checklist and have discussed items and answered questions pertaining to travel in the AC-1 and AC-2 Policies. Managers are moving forward to recover the disallowed travel expenses, if appropriate.