PORT OF SEATTLE
MEMORANDUM

DATE: October 6, 2015
TO: Audit Committee
FROM: Joyce Kirangi, Internal Audit Director
SUBJECT: Internal Audit 2016 Proposed Budget

Per the Audit Committee Charter, the Committee reviews the Internal Audit Department's annual budget and gives its recommendation to the full Commission. Thus, I respectfully submit our proposed 2016 budget for your consideration.

2016 Budget Highlights and Notes

The budget was prepared under the 2016 Port budget guidelines. It fully complies with the established guidelines and budget targets.

	2014 Actual		2015 Budget		Proposed 2016 Budget	
	Amount	%	Amount	%	Amount	%
Salaries/Wages and Benefits	1,152,589	83.99%	$ 1,269,748	81.79%	$1,302,997	83.02%
Outside Services	175,221	12.77%	199,950	12.88%	186,190	11.86%
Travel, Training, and Other Emp Expense	29,441	2.15%	51,479	3.32%	45,940	2.93%
Equipment Expense	4,381	0.32%	18,560	1.20%	21,530	1.37%
General Expenses	3,758	0.27%	4,121	0.27%	4,742	0.30%
Supplies/Stock	1,642	0.12%	3,000	0.19%	3,000	0.19%
Telecommunications	5,250	0.38%	5,520	0.36%	5,160	0.33%
	1,372,282	100%	$1,552,378	100%	1,569,559	100%

The 2016 budget is essentially unchanged from the 2015 budget.

- 3% increase in salaries/wages from 2015 reflects an expected increase from annual performance evaluations.
- Outside services include outsourcing the following information technology projects /audits:
  - $120,000 to conduct two IT audits from the 3-year IT audit plan developed by Protiviti in 2012.
    - End-Point Security Review.
    - IT Asset Management Review.
  - $60,000 to conduct review(s) as ongoing monitoring of the significant capital programs at the airport, including International Arrivals Facility (IAF) and Center Runway Replacements.
- Travel/registration to meet the Continuing Professional Education (CPE) requirements of the Government Auditing Standards and the International Standards for the Professional Practice of Internal Auditing.
- The remaining are for sundry items (e.g., cell phone bills, Port Compliance and Ethics Hot Line, professional membership dues, and subscriptions.)

In accordance with the 2016 budget guidelines, Internal Audit is requesting an <u>additional</u> one-time budget item in its 2016 standard budget.

1.   Association of Airport Internal Auditors (AAIA) -- Sponsorship of the 2016 Annual Conference ($50,000)

The Port Internal Audit is a member of the Association of Airport Internal Auditors (AAIA). The Association addresses unique needs of airports around the world. It provides a forum to learn and dialogue among auditors, management, and other stakeholders. The AAIA also provides a central clearinghouse for auditors and management to share best practices in order to improve internal audit's effectiveness and efficiency. For the last 15 years, Port internal audit staff has benefited from participation in the AAIA programs.

The AAIA annual conferences are held in different locations throughout the country. The primary objective is to foster, promote, and provide professional growth among the stakeholders. Through a competitive process, the AAIA Board selected the Port of Seattle Internal Audit to host the 2016 annual conference in Seattle. There is an expectation that our organization, as the host, will sponsor a portion of the conference. In the past, sponsorships have ranged from $10,000 to $50,000. Sponsorships are used to offset conference costs and fund training. These sponsorships have become one of the keys to successful conferences.

The Port of Seattle Century Agenda encourages staff to find ways to promote and stimulate our local economy. Hosting a conference like the AAIA brings economic benefits to our region. When in Seattle, conference attendees and their guests will use our local hotels, restaurants, shops, and other tourist attractions, thereby boosting our local economy. The conference will also provide a platform to highlight the Port of Seattle facilities and services.

We look forward to including the Port Commission and management in some of the conference events.