

PORT OF SEATTLE
MEMORANDUM

AUDIT COMMITTEE AGENDA

Item No. 3
Date of Meeting Oct 6, 2015

DATE: September 29, 2015

TO: Audit Committee Members

FROM: Winnie Lauer, Financial Reporting & Controls Manager, Accounting & Financial Reporting
Rudy Caluza, Director, Accounting & Financial Reporting

CC: Dan Thomas, Chief Financial Officer

SUBJECT: Request for Qualification (RFQ) of External Audit Services for the Port's 2016 to 2020 Operating Periods

Amount of This Request: Not to exceed \$3,000,000

Source of Funds: AFR operating budget & Portwide non-operating budget

ACTION REQUESTED:

Review the RFQ for external audit services and recommend to the full Commission authorization for the Chief Executive Officer to initiate the procurement of external audit services.

SYNOPSIS:

Annual independent audits are required for the financial statements of the Port's Enterprise Fund and the Warehousemen's Pension Trust Fund for purposes of obtaining an independent auditors opinion as to the fairness in presentation of the financial results and position. Independent audits are also required for the Port's administration of Federal grants and Passenger Facility Charge (PFC) revenues in accordance with applicable regulations. These audits covered under the existing external audit services contract is expiring in April 2016 once the 2015 audit services are completed.

The annual external audit services include the following deliverables:

- Independent Audit and Opinion - Financial Statements of the Port's Enterprise Fund
- Independent Audit and Opinion - Financial Statements of the Warehousemen's Pension Trust Fund
- Independent Audit and Opinion – Net Revenue Available for Revenue Bond Debt Service
- “Single Audit” and Report of Federal Grants Awarded
- PFC Program Audit and Report
- Agreed upon procedure of the Port's compliance with financial assurance regulations for the Washington State Assurance Submission for the Port's Terminal 91 Facility.

Per Port's policy, the staff intends to openly and competitively select the external auditor. The RFQ incorporates the evaluation criteria for the Audit Committee to review and approve. The RFQ process from drafting, advertising, to evaluation will be led by the Central Procurement Office (CPO) and observed by the Director of Internal Audit in accordance with Resolution No. 3704. The RFQ timeline is scheduled to begin around late October 2015 and have an external auditor selected by end of 2015. As outlined in the RFQ, the evaluation process includes written proposal evaluations and interviews of proposing firms.

SOURCE OF FUNDS:

The total audit fee estimated for all five years is expected to be under \$3,000,000. The fee for the 2016 audit services, which is conducted during latter 2016 and first half of 2017, is included in the AFR department's 2016 proposed budget and will be included in the 2017 AFR proposed operating budgets, and in non-operating budgets as appropriate. The funding sources are approximately split 55% and 45% in operating and non-operating expense, respectively. For audit services in 2017 – 2020, the budget will be included in the Port's annual budget.

STRATEGIC OBJECTIVES:

Be a high performance organization: To be transparent and accountable over the stewardship of public funds/assets, to be in full compliance with prescribed industry accounting & financial reporting standards and Federal regulations, and to timely and accurately report on the Port's financial results.

PREVIOUS AUDIT COMMITTEE ACTION:

2/1/2011 – Approved proceeding of External Independent Audit RFQ