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## **APPROVED MINUTES AUDIT COMMITTEE SPECIAL MEETING OCTOBER 6, 2015**

The Port of Seattle Commission Audit Committee met in a special meeting Tuesday, October 6, 2015, in the Commission Chambers at Pier 69, 2711 Alaskan Way, Seattle, Washington. Committee members present included Commissioner Albro, Commissioner Creighton, and Christina Gehrke. Also present were Dan Thomas, Chief Financial Officer; Joyce Kirangi, Internal Audit Department Director; Jack Hutchinson, Internal Audit Manager; Peter Garlock, Chief Information Officer; Laurie Tish, Partner, Moss Adams; Tyler Reparuk, Manager, Moss Adams; Winnie Lauer, Financial Reporting and Controls Manager; Rudy Caluza, Director, Accounting and Financial Reporting; Matthew Mateo, Commission Policy Specialist; and Amy Dressler, Assistant Commission Clerk.

### **Call to Order:**

The committee special meeting was called to order at 2:03 p.m. by Commissioner Creighton.

### **Approval of Audit Committee Meeting Minutes of August 11, 2015:**

**The minutes of the Audit Committee special meeting of August 11, 2015, were approved.**

### **Information and Communications Technology Audits – [PeopleSoft Post-Upgrade Implementation Audit, follow up](#)**

The Committee received a presentation from Mr. Garlock that contained the following information:

- A solution has been implemented that terminates direct access to production data and requires a database administrator to be concurrently involved in changes to production data.
- These procedures have also been applied to the payroll and benefits module.

### **External Audit – [Moss Adams Entrance Conference](#)**

**The Committee received a [presentation](#) from Ms. Tish and Mr. Reparuk that contained the following information:**

- Most of the Moss Adams team has prior experience working on the Port's audit.
- If bonds are issued, the bond documents will be reviewed for consistency with the audit report.
- The Northwest Seaport Alliance will have its own, independent auditor.
- Pension liability is a new area of audit emphasis this year.
- A final report is expected in April 2016.

**Request for Qualification of External Audit Services for the Port's 2016 to 2010 Operating Periods**

The Committee received a presentation from Mr. Caluza and Ms. Lauer that contained the following information:

- Moss Adams' contract will conclude with the completion of the 2015 audit.
- The next contract term for an external auditor will be for fiscal years 2016-2020.
- The contract amount will be approximately \$3 million.
- A new item is being added to the scope: performance of procedures to ensure compliance with ecological regulations at Terminal 91.

The committee discussed the new financial landscape created by the Northwest Seaport Alliance. Mr. Thomas mentioned that the NSWA will have its own audit committee, who will be responsible for selecting an external auditor for that entity. Commissioners recommended that the request for qualifications (RFQ) be issued with a scope modified to reflect assurance of independent audit function pertaining to the NWSA.

**On motion by Commissioner Albro, seconded by Commissioner Creighton, it was moved that the Audit Committee recommend Commission approval of the request for qualifications, modified to include recognition of the NSWA and accompanying risks and exposures to Port of Seattle financial statements.**

**Limited Operational Audit – Aviation Division Ramp Insurance Program:**

The Committee received a [presentation](#) from Ms. Kirangi that included the following information:

- This audit reviewed information for the period of January 1, 2014-August 31, 2015.
- The purpose was to determine whether Port management controls are designed and operating effectively to ensure effective monitoring of the insurance requirements for vehicles or other motorized equipment accessing the airfield, and compliance with Port policies and procedures.
- There was one reportable finding: Port management ramp insurance controls do not adequately mitigate the risks of uninsured or underinsured vehicles; Submitted insurance certificates are not processed in a timely manner; Port departments are not coordinating effectively, and insurance monitoring of gates onto the airfield is inadequate.

Mark Coates, Senior Manager, Airfield Operations, provided the management response. Mr. Coates reported that they are aware of insufficiencies in this program, and wanted Internal Audit to examine the program to help provide a baseline by which improvement can be measured.

**Limited Operational Audit – Purchasing Card Program:**

The Committee received a [presentation](#) from Mr. Hutchinson that included the following information:

- This audit reviewed information for the period of January 1, 2014-May 31, 2015.
- The purpose of the audit was to determine whether department controls are adequate to ensure compliance with Port policy requirements, and to identify possible changes to improve efficiency and effectiveness.
- There were no reportable findings.

**Internal Audit Proposed 2016 Budget:**

The committee received a [report](#) from Ms. Kirangi that included the following information:

- The 2016 budget aligns fairly closely with 2015.
- Personnel is Internal Audit's biggest expense.
- Sponsorship for the Association of Airline Internal Auditors Conference (AAIA), which will be held in Seattle next year, was requested.

**On motion by Commissioner Albro, seconded by Commissioner Creighton, the 2016 Internal Audit Budget was approved, with an additional \$50,000 for sponsorship of the 2016 AAIA Conference.**

**2015 Work Plan Addition – Puget Sound Dispatch LLC Lease and Concessions Agreement:**

The committee received a presentation from Ms. Kirangi that included the following information:

- Consistent with Internal Audit's mission to address emerging issues, Mr. Hutchinson requested to add a Lease & Concession audit of Puget Sound Dispatch to the 2015 Work Plan.
- Puget Sound Dispatch's contract is ending; an audit of this agreement will inform the next steps for ground transportation at the Airport.
- The methodology for this audit is unusual. Due to the inability to precisely determine Puget Sound Dispatch's gross receipts, an average fare calculated from data available for a statistically valid sample will be used to determine total Gross Receipts.
- This agreement has not been audited previously.
- Audit results are expected in November 2015.

Written materials pertaining to this item were submitted by Chris Van Dyk, Quality Ground Transportation Management LLC, and are included here as [Exhibit A](#), and are available for public review.

**On motion by Commissioner Albro, seconded by Commissioner Creighton, the Puget Sound Dispatch Lease and Concessions Agreement was added to the 2015 Work Plan.**

**2015 Internal Audit Flexible Work Plan Update:**

The committee received a [presentation](#) from Mr. Hutchinson that included the following information:

- In anticipation of committee approval of the Puget Sound Dispatch audit, it has already been added to the work plan document.
- Unstarted audits include the Northwest Seaport Alliance and Stormwater Utility district.
- These projects were initially included in the work plan with the knowledge that the management controls for these entities would not be finalized before the end of 2015, but also with the knowledge that there is a lot of public interest in them.
- The intention was to examine these entities with respect to the Port's interest in them, as a means of helping implement controls at the beginning stages that will help protect the Port's interests.
- These two audits were deferred to a later date.
- The HIPAA audit has not begun because of Human Resources & Development staffing concerns.
- The HIPAA audit was deferred to 2016.

**Adjournment:**

There being no further business, the special meeting was adjourned at 3:35 p.m.

Tom Albro  
Secretary

Minutes approved: December 1, 2015.