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APPROVED MINUTES AUDIT COMMITTEE SPECIAL MEETING DECEMBER 1, 2015

The Port of Seattle Commission Audit Committee met in a special meeting Tuesday, December 1, 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; Elizabeth Pyatt, Assistant State Auditor; Joe Simmons, State Audit Manager; Dan Chase, Senior Internal Auditor; Ruth Riddle, Senior Internal Auditor; Lisa Lam, Assistant Director, Accounting & Financial Reporting; Rudy Caluza, Director, Accounting & 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 2:35 p.m. by Commissioner Creighton.

Approval of Audit Committee Meeting Minutes of October 6, 2015:

The minutes of the Audit Committee special meeting of October 6, 2015, were approved.

External Audit – Washington State Auditor’s Office Exit Conference

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

- Port staff was responsive, timely, and cooperative.
- There were no use-of-public-resources or legal compliance findings.
- There were two exit items provided for management consideration, not referenced in the audit report.
- The next audit is scheduled for September 2016, and will examine accountability for public resources.

Limited Operational Audit – PeopleSoft Human Capital Management (HCM) Payroll System:

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

- The PeopleSoft HCM module manages human resource and payroll processing activities.
- Only the processes related to payroll were included in this audit, which was to determine whether management controls over the payroll system are adequate to ensure accuracy and timeliness of payroll disbursements, and compliance with applicable legal requirements.
- The audit covered the period of January 1, 2013, to August 31, 2015.
- There were no reportable findings.

Limited Operational Audit – Wells Fargo Banking Services Contract:

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

- This audit was included in the 2015 Flexible Work Plan, for the purpose of assessing management controls to ensure accountability associated with the contract.
- This audit was terminated after the planning stage because it was determined that there were no significant risks, and further testing would not provide significant value.

2015 Audit Work Plan Update:

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

- The late addition of a concession audit (Puget Sound Dispatch) pushed completion of the 2015 Work Plan behind schedule.

External Audit Request for Qualifications:

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

- The process is on track according to the projected timeline.
- An RFQ was released at the end of October 2015.
- Four bids were received, and they are currently being evaluated.

New Accounting Standard, GASB 68 Implementation:

The committee received a [presentation](#) from Ms. Lam and Mr. Caluza that included the following information:

- GASB 68 is a new accounting standard that pertains to the calculation of pension expense.
- Under GASB 68, pension expense is no longer tied to employer contributions to the plan, which means that for the 2015 fiscal year, pension expense is decreased by \$3.9 million.
- This standard applies to Washington State Department of Retirement Systems plans, and the Port of Seattle Warehousemen's Pension Trust.

2016 Work Plan Update:

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

- Preparation of the 2016 work plan is currently in the information-gathering stage.
- Waiting until 2016 to finalize the plan will allow incoming audit committee members to have input.

Commissioner Albro suggested that the 2016 Work Plan focus on areas in the organization where change has recently been introduced.

Internal Audit External Peer Review Update

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

- Internal Audit is undergoing a peer review process by the Association of Local Government Auditors.

Adjournment:

There was no further business, and the special meeting was adjourned 3:41 p.m.

Tom Albro

Minutes approved: January 6, 2016