



Washington State Auditor's Office

Independence • Respect • Integrity

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Exit Conference: Port of Seattle

About our Office

The Washington State Auditor's Office's vision is government that works for citizens. Our goal is for government that works better, costs less and earns greater public trust.

The purpose of this meeting is to share our audit results and draft audit report. We value and appreciate your participation.

Audit Highlights

- Aviation Properties Division did an outstanding job implementing our prior audit recommendations and initiated a comprehensive review of Aviation leases.
- Staff was very responsive to audit requests.

Accountability Audit

Report

Our accountability report summarizes the results of our risk-based audit work related to safeguarding of public resources and legal compliance. The report does not include any findings.

- Self-insurance
- General disbursements
- Payroll (voluntary separation program)
- Tenant reimbursements
- Lease billing
- Procurement (bidding/prevaling wage/change orders)

Status of Prior Management Letter items

Prior Management Letters	Resolved	Unresolved
Contract monitoring – leases	X	

Recommendations not included in the Audit Reports

Exit Items

We have provided exit recommendations for management's consideration. Exit items address control deficiencies or non-compliance with laws or regulation that have an insignificant or immaterial effect on the entity, or errors with an immaterial effect on the financial statements. Exit items are not referenced in the audit report.

Concluding Comments

Report Publication

Audit reports are published on our website and distributed via e-mail in an electronic .pdf file. We also offer a subscription service that allows you to be notified by email when audit reports are released or posted to our website. You can sign up for this convenient service at: <https://portal.sao.wa.gov/saoportal/Login.aspx>

Audit Cost

The current audit costs are approximately \$88,500 based on our current rate of \$88.50.

Your Next Scheduled Audit

Your next audit is scheduled to be conducted in September of 2016 and will cover the following general areas:

- Accountability for Public Resources

The estimated cost for the next audit based on our new billing rate, effective January 1, 2016, of \$93 is \$93,000 plus travel expenses. This preliminary estimate is provided as a budgeting tool and not a guarantee of final cost.

Customer Service Survey

When your report is released you will receive a customer service survey from us. We value your opinions on our audit services and hope you provide feedback.

Port of Seattle
Accountability Audit
January 1, 2014 to December 31, 2014
Exit Items

1. Voluntary Separation Program

From January 1, 2014 to December 31, 2014 the Port paid approximately \$409,000 to six employees that participated in the Voluntary Separation Program. We tested the six individuals to determine if the payments complied with Collective Bargaining Agreements and the Port's policies and procedures. We found:

- We were unable to determine if \$75,000 paid to three Firefighters was appropriate. The Port was unable to provide adequate supporting documentation that Port Management and the Union agreed to the amount of \$75,000 for the Voluntary Separation Program.
- One employee was incorrectly coded to Voluntary Separation Program earn code and should have been coded to Severance Reduction in Force earn code.

We recommend the Port sign and include the agreed upon terms in the Memorandum of Agreement with SeaTac International Association of Firefighters for the Voluntary Separation Program.

2. Tenant Reimbursement Agreements

From January 1, 2012 to December 31, 2014, the Port's Aviation Division paid approximately \$21 million in tenant reimbursements. We reviewed two tenant reimbursement projects totaling \$11.7 million and \$8.6 million, respectively. We reviewed selected tenant reimbursements to determine if the Division followed its own policies and procedures. We found:

- The Division overpaid one tenant \$546,528 for unauthorized overtime costs. As a result of our audit, the Port will subtract the overpayment from the tenants' next reimbursement request since this project has not been closed out.
- Tenants are required to follow prevailing wage requirements. We found that 20 out of 32 subcontractors, including the contractor, did not file Affidavits of Wages Paid before the final payment was made.

We recommend the Division to establish procedures to prevent unauthorized overpayments to contractors and comply with prevailing wage requirements.