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APPROVED MINUTES AUDIT COMMITTEE SPECIAL MEETING SEPTEMBER 28, 2018

The Port of Seattle Commission Audit Committee met in a special meeting Friday, September 28, 2018, in the Commission Chambers at Pier 69, 2711 Alaskan Way, Seattle, Washington. Committee members present included Commissioner Felleman, Commissioner Steinbrueck, and Christina Gehrke. Also present were Glenn Fernandes, Director, Internal Audit; Dan Chase, Internal Audit Manager; Joe Simmons, Audit Manager, Washington State Auditor's Office; Sandy Nguyen, Audit Lead, Washington State Auditor's Office; Spencer Bright, Senior Internal Auditor; Dan Hansen, Managing Director, Protiviti; Torin Larsen, Director, Protiviti; Stephen Metruck, Executive Director; Randy Krause, Fire Chief; Matt Breed, Interim Chief Information Officer; Stuart Mathews; Director, Aviation Maintenance; Aaron Pritchard, Commission Issues and Policy Manager; and Amy Dressler, Deputy Commission Clerk.

Call to Order:

The committee special meeting was called to order at 10:04 a.m. by Commissioner Felleman.

Approval of Audit Committee Meeting Minutes of June 25, 2018:

The minutes of the Audit Committee special meeting of June 25, 2018, were approved.

[External Audit – 2017 State Auditor's Office Accountability Audit Opening Meeting](#)

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

- The audit is in the planning stages. Areas of emphasis are being identified—they will be determined within two weeks.
- Regular status updates will be provided by e-mail.
- Workpapers from the Moss Adams audit have been reviewed and a report regarding them will be issued soon.
- An exit conference will be scheduled after the conclusion of the audit to report findings, discuss deficiencies and material weaknesses, management letters, and exit items.
- Costs will be approximately \$95,000. The budget is calculated based on the estimated number of hours of work, and is consistent with prior years and comparable audits.
- Debbi Browning, Assistant Director, Accounting and Financial Reporting, is the Port's liaison and developing status updates will be discussed with her.

2018 Audit Plan Additions and Deletions:

The committee received a presentation from Mr. Fernandes that included the following information:

- Progress so far was described, and is summarized in the provided slides.
- The following changes were requested:
 - Remove the Eastside for Hire audit, because there were contract modifications following the legal settlement that eliminated risk, and also because the contract will terminate in 2019.
 - Remove the Northwest Seaport Alliance audit and instead have it performed by an outside firm in 2019.
 - Add airport parking garage cash controls (which is already completed).
 - Add an Information Technology audit of personally identifiable information.
 - Add Sixt Rent-A-Car, LLC.

The amendments to the 2018 work plan were adopted.

Proposed 2019 Internal Audit Budget:

The committee received a presentation from Mr. Fernandes that included the following information:

- The proposed budget includes one additional full time employee and a reduction in use of outside services.
- Adding an auditor with expertise in capital projects will result in overall savings to the Port.
- The overall budget increase from 2018 is 4.11 percent.

The motion to recommend the 2019 Internal Audit Budget to the Port of Seattle Commission was adopted.

Operational Audit – Cruise Related Investments:

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

- This audit was conducted in order to examine investments made in support of the cruise line of business.
- One opportunity for improvement was identified; not all of the data from the 2017 baggage valet study was properly utilized:
 - Visit Seattle’s methodology indicated that passengers spend an average of \$63.64 if they take advantage of the cruise valet program but failed to note that \$17.63 of that is spent on transportation to the airport. That amount is also spent by passengers going directly from their ship to the airport.
 - This led to an overstatement of the economic benefit of the program.
- Management noted that an additional study was conducted in 2018 and additional data will be available for assessing future benefits.
- In addition to economic impact, there are operational benefits to this program. Baggage crowding is reduced dockside and at the airport.

It was noted that original report contained a wrong date for the survey, and a reference to Pier 91 that should have been Pier 66. A corrected report was submitted and is attached for the record.

Operational Audit – Cash Control – Sea-Tac Parking Garage:

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

- The purpose of this audit was to examine cash handling procedures at the Sea-Tac Parking Garage in order to evaluate the efficiency and effectiveness of internal controls.
- It was determined that controls could be strengthened by enhancing access to the cash counting room, and by reducing the amount of the change fund.

Operational Audit – Interim West Side Fire Station:

In lieu of a presentation, it was suggested that this item be postponed to allow more time for a management response, to consider pausing the project, and to examine alternatives.

A motion was adopted to refer the audit to the full commission to consider additional options.

[Clerk's Note: After gathering more information, Commissioners Felleman and Steinbrueck opted not to recommend changes to the project as planned when they reported on this audit at the October 9, 2018, regular commission meeting.]

Information Technology – T2 ParkingSoft System:

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

- This system replaces the previous system, which was not sufficient to meet business needs, and was implemented in summer 2018.
- This review examined processes and procedures for maintaining this system.
- Results of the audit showed that the stability and security of parking procedures have increased.
- While implementation is still in progress, there were four medium findings:
 - Monitoring of individual devices is limited. It is recommended that monitoring be put in place to produce an alert for problems with single devices.
 - Policies and procedures should be put in place to monitor vendor responsibilities.
 - Physical access to assets should be improved. A server room should be dedicated to hosting the system, or additional safeguards such as cameras or server cages should be implemented.
 - Firewalls should be configured more stridently, with regular evaluation and maintenance of rules.
- Management has made changes to address single-device monitoring, firewall configuration, and vendor responsibilities. Regarding server access, they noted that the appropriate personnel have access to the server room. While it is true that part of the space is used for other purposes (device repair), those tasks are performed by the same personnel who perform work on the servers and are vetted to have access.

Limited Contract Compliance Audit – Fox Rent-A-Car Inc.:

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

- This audit found approximately \$52,000 were owed in percentage fees, and \$10,000 were owed on customer facility charge fees.

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- The concessionaire will be billed for the amount owed, with interest.

Adjournment:

There being no further business, the special meeting was adjourned at 11:43 a.m.

Prepared:

Attest:

Amy Dressler, Deputy Commission Clerk

Fred Felleman, Committee Chair

Minutes approved: December 7, 2018.