



P.O. Box 1209
Seattle, Washington 98111
www.portseattle.org
206.787.3000

APPROVED MINUTES AUDIT COMMITTEE SPECIAL MEETING FEBRUARY 11, 2020

The Port of Seattle Commission Audit Committee met in a special meeting Tuesday, February 11, 2020, in the Commission Chambers at Pier 69, 2711 Alaskan Way, Seattle, Washington. Committee members present included Commissioner Calkins, Commissioner Bowman, and Christina Gehrke. Also present were Glenn Fernandes, Director, Internal Audit; Dan Chase, Internal Audit Manager; Nora Huey, Director, Central Procurement Office; Aaron Pritchard, Commission Issues and Policy Manager; and Lauren Smith, Deputy Commission Clerk.

Call to Order:

The committee special meeting was called to order at 9:05 a.m. by Commissioner Calkins.

Approval of Audit Committee Meeting Minutes of December 9, 2019:

The minutes of the Audit Committee special meeting of December, 9, 2019, were approved without objection.

Operational Audit – Architectural and Engineering (A&E) Consultant Rates:

The Committee received a [presentation](#) from Glenn Fernandes and Dan Chase, the committee also received a [management response](#) from Nora Huey, as a continuation of an audit report regarding this topic on December 9, 2019. At that time, committee members requested to dedicate an entire meeting to this topic as a number of questions were raised. This presentation included the following information:

- There were four major findings in this audit that the internal audit team addressed in depth.
- Internal Audit reviewed the intention of any audit and specifically this one, emphasizing the cost associated with A&E consultant rates.
- The first finding in this audit related to fair and reasonable compensation.
- The second finding in this audit was lack of approval when rates exceeded maximums.
- The method used to assess rates and mark-ups was discussed.
- Of 407 rates tested, 60% were above a 10% markup. Information for the calculation was directly from the firms, including direct labor costs and overhead rate.
- Nora Huey mentioned the Central Procurement Office (CPO) has issues with the model used in the audit.
- The model used was created in 2016-17 and used in procurements from 2018-19. This model is specialized for A&E and while American Council of Engineering Companies (ACEC) did not have input on the model, the model takes a breakdown of salaries from ACEC for industry standards.

- The third finding related to reconciliation of written documentation of the agreed upon rate and the final rate. Internal Audit and CPO have been working in coordination towards a remedy for this finding.
- The fourth finding related to governance.
- Internal Audit determined that previous presentation to the Executive Leadership Team do not constitute formal governance. There is a need for a better structured and documented process.
- CPO and the Internal Audit department vary in their view of A&E rates and compensation.
- Results of the audit reflect A&E rates that are too high. CPO has received feedback indicating the Port of Seattle's rates are too low, impacting turn over and quality of work.

There is a consensus that the Port of Seattle should be the owner of choice for projects with A&E consultants. It was observed that tension in an audit is not a negative, but a display that we are holding ourselves accountable.

Adjournment:

There being no further business, the special meeting was adjourned 10:08 a.m.

Prepared:

Attest:

Lauren Smith, Deputy Commission Clerk

Ryan Calkins, Audit Committee Chair

Minutes approved: May 7, 2020.