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APPROVED MINUTES AUDIT COMMITTEE SPECIAL MEETING MAY 7, 2020

The Port of Seattle Commission Audit Committee met in a special meeting Thursday, May 7, 2020. The meeting was held remotely in accordance with the governor's 'Stay at Home' order and Proclamation 20-28. Committee members present included Commissioner Calkins, Commissioner Bowman, and Christina Gehrke. Also present were Glenn Fernandes, Director, Internal Audit; Dan Chase, Internal Audit Manager; Aaron Pritchard, Commission Issues and Policy Manager; Amy Dressler, Interim Commission Clerk, and Lauren Smith, Deputy Commission Clerk.

Call to Order:

The committee special meeting was called to order at 1:30 p.m. by Commissioner Calkins.

Approval of Audit Committee Meeting Minutes of February 11, 2020:

The minutes of the Audit Committee special meeting of February 11, 2020, were approved without objection.

External Audit -- Office of the Washington State Auditor – [Accountability Audit for 2018](#)

The Committee received a [presentation](#) from Aron Keleta and Joseph Simmons that contained the following information:

- The [audit](#) covered the [Industrial Development Corporation](#), self-insurance programs, Bell Harbor Marina petty cash, fire department overtime pay, professional services contracts, electronic fund transfers, and employees used for public work projects.
- The audit results were clean, with a handful of minor [exit recommendations](#).
- The audit for 2019 will commence in September.

Updates and Approvals:

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

- The required annual communications regarding the Internal Audit department's independence, quality assurance, and [follow-up procedures](#) were delivered.
- The status of the 2020 Audit Plan was summarized. Some items are behind due to pandemic-related complications.
- Internal Audit researched potential [Federal Emergency Management Agency](#) (FEMA) reimbursable expenditures and provided a report. FEMA will reimburse certain expenses including emergency operation center costs, disinfection of public facilities, and medical sheltering.

- In response to a December request from Commissioner Calkins, Internal Audit performed an [Interlocal Agreement Mapping](#) and Risk Ranking project and provided a list which will be used to develop the 2021 audit plan.

Operational Audit – Cash Controls:

The Committee received a presentation from Glenn Fernandes and management response from Kenneth Lyles and Jim Peterson that included the following information:

- This audit looked at cash receipts at Fishermen’s Terminal, Shilshole Bay Marina, and airport Lost and Found.
- It was determined that cash processes at Fishermen’s Terminal and Shilshole Bay did not have adequate segregation of duties.
 - Key control enhancements were recommended.
 - Management implemented several measures to increase cash control.
- It was found that airport Lost and Found staff did not follow established procedures for handling cash.
- It was recommended that the Aviation Customer Service Team and the vendor (Hallmark) establish a process to monitor compliance with cash handling procedures.

Operational Audit – Equipment Acquisition, Monitoring and Disposal:

The Committee received a presentation from Glenn Fernandes and management response from Randy Krause and Laurel Dunphy that included the following information:

- This audit was conducted to follow up on a hotline complaint regarding the misappropriation of equipment, and to assess internal controls over asset management.
- It was determined that any disposal of Port assets that did not follow AC-13 were of minimal value.
- While small opportunities for improvement were identified, it was concluded that most of the concerns raised were without merit.

Operational Audit – Service Tunnel Renewal/Replacement Project:

The Committee received a presentation from Glenn Fernandes that included the following information:

- This audit was conducted to assess the quality of the port’s monitoring of this project to ensure project management standards are being met.
- No issues were noted.

Information Technology Audit – Conducted in Non-public Session

Limited Contract Compliance Audit – McDonald’s USA, LLC:

The Committee received a presentation from Glenn Fernandes and management response from Jim Schone and Dawn Hunter that included the following information:

- This audit was conducted to ensure that McDonald’s complied with the provisions of the Lease and Concession agreement.
- One minor issue was reported, regarding non-product sales that were billed incorrectly by the Port.

Adjournment:

There being no further business, the special meeting was adjourned 3:07 p.m.

Prepared:

Attest:

Amy Dressler, Interim Commission Clerk

Ryan Calkins, Audit Committee Chair

Minutes approved: September 24, 2020