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APPROVED MINUTES AUDIT COMMITTEE SPECIAL MEETING JUNE 11, 2020

The Port of Seattle Commission Audit Committee met in a special meeting Thursday, June 11, 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; and Lauren Smith, Deputy Commission Clerk.

Call to Order:

The committee special meeting was called to order at 1:02 p.m. by Commissioner Calkins.

External Audit – Moss Adams 2019 Audit Results:

The Committee received a presentation from Ms. Olga Darlington and Ms. Anna Waldren that contained the following information:

- Results of the yearly Moss Adams audit, which was completed on time despite COVID-19 complications. Port management communicated very well throughout the audit.
- Report regarding Enterprise Fund and Fiduciary Fund, audited both 2018 and 2019 activity.
- Single Audit Reports required by government standards, in which there were no findings.
- Areas of audit emphasis, including internal control environment, management estimates, capital assets, and revenue recognition.
- Emphasis on bond activity, as there was an increase during 2019.
- Required communications regarding management responsibilities for financial statements, in which Moss Adams report indicates managers at the Port of Seattle take this very seriously.
- A proposed audit adjustment that was discovered and was not initially corrected, it was corrected in January of 2020, regarding the reclassification of a completed project from construction to capital assets. This issue was brought up to Moss Adams by Port management in their own internal robust review.
- A number of new accounting pronouncements implemented in 2019, which prompted an increase in scope. Also reviewed the new GASB (Governmental Accounting Standards Board) regulations coming forward.
- In commitment to the Port's small business goal, typically partner with one firm to meet this goal, this year partnered with two firms totally 13% to small business firms.
- Emphasized the flexibility and adaptability of Port staff related to the audit during the COVID-19 Pandemic.

Updates and Approvals:

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

- Changes to the audit plan resulting from the COVID-19 Pandemic.
- Certain concessionaires are closed due to COVID-19 and unable to get data to the Audit team to complete some audits scheduled for this year.
- Looking at COVID-19 impacts to Port businesses and resources.
- Evaluating what resources, the audit team can provide during this time, for example the audit departments previous FEMA work.
- Two concessionaires unable to get information to audit team, as a result, requesting these two limited contract compliance audits be deferred to next year.
- Two Operational audits requested to be deferred to next year, including Outside Services and North Terminal Utilities Upgrade which would put an undue burden on staff at this time.
- Wish to add delegation of authority compliance audit, which would involve CPO but spread out the work relating to this audit to other departments in the organization.
- Defer the parking garage system replacement audit to 2021 as the project of replacing the system was delayed due to COVID-19.
- Moving up a contingency audit on Malware Defenses, timely as IT controls have become even more important with the amount of remote work being done.
- Have not made as much progress at this point as in past years due to COVID-19 but starting to ramp up and expect to have a very full September audit meeting still expect to complete all audits in the revised plan by the end of the year.
- Reviewed outstanding audit items and reasons for delay.

Without objection, changes to the 2020 audit plan were approved.

Adjournment:

There being no further business, the special meeting was adjourned 1:54 p.m.

Prepared:

Attest:

Lauren Smith, Deputy Commission Clerk

Ryan Calkins, Audit Committee Chair

Minutes approved: September 24, 2020.