



**COMMISSION
AGENDA MEMORANDUM**

Item No. 11b

BRIEFING ITEM

Date of Meeting December 8, 2020

DATE: December 1, 2020
TO: Stephen P. Metruck, Executive Director
FROM: Glenn Fernandes, Director, Internal Audit
SUBJECT: Internal Audit – Audits Completed in 2020

EXECUTIVE SUMMARY

The purpose of this memo is to brief the Commission and the public on audits performed in the 2020 calendar year. The 2020 Audit Plan was approved at the December 9, 2019 Audit Committee Meeting.

Internal Audit has completed 20 reports for the Audit Committee in 2020. These include 17 audits and 1 analysis; additionally, we submitted summary reports on the results of, the 2020 Payment Card Industry required annual self-assessment performed by MegaPlanIT, L.L.C., and the Criminal Justice Information Systems Audit performed by the Washington State Patrol. The audits identified 3 High Risk, 21 Medium Risk and 4 Low Risk issues for management action. Implementation of the associated recommendations will strengthen internal controls, enhance processes, and improve efficiencies. Internal Audit has a process in place where we periodically follow up on recommendations and agreed upon management action plans to assure action is taken. This process also relies on attestations from Management. Delinquent action plans are periodically brought to the Audit Committee’s attention.

BACKGROUND

On December 11, 2007, the Port of Seattle Commission passed a motion, which resulted in the creation of an independent and objective Internal Audit function. In discharging their duty, the Internal Audit Director and his staff are accountable to the Audit Committee and to the Executive Director.

For 2020, Commissioner Calkins chaired the Audit Committee and Commissioner Bowman served as the other commission member. Dr. Christina Gehrke, Principal Faculty, City University of Seattle, served as the external member of the Audit Committee. The Audit Committee serves as an arm of the Port Commission.

Internal Audit conducts independent, objective, risk-based audits of the Port’s operations, activities and vendors. Our audits add value by helping the Port achieve its mission and

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contribute to: financial stewardship, accountability, transparency, governance, and operational excellence. Internal Audit derives its authority from the Port Commission.

The Three Lines Model, a widely accepted model developed and recently updated by the Institute of Internal Auditors (IIA) for organizing governance and risk management in organizations, clearly outlines the roles of various leaders within an organization, including oversight by the governing body, management and operational leaders (First and Second-Line roles) and independent assurance through Internal Audit (Third Line).

LISTING OF 2020 INTERNAL AUDITS COMPLETED

Below is a list of audits completed by Internal Audit in 2020. These audits are categorized by audit type.

Operational:

- 1) Equipment Acquisition, Monitoring & Disposal
- 2) Ground Transportation – Taxi Cabs¹
- 3) Cash Controls¹
- 4) Interlocal Agreement Mapping²
- 5) Delegation of Authority
- 6) Public Health Emergency Leave Program (PHEL)¹

Operational (Capital):

- 7) Service Tunnel Renewal/Replace Project
- 8) Central Terminal Infrastructure Upgrade (Bid and Design Phases)
- 9) AOA Perimeter Fence Line Standards Project

Information Technology:

- 10) Network Password Management³
- 11) Secure Configuration for Hardware and Software on Mobile Devices, Laptops, Workstations and Servers³
- 12) Inventory & Control of Software Assets³
- 13) Malware Defenses (ICT)³
- 14) Payment Card Industry (PCI) – Qualified Security Assessor⁴
- 15) Criminal Justice Information Systems (CJIS)^{3 5}

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Limited Contract Compliance:

- 16) Concourse Concessions, LLC
- 17) McDonald's USA, LLC
- 18) Fireworks Galleries, LLC
- 19) Qdoba Restaurant Corporation
- 20) E-Z Rent A Car, Incorporated

Special Projects by Management Request:

- 21) FEMA Public Assistance Program – Coronavirus (COVID-19)
- 22) Capital Assets – Construction Work in Progress

¹ Highlighted audits have findings that are discussed in more detail to the Commission.

² This was a focused analysis, not an audit, accordingly, Internal Audit issued a memo.

³ Security Sensitive – Exempt from public disclosure per RCW 42.56.420; these will not be discussed.

⁴ This work was performed by an external Qualified Security Assessor. Internal Audit provided a summary report to the Audit Committee.

⁵ This work was performed by the Washington State Patrol. Internal Audit provided a summary report to the Audit Committee.

ATTACHMENTS TO THIS BRIEFING

- (1) Presentation slides

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

None.