



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

## **ADOPTED MINUTES AUDIT COMMITTEE SPECIAL MEETING DECEMBER 10, 2020**

The Port of Seattle Commission Audit Committee met in a special meeting Thursday, December 10, 2020. The meeting was held remotely in accordance with the Governor's 'Safe Start' 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; Bruce Klouzal, Internal Audit Manager, IT; Aaron Pritchard, Commission Issues and Policy Manager; Michelle Hart, Commission Clerk; and Lauren Smith, Deputy Commission Clerk.

### **Call to Order:**

The committee special meeting was called to order at 1:31 p.m. by Commissioner Felleman.

### **Approval of Audit Committee Meeting Minutes of September 24, 2020:**

The minutes of the Audit Committee special meeting of [September 24, 2020](#), were approved without objection.

### **External Audit – Moss Adams, [2020 Audit Engagement Service Plan](#)**

The Committee received a [presentation](#) from Olga Darlington and Anna Waldren that contained the following information:

- Ms. Darlington and Ms. Waldren reviewed the team of auditors, services provided, deliverables, timeline, areas reviewed, and response.
- The Moss Adams team includes two small business firms in a continuing commitment to the Port to utilize small businesses.
- Moss Adams is required to look at enterprise and fiduciary funds as part of their audit, as well as any grants from the federal government,
- Special attention will be on the CARES Act funding received by the Port.
- Moss Adams is required to issue statements and findings in accordance with government auditing standards.
- The timeline for the audit to be complete will be similar to that of prior years; however, field work will be completed remote.
- In the audit this year emphasis will be placed on;
  - internal controls disruption as a result of the abrupt transition to a virtual setting;
  - CARES funding compliance; and
  - airport improvement projects, as it is a large project that includes funds from the FAA.

**Updates and Approvals:**

The committee received a [presentation](#) from Glenn Fernandes which included the following information:

- The audit department is requesting to extend the Moss Adams contract through 2022.
- The reason for this request is due to the disruption caused by the pandemic.
- Potentially bringing on and vetting a new firm and going through the RFP process currently is not ideal for a thorough audit.
- There are already a significant amount of disruptions and keeping Moss Adams as the external auditor will help keep some continuity;
- There will also be cost savings in extending the contract one year.
- This contract will come forward to the full Commission, but staff are seeking committee approval at this point.

**Without objection, the [external audit services contract extension](#) for 2021 was approved and recommended for adoption by the Commission.**

- Mr. Fernandes reviewed the audits completed in 2020 - all audits in the revised 2020 audit plan were completed.
- An overview was provided of audits pushed to 2021 and audits added that were not part of the original plan.
- All changes to the audit plan throughout 2020 were related to the pandemic.
- Mr. Fernandes previewed the 20 audits planned in 2021.
- Included in 2021 is an audit of the Biometric air exit program.
- Previous commissioners requested an audit of the IAF project. Mr. Fernandes indicated the internal audit department will partner with a third-party to conduct this audit and it likely will not happen until 2022 in order to audit the entirety of the project, which is not yet complete.
- Lease and Concessionaire audits included in the 2021 audit plan includes Uber and Lyft which will be presented at the January committee meeting.

**Without objection, the proposed 2021 Internal Audit Plan was approved.**

**Operational Audit – [Ground Transportation:](#)**

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

- In May 2019 the Port established a pilot program with flat rate for-hire vehicles surrounding trip fees. A key factor of the pilot program is that divers are charged one all-inclusive trip fee.
- During the time period of this audit trip fees were deferred between March 25 and July 31.
- Initially there was an IT issue with the App used. It was quickly identified and fixed and there was no exploitation of this bug. This was a medium risk finding.
- Internal audit found a large discrepancy between the Automated Vehicle Identification (AVI) system and the in-house phone billing application (App).
- The variance in these counts results in a monetary difference as well.
- It is recommended that these two systems are reconciled every month.
- Clarity was provided that this finding is a system issues rather than a driver underreporting issue.

**Operational Audit – [Public Health Emergency Leave Program:](#)**

- At the start of the Pandemic HR created a new bank of leave to give employees resources as the pandemic unfolded.
- HR requested internal audit to look at the program, as it was rolled out quickly and there was a lot of room for missed internal controls.

- As the pandemic has gone on, the leave program has evolved and changed.
- There were a few issues found in conducting this audit including;
  - a lack of centralized control - there are many departments involved in tracking leave;
  - the program is managed by people, not a system which allows for a greater risk; and
  - there were not adequate procedures in place.
- As a result, there were issues of the leave not being used as intended and people who went over the allowed amount of leave hours.
- In some extreme cases, individuals collected both unemployment and PHEL.
- Management has responded and will be working with internal audit to implement more control, narrowed down uses, and create better ways of tracking the leave being taken.

**Operational Audit – Central Terminal Infrastructure Upgrade:**

- This project was selected due to significant delays and a large amount of change orders that occurred.
- The design phase is specifically being looked at and will look at the construction phase in the future.
- Internal audit found that a siloed nature of divisions results in various divisions coming to the planning process too late, resulting in the increased change orders and missed permits.
- Internal Audit's recommendation and management response are the same.
- This was a challenging project in part due to the high impacts of this project, it was very disruptive, as it was in the heart of the airport and impacted many different stakeholders.
- An extensive lessons learned review was done by management.
- There are new processes in place this year to directly address some of these lessons learned, including;
  - strengthening the project definition project, focusing on operational impacts, customer service opportunities, and project communications;
  - change management processes to focus on project scope changes; and
  - mandatory participation of design reviewers, those affected by the project to come to the table - this process improvement helps address issues during design where it is less expensive to address the issues.

**Operational Audit – Delegation of Authority:**

- Focused on the delegation from the Commission to the Executive Director and Executive Director to staff.
- The current policy limit of the delegation is anything over \$300,000 must go to Commission for approval.
- Strategic initiatives was involved in order to help implement recommendations in the future.
- There were no internal control deficiencies noted; however, there were opportunities for improvement;
- Staff found items under the delegation limit of high visibility that likely should be brought to the Commission and items over the limit that could be delegated to the Executive Director for the sake of efficiency.
- It was recommended that the delegation of authority be revisited for efficiency improvements.
- Ninety-eight percent of major constructions project contracts currently come to Commission.
- Internal Audit ran scenarios of potential different delegation limits.

- The audit team looked at other agencies in the region, specifically the City of Seattle and Sound Transit, to see what their delegation procedure is especially as it relates to large capital projects.
- Sound Transit recently reevaluated and updated their delegation of authority and it has two different limits - one for capital projects that is higher and a lower limit for non-capital project items.
- Sound Transit also leveraged their standing committees, which the Port also could do based on the current structure.
- Finding the balance of efficiency while keeping the Commission informed even outside of the monetary limit of the delegation will be necessary.
- Management discussed finding the best way to analyze in order to find the best path for efficiency.
- Staff analyzed the actions seen by the Commission at different threshold dollar amounts to potentially identify what would be most efficient;
- Staff analyzed potential time savings of increasing the delegation.
- Staff is reaching out to peer airports about their delegations and reporting systems, specifically San Francisco.
- To move forward, staff will need input from the Commission on this topic to best identify what and where the best efficiencies can be made.
- Committee members recognized the importance of this topic and proposed holding a special audit committee meeting early in the new year to focus specifically on the delegation issue;
- Internal Audit agreed and committed to working with Commission staff to schedule said future meeting to be in January of 2021.

**Information Technology Audit – Inventory and Control of Software Assets:**

This security-sensitive audit was discussed in the non-public session of the audit committee.

**Adjournment:**

There being no further business, the special meeting was recessed to a non-public session to discuss security-sensitive audits at 3:37 p.m. and was adjourned from the non-public session at 4:10 p.m.

Prepared:

Attest:

Michelle M. Hart, Commission Clerk

Ryan Calkins, Audit Committee Chair

Minutes approved: January 29, 2021.