Port of Seattle Audit Committee
Internal Audit Update
Glenn Fernandes - Director, Internal Audit

Special Session

January 29, 2021

Remote Meeting

9:30 AM – 11:30 AM

Port of Seattle®

Continued Discussion on the Following Audits

1. Ground Transportation – Taxi Cabs

   ➢ Follow-Up on Reconciliation of App & AVI System

2. Delegation of Authority

   ➢ Continuation of Discussion from the December 10, 2020 Audit Committee Meeting

Ground Transportation – Taxi Cabs

Before a taxi-cab joins the line to pick up a customer, the App on the driver's smartphone is manually scanned by ABM. This generates a trip charge to the driver.

As the vehicle exits the parking garage, the Automatic Vehicle Identification (AVI) system records the trip.
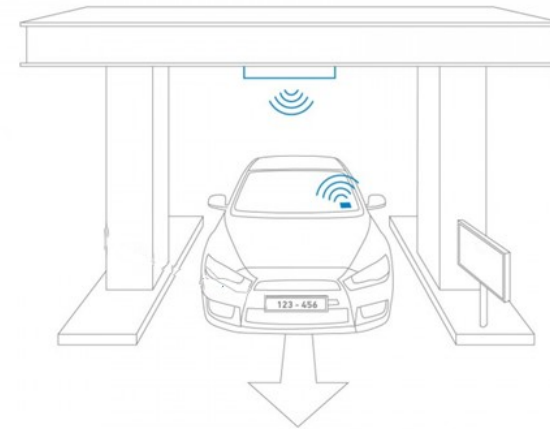
For illustration purposes only – picture not exact replica of SeaTac parking garage system.

Ground Transportation – Taxi Cabs

Follow-up testing of reconciliations

1) Rating: High

➢ The reconciliation process to identify and resolve differences between the Port's Automated Vehicle Identification (AVI) system and the in-house phone billing application (App) needs to be enhanced and performed on a timely basis.

➢ Both the AVI system and App. are technology-based tools that, when functioning as intended, should produce little to no variance, which will indicate that vehicles are being billed accurately.

Management Response

The Ground Transportation (GT) team has a system in place to consistently perform monthly reconciliations/comparisons of the Taxi App's trip activity and the AVI system trip activity. That process continues to be refined and streamlined as the Pilot Program advances.

While we aspire to a 100% match and reconciliation, the process of recording trip activity requires a manual scan of each vehicle accessing the Taxi curb in the airport garage. Challenges remain with the Taxi App and the AVI system recording equivalent numbers of trips. The Taxi App records revenue-generating trips only, as manually scanned by an ABM employee and has risk for human error (missed scan, double scan etc.), while the AVI system reports ALL exits from the Airport.

DUE DATE: Completed

(Full response in Audit Report No. 2020-16)

Scope and Methodology

Attribute tests for the 14 month-period beginning October 2019 and ending November 2020:

Attribute Test	Result
1) Did the reconciliation exist?	Yes
2) Were differences identified?	Yes
3) Were the differences explained and resolved?[*]	**No**

* Differences exist where the App count is higher than the AVI count and also where the AVI count is higher than the App count. Ground Transportation is in the process of understanding and resolving these differences. Internal Audit will follow up on this and report back to the Audit Committee.

Delegation of Authority

➤ This audit employed a unique approach. While Internal Audit (IA) conducted the audit using protocols consistent with Internal Audit Standards, IA partnered with the Strategic Initiatives Department so that any recommendations resulting from the audit could then be implemented leveraging the knowledge and insight gained from the audit experience.

➤ John Okamoto, under the direction of the Port's Chief Operating Officer, Dave Soike, provided outside expertise and perspective. Mr. Okamoto serves on the Executive Review Panel and provides recommendations to the ED and the Commission related to the International Arrivals Facility.

➤ ***No Internal Control Deficiencies were noted.***

➢ In March 2010, the Port's Delegation of Authority limit was established at $300,000. The limit requires Commission approval for expenditures that exceed $300,000. Re-evaluating the limit using a risk-based approach could result in increasing the limit, thereby allowing the Commission to maintain a more strategic focus while providing greater autonomy for the Executive Director and staff to carry out day-to-day business.

Management Response - Remarks by John Okamoto

- View from independent eyes from an elected official, and senior executive responsible for delivery of "mega-projects."

- Clean audit affirms the Port has created a culture of compliance since 2007.

- BUT, with an unintended consequence of significant administrative inefficiencies and opportunity cost for Commission policy focus.

- Audit highlights opportunity to achieve efficiencies as compared to other public agencies and allow Commission to focus in on more critical issues.

- Risks of lifting the $300k delegation of authority can be managed by affirming existing policy controls adopted by the Commission, implementing appropriate administrative controls, enhancing public transparency of project status and changes, and continued Commission oversight through sub-committees and identification of high priority projects.

Management Response – Delegation of Audit Results

- Test of a 1.5-year period demonstrates the delegation system is performing well and as designed

- Delegations can be complex, yet testing demonstrates guidance documents clearly laid out and being followed by staff

- An efficiency opportunity was identified
  - What kind of efficiency
  - How to best identify an appropriate adjustment

Management Response – Efficiency Opportunity

- Delegation level was set 10 years ago. Since then, the capital construction and consulting have grown tremendously.

Delegation Level	Who Approves What	Benefit
If $300,000	Commission Action – 98%	Status Quo
	Executive Director - 2%	
If $1,000,000	Commission Action - 95%	Saves 28 actions per year. Added Commission time for strategy and mission focus.
	Executive Director - 5%	Added Staff Efficiency (Microsoft and cart examples)
If 10,000,000	Commission Action - 69%	Saves 68 actions per year. Added Commission time for strategy and mission focus.
	Executive Director - 31%	Added Staff Efficiency

Management Response - Comparator Agencies

AGENCY	DELEGATION	5 YEAR CAPITAL BUDGET
King County	No limit – within bi-annual budget	$5 B
City Seattle	No limit – within bi-annual budget	$5.2 B
UW	15,000,000	$3.7 B
Sound Transit	5,000,000	$1.9 B
Port of Seattle	300,000	$3.4 B
NWSA	300,000	$440 M
San Fran. Int. Airport	1,000,000	$4.8 B

Staff will research, gather data, and analyze, to find best balance with transparency and process checks and balances (procedures and control mechanisms).

Management Response - Objectives and Values for Staff Approach

Objectives:

- Find best balance for efficient delegation level(s) while ensuring transparency and governance that best matches the Port's Business.

- Efficiency for Commission, staff and partners

Values:

- Free Commission time for strategies and mission priorities, while delegating lesser risk items to Executive Director.

- Find transparent means to assure Commission awareness and involvement commensurate with delegation (quarterly briefs, action items, monthly reports, dashboards, 1:1's, ED briefs, and others).

Management Response – Staff Approach – Six Areas in Work Plan

- Establish Multi-departmental & Business Unit Team

- Transparency Reporting
  - What Port does not
  - What other agencies do
  - "Voice of customers" – Commission

- Efficiency – Develop efficient check and balances vs. delegation

- Delegation level – Propose options, weigh risks, and test vs. transparency and efficiency

- Identify Optimum Recommendation(s)

- Update Commission at the end of Q1, 2021