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## **APPROVED MINUTES AUDIT COMMITTEE SPECIAL MEETING JANUARY 29, 2021**

The Port of Seattle Commission Audit Committee met in a special meeting Thursday, January 29, 2021. The meeting was held remotely in accordance with the governor's 'Safe Start' order and Proclamation 20-28. Committee members present included Commissioner Cho, Commissioner Bowman, and Christina Gehrke. Also present were Glenn Fernandes, Director, Internal Audit; Dan Chase, Internal Audit Manager; Aaron Pritchard, Commission Policy Manager; and Michelle Hart, Commission Clerk.

### **Call to Order:**

The committee special meeting was called to order at 9:34 a.m. by Commissioner Bowman.

### **Approval of Audit Committee Meeting Minutes of December 10, 2020:**

**The minutes of the Audit Committee special meeting of December 10, 2020, were approved without objection.**

### **External Audit –Office of the Washington State Auditor – Accountability Audit for 2019:**

Presenters:

*Joseph Simmons, Program Manager; Angela Funamori, Assistant State Auditor and Maddie Frost-Shaffer, Assistant Audit Manager*

The Committee received a presentation from the Washington State Auditor's Office regarding its exit audit, Exhibit A. An Exit Conference Handout was provided, Exhibit B.

The presentation addressed:

- the findings of the audit – it was a clean audit with no findings and exit item recommendations were provided;
- the timeframe of the audit – January 1, 2019, through December 31, 2019;
- areas examined, including payroll, rent deferral payment plans, credit card for purchase, travel, and expenses, and financial condition;
- payroll overtime and double-time – transactions complied with Port policy, were valid, and were adequately supported by the appropriate records;

- rent deferral payment plans – the program was approved by the appropriate individuals and complied with state law and Port policy;
- credit cards – transactions complied with Port policies, were adequately supported by supporting records, and were for valid Port purposes;
- financial condition – no issues were noted in the Port’s financial condition or sustainability;
- closing remarks;
  - audit costs are in alignment with the original estimate;
  - next audit is scheduled for Fall 2021 for the accountability for public resources;
  - an estimated cost for the next audit was provided.

Members of the Committee discussed the frequency of audits and the Committee’s involvement in those areas.

**Operational Audit – Ground Transportation – Taxi Cabs**

Discussion of this item was deferred to a future meeting.

**Operational Audits – Delegation of Authority (Continued from December 10, 2020):**

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

- an internal audit report regarding the Port’s Delegation of Authority;
- Internal Audit (IA) completed the Delegation of Authority Audit for the period January 2019 through July 2020;
- the audit was performed to evaluate internal controls to assure monetary and contractual delegation compliance with rules, policies, and dollar limitations governing redelegations by the Executive Director to staff;
- the Port of Seattle’s (Port) Delegations of Authority schedule EX-2A specifies limits of authority for conducting day-to-day business transactions. Limits are established based on the individual’s business needs and are typically commensurate with the individual’s title/position in the company;
- in general, internal audit concluded that Port management’s internal controls are operating effectively and no issues were identified that warranted reporting;
- the audit was conducted using protocols consistent with Internal Audit Standards, and internal audit 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;
- Mr. John Okamoto was also invited to participate in weekly status meetings and his subject matter knowledge and expertise was considered;
- delegation limits are generally established by balancing risk and efficiency;
- transactions that represent significant financial risk typically receive governing body approval, while delegating to management those of lesser value, to execute unilaterally;
- due to the scale of the capital program at the Port, and the burden placed on various teams, Internal Audit believes the Port has an opportunity to re-evaluate the \$300,000 limit from the Port Commission to the Executive Director;
- in March 2010, the Port’s Delegation of Authority limit was established at \$300,000;
- the limit requires Port 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;

Dave Soike, Chief Operating Officer, provided management's response to the audit.

Mr. John Okamoto, Okamoto Strategies, noted that there are significant administrative efficiencies to be gained and advised the Committee to look at systems of controls in policy and administration as it pertains to the delegation of authority, as opposed to just focusing on the dollar amount of the delegation.

Mr. Soike noted that staff will develop and come to the Commission with options.

Members of the Committee and staff discussed:

- the true opportunity costs/true loss in capital as it pertains to the existing delegation level and time taken in Commission approval process;
- breaking down the delegation by category/buckets of categories;
- delegation levels in comparable-sized jurisdictions;
- streamlining internal processes to make them more efficient;
- raising awareness to what may be coming forward;
- process improvement;
- presenting options while considering the Commissioner's responsibility to be accountable to the public;
- instances where it may not be about the dollar amount but rather, about the policy; and
- operational and administrative items that can be taken off of the agenda.

**Adjournment:**

There being no further business, the special meeting adjourned at 10:45 a.m.

Prepared:

Attest:

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Michelle M. Hart, MMC, Commission Clerk

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Stephanie Bowman, Audit Committee Chair

Minutes approved: April 8, 2021.