

PORT OF SEATTLE
MEMORANDUM

AUDIT COMMITTEE AGENDA

Item No. _____

Date of Meeting December 9, 2021

DATE: November 8, 2021

TO: Audit Committee Members – Commissioner Stephanie Bowman,
Commissioner Sam Cho and Public Member Christina Gehrke, CPA

FROM: Lisa Lam, Assistant Director, Accounting & Financial Reporting
Rudy Caluza, Director, Accounting & Financial Reporting

CC: Dan Thomas, Chief Financial Officer

SUBJECT: Selection of External Audit Services for the Port’s 2022 to 2026 Operating
Periods

ACTION REQUESTED:

Endorse the selection of the Port’s external independent auditor and inform the full Commission of the external independent auditor selected, Moss Adams LLP, based on an open competitive process.

SYNOPSIS:

Annual independent audits are required for the financial statements of the Port’s Enterprise Fund and the Warehousemen’s Pension Trust Fund for purposes of obtaining an independent auditors opinion as to the fairness in presentation of the financial results and position. Independent audits are also required for the Port’s administration of Federal grants and Passenger Facility Charge (PFC) revenues in accordance with applicable regulations. The audits covered under the existing external audit services contract (P-00318441) are expiring in May 2022 once the audit services for the Port’s 2021 Financial Period are completed.

The annual external audit services include the following deliverables:

- Independent Audit and Opinion – Financial Statements of the Port’s Enterprise Fund
- Independent Audit and Opinion – Financial Statements of the Port’s Fiduciary Fund
- Independent Audit and Opinion – Net Revenues Available for Revenue Bond Debt Service
- “Single Audit”(Federal grants regulatory compliance) and Report of Federal Grants Awarded
- Passenger Facility Charge (PFC) Program Audit and Report
- Agreed Upon Procedures Report for Washington State Department of Ecology

- Agreed Upon Procedures Report for Environmental Protection Agency

As in the past, the Port openly and competitively selects the external auditor. The solicitation for external audit services incorporating the evaluation criteria was reviewed and approved by the Audit Committee on June 17, 2021. Additionally, at the July 13, 2021, Commission meeting, the Commission approved and gave authorization to Executive Director, Steve Metruck, to execute a contract for external independent audit services once a competitive bid process was completed. The solicitation process from drafting, advertising, evaluation, and selection, was led by the Central Procurement Office (CPO) with the participation and guidance of a member of the Internal Audit Department. Diversity in Contracting Program was also incorporated in this solicitation.

Four national public accounting firms submitted proposals to the solicitation in August 2021. The four proposals were evaluated against pre-determined evaluation criteria contained in the solicitation by four evaluators from AFR, Aviation Finance & Budget, Internal Audit, and Women/Minority Business Enterprise (WMBE) departments, along with the presence of a CPO representative throughout the entire process.

Moss Adams LLP was the highest ranked proposer based on the pre-determined evaluation criteria. Summary of the overall strengths of the highest ranked proposal are as follows:

- Proposed engagement team's experience comprised of a combination of public sector clients that are similar in size and industry to the Port
- Committed earliest completion of all deliverables; 20 days and 5 days earlier than the required deadlines for the agreed upon procedures and remaining audit reports, respectively
- Included solid examples from past client experiences to identify potential audit risks and audit approaches for new lease accounting standards for the Port
- Included solid quality improvement programs along with careful consideration of adopting new auditing standard procedures to improve audit efficiency and quality
- Committed 15% in Diversity in Contracting Program with integration of WMBE firms into the overall audit engagement and work

SOURCE OF FUNDS:

The total audit fee estimated for all five years is expected to be under \$3,000,000. The audit services fee for the 2022 financial period, which is conducted during latter 2022 and the first half of 2023, will be included in the AFR department's 2022 and 2023 proposed operating budgets, and in non-operating budgets as appropriate. The funding sources are approximately split 55% and 45% between operating and non-operating expense, respectively. For audit services related to each of the financial periods following, 2023 through 2026, the requirements will be similarly split and included in the Port's proposed annual budgets.

STRATEGIC OBJECTIVES:

Be a highly effective public agency: To be transparent and accountable over the stewardship of public funds/assets, to be in full compliance with prescribed industry

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accounting & financial reporting standards and Federal regulations, and to timely and accurately report on the Port's financial results and position.

PREVIOUS AUDIT COMMITTEE ACTION:

7/13/2021 – The Commission authorized execution of a contract for external audit services for the financial periods 2022 to 2026 in an estimated amount not-to-exceed \$3,000,000 for the full contract term. The base contract is three years with the option to extend for two additional one-year term.

6/17/2021 –Audit Committee approved proceeding with the external audit services solicitation

12/10/2020 – External Audit Services Contract Extension for the Port's 2021 Financial Period