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COMMISSION

AGENDA MEMORANDUM Item No. 11a

BRIEFING ITEM Date of Meeting January 24, 2023

DATE: January 6, 2022

TO: Stephen P. Metruck, Executive Director

FROM: Glenn Fernandes, Director, Internal Audit

SUBJECT: 2022 Internal Audit Annual Report

EXECUTIVE SUMMARY

The purpose of this memo is to brief the Commission and the public on audits performed in the 2022 calendar year. The 2022 Audit Plan was approved at the December 9, 2021, Audit Committee Meeting.

Internal Audit has completed 17 audits and a special project in 2022. The audits identified 4 High Risk, 19 Medium Risk, and 3 Low Risk issues for management action. The 17 completed audits included a construction audit of the International Arrivals Facility that was performed jointly with HPM, LLC, a contracted consulting firm. This audit report is still in draft format and will be finalized for the April 2023 Audit Committee meeting. 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 (Port) 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 2022, Commissioner Cho chaired the Audit Committee and Commissioner Mohamed served as the other commission member. Ms. Sarah Holmstrom, CPA, and a Finance Leader for Amazon Web Services, 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, technology, activities, and vendors. Our audits add value by helping the Port achieve its mission

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

LISTING OF 2022 INTERNAL AUDITS COMPLETED

Below is a list of audits completed by Internal Audit in 2022. These audits are categorized by audit type.

Performance:

- 1) ACH Payment Fraud^{1,2}
- 2) Emergency Procurement
- 3) Federal Grant Administration – Aviation Division
- 4) South King County Community Impact Fund^{1,3}

Performance - Capital:

- 5) International Arrivals Facility
- 6) Interim Westside Fire Station
- 7) North Satellite Renovation and Extension Project
- 8) South Satellite Infrastructure Upgrade Project

Information Technology:

- 9) T2 Airport Garage Parking System Replacement⁴
- 10) Account Management (ICT)⁴
- 11) Account Management (Aviation Maintenance)⁴
- 12) Audit Log Management (ICT)⁴
- 13) Audit Log Management (Aviation Maintenance)⁴
- 14) Security Incident Response Management (ICT & Aviation Maintenance)

Limited Contract Compliance:

- 15) In-Ter-Space Services, Inc. DBA Clear Channel Airports
- 16) Avis Budget Car Rental LLC
- 17) The Hertz Corporation

Special Project by Management Request:

- 18) Cruise Season Rent Credit Review of Cruise Terminals of America⁵

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

2 This audit was added to respond to a known fraud that had occurred and to mitigate future fraud risk.

3 The original audit title, "Community and Sustainability Initiatives," per the 2022 Audit Plan, was updated as the audit scope was further refined.

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

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

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ATTACHMENTS TO THIS BRIEFING

(1) Presentation slides

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

December 9, 2021 – The Commission was briefed on 2021 completed audits.

December 8, 2020 – The Commission was briefed on 2020 completed audits.

December 10, 2019 – The Commission was briefed on 2019 completed audits.

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