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COMMISSION

AGENDA MEMORANDUM Item No. 11b

BRIEFING ITEM Date of Meeting February 13, 2024

DATE: February 7, 2024

TO: Stephen P. Metruck, Executive Director

FROM: Glenn Fernandes, Director, Internal Audit

SUBJECT: 2023 Internal Audit Annual Report

EXECUTIVE SUMMARY

The purpose of this memo is to brief the Commission and the public on audits performed in the 2023 calendar year. The 2023 Audit Plan was approved at the December 8, 2022, Audit Committee meeting.

Internal Audit (IA) has completed 16 audits and identified 4 High Risk, 16 Medium Risk, and 7 Low Risk issues for management action. In addition, R.L. Townsend & Associates, an external, independent auditor, who was engaged to audit General Contractor/Construction Manager (GC/CM) construction projects, presented an Annual Audit Services Report at the December 14, 2023, Audit Committee meeting. At the September 7, 2023, Non-Public session of the Audit Committee, IA presented a summary report of the Criminal Justice Information Systems (CJIS) Technical Audit, which was performed by the Washington State Patrol.

Implementation of the associated recommendations from audits, 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 duties, the Internal Audit Director and his staff are accountable to the Audit Committee and to the Executive Director.

The Audit Committee serves as an arm of the Port Commission. For 2023, Commissioner Mohamed chaired the Audit Committee, and Commissioner Cho served as the other commission member. Ms. Sarah Holmstrom, CPA, and a Finance Leader for Amazon Advertising, served as the external volunteer member of the Audit Committee.

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COMMISSION AGENDA – Briefing Item No. 11b Page 2 of 3

Meeting Date: February 13, 2024

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

LISTING OF COMPLETED 2023 INTERNAL AUDITS

Below is a list of audits completed by Internal Audit in 2023. These audits are categorized by audit type.

Performance:

- 1) Port-wide Payroll Controls
- 2) Airport Parking Garage
- 3) Social and Environmental Reporting
- 4) Fishermen's Terminal
- 5) Police Department Seizures and Evidence Room

Performance - Capital:

- 6) Supply Chain Disruption Management
- 7) Terminal 5 Berth Modernization Project
- 8) C Concourse Expansion (Pre-construction) GC/CM1
- 9) Main Terminal Low Voltage System Upgrade GC/CM1
- 10) T-117 Sites 23-25 Restoration Construction Project GC/CM1

Information Technology:

- 11) Email and Web Browser Protections (ICT & Aviation Maintenance)2
- 12) Network Infrastructure Management (Aviation Maintenance)2
- 13) Security Awareness and Skills Training2

Limited Contract Compliance:

14) Louis Dreyfus Company Washington LLC

15) Seattle Air Ventures

16) ATZ, Inc. dba Doug Fox Parking

1. RCW 39.10.385 requires an independent audit, paid for by the public body, to confirm the proper accrual of costs, for GC/CM projects. This audit work is performed by external, independent auditors through Service Agreements. A year-end status report is provided at the December Audit Committee. Internal Audit also performs periodic audits of these projects and reviews areas that are not looked at by the independent auditors. Internal Audit issues an audit report on areas covered.

2. Security Sensitive – Exempt from public disclosure per RCW 42.56.420; these will not be discussed during this Commission meeting.

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COMMISSION AGENDA – Briefing Item No. 11b Page 3 of 3

Meeting Date: February 13, 2024

ATTACHMENTS TO THIS BRIEFING

(1) Presentation slides

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

January 24, 2023 – The Commission was briefed on 2022 completed audits.

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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