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APPROVED MINUTES

AUDIT COMMITTEE SPECIAL MEETING

December 14, 2023

The Port of Seattle Commission Audit Committee met in a special meeting Thursday, December 14, 2023.

The meeting was held in the Commission Chambers located at the Port of Seattle Headquarters Building, 2711 Alaskan Way, Seattle, WA, and virtually via Microsoft Teams. Committee members present included Commissioners Cho and Mohamed and Public Member Sarah Holmstrom (non-voting).

1. Call to Order:

The committee special meeting was called to order at 10:00 a.m. by Commissioner Mohamed. The agenda was approved without objection.

*Internal Audit Department presentation is found here and contains information for Agenda Items 5 through 10 and 12.

2. Approval of Audit Committee Meeting Minutes of September 7, 2023

The minutes of the Audit Committee special meeting of September 7, 2023, were approved without objection.

EXTERNAL AUDITS

3. Moss Adams – 2023 Financial Statements Audit Engagement Service (Presentation)

Presenters:

Olga Darlington, Partner

Anna Waldren, Senior Manager

Connor McCauley, Senior Manager

The Office of the Washington State Auditor presented regarding the opening of the 2023 financial statements audit.

The opening audit addressed:

- scope of services;
- auditor and management responsibilities;

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- audit procedures;
- accessing financial statements from management to make sure they are free of misstatements;
- areas of audit emphasis;
- audit timeline; and
- recent and upcoming accounting developments.

Members of the Committee thanked the Moss Adams team for their presentation.

4. R.L. Townsend & Associates – Construction Audit Services Annual Report (Presentation)

Presenters:

Debbie Townsend, President and Executive Construction Cost Control Consultant

Patricia Farrell-Shear, Project Executive

Rachel Smith, Senior Professional Associate

RL Townsend & Associates presented regarding the construction audit services annual report.

The presentation addressed:

- EC/CM monthly pre-construction and construction invoices and confirmation that billings are in accordance with the contract;
- review of pre-construction pay applications;
- review of construction pay applications;
- issues identified including billings for individuals not identified in the subcontract; individuals billed at labor rates that exceed the subcontract rates; and minimal backup documentation on change

orders.

Identified issues were presented to the Port and to Turner Construction.

Members of the Committee and audit staff discussed the turnaround time to solve these issues and receiving a follow-up report on the status of this audit at the March 2024 Audit Committee meeting.

Members of the Committee thanked the RL Townsend staff for their audit and presentation.

UPDATES AND APPROVALS

5. Outreach Project Update

Presenters:

Glenn Fernandes, Director, Internal Audit

The presentation addressed:

- assisting small businesses to build controls to avoid phishing scams and ACH fraud;
- resources available on the internal audit website;
- in-house training conducted at the Port;
- next steps to include control training for newly hired Port managers and staff, and separately, the 2024 concession audit plan will touch several small businesses and the Port will be integrating controls training into opening meetings with smaller concessionaires.

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Members of the Committee thanked the audit staff for their continued work to make this information and resources available.

6. 2023 Audit Plan Update

Presenters:

Glenn Fernandes, Director, Internal Audit

Mr. Fernandes overviewed the status of the approved 2023 Audit Plan, including Limited Contract Compliance; Performance Audits; and Information Technology Audits.

The presentation addressed:

- audits pushed back, including the Post IAF airline realignment and equity policy directive audits;
- identified risks for management action;
- looking at audits with an equity lens;
- increases in GC/CM projects at the port in the next seven years;
- suggested capital recoveries; and
- controllable cost recommendations.

Members of the Committee thanked Mr. Fernandes for the update.

7. Approval of Proposed 2024 Internal Audit Plan

Presenters:

Glenn Fernandes, Director, Internal Audit

The presentation addressed:

- 2024 performance audit plan approach;
- mandated audits;
- 27 projects currently scheduled for review;
- risk considerations;
- required GC/CM independent audits;
- lease and concession audit plan approach;
- proposed 2024 lease and concession audits scheduled;
- 2024 information technology audit plan approach and audit plan;
- 2024 limited contract compliance, performance, and information technology audits planned; and
- contingency audits proposed.

Commissioner Mohamed requested that the delegation of authority process audit come back to the Commission and be reported out to the Audit Committee.

The motion, to recommend approval of the 2024 audit plan, carried by the following vote:

In favor: Cho and Mohamed (2)

Opposed: (0)

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https://meetings.portseattle.org/portmeetings/attachments/2023/2023_12_14_AM_10_Attachment_Police-Dept-Audit.pdf

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8. Open Issue Status

Presenters:

Glenn Fernandes, Director, Internal Audit

Mr. Fernandes overviewed the status of Open Issues, reporting as of November 29, 2023.

The presentation addressed five issues outstanding for over one year from the target date of completion; and three information technology issues that do not currently have target dates assigned.

Discussion ensued regarding:

- difficulty in understanding the graphs and what the target date means;
- teams give the Audit staff action plans and target dates for resolving issues;
- length of time that open issues remain open; and
- follow-up process for items that remain open.

PERFORMANCE AUDITS

9. Airport Parking Garage (See Report)

Presenters:

Glenn Fernandes, Director, Internal Audit

Dan Chase, Manager, Internal Audit

The presentation addressed:

- the airport parking garage scope and description;
- public parking toll booth operations;
- employee parking;
- parking systems;
- five issues identified in the audit regarding revenue lost as a result of improper billing and misuse of parking cards, audit recommendations, and management's response.

Discussion ensued regarding if the Port has considered going cashless and determining that not all customers are in the position to utilize a cashless solution.

Members of the Committee thanked the Internal Audit Department staff for their work on the audit, and management for their responses.

10. Police Department Seizures and Evidence Room (See Report)

Presenters:

Glenn Fernandes, Director, Internal Audit

Dan Chase, Manager, Internal Audit

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https://meetings.portseattle.org/portmeetings/attachments/2023/2023_12_14_AM_12_Attachment_Seattle-Air-Ventures-Audit.pdf

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The presentation addressed:

- composition and organization of the Port of Seattle Police Department;
- the process for seizures and forfeitures of contraband that aligns with state regulations;
- seized property and cash stored in the evidence room;
- quarterly seizure reports prepared and provided to the Washington State Department of Revenue;
- disposal process for items in this category in the evidence room; and
- Internal Audit's recommendation that management should adopt a formal policy regarding the timely disposal of items on an annual basis; and
- management's concurrence with the audit recommendations.

Members of the Committee thanked the Internal Audit Department staff for their work on the audit, and management for their responses.

INFORMATION TECHNOLOGY AUDITS

11. Network Infrastructure Management (Aviation Maintenance)

Presenters:

Glenn Fernandes, Director, Internal Audit

Ritika Marwaha, Manager, Internal Audit – IT

(Item 11 is security sensitive and were discussed in non-public session.)

LIMITED CONTRACT COMPLIANCE AUDITS

12. Seattle Air Ventures (See Report)

Presenters:

Glenn Fernandes, Director, Internal Audit

The presentation addressed:

- the joint venture operated under the Hudson Group;
- audit of two contracts representing 15 stores;
- timeline of the audit;
- 2021 and 2022 revenue reviewed;
- differences between point-of-sale revenue and the general ledger;
- Internal Audit's recommendation for the dining retail group, in partnership with Internal Audit, to

continue discussions and seek documentation from Seattle Air Ventures to validate that accounting records agree to verbal assertions; and

- management's response in agreeance with the audit findings, noting they will engage with Seattle Air Ventures to determine what is causing the variance, and supporting variances with documentation.

Members of the Committee thanked the Internal Audit Department staff for their work on this audit.

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13. Committee Comments

Internal Audit Director Glenn Fernandes thanked the committee for a great year and for their work.

14. Adjournment

There being no further business, the special meeting recessed at 11:50 a.m. and re-convened in a nonpublic session to address security-sensitive information technology audit information for Agenda Item 11 for approximately 30 mins. The meeting adjourned immediately at the conclusion of the discussion and no further action was taken.

Prepared: Attest:

Michelle M. Hart, MMC, Commission Clerk Toshiko Hasegawa, Audit Committee Chair
Minutes approved: March 28, 2024.