

Commissioners
John Creighton
Chair and President
Bill Bryant
Patricia Davis
Lloyd Hara
Gael Tarleton



Tay Yoshitani
Chief Executive Officer

P.O. Box 1209
Seattle, Washington 98111
www.portseattle.org
206.728.3000

APPROVED MINUTES AUDIT COMMITTEE SPECIAL MEETING AUGUST 5, 2008

The Port of Seattle Commission Audit Committee met in a special meeting at 9:00 a.m., Tuesday, August 5, 2008 in the Commission Chambers at Pier 69, 2711 Alaskan Way, Seattle, WA. Commissioners Hara and Tarleton were present, as well as citizen committee member Steve Miller. Also in attendance was CEO Tay Yoshitani and Joyce Kirangi, Port Internal Audit Manager.

CALL TO ORDER

The committee special meeting was called to order at 9:05 a.m. by Commissioner Lloyd Hara.

- **Motion for approval of minutes for audit committee meetings of June 3 and July 1, 2008 - Tarleton**

Motion carried by the following vote:

In Favor: Hara, Tarleton (2)

Status Update on Selected Items from SAO Audit and Specific Recommendations

Presenters: Joyce Kirangi and Jack Hutchinson, Senior Internal Auditor

A computer slide [presentation](#) was given, which addressed responses to the SAO recommendations, which included:

- Review projects to identify cases where engineers' estimates and contractors' proposed amounts are consistently the same and, in such cases, undertake a further evaluation of the underlying causes; followed by remedial actions as appropriate
- Review of change orders negotiated and approved under all contracts to determine if there were other incorrect mark-ups on change orders
- Evaluate all Port Construction Services (PCS) contracts during the past three years to determine other instances where the practice of lapping contractor invoices occurred

- Initiate a comprehensive review of all Professional Services Agreements (PSAs) to determine the full extent to which competition requirements have been circumvented
- (a) Determine the extent to which costs in violation of Federal grant requirements have been claimed for reimbursement and received from DOT and other Federal agencies; (b) Notify applicable Federal grant officers of these violations, and; (c) Initiate corrective actions prescribed by Federal officials
- Review all PSAs to assure that:
 - Such agreements comply with State law in terms of being for specific Port requirements rather than being used as supplements of Port staffing
 - The agreements are being administered in strict conformity with contract provisions and requirements
 - The contracts contain defined labor category qualifications, and
 - Contract files are complete and maintained by Port employees rather than contractor personnel

Ms. Kirangi stated that she could return with a further report at the September audit committee meeting.

Commissioner Hara agreed that a report should be given at the September meeting if possible, but no later than the October meeting.

Report on Recreational Boating Departmental Audit

Presenters: Ms. Kirangi and Andy Medina, Senior Internal Auditor

A copy of the Recreational Boating Department Audit was provided for review, and within the computer slide [presentation](#) noted in the previous agenda item, the following topics were discussed regarding the recent audit conducted of the Recreational Boating Department:

- Summary of Findings
 - Shilshole Bay Marina
 - Segregation of Duties
 - Computer System Weaknesses
 - Guest Moorage
 - Bell Harbor Marina
 - Segregation of Duties and Accountability
 - Computer System Weakness/Discounts
- Management Response to Findings
 - Shilshole Bay and Bell Harbor Marinas
 - Several of the internal controls identified have been fixed or are in process of being corrected

Following discussion of the department audit, Commissioner Tarleton suggested having a report provided showing which departments are requesting an audit, but for which the resources to do so are not available.

Commissioner Hara asked that within 90 days, or by the November committee meeting, staff return to the committee to report on the status of changes implemented as a result of the recreational boating department audit.

Report on Single Audit and on Passenger Facility Charge Audit

Presenter: Laurie Tish, Moss Adams

Ms. Tish stated that within the single audit, the auditor's report on financial statements expressed an unqualified opinion; that no significant deficiencies in internal control were identified during the audit; and that there were no material instances of noncompliance noted. She also commented on two findings from the audit which were noted, one which was related to "Odyssey" and the second regarding Airport Improvement Program contracts as related to procurement.

Regarding the "Odyssey" finding, Committee Member Miller commented on the need to have some sort of management control any time there is an unusual arrangement or contract, and noted that he would appreciate hearing back that such a control mechanism will be in place for future Port contracts.

Regarding the Passenger Facility Audit, Ms. Tish stated that there were no findings of noncompliance

It was noted that the final reports regarding both of the above audits would be issued later in the month.

Follow-up Report on Security Issues

Presenter: Wendy Reiter, Manager, Aviation Security

Ms. Reiter provided a briefing to the committee to report on changes which had been implemented over the past 90 days, as a result of the audit of the Security Department. She noted that the audit of the department was conducted as a response to her request, and commented on revisions in the following areas:

- Cash Handling
- Management of keys at the Airport
- Badging Processes

Ms. Reiter offered to provide a formal written report to the committee regarding the resolution of the problem areas; however, the committee stated that the verbal report would be sufficient, and the items would be considered closed.

Follow-up Report on Ground Transportation Issues

Presenters: Paul Grace, Senior Manager, Airport Operations (Landside) and Stacy Mattson, Manager, Ground Transportation

A [document](#) was provided for review, showing findings of the internal audit of the Ground Transportation Department. The document also reflected responses to the findings. Areas of concern included the following areas:

- Automated Vehicle Identification (AVI) – Lack of control and documentation
- Violation Citations – Lack of policies and procedures
- Permit Issuance – Lack of policies and procedures
- Cash Handling – Lack of control and policies and procedures

Mr. Grace noted that he will return in 2009 with an update on the one outstanding item to be completed, which is the AVI software upgrade. All other issues of concern are considered resolved.

Review of Audit Committee Goals and Objectives

Mr. Miller provided a [draft document](#) for discussion purposes of long-term goals and objectives for the Port of Seattle Commission's Audit Committee. It was suggested that the document be worked with and revised over the next several months.

Discussion followed regarding direction to be provided to staff for appropriate skill sets to be included when hiring new members into the audit department.

Recommendations made by Commissioner Tarleton included:

- A person who knows how to do training, and is strong on training in large bureaucratic institutions
- A person who has a minimum of 10 years experience in the field of management auditing

Mr. Miller stated that he would like to see how Ms. Kirangi's staffing and financial plan for the next five years, noting that management would definitely need training on risk assessment, which would need to be supported.

Commissioner Hara commented that he would like to see staff include someone who understands good management and best practices. He noted that also of importance was cross-training and interdisciplinary teams, which would help avoid 'silos' of work.

ADJOURNMENT

There being no further business, the meeting was adjourned at 11:06 a.m.

Gael Tarleton