

**SAO Performance Audit
Port of Seattle Response
General Summary**

The Port of Seattle takes stewardship of the taxpayer and customer resources entrusted to us very seriously. This performance audit raises a number of issues about how the Port of Seattle conducts its business and makes recommendations as to how some policies and practices can be improved. The Port, as part of our ongoing commitment to the highest performance standards, agrees that there is a clear need for improvement in some areas. We acknowledge this commitment throughout our response and agree with the majority of the audit's recommendations. The Port's response to this performance audit represents one part of a larger effort to ensure that the Port manages operations as effectively and efficiently as possible and safeguards against the potential of fraud, waste, and abuse.

Primary Recommendations:

The Performance Auditor gave two overarching recommendations: 1) establish a senior-level Chief Procurement Officer position; and 2) reevaluate the Port's master policy resolution, which governs delegation of authority from the Commission to the CEO and throughout the organization. In response, Port CEO Tay Yoshitani has appointed two review teams: one to recommend options for establishing a central procurement office, and one to recommend appropriate changes to the procedure for delegation of Commission authority.

Improving Contracting and Construction Management Processes and Procedures:

The Port acknowledges that over the past decade, some errors have occurred in contracting and construction processes and procedures. The Port agrees with many of the recommendations offered in this audit; some related improvements are already underway as the result of a Port-sponsored performance audit conducted by Talbot, Korvola and Warwick, LLP earlier this year.

As a result of that audit, the Port has already begun to implement a 37-point action plan to improve its cost and schedule risk management, estimating practices, and project controls. Specific efforts include revisions of its Standard Operating Procedures Manual, review of change orders and trend logs, as well as efforts to ensure fair competition for contracts and professional service agreements.

Following Port Policies & Ensuring Complete Documentation:

The Port also acknowledges the necessity of consistent and complete documentation, and the need for better discipline in following Port policies for the procurement of professional services. A number of compliance issues highlighted in the performance audit had already been identified through the Port's internal audit program. Improvements include more detailed statements of work, enhanced procedures to lessen risk of non-compliance, and added review of consultant agreement scope and duration prior to execution of amendments.

Compliance with State and Federal Law:

The Port places a high priority on compliance with all applicable Washington state laws, as well as federal laws and regulations, including federal grant funding and related contracts. Our practices have been regularly examined and consistently validated by numerous outside auditors including those who conduct such reviews on behalf of the relevant federal agencies. The Port looks forward to additional dialogue with the Washington State Auditor's Office to clarify any issues related to legal compliance.

Effective Internal Controls:

The Port is committed to ensuring that sound internal controls exist in all of its business practices. No controls can provide absolute assurance against fraud, but recurring audits have affirmed that effective internal controls exist at the Port to provide reasonable assurance against fraud, waste, and abuse. This performance audit found no evidence of fraud. Nonetheless, the Port takes fraud risk seriously. The Port has zero tolerance for fraud; if found, the Port will investigate thoroughly and will notify law enforcement where appropriate. Further, the Port will implement a fraud hotline and will assess its construction management activities to identify additional safeguards against fraud, waste, and abuse.

Effective Commission Oversight & Authority Delegation to Staff

All Port staff members respect the role and authority of the Port Commission, whose members serve on behalf of the people of King County. When the Port Commission delegates its authority, Port staff strives to follow the Commissioners' policy directives accurately and works to keep Commissioners fully informed through rigorous ongoing review and reporting processes. Nonetheless, the Commission and the Port CEO will review the current policy concerning delegation of authority in an effort to increase the transparency and accountability of Port staff actions.

Next Steps:

The feedback given during this performance audit provides an opportunity for the Port to enhance its effectiveness in safeguarding public resources and in meeting the needs and expectations of both taxpayers and customers. The Port is committed to achieving the highest performance standards possible. We will review our operations, study practices of other state and local agencies, and carefully consider the recommendations of this performance audit to develop the best practices for capital project delivery.