

PORT OF SEATTLE
MEMORANDUM

AUDIT COMMITTEE AGENDA

Date of Meeting January 11, 2011

DATE: December 22, 2010

TO: Tay Yoshitani, Chief Executive Officer

FROM: Dan Thomas, Chief Financial & Administrative Officer
Rudy Caluza, Director, Accounting & Financial Reporting
Lisa Lam, Senior Manager, Financial Reporting & Controls

SUBJECT: External Audit Services for the Financial Statement, Single Audit (federal grant compliance) and Passenger Facility Charge Auditing Services for the Port's 2011 Operating Period

Amount of This Request: Not to exceed \$3,000,000

Source of Funds: AFR operating budget & Portwide non-operating budget

Estimated Workers Employed: 10 to 15

ACTION REQUESTED:

Request authorization for the Chief Executive Officer to execute a contract for external audit professional services. The contract will be up to a value of \$3,000,000 for three years with two one-year options. Service Directives will be issued on an annual basis ordering the annual external audit.

SYNOPSIS:

Annual independent audits are required for the financial statements of the Port's Enterprise Fund and the Warehousemen's Pension Trust Fund for purposes of obtaining an independent auditors opinion as to the fairness in presentation of the financial results and position. Independent audits are also required for the Port's administration of federal grants and Passenger Facility Charge (PFC) revenues in accordance with applicable regulations.

These audits have been covered under the existing external audit services contract with Moss Adams, LLC, which is expiring in 2011 once the 2010 audit services are completed, between April to June of 2011.

As it has in the past, the Port intends to competitively select the external auditor. This memo requests authorization to execute a contract for the Port's annual independent audits for 2011 through 2015 operation periods. The RFP will incorporate the Port's small business goals to encourage subcontracting opportunities for small business as part of the audit team.

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SCOPE OF WORK:

The annual external audit services will include the following deliverables:

- Independent Audit and Opinion - Financial Statements of the Port's Enterprise Fund
- Independent Audit and Opinion - Financial Statements of the Warehousemen's Pension Trust Fund
- Independent Audit and Opinion – Net Revenue Available for Revenue Bond Debt Service
- “Single Audit” and Report of Federal Grants Awarded
- Passenger Facility Charge (PFC) Program Audit and Report

The Port anticipates advertising the procurement in February 2011 and executing the contract in August 2011.

For each annual audit the audit service schedule is as follows:

Perform Interim Audit work	September to November
Perform Final Audit work	February to April
Issuance of Audit Reports	May to June

SOURCE OF FUNDS:

The annual external audit fees are estimated not to exceed \$600,000, for a total contract cost, if both options are exercised, up to \$3,000,000.

The fee for the 2011 audit services, which is conducted during latter 2011 and first half of 2012, is included in the Accounting & Financial Reporting (AFR) department's 2011 approved and will be included in the 2012 AFR proposed operating budgets, and in non-operating budget as appropriate. The funding sources are approximately 55% and 45%, respectively. For audit services in 2012 – 2015, the funds will be in the Port's annual budget.

STRATEGIC OBJECTIVES:

Be a high performance organization: Being transparent and accountable of public funds and timely reporting on Port's financial results and be in full compliance with federal regulations.

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TRIPLE BOTTOM LINE:

The RFP for external audit services will incorporate the Port's "Small Business Initiative" goals per guidance from the Office of Social Responsibility to allow subcontracting with small businesses.

PREVIOUS COMMISSION ACTION:

None.