

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 7c

Date of Meeting June 28, 2011

DATE: June 20, 2011
TO: Tay Yoshitani, Chief Executive Officer
FROM: Tom Barnard, Research and Policy Analyst
SUBJECT: Review of the Work of Audit Committee

SYNOPSIS:

The Port of Seattle Audit Committee is required to report to the Port of Seattle Commission periodically to review its work and results. The period covered for this briefing is from January 2011 through June 2011.

This review will cover the following activities:

- Internal Audit reports reviewed by the Audit Committee
- Other work reviewed by the Audit Committee
- Discussion on improvements to the work of the Audit Committee

BACKGROUND:

The Audit Committee was created to “represent the Commission and have review and oversight authority on matters relating to the Port's auditing process and procedures.” Its main tasks are to:

- Review and recommend to the Commission the independent auditors to be selected to audit the financial statements, the federal grant and Passenger Facilities Charge programs of the Port of Seattle, and other audit services;
- Meet with independent auditors and financial management to review proposed audits for the current year and review such audits at their completion, including any recommendations of the independent auditor;
- Review the adequacy and effectiveness of the accounting and financial controls of the Port of Seattle, and recommend improvement of such internal controls or establish new controls, assisted by the independent auditors, the Internal Audit Manager, and Port staff; and

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- Perform oversight over periodic independent performance audits to be conducted on the Port of Seattle, and report the results of such audits to the Commission when completed.

AUDIT COMMITTEE ACHIEVEMENTS FOR JANUARY - JUNE 2011:

The Audit Committee reviewed eleven reports prepared by the Internal Audit Manager during the January-June 2011 period, which covers five meetings of the Audit Committee. These include:

- Three lease audits of rental car companies at Sea-Tac Airport;
- Six operational audits including:
 - Two limited audits of the Capital Improvement Program and Mobile/Smartphone usage;
 - Two comprehensive operational audits including Sea-Tac Airport Utilities and Public Parking;
 - A third-party operational audit of the Lost & Found Department at Sea-Tac Airport; and
 - A review of current practices - Port's Travel and Entertainment Expenses;
- An audit of overtime in the Aviation Division; and
- An update of the Airline Landing Fee program.

In addition, the Audit Committee:

- Reviewed and approved the 2011 Internal Audit work plan;
- Reviewed the 2010 Comprehensive Annual Financial Review, and the associated financial audits; and
- Reviewed the selection process and proposed for Commission approval the 2011-2015 contract for future financial audit work to be performed by Moss Adams.

The Audit Committee also has spent considerable time reviewing possible changes to the program and work of the Audit Committee. Although the existing Long-Range Goals and Objectives document has provided some insight into the on-going mission of the Audit Committee, this year it was felt there was a need to improve and further develop the work of the Committee in a more comprehensive manner. Some issues the Audit Committee has discussed so far include:

- A review of the risk analysis process conducted by the Internal Audit Department that is used to develop the annual Internal Audit work plan;

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- A review of audit typology, aimed at understanding better what type of auditing the Internal Audit Department spends most of its resources on;
- Research on standards for Audit Committees in organizations like the Port as recommended by the Institute of Internal Auditors (IIA) and other auditing associations; and
- Review and use of self-assessment tools Audit Committee members could use to assess their own work.

This work continues, and it may generate possible changes to the work of the Audit Committee, including:

- The Audit Committee may request Commission approval in August for a particular budget recommendation to be included in the 2012 budget to augment the current work of the Internal Audit Department.
- Further changes to the Audit Committee Charter may be brought forward to bring the Charter into compliance with IIA and governmental auditing standards, unless precluded by the unique nature of the organization, at the recommendation of the Audit Committee.
- Vickie Rawlins, the Port's Workplace Responsibility Officer, is briefing the Audit Committee at its July meeting on the Port's "whistleblower" protection provision.
- The Audit Committee may request a quality control review of the Internal Audit Department. Joyce Kirangi, Director of Internal Audit, is also actively considering bringing in an outside firm for such a review.
- The Audit Committee may develop a method to insure that all basic financial information provided to the Commission in briefings be provided to the public member of the Audit Committee. This would include quarterly reports, budget materials as requested, and other measures of financial performance.
- Finally, the Audit Committee would come to an agreement on what kinds of auditing risk and business risk it believes the Committee wishes itself and Internal Audit to focus on, and incorporate the inclusion of these risks into a 2011-2013 Long-Range Goals and Objectives Plan.

OTHER DOCUMENTS ASSOCIATED WITH THIS BRIEFING:

None.