



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Port of Seattle

For the period January 1, 2017 through December 31, 2017

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**Office of the Washington State Auditor
Pat McCarthy**

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Port Commission
Port of Seattle
Seattle, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The State Auditor’s Office takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for Port operations. This information is valuable to management, the governing body and public stakeholders when assessing the government’s stewardship of public resources.

The attached comprises our independent audit report on the Port’s compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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AUDIT RESULTS

This report describes the overall results and conclusions for the areas we examined. In most of the areas we examined, Port operations complied with applicable state laws, regulations, and its own policies, and provided adequate controls over safeguarding of public resources.

As referenced above, we noted certain matters that we communicated to Port management and Board of Commissioners in a letter dated February 12, 2019, related to compensation increases. We appreciate the Port's commitment to resolving those matters.

About the audit

This report contains the results of our independent accountability audit of the Port of Seattle from January 1, 2017 through December 31, 2017.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

This audit was conducted under the authority of RCW 43.09.260, which requires the Office of the State Auditor to examine the financial affairs of all local governments. Our audit involved performing procedures to obtain evidence about the Port's uses of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, based on our risk assessment for the year ended December 31, 2017, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Rooftop plaza: controls over charges and billing
- Salmon Bay Marina: controls over moorage revenue; charges and billing and cash receipting
- Assets susceptible to loss and theft: controls over the safeguarding, tracking, and monitoring of these assets
- Compensation increases for non-represented employees: controls over the job evaluation process and compliance with the Commission approved Salary and Benefits Resolution.

RELATED REPORTS

Financial

A financial statement audit was performed by a firm of certified public accountants. That firm's report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

Federal grant programs

A firm of certified public accountants evaluated internal controls and tested compliance with the federal program requirements, as applicable, for the Port's major federal programs. That firm's report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE PORT

The Port is a municipal corporation of the State of Washington (the state), organized on September 5, 1911, through enabling legislation by consent of the voters within the Port district. In 1942, the local governments in King County, Washington (the County) selected the Port to operate the Seattle-Tacoma International Airport (the Airport). The Port is considered a special purpose government with a separately elected commission of five members. The Port is legally separate and fiscally independent of other state or local governments. All revenues and receipts must be disbursed in accordance with provisions of various statutes, applicable grants, and agreements with the holders of the Port’s bonds.

The Port and its Enterprise Fund, which is used to account for operations and activities that are financed at least in part by fees or charges to external users, is comprised of three operating divisions. The Aviation Division manages the Airport serving the predominant air travel needs of a five-county area. The Maritime Division manages industrial property connected with maritime businesses, recreational marinas, Fishermen’s Terminal, cruise, grain and maritime operations. The Economic Development Division focuses on managing the Port’s industrial and commercial properties including conference and event centers, encouraging tourism, developing small business opportunities, and providing for workforce development in the aviation, maritime and construction industries.

For 2017, the Port had total operating revenues of \$632 million, which represents a 5.6 percent increase from 2016. Total operating expenses increased from \$325.3 million in 2016 to \$373.0 million in 2017. The Port’s net operating income before depreciation decreased \$14.1 million from 2016 to 2017.

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Information current as of report publish date.

Audit history

You can find current and past audit reports for the Port of Seattle at <http://portal.sao.wa.gov/ReportSearch>.

ABOUT THE STATE AUDITOR’S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

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