

Port of Seattle Audit Committee

Revised September 13, 2019

September 13, 2019

Pier 69, Commission Chambers

11:00 AM – 1:00 PM

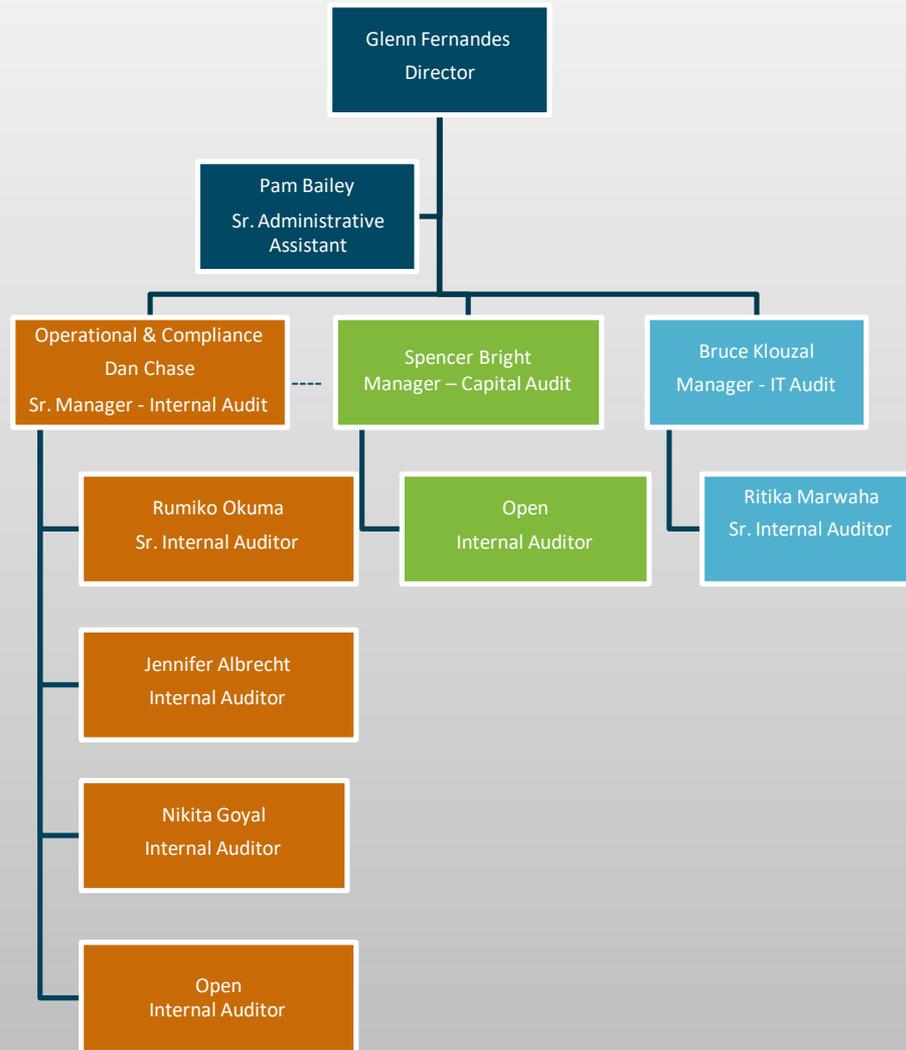


2020 Proposed Budget

- Staffing flat year-over-year.
- From 2017 through 2019 we focused on staff development.
- 2020 utilizing staff for IT & Capital Audits.
- No outside consultants in 2020.
- Overall a decrease of 8.38% in year-over-year budget.

Key Drivers

Internal Audit Organization Structure



2020 Proposed Budget

	2018 Actual		2019 Budget		2019 Forecast		2020 Budget	
	Amount	%	Amount	%	Amount	%	Amount	%
Salaries/Wages and Benefits	\$ 1,300,252	85.51%	\$ 1,713,416	89.44%	\$ 1,511,339	89.97%	\$ 1,699,700	96.84%
Outside Services	174,640	11.48%	147,000	7.67%	115,051	6.85%	2,130	0.12%
Equipment Expense	4,773	0.31%	6,680	0.35%	6,680	0.40%	4,321	0.25%
Office Supplies & Stock	682	0.04%	1,000	0.05%	1,000	0.06%	600	0.03%
Travel, Training, and Other Emp Expense	36,009	2.37%	39,670	2.07%	39,670	2.36%	41,615	2.37%
General Expenses	986	0.06%	3,260	0.17%	2,460	0.15%	760	0.04%
Trade Business & Community	150	0.01%	300	0.02%	300	0.02%	300	0.02%
Telecommunications	3,135	0.21%	4,320	0.23%	3,356	0.20%	5,760	0.33%
	\$1,520,627	100%	\$1,915,646	100%	\$1,679,856	100%	\$1,755,186	100%

8.4% decrease



2019 Audit Plan

Limited Contract Compliance

- Sixt Rent A Car LLC
- Enterprise Rent A Car
- Anton Airfood
- Mad Anthony's
- Marketing Fund-Concessions

Operational

- Airport Security Screening Program
- Diversity Program
- Marine Maintenance
- A&E Consultant Rates¹
- Capital
- Baggage Optimization
- Noise Insulation Programs (FAA Part 150)
- Concourse D Hardstand Terminal
- Shilshole Tenant Service Building

Information Technology

- Security of Personally Identifiable Information
- HIPAA – Compliance
- PCI-Quality Security Assessor
- Closed Network System Security
- Inventory and Control of Hardware Assets¹
- T2 Airport Garage Parking System Replacement²

¹ Addition to 2019 audit plan; approved at 6/28/2019 Audit Committee Meeting

² Moved to 2020 audit plan; approved at 6/28/2019 Audit Committee Meeting

2019 AUDIT PLAN STATUS

Audit Title	Type	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sixt Rent A Car LLC	Limited Compliance	Complete	Complete	Complete									
Marketing Fund-Concessions	Limited Compliance	Complete	Complete	Complete									
Security of Personally Identifiable Information	IT	Complete	Complete	Complete									
Noise Insulation Programs (FAA Part 150)	Operational – Capital	Complete	Complete	Complete	Complete	Complete	Complete						
Marine Maintenance	Operational	Complete	Complete	Complete	Complete	Complete	Complete						
Mad Anthony's	Limited Compliance		Complete	Complete	Complete	Complete							
Baggage Optimization	Operational – Capital			Complete	Complete	Complete	Complete						
Anton Airfood	Limited Operational			Complete	Complete	Complete	Complete						
Diversity Program	Operational				Complete	Complete	Complete						
Closed Network System Security	IT		Complete	Complete	Complete	Complete	Complete	Complete	Complete	Complete			
Airport Security Screening Program	Operational						Complete	Complete	Complete	Complete			
Concourse D Hardstand Terminal	Operational – Capital						Complete	Complete	Complete	Complete			
HIPAA Compliance	IT			Complete	Complete	Complete	Complete	Complete	Complete	Complete			
PCI Quality Security Assessor	IT						Complete	Complete	Complete	Complete			
Add: Architectural, Engineering & Related Support Services	Operational						In Process						
Enterprise Rent A Car	Limited Operational					In Process							
Shilshole Tenant Service Building	Operational – Capital							In Process					
Add: Inventory and Control of Hardware Assets	IT						In Process						
Moved to 2020: T2 Airport Garage Parking System Replacement	IT												

Key:

Complete

In Process

Removed/Added to Audit Plan

Audit Follow-Up

1) Concession Audits

- For 2019 audits, have been billed and collected.

2) Operational

- No issues past their due date.

3) Information Technology

- Three issues past due date.
- Two are close to being completed.
- One on T2's SOC II needs internal discussion on acceptance of risk.

Audits Completed

- 1) Concourse D Hardstand Terminal
- 2) Airport Employee Access*
- 3) **HIPAA** Privacy/Breach
- 4) Closed Networks*
- 5) HIPAA Security*
- 6) Payment Card Industry (PCI)*

*Security Sensitive – Exempt from Public Disclosure per RWC 42.56.420

Concourse D Hardstand Terminal

- Holdroom opened October 31, 2018
- Design-build with a lump sum contract
- Total cost: \$35 million, including \$1.7 million in change orders
- Holdroom is approximately 32,400 square feet and includes six gate like areas

Results

- **Medium:** The Port's consultant did not have adequate knowledge of airport building requirements, which resulted in the design/concept drawings including a building type that was not allowed in airport terminals.
- The Consultant's error on the design/concept drawings resulted in additional costs to the Port of \$142,654.

Results (Continued)

- **Medium:** The Contract restricted the Port's ability to audit all contractor and subcontractor records within the lump sum contract.
- The audit clause only allows audit of documents related to changes.
- When audit clauses are restrictive, there is an inherent risk that the Port may end up paying additional costs or not receive expected deliverables, without detection.

Airport Employee Access

➤ Regulations

- Section 8, SeaTac Airport Schedule of Rules and Regulations No.5 - Security Compliance
- TSA regulations - 49 CFR Parts 1542, 1544, and 1546 - Security Program
- TSA definition of “Insider Threats”

➤ Employee screening

- Includes Port of Seattle employees, concession workers, contractors, and consultants
- Background check and training prior to badge issuance

Results

- Three issues which are deemed security sensitive and exempt from public disclosure.
- Discussed in 1:1 with Audit Committee Members.

HIPAA PRIVACY/BREACH

Presented by:

Julia Huddleston, CIPP/US, CIPM
CFO & COO
Apgar & Associates



- Compliance audit of the Health Insurance Portability and Accountability Act's (HIPAA) Privacy/Breach requirements
- Existing processes and controls in place for protected health information (PHI) were assessed against the HIPAA Privacy/Breach Rules using the federal Office for Civil Rights (OCR) Audit Protocol to determine the level of compliance and identify areas for improvement

HIPAA PRIVACY/BREACH



- Portland, OR based
- Developing and implanting practical, workable solutions since 2004
- Clients range from single physician office, to mid-size technology companies, to multi-national corporations

Results

- **High:** The Port had not designated itself as a hybrid entity for the purposes of the HIPAA Rule. The Port had not defined what units within the Port were part of the designated health care component.

Results

- **Medium:** The Port's understanding of what systems and applications create, receive, use, maintain or transmit PHI and EPHI was incomplete. Combined with the hybrid entity issue, this could result in team members having more access to sensitive information than allowed by law and regulation.



Results

- **Medium:** The Port did not consistently enter into and manage business associate agreements with vendors that use, disclose, maintain or transmit the Port's PHI and EPHI to perform a business function for the Port.



Results

- **Medium:** HIPAA Privacy and Breach Training were not being provided to Port employees within a reasonable timeframe.

Results

- **Medium:** The Port did not provide any four-factor risk assessment required under federal law to document how the organization made the determination that there was a low risk of compromise to PHI from the acquisition, access, use, or disclosure of protected health information in a manner not permitted under the Privacy Rule.

MANAGEMENT RESPONSE

Management to discuss in person. Detailed response presented in audit report.



Closed Networks

- Evaluated the adequacy of internal controls related to the IT security of selected Port Industrial Control Systems (ICS)

- Review of three ICS:
 - Internal Waste Treatment Plant (IWTP)
 - Auxiliary Utility Facility (AUF)
 - Airfield Lighting Controls and Monitoring System (ALCMS)

Results

- Five issues which are deemed security sensitive and exempt from public disclosure.
- Discussed in 1:1 with Audit Committee Members.

HIPAA SECURITY

- Compliance audit of the Health Insurance Portability and Accountability Act's (HIPAA) Security requirements
- Existing processes and controls in place for electronic protected health information (EPHI) were assessed against the HIPAA Security Rules using the federal Office for Civil Rights (OCR) Audit Protocol to determine the level of compliance and identify areas for improvement

Results

- Five issues which are deemed security sensitive and exempt from public disclosure.
- Discussed in 1:1 with Audit Committee Members.

PCI (External Assessment)

- 2019 review completed on August 25, 2019
- The Payment Card Industry (PCI) requires merchants to complete an annual Self-Assessment Questionnaire (SAQ)
 - Verify to the Port's acquirer (merchant bank) that the Port's security controls over credit card data handling meet the PCI requirements

Results

- Four issues which are deemed security sensitive and exempt from public disclosure.
- Discussed in 1:1 with Audit Committee Members.