



THE NORTHWEST SEAPORT ALLIANCE
AUDIT COMMITTEE MEETING MINUTES

FRIDAY, APRIL 19, 2019

The Conference Center at Seattle-Tacoma International Airport
Beijing Conference Room
17801 International Blvd., Seattle, WA

SEATTLE COMMISSIONERS PRESENT:

Peter Steinbrueck, Audit Committee Co-Chair
Ryan Calkins, Audit Committee Member

TACOMA COMMISSIONERS PRESENT:

Don Johnson, Audit Committee Co-Chair
Clare Petrich, Audit Committee (*telephonically*)

STAFF PRESENT:

John Wolfe, CEO
Darren Arakaki, Director Accounting
Erin Galeno, Chief Financial and Administrative Officer
Carolyn Lake, Legal Counsel
Tom Tanaka, Legal Counsel
Juliet Campbell, Clerk

10:00 AM: AUDIT COMMITTEE MEETING:

1. CALL TO ORDER:

Commissioner Johnson called the Audit Committee Meeting for April 19, 2019 to order at 10:02 a.m. and lead the flag salute.

2. CONSENT AGENDA:

A. Minutes of the December 3, 2018 Audit Committee Meeting.

**It was moved and seconded (Steinbrueck/Calkins) to approve the consent agenda.
The motion carried unanimously.**

3. PUBLIC COMMENT: None.

4. BREIFINGS:

A. Summary of NWSA's Audits

Presenter(s): Darren Arakaki

- Staff provided and general over view of the audit committee's key duties and responsibilities, the auditors and control environment.
- There are three required audits. An annual financial audit, an accountability of public resources and compliance audit and, if the Alliance receives grant awards or spending in excess of \$750,000, a single (federal grant) audit.
- Discretionary audits include compliance, operational or performance audits.
- Ports of Seattle (POS) and Tacoma (POT) have historically engaged external auditors for the annual financial audit.
- Prior to 2018 the POT engaged the State Auditor's Office (SAO) to perform the accountability and single audits. Due to the possibility of the perception of a potential conflict of interest, the SAO declined to perform the single audit for POT and the Alliance. Commissioner McCarthy and the State Auditor are married to one another. RSM was contracted to perform the single audit. SAO will do the accountability audit.

- During the Alliance transition period, each of the homeports are responsible for transactional accounting activities for their harbors under their own accounting controls and procedures. On a monthly basis the data from each of the separate systems is consolidated for reporting.
- In April 2019 the lease billing for North Harbor properties transitioned to the South Harbor. There are approximately 38 NWSA leases in the North harbor that are billed on a monthly basis. Additional utility billing adds to that number brings the number of invoices to approximately 40-50 a month.
- Commissioner Steinbrueck raised his concern of the internal control environment for the Alliance. He stated there is no permanent, independent and unbiased internal auditor and that it seems to him, that the work program of the Alliance is somewhat *ad hoc* and inadequate. He stated that he believes having the North Harbor and South Harbor doing their own internal audits is bifurcating.
- Commissioner Calkins stated he is agnostic as to whether there is a need for a standing internal audit department versus contracting external auditors to do the work. He added that, as the assets of the Alliance increase and as it takes on a massive construction, he would like to see audits, whether internal or external, take place on selected projects or departments on a regular and somewhat random basis.
- Commissioner Steinbrueck recommended that the Audit Committee meet more frequently. Commissioners agreed to discuss this, and other concerns raised here at a future meeting.
- Commissioner Johnson also highlighted the compliance audit as a tool to ensure that the organization is doing its job properly.

B. External Auditor's Exit Conference

Presenter(s): Lisa Wilson and Kayla Lipson of RSM.

- RSM issued an unmodified opinion of the NWSA financial statements reflecting that there were no material weaknesses or significant deficiencies identified.
- The single audit report on internal control and compliance over financial reporting reflected no findings of noncompliance. Likewise, the audit and report on compliance related to the major federal award programs, the schedule of expenditures of federal awards and related internal controls reflect no findings of noncompliance.
- Relate to the single audit, RSM noted that the TIGER grant was received by POS and it passes through to the Alliance. The POS has a responsibility to make sure the Alliance is spending it appropriately.
- A subsequent event inquiry takes place before issuing the findings and there was one significant event related to the shoring up of the membership interest.
- A summary of the financial statements was provided. New GASB pronouncements effective in 2019 (GASB 84) and 2020 (GASB 87) were discussed.
- Commissioner Johnson suggested that a senior accountant be assigned to the Terminal 5 Modernization Program and that the assigned accountant provide monthly updates at the Managing Member meetings. Commissioners supported this.

C. Other Audit Activities – Terminal 4 / Pier 4 Construction Audit

Presented by Erin Galeno

- In addition to the required financial and compliance audits, in 2018, the Audit Committee selected the Terminal 4 Redevelopment Project for a construction audit.
- Staff provided an overview of audit objectives and the scope of work. The scope of review will include compliance with applicable state and federal laws, Managing Member authorizations, internal policies and procedures, and project lessons learned and financial performance.
- Staff is in the process of procuring an independent audit firm and work is scheduled to be completed in 2019.

5. ACTION AGENDA:

A. RSM Contract Extension and Amendment

Presented by Darren Arakaki

It was moved and seconded (Calkins/Steinbrueck) to authorize the NWSA CEO to execute an amendment to contract no. 070369 for financial audit services with RSM US LLP, for the exercise of a two year extension option and to expand the scope to include the single (federal grant) audit for the same audit periods thereby increasing the contract value by a not to exceed amount of \$125,5000 (total contract value of \$245,500 for five years).

The motion carried unanimously.

6. COMMISSIONER COMMENT:

Commissioner Calkins: As the next special audit is contemplated, he is interested in an audit of areas of revenue for the Alliance and the two homeports, that dependent upon accurate reporting by those who would pay. For example, contracts that included a minimum annual guarantees (MAG) or guaranteed lifts.

Commissioner Petrich: Congratulated everyone on doing great work.

Commissioner Johnson: Noted how at the formation of the Alliance everyone was worried about how it would work. He noted that it has been a shock and surprise how well everything has gone. He attributed that to the professionals working for both homeports.

Commissioner Steinbrueck: No additional comments. He would like a copy of the RSM risk assessment.

7. ADJOURNMENT:

There being no further business, Commissioner Johnson adjourned the meeting at 10:58 a.m.

Ryan Calkins


Peter Steinbrueck, Audit Committee Co-Chair
The Northwest Seaport Alliance



Donald C. Johnson, Audit Committee Co-Chair
The Northwest Seaport Alliance

ATTEST:

Ryan Calkins, Audit Committee Member
The Northwest Seaport Alliance



Clare Petrich, Audit Committee Member
The Northwest Seaport Alliance



Juliet Campbell, Clerk
The Northwest Seaport Alliance