



Exit Conference

The Northwest Seaport Alliance

Sandra Groshong
Audit Manager

Thuy Huynh
Audit Supervisor/Audit Lead



Office of the
Washington
State Auditor
Pat McCarthy

April 22, 2022

Disclaimer: This presentation is intended to be viewed in conjunction with the complete packet of exit materials provided. A copy of those materials may be requested by contacting the presenters listed or by emailing PublicRecords@sao.wa.gov.

Results that Matter



Increased trust in government



Independent, transparent examinations



Improved efficiency and effectiveness of government



Pat McCarthy
State Auditor

Accountability Audit Results

January 1, 2020 through December 31, 2020



Results in Brief

This report describes the overall results and conclusions for the areas we examined.

In those selected areas, Seaport Alliance operations complied, in all material respects, with applicable state laws, regulations, and its own policies, and provided adequate controls over the safeguarding of public resources.

In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. As a result, no information is provided on the areas that were not examined.

Accountability Audit Results



Using a risk-based audit approach, for the Seaport Alliance, we examined the following areas during the period:

- Open public meetings – compliance with minutes, meetings and executive session requirements
- IT controls – patch management
- Accounts payable – general disbursements and electronic funds transfers
- Rail Incentive Program – compliance with the terms of the program

Related Audit Work



Review of Independent CPA firm Audit

- January 1, 2020 through December 31, 2020
- Audit Type: Financial and Federal



Work of Other Auditors

- A financial statement and federal grant audit was performed by RSM US LLP of the Northwest Seaport Alliance.
- We did not find anything about their work that caused concern about its quality.
- No limitations restricted our analysis of the other audit.
- Did not notice any instance in which a material misstatement of the financial statements has or may have resulted from fraud or suspected fraud.



Closing Remarks

- Audit costs are in alignment with our original estimate
- Next audit: late September/early October 2022
 - Accountability for public resources – 2021

An estimated cost for the next audit has been provided in our exit packet.





Report Publication

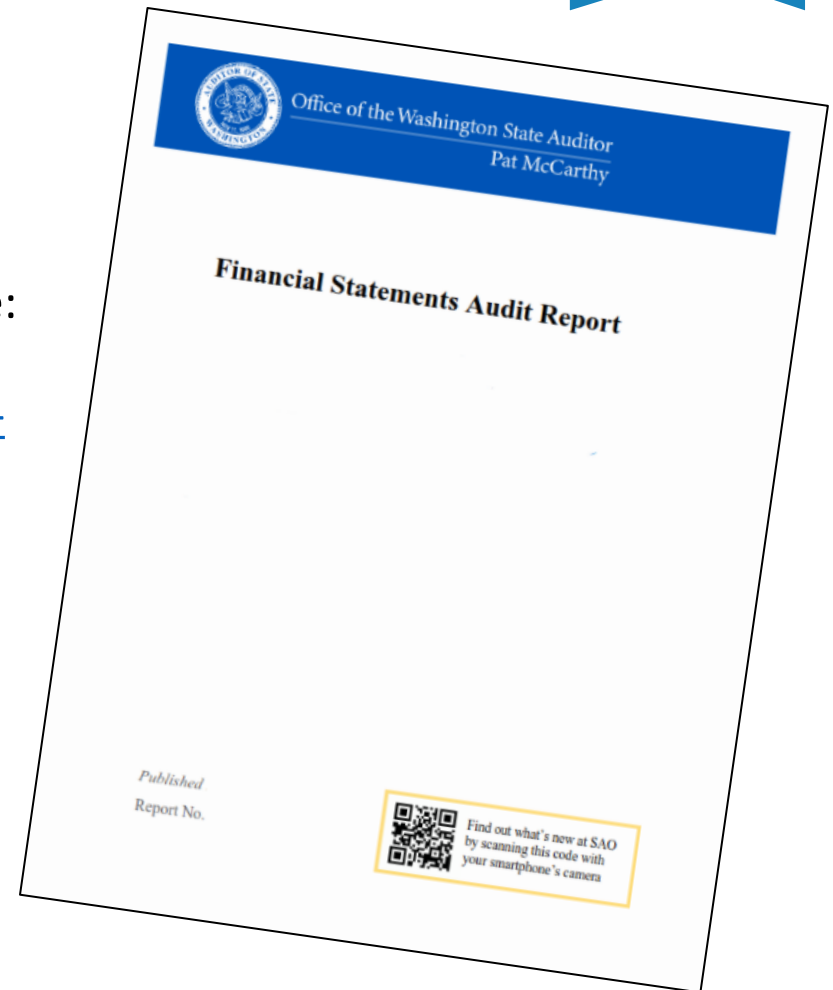
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Working Together to Improve Government

Local Government Support Team

- BARS & Annual Online Filing
- Accounting and Reporting Training
- Client portal, including helpdesk

The Center for Government Innovation

- Process improvement facilitations
- Resources, tools and best practices
- Financial Intelligence Tool (FIT)
- Center@sao.wa.gov



Thank You!



- We thank Seaport Alliance officials and staff for timely communications throughout the audit process, especially while working in a remote environment.
- We thank the Seaport Alliance for its commitment to fiscal accountability and accurate financial reporting.

Rail Incentive Program – Management Letter



Office of the Washington State Auditor
Pat McCarthy

Board of Commissioners
The Northwest Seaport Alliance
Tacoma, Washington

Management Letter

This letter includes a summary of specific matters that we identified in planning and performing our accountability audit of The Northwest Seaport Alliance from January 1, 2020 through December 31, 2020. We believe our recommendations will assist you in improving the Port's internal controls in these areas.

We will review the status of these matters during our next audit. We have already discussed our comments with and made suggestions for improvements to Port officials and personnel. If you have any further questions, please contact me at (253) 523-3037.

This letter is intended for the information and use of management and the governing body and is not suitable for any other purpose. However, this letter is a matter of public record and its distribution is not limited.

We would also like to take this opportunity to extend our appreciation to your staff for their cooperation and assistance during the audit.

Sincerely,

Saundra Groshong, Audit Manager

Attachment

Management Letter
The Northwest Seaport Alliance
January 1, 2020 through December 31, 2020

Rail Incentive Program

Management is responsible for designing, implementing, and maintaining internal controls to ensure the Port has adequate documentation to justify the use of public funds and to show that it is not misappropriating or misusing public resources.

In July 2020, the Port's managing members approved the Rail Incentive Program to encourage international ocean carriers to grow their cargo volumes to and from the Midwest through the Port gateway. The program ran from July 2020 through May 2021 and offered incentives to participating carriers that increased cargo volumes in identified inland ramp locations. Per the program agreement, in order to receive the incentive, the participating carriers needed to:

1. Increase Inland Point Intermodal (IPI) cargo volumes;
2. Be current in all accounts with the Port prior to receiving any funds through the incentive program; and
3. Permit the BNSF Railway Company and Union Pacific Railroad to share a monthly report of Participating Carrier rail lifts to the Port.

During the audit, we reviewed Rail Incentive Program payments to the Port's largest carrier, CMA CGM, to determine if program payments were allowable and paid in accordance with the requirements of the program agreement, as noted above.

We found one payment totaling \$356,750 that the Port made to the carrier when it appeared the carrier was in arrears and; therefore, not current in all accounts with the Port. Based on inquiries with management and staff, we learned that the Port determined the payment was allowable because the Port and carrier were in good faith negotiations toward a new long-term volume commitment goal, and the carrier's accounts receivable were being temporarily suspended. Therefore, the carrier's accounts were still considered to be current, making the payment allowable under the incentive program. We determined this is an acceptable business practice.

Initially, the Port did not have comprehensive documentation to demonstrate the ongoing negotiation before, during, and after the duration of the incentive program. Later, staff were able to compile documentation to support the Port's rationale for the payment. However, the Port should have documented this evidence early on and presented it to the Port's Commissioners to increase transparency and support its business decisions.

We recommend the Port strengthen its documentation procedures to ensure transparency of its business processes.

Questions?



Contact Sandra Groshong,

Sandra.Groshong@sao.wa.gov

(253) 523-3037