

## MANAGING MEMBER AUDIT COMMITTEE MINUTES

Friday, April 22, 2022

11:30 AM Open Public Meeting

Fabulich Center, 3600 Port of Tacoma Road, Tacoma, WA

11:30 AM

1. CALL TO ORDER

Commissioner Keller called the meeting to order at 11:56 AM. Commissioners present: Cho, Keller and Marzano. Commissioner Mohamed is excused.

2. FLAG SALUTE

Commissioner Keller lead the Pledge of Allegiance.

Commissioner Keller called upon Darren Arakaki, Port Auditor, to introduce the topics of the day. Mr. Arakaki went over the agenda and stated there were no negative findings in the audit results the committee will be hearing from the auditors.

At the request and concern of a commissioner, the auditors also looked into the NWSA Rail Incentive Program to see if there were any negative findings regarding the program. Mr. Arakaki thanked RSM for their partnership in the last 5 years.

3. 2021 Financial Audit Results – RSM

- Kevin Smith, CPA and Kayla Lipston, CPA presented for RMS.
- April 5, 2022, Financial Statements: There were no material weaknesses or significant deficiencies identified during the course of RSM's audit work.
- Single audit reports: No findings of noncompliance noted.
- Audit and report compliance related to the major federal award programs, the schedule of expenditures of federal awards and related internal controls: No finding of noncompliance noted.

4. 2020 State Auditor's Office Accountability Audit Results – SAO

- Sandra Groshong, Audit Manager and Thuy Huynh, Audit Supervisor/Audit Lead presented for the State Auditor's Office
- Accountability Audit Results: Purpose is to ensure the NWSA complied, in all material respects, with applicable state laws, regulations, and its own policies, and provided adequate controls over the safeguarding of public resources.
- Reviewed:
  - Open public meetings – compliance with minutes, meetings, and executive session requirements
  - IT controls
  - Accounts payable – general disbursements and electronic funds transfers
  - Rail Incentive Program – Issued Management Letter – is not included in their audit report but referenced in audit report.
  - The NWSA received a clean accountability audit. SAO identified possible weaknesses in the Rail Incentive Program. Incentive payments were reviewed and found 1 payment to a carrier that may not have been in good standing. The NWSA explained they were negotiating in good faith with the carrier and the account was temporarily suspended so the carrier account was still considered current, making the payment allowable under the program. The SAO determined this was an acceptable business practice. The NWSA should have documented the negotiations earlier to ensure transparency of the business decision and processes.
- Commissioner Cho expressed his appreciation for their work on the rail incentive program and hopes staff takes this as a learning experience.
- Commissioner Marzano also thanked them for the work that was done.

- Commissioner Keller thanked them and was thankful for not having any negative findings. She will report the positive findings of the rail incentive program to the full board at the next Managing Member meeting.
5. 2022 Audit Committee Calendar
- Mr. Arakaki presented the dates for the 2022 Audit committee calendar.
6. NWSA Audit Committee Charter
- Recommend bringing an action item to the full Managing Members to amend the Audit Committee Charter to allow Audit Committee meetings to take place virtually.
- Leilani Berinobis, Executive Assistant to CEO, presented a recommended amendment to the 2016 NWSA Audit Committee Charter to allow the committee to meet virtually without in-person attendance by the public and move this recommendation for consideration and vote to the Managing Members at a future meeting.
  - **Cho/Marzano (moved/seconded)**
  - Discussion:
    - Commissioner Cho believes this is a benefit for the public as well.
  - Commissioner Cho – Yes
  - Commissioner Marzano – Yes
  - Commissioner Keller – Yes
  - Commissioner Mohamed - Excused
7. ADJOURNMENT
- With no further business, the meeting adjourned at 12:41 PM.

*Deanna M. Keller*

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Deanna Keller, Co-Chair  
NWSA Audit Committee

*Sam Cho*

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Sam Cho, Co-Chair  
NWSA Audit Committee

ATTEST:

*Dick Marzano*

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Dick Marzano  
NWSA Audit Committee

*Hamdi Mohamed*

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Hamdi Mohamed  
NWSA Audit Committee

*Leilani Berinobis*

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Leilani Berinobis  
Acting Clerk  
NWSA