

THE NORTHWEST SEAPORT ALLIANCE
AUDIT COMMITTEE MEETING MINUTES
MONDAY, DECEMBER 3, 2018
The Fabulich Center, Room 104
3600 Port of Tacoma Road, Tacoma, Washington

SEATTLE COMMISSIONERS PRESENT:

Fred Felleman, Audit Committee Co-Chair
Peter Steinbrueck, Audit Committee Member

TACOMA COMMISSIONERS PRESENT:

Don Johnson, Audit Committee Co-Chair
Clare Petrich, Audit Committee

STAFF PRESENT:

Darren Arakaki, Director Accounting
Erin Galeno, Chief Financial and Administrative Officer
Glenn Fernandes, Port of Seattle, Director of Internal Audit
Tom Tanaka, Legal Counsel
Judi Doremus, Executive Assistant
Juliet Campbell, Clerk of the Port

9:00 AM: AUDIT COMMITTEE MEETING:

1. CALL TO ORDER:

Commissioner Steinbrueck called the Audit Committee Meeting for December 3, 2018 to order at approximately 9:01 a.m. and a flag salute was performed.

2. CONSENT AGENDA:

A. Minutes of the September 10, 2018 Audit Committee Meeting

Motion was made by Commissioner Johnson; seconded by Commissioner Petrich:

"Approve the Northwest Seaport Alliance Audit Committee Meeting Minutes of September 10, 2018."

PORT OF SEATTLE VOTE:

Commissioner Felleman: *Not present for the vote.*

Commissioner Steinbrueck: Aye

PORT OF TACOMA VOTE:

Commissioner Johnson: Aye

Commissioner Petrich: Aye

MOTION CARRIES 2-0 / 1-0

3. PUBLIC COMMENT: None.

4. GENERAL BUSINESS:

A. 2018 External Financial Audit Entrance and Interim Audit Update.

Presented by Darren Arakaki, Director Accounting and Liane Williams, Brianna Turk, and Kayla Lipston of RSM.

Commissioner Felleman arrived at 9:04 a.m.

- RSM completed the planning and risk assessment and assessment of internal controls phases of the audit. The final field work will be completed in February and March 2019. The final audit presentation is expected in Spring 2019.
- RSM provided an overview of the scope of the audit. The scope includes the forming opinions on the fairness of presentation of financial results, internal control over financial reporting and on compliance in accordance with Government Accounting Standards, and compliance for the NWSA's major federal program and report on the schedule of expenditures of federal awards. NWSA's federal award expenditures are expected to meet the threshold to require an audit. RSM will also issue a management letter with recommendations related to the Port's control environment.

- Governmental Accounting Standard Board (GASB) pronouncement 87 will be effective in 2020. It will impact leases and require changes to disclosures and accounting on the financial statements.

B. 2017 State Auditor's Office (SAO) Accountability and Compliance Audit Results.

Presented by Joanne Klein, SAO

- SAO provided the exit conference for the NWSA's accountability report.
- SAO found that in the areas they reviewed, the NWSA complied with applicable requirements and provided adequate safeguarding of public resources. The audit also found that the NWSA also complied with state laws, regulations and its own policies and procedures in the areas reviewed.
- Areas audited included joint venture transactions and open public meetings.
- The estimated cost of the 2017 audit was \$6,600. The 2018 audit is expected to be more as the NWSA has grown. The SAO will develop a budget and communicate that prior to entrance into the 2018 audit.

C. Other Audit Activities

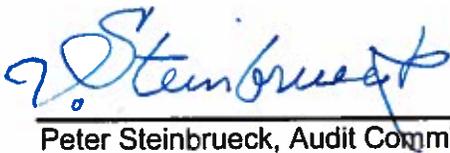
Presented by Erin Galeno, Chief Financial and Administrative Officer

- Audit activities beyond the SAO and independent financial audits were discussed.
- A draft of a potential scope of work for an audit of Pier 4 was presented for the committee to discuss. The proposed scope included a review of compliance with state and federal laws, Managing Member authorizations, internal policies and procedures and project lessons learned.
- The scope presented was identified as a construction audit. Commissioners noted elements to be reviewed beyond construction cost, include whether the project met business performance measures. For example, if production capacity is noted as part of the project than production capacity should be audited. The audit should also distinguish what things were a result of construction and what things were results of market forces.
- If the intent is to use lessons learned from an audit of Pier 4 toward potential redevelopment of Terminal 5, the audit should be completed by the end of 2019.
- Staff will refine the draft scope of work and bring it back to the committee. Staffing and costs associated with an audit of this nature were discussed briefly.
- Cybersecurity and IT controls of the NWSA were discussed. The controls in place for the Port of Tacoma network protect the information for the NWSA as well because the NWSA essentially rides on the Port of Tacoma's network.

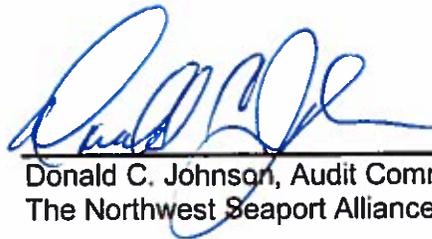
5. COMMISSIONER COMMENT: None.

6. ADJOURNMENT:

There being no further business, Commissioner Felleman adjourned the meeting at 9:33 a.m.



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



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

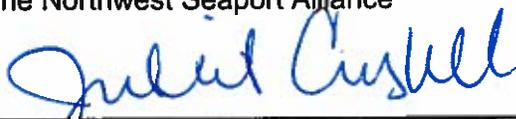
ATTEST:



Ryan Calkins, Audit Committee Member
The Northwest Seaport Alliance



Clare Petrich, Audit Committee Member
The Northwest Seaport Alliance



Juliet Campbell, Clerk of the Port
The Northwest Seaport Alliance