

THE NORTHWEST SEAPORT ALLIANCE  
AUDIT COMMITTEE MEETING MINUTES

Monday, September 10, 2018

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

**TACOMA COMMISSIONERS PRESENT:**

Don Johnson, Audit Committee Co-Chair  
Clare Petrich, Audit Committee Member  
(Commissioner Petrich arrived at 10:25 am)

**SEATTLE COMMISSIONERS PRESENT:**

Fred Felleman, Audit Committee Co-Chair  
Peter Steinbrueck, Audit Committee Member  
(Commissioner Steinbrueck left at 11:23 am)

**STAFF PRESENT:**

Kurt Beckett, Deputy CEO  
Erin Galeno, CFAO  
Tom Tanaka, Legal Counsel  
Glen Fernandez, Port of Seattle Internal Auditor  
Darren Arakaki, Director, Accounting  
Juliet Campbell, Clerk of the Port

**10:00 AM: NWSA AUDIT COMMITTEE MEETING**

**1. CALL TO ORDER:**

Commissioner Johnson called the meeting to order at 10:00 am and lead the Pledge of Allegiance.

**2. PUBLIC COMMENT:** None.

**3. CONSENT AGENDA:**

A. Minutes of April 17, 2018:

*Motion was made by Commissioner Felleman, seconded by Commissioner Steinbrueck:*  
**“Approve The Northwest Seaport Alliance Audit Committee Minutes of April 17, 2018.”**

PORT OF SEATTLE VOTE:

Commissioner Felleman: Aye  
Commissioner Steinbrueck: Aye

PORT OF TACOMA VOTE:

Commissioner Johnson: Aye  
Commissioner Petrich: *Excused, not present for the vote.*

**MOTION CARRIED 2-0 / 1-0**

**4. GENERAL BUSINESS:**

A. Review of Audit Committee Charter

*Presented by Erin Galeno Chief Financial & Administrative Officer*

Discussion:

- Managing Members approved the audit committee charter in 2016. The purpose and authority of the NWSA is similar to that of the homeports. The committee is a four-member committee composed of the two commissioners of each homeport serving on their respective audit committees.
- The Port of Seattle has an independent 3<sup>rd</sup> party auditor in addition to its two-member committee; the Port of Tacoma does not. The agreement in the charter was that the four commissioners would come together to form the NWSA audit committee. If the NWSA audit committee wants to amend the charter to include an independent 3<sup>rd</sup> party as part of the NWSA audit committee, this committee would review and, if agreed, make a recommendation to the Managing Members.
- Any 3<sup>rd</sup> party auditor for the NWSA would need to be approved by both homeports.

B. Contract Amendment with RSM US LLP for the single audit engagement

*Presented by Darren Arakaki, Director Accounting and Erin Galeno Chief Financial & Administrative Officer*

*Motion was made by Commissioner Steinbrueck, seconded by Commissioner Felleman:*  
**“Authorize the CEO to execute an amendment to contract number 070369 for financial audit services with RSM US LLP, expanding the scope to include the single audit and increasing the contract value by a not to exceed amount of \$15,000 for fiscal 2018, or a total contract value not to exceed \$120,000 for fiscal years 2016-2018.”**

Discussion:

- During the April audit committee meeting the committee was informed by staff that the SAO declined to perform the single (grant) audit due to a potential conflict of interest. (The State Auditor is married to one of the Port of Tacoma commissioners elected this year). Staff recommends using RSM US, LLP (RSM) for the single audit.
- The NWSA was awarded a TIGER grant. Staff intends to spend grant funds in excess of the threshold requiring a single audit.
- This amendment will increase the total contract value to \$120,000 for audit years 2016-2018.
- A background of the required audit activities incurred by the NWSA was provided.
- The Port of Seattle uses Moss Adams, the Port of Tacoma uses RSM. The NWSA selected RSM through a competitive procurement in 2016.

**PORT OF SEATTLE VOTE:**

Commissioner Felleman: Aye

Commissioner Steinbrueck: Aye

**PORT OF TACOMA VOTE:**

Commissioner Johnson: Aye

Commissioner Petrich: *Excused, not present for the vote.*

**MOTION CARRIED 2-0 / 1-0**

- C. State Auditor's Office: 2017 Accountability and Compliance Audit Entrance  
*Presented by Joanne Klein, Audit Manager, State Auditor's Office*

*Commissioner Petrich arrived at 10:25 am.*

Discussion:

- The SAO will be conducting the accountability audit this year for 2017. Planning has not been completed to confirm the specific areas that will be audited, but the SAO anticipates completing a cost allocation audit, reviewing how activity gets recorded for the NWSA and doing some testing for that purpose.
- Audit reports are published on the SAO website. The accountability audit is scheduled for publication late December 2018. Audits of the financial statements completed by independent CPA firms will also be reviewed by the SAO and published on their website.
- The SAO expects the audit costs to be approximately \$6,200.00.
- The budget is small for an audit, however, they will also be auditing the Port of Tacoma and Port of Seattle using the same auditors, so will be able to use some of that knowledge in auditing the NWSA. The focus will be on legal compliance and high-risk areas.
- The SAO will review the RSM risk assessment as part of their audit planning and will consider best practices as well.

- D. Organizational Risk Assessment and Other Potential Audit Activities  
*Presented by Erin Galeno, Chief Financial & Administrative Officer*

Discussion:

- In 2016 when the NWSA was formed the Managing Members approved the audit committee's recommendation to conduct an independent risk assessment to identify areas where the committee may want to invest more resources for validating or testing those areas identified in the formation of the NWSA. RSM was selected through a public procurement process and did a high-level assessment without testing.
- Discussion took place regarding legal representation of the Port of Seattle, Port of Tacoma, and NWSA. Currently, the same attorney is contracted for the Port of Tacoma and the NWSA. Each organization should have its own legal representation. There are many options of how that representation can be staffed or contracted. Legal representation as part of the Transition Plan was delayed in part due to the work in determining the organizational structure. Whether now is the time for the discussion on legal services, or whether it should wait until the new Port of Tacoma leader and organization is in place was considered. The design of public affairs representation was also included in this discussion.

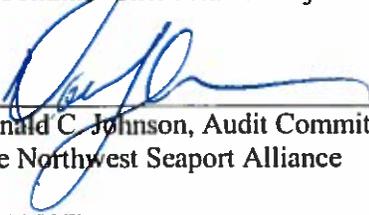
*Commissioner Steinbrueck left at 11:23 am*

- The NWSA Audit Committee recommended that an independent performance audit on the T3/T4 projects should be brought to the Managing Members. Staff will include that in the budget process and bring to the Managing Members in that format.
- More awareness of cyber security activities taking place will be addressed and shared between the entities. It will be reported to the Managing Members as an area to consider for a possible audit.

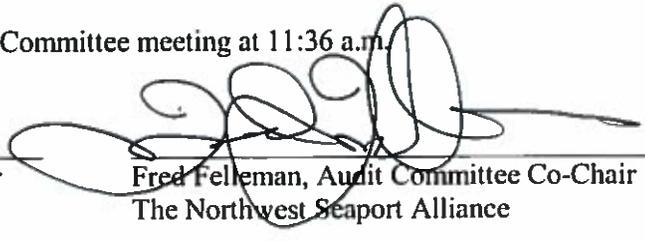
**5. COMMISSIONER COMMENT: None.**

**6. ADJOURNMENT:**

Commissioner Johnson adjourned the Audit Committee meeting at 11:36 a.m.



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

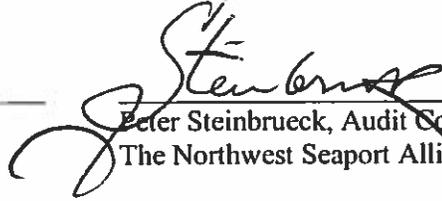


Fred Felleman, Audit Committee Co-Chair  
The Northwest Seaport Alliance

**ATTEST:**



Clare Petrich, Audit Committee Member  
The Northwest Seaport Alliance



Peter Steinbrueck, Audit Committee Member  
The Northwest Seaport Alliance



Juliet Campbell, Clerk of the Port  
The Northwest Seaport Alliance

