



Washington State Auditor's Office

Independence • Respect • Integrity

Accountability Audit Report

Port of Seattle

King County

For the period January 1, 2014 through December 31, 2014

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Washington State Auditor's Office

December 7, 2015

Board of Commissioners
Port of Seattle
Seattle, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for Port operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

The attached comprises our report on the Port's compliance and safeguarding of public resources. Our independent audit report describes the overall results and conclusions for areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

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AUDIT SUMMARY

Results in brief

In the areas we audited, Port operations complied with applicable requirements and provided adequate safeguarding of public resources. The Port also complied with state laws and regulations and its own policies and procedures in the areas we examined.

About the audit

This report contains the results of our independent accountability audit of the Port of Seattle from January 1, 2014, through December 31, 2014.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

Our audit involved performing procedures to obtain evidence about the Port's uses of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Procurement (bidding/prevaling wage/change orders)
- Voluntary separation program
- Lease billings
- Self-insurance programs
- General disbursements
- Tenant reimbursements

RELATED REPORTS

Financial

A financial statement audit was performed by a firm of certified public accountants. That firm's report is available from the Port of Seattle. The firm reported a significant deficiency in internal controls over financial reporting regarding the Port's ancillary revenue operating system. The deficiency is in the design of the internal controls necessary to adequately address system reliability, process controls and data security in the ancillary revenue operating system.

Federal grant programs

A firm of certified public accountants evaluated internal controls and tested compliance with the federal program requirements, as applicable, for the Port's major federal programs. That firm's report is available from the Port of Seattle.

INFORMATION ABOUT THE PORT

The Port is a municipal corporation of the state of Washington, organized on September 5, 1911, under state statute RCW 53.04.010 et seq. In 1942, the local government in King County selected the Port to operate the Seattle-Tacoma International Airport.

Port policies are established by a five-member Commission, elected at-large by the voters of the County for four-year terms. The Commission appoints the Chief Executive Officer, who oversees daily operations for the Port. Through resolutions and directives, the Commission sets policy for the Port. These policies are then implemented by the Chief Executive Officer and his executive staff.

The Port is comprised of three operating divisions: Aviation, which manages all operations at the Airport, including landside operations such as parking garage; Seaport, which manages maritime cargo and cruise passenger marine terminals as well as industrial property connected with maritime businesses, and; Real Estate, which manages recreational and commercial moorage facilities, leases commercial and industrial properties, and plans and facilitates the development of selected real estate assets.

A Capital Development Division and a number of corporate service departments support the Operating Division and the broad mission of the Port. Capital Development houses departments responsible for engineering, project management and construction functions, and the Central Procurement Office, which consolidates contracting and procurement functions. Other port-wide departments include Accounting and Financial Reporting, Commission Office, Executive, Finance and Budget, Health and Safety, Human Resources and Development, Information and Communications Technology, Labor Relations, Legal, Police Public Affairs, Office of Social Responsibility, and Risk Management.

For 2014, the Port had total operating revenues of \$534.9 million, which represents a 1.9 percent decrease from 2013. Total operating expenses increased from \$307.0 million in 2013 to \$309.3 million in 2014. The Port's net operating income before depreciation decreased \$12.4 million from 2013 to 2014. The Port employed 1,780 employees in 2014.

Contact information related to this report

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Information current as of report publish date.

Audit history

You can find current and past audit reports for the Port of Seattle at <http://portal.sao.wa.gov/ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

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