



Meeting of the Finance & Audit Committee
Tuesday June 10, 2014
4:00-5:25p.m.
 Quarters 2 Building, Beacon Hill Campus
 1200 12th Ave South Seattle, WA

MEMBERS PRESENT	NOT PRESENT	ALSO PRESENT
Kevin Fox	Tony McLean	Jeff Natter
Bob Cook	Rhonda Berry	Christina Bernard
Jackie Wolfe	Nate Dreon	Sarah Wine, Clark Nuber, until 4:30

Kevin Fox called the meeting to order at 4:00 p.m. A quorum was not present. There was no public comment.

Minutes

The May 13, 2014 Finance & Audit Committee meeting minutes were reviewed by the members present and no changes were suggested. The minutes will be approved at the next meeting.

2013 Independent Audit

Sarah Wine of Clark Nuber, PHPDA’s auditing firm, joined the meeting to discuss the PHPDA’s 2013 independent audit. She reported that there was an unmodified opinion with no adjustments and that no internal control weaknesses were found. She discussed the steps Clark Nuber took in planning, conducting risk assessment, and testing. She looked at several areas in particular, including the new lease with the Department of Commerce, the broker fees for signing of the lease, and the controls regarding payment of property management and Tower operating costs. In response to a question from the Committee, she also discussed the process for detecting fraud, primarily review of internal controls and testing of those processes.

The Committee members present will present the audit at the Governing Council meeting for final approval.

Risk Management Discussion

The Committee members reviewed their preliminary scores for the personnel risks identified at the last meeting. All scores will be reviewed and discussed once all risk areas are identified. Staff also reported that the Planning Committee began discussing risks related to grantmaking and grant management.

The Committee then discussed the risks related to financial stewardship and property more detail, identifying specific risks within those areas.

Financial stewardship:

- Internal controls and segregation of duties, particularly in light of small staff size
- Limitations on information sharing within and outside the organization
- Fiduciary responsibility to have loyalty solely to the organization and potential conflicts of interest, as well as the burden of proof around these areas
- Responsibility to spend money for asset management, as well as the obligation for mission-related spending coming from the PHPDA charter and deed obligations
- Accuracy in reporting and recording of finances

Property



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- Preserving the asset (Tower, other buildings, property)
- Potential disagreements with tenants regarding capital re-imbursement
- Expiration of PMC lease in 2021
- Potential changes with the North Lot lease situation
- Landmark preservation guidelines
- ADA guidelines, particularly where they are at odds with landmark preservation
- Potential liabilities
- Earthquake or other catastrophic event
- Improvements to asset
- Wear and tear
- Ensuring competent property management
- Public use of property
- Regular monitoring
- Deed restrictions
- Security
- Preventive maintenance
- Ensuring property management, maintenance, and capital costs are in a competitive range

Staff will condense the discussion of these risks into several risk statements for the Committee's review. The Committee will then rate each risk's severity and probability. The risk management discussion at the next Committee meeting will cover 1-2 additional high-level risk areas.

Financial Stewardship

Investment Update and CD renewal

The Finance & Grants Manager updated the Committee on PHPDA's investments and year-to-date interest income. Two CDs are maturing in June. As there was no quorum at the meeting, the Committee members present recommended that the Governing Council authorize renewal or reinvestment of the two maturing CDs.

April 2014 Financials

The Committee members present reviewed the April 2014 financial statements.

Renewal of Tower, Quarters, Liability, and Umbrella Insurance Policies

Staff reported that all insurance policies discussed at the previous meeting had been renewed with no changes made. At the request of Nate Dreon and Jackie Wolfe, staff requested information from the PHPDA's brokers about pollution policies. They will review and discuss the options over next several weeks to determine if we will move forward with adding coverage, which would require action of Finance Committee.

Property Stewardship

Real Estate Committee Update

The Real Estate Committee reported that the PHPDA's property management team and real estate consultant meet with the DOC on a weekly basis to ensure that all processes are being followed properly, plans are being reviewed, and the PHPDA is being informed of activity in the Tower. They



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also reported that the property manager developed a capital improvement budget and timeline.

Re-forecast of Tower operating expenses and reimbursement

The Committee members reviewed a re-forecast of Tower operating costs from the PHPDA's property manager and discussed whether this requires a budget revision. After discussion, those present recommend that the re-forecast be reported to the Governing Council, but that no formal budget revision be made. The Tower operating budget will be under-budget on both the income and expense side for 2014. Reports from the Property Manager will be against the new projection. The Finance & Grants Manager will include a comparison of actual to the new projection in the notes of the monthly financials for easier comparison.

Adjournment

The meeting was adjourned at 5:30 p.m.

Minutes approved: _____

(Date)