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**APPROVED MINUTES  
AUDIT COMMITTEE SPECIAL MEETING  
December 5, 2024**

The Port of Seattle Commission Audit Committee met in a special meeting December 5, 2024. The meeting was held in the Commission Chambers located at the Port of Seattle Headquarters Building, 2711 Alaskan Way, Seattle, WA, and virtually via Microsoft Teams. Committee members present included Commissioner Ryan Callins, Commissioner Fred Felleman, and Public Member Sarah Holmstrom (non-voting).

**1. Call to Order:**

The committee special meeting was called to order at 10:00 a.m. by Commissioner Calkins. The agenda was approved without objection.

*\*Internal Audit Department presentation contains information for Agenda Items 5 through 13.*

**2. Approval of Audit Committee Meeting Minutes of September 19, 2024**

**The minutes of the Audit Committee special meeting of September 19, 2024, were approved without objection.**

**EXTERNAL AUDITS**

**3. Moss Adams – 2024 Audit Entrance**

Presenters:

Olga Darlington, Partner  
Anna Waldren, Senior Manager  
Connor McCauley, Audit Manager

The Moss Adams' team provided the committee with a 2024 Audit Entrance presentation. The presentation addressed scope of the audit services and responsibilities; the audit process; areas of audit emphasis; and the audit timeline. Commissioner Calkins inquired as to recommendations in relation to the 2024 Port cyberattack.

**4. R.L. Townsend & Associates – Construction Audit Services Annual Report**

Presenters:

*Debbie Townsend, President and Executive Construction Cost Control Consultant*  
*Patricia Farrell-Shear, Project Executive*  
*Rachel Townsend-Smith, Senior Professional Associate*

The R.L. Townsend and Associates team presented regarding construction audit services. The presentation addressed:

- projects reviewed to audit subcontractor invoices for maximum allowable subcontract costs - Main Terminal Low Voltage; Concourse C-1 Building Expansion; and Post IAR Airline Realignment Project;
- status and audit activities for each project; and
- issues identified.

Discussion ensued regarding:

- audit of maximum allowable subcontracts/actual billed costs;
- reconciliation of the low voltage project by looking at pay applications on a monthly basis to get the data, as well as looking at data as a whole in order to ascertain duplicates or other items assigned to job costs but not billed; and
- with respect to overscale rates – the decision was made to use payable/verified criteria against certified payroll or payroll registers, as ‘reasonable’ was a difficult threshold criteria to define.

Committee Member Sarah Holmstrom stated that a dollar value assigned to the errors would be helpful in future reports if the Port has agreed to pay above originally agreed upon rates. She expressed her concern about not having a way to determine if overscale rates are reasonably charged. Commissioner Felleman agreed that job description and pay rate should be defined and noted that it would also be helpful to have the number of receipts reviewed.

Discussion continued regarding it being helpful to understand why the Port approved overscale payments/rates. Commissioner Calkins asked to know the answer and for Internal Audit to get back to the Committee in this regard.

**UPDATES AND APPROVALS**

**5. 2024 Audit Plan Update**

Presenters:

*Glenn Fernandes, Director, Internal Audit*

Internal Audit Director Glenn Fernandes reported regarding the status of completion of the 2024 Audit Plan. He noted that the majority of the plan is complete with the exception of IT audits deferred due to the cyberattack in 2024.

**6. Approval of Proposed 2025 Internal Audit Plan**

Presenters:

*Glenn Fernandes, Director, Internal Audit*

Internal Audit Director Glenn Fernandes spoke regarding building annual audit plans in concert with Port priorities, risk and compliance-based plans, and best practices. Established frameworks are incorporated, risk interviews held, and proposed audits are tied to strategic objectives. Capital GC/CM continuous audits are conducted to confirm the proper accrual of costs with the Port procuring an independent auditor, providing oversight of the work performed, and assisting in fieldwork as needed. The independent auditor provides the Audit Committee with annual updates and final reports upon completion of each project. Director Fernandes concluded by noting that 4 IT audits and 2 contingency audits are included in the 2025 audit plan.

Discussion ensued regarding:

- including network monitoring and defense as a contingency audit in 2025;
- how Commissioner-requested audits are included in annual plans, the role that the Commission has in developing the plan, and the Audit Committee being able to add to or change the plan at any time;
- ensuring subcontracted grant obligations are being fulfilled;
- conducting audit follow-ups and evaluating how often following up results in correcting deficiencies;
- reviewing bids to see if they are surprisingly close and how audit addresses that scenario; and
- the importance of having appropriate information controls in place and educating staff on what information can and can't be shared, maintaining the Port's goal of being a welcoming port.

**The motion, to approve the 2025 Internal Audit Plan, passed without objection.**

**In favor: Calkins and Felleman (2)**

**Opposed: (0)**

**7. Internal Audit Outreach Project Update**

Presenters:

*Glenn Fernandes, Director, Internal Audit*

Director Fernandes provided an update regarding the project; noting that phase 3 in 2025 will be reaching out to small businesses in order to promote awareness and understanding of the Internal Audit process, emphasizing the importance of internal controls and risk mitigation through targeted outreach and education initiatives.

**8. Open Issue Status**

Presenters:

*Glenn Fernandes, Director, Internal Audit*

Director Fernandes stated that most of the open issues are IT-related and will be discussed in non-public session later in the meeting. He noted that on the operational side, there are only a couple of issues that are still open and presumes they will be closed out by the end of the month or early January.

## **PERFORMANCE AUDITS**

### **9. Partner in Employment (Report)**

Presenters:

Glenn Fernandes, Director, Internal Audit  
Nikita Goyal, Senior Internal Auditor

The presentation addressed:

- the objective of the audit - to verify Partner in Employment (PIE) compliance with deliverables in contracts with the Port of Seattle;
- the audit was initiated - due to fund misappropriation allegations by a PIE employee;
- scope - three active contracts, totaling approximately \$509K, supporting refugee and immigrant services;
- PIE's Executive Director confirmation of misappropriation occurring between March and May 2024, but was only detected in late May;
- that PIE reported fraud to King County Sheriff's Department after the Whistleblower complaint was filed; and
- audit findings –
  - The figures, reported by PIE, did not accurately reflect the actual number of clients served and were materially inflated. PIE failed to maintain sufficient supporting documentation to substantiate the numbers reported to the Port, for clients served and related expenses.
  - There was no formal procedure in place to verify the accuracy of reports and invoices submitted to the Port.

Management advised that the three contracts are closing and that a nine-step plan will be implemented moving forward with all community-based contracts to ensure that solicitations and contracts have adequate language regarding what supporting documentation will be required and what site visits will look like to verify documentation. A number of standardized processes will also be implemented, with consultants onboarded in a clear way so that it is clear what deliverables are.

Discussion ensued regarding:

- how funding was paid out through the contract – a specified number of clients were to be served each month;
- contracts did not specify what occurred if the number of clients were not served, but these minimum requirements and terms will be included in future contracts;
- site visits needed to be in place as part of the monitoring plan throughout the life of the contract with supporting documentation provided;
- having another data point in performance audit reports indicating if management's responses are completed;
- restructuring grant programs and monitoring small business grants closely; and
- the Port continuing to assist businesses to understand the process in order to set them up for success.

The Audit Committee thanked the Internal Audit team for their report and management for their response.

**10. Equity Policy Directive Compliance (Report)**

Presenters:

Glenn Fernandes, Director, Internal Audit  
Dan Chase, Internal Audit Manager

The presentation addressed:

- the adoption of the Equity Policy Directive by the Commission in 2023;
- providing audits to ensure the directive is being carried out;
- training requirements – portwide compliance with the annual mandatory racial equity training stated within the directive is not being enforced, with only 453 employees, representing 19.6% of the Port, completing the mandatory EDI training requirement for the year;
- reporting data accuracy within the Port's learning management system;
- the Office of Equity, Diversity, and Inclusion reviewing training delivery to ensure employees are being trained effectively;
- providing opportunities for employees to learn valuable skills;
- 51 trainings provided/offered last year to employees;
- providing more opportunities for self-guided employee training in the future; and
- establishing procedures for addressing failure to complete training requirements.

Discussion ensued regarding:

- monitoring in-person attendance as training occurs;
- tracking future years' change in training; and
- mandating training and mandating managers' approach to supporting employee training.

The Audit Committee thanked the Internal Audit team for their report and management for their response.

**11. Utilities Management – Port-Wide (Report)**

Presenters:

Glenn Fernandes, Director, Internal Audit  
Dan Chase, Internal Audit Manager

The presentation addressed:

- the period of the audit – January 2023 – June 2024;
- mitigation and monitoring/billing process;
- maritime consumption increased from commencement of Terminal 5 operations;
- aviation consumption decreased from water leak;
- finding 1 – a leak detection monitoring system to identify and/or prevent water leaks from occurring does not exist; since 2020, management identified 13 leaks, the most significant of which began in 2021, lasted 15 months, and leaked approximately 155 million gallons;
- finding 2 – in 2019, an audit of utilities concluded that some meters were not functioning correctly and either needed to be replaced or repaired; of approximately 143 accounts, 12 remain broken and continue to be billed using estimates;

- finding 3 – a leak detection monitoring system to identify and/or prevent water leaks from occurring does not exist; unique to maritime, some infrastructure is positioned underwater, creating a greater challenge to identify and repair leaks.

Director Fernandes noted that management's responses are included in the report.

Discussion ensued regarding challenges in finding smaller leaks.

*\*Clerk's Note: Agenda Items 12 and 13 were not discussed in public session, with Director Fernandes noting that these audits included no findings. He further noted that Item No. 15 did have a nominal recovery amount noted.*

## **INFORMATION TECHNOLOGY AUDITS**

### **14. Application Software Security**

This item was discussed in non-public session following the public session.

### **16. Committee Comments**

Director Fernandes thanked Commissioner Felleman for serving as an alternate for this committee meeting and Committee Member Sarah Holmstrom for volunteering her time on the committee.

### **17. Adjournment**

There being no further public business, the meeting recessed to non-public session at 12:02 p.m. Non-public session lasted approximately 45 minutes, and the meeting adjourned at 12:50 p.m. with no further action taken.

Prepared:

Attest:

Michelle M. Hart, MMC, Commission Clerk

Ryan Calkins, Audit Committee Chair

Minutes approved: July 15, 2025.