

START OF TRANSCRIPT

[00:00:30] This is Commissioner Calkins calling to
[00:00:32] order the Port of Seattle Audit
[00:00:33] Committee special meeting. Today is
[00:00:35] September 16, 2025, and the time is
[00:00:38] 12:34pm we are meeting today at the Port
[00:00:41] of Seattle headquarters Commission
[00:00:43] Chambers and virtually on Microsoft
[00:00:45] Teams. Present with me today are
[00:00:47] Commissioner Hamdi Mohammed and public
[00:00:49] member Sarah Holmstrom to make this
[00:00:52] meeting more accessible to the public.
[00:00:53] The meeting is digitally recorded and
[00:00:55] will be uploaded to the Commission's
[00:00:56] website. A call and telephone number is
[00:00:58] also provided for anyone who'd like to
[00:01:00] listen into the meeting. Our first item
[00:01:03] of business is approval of the minutes
[00:01:05] from the committee's July 15, 2025
[00:01:07] meeting. Are there any corrections to
[00:01:10] the minutes? Hearing None.
[00:01:14] Are there any objections to approving
[00:01:16] the minutes as presented? Hearing None.
[00:01:20] The minutes are approved as presented.
[00:01:24] Next on our agenda are external audits.
[00:01:27] We will hear from the Office of the
[00:01:28] Washington State auditor regarding the
[00:01:30] 2024 accountability audit opening.
[00:01:33] Director Fernandez, please introduce the
[00:01:35] item and our presenters today. Thank
[00:01:37] you, Commissioner. Today we have Joe
[00:01:39] Simmons, program Manager from the State
[00:01:42] Auditor's office, and Sonia Kokar, who
[00:01:44] will be leading the audit and she's
[00:01:47] Assistant State Auditor. So Joe,
[00:01:49] welcome. Sonia, welcome.
[00:01:54] Thank you. And thank you for the
[00:01:57] introduction and thank you for your time
[00:01:58] this afternoon. My name is Joe Simmons.
[00:02:00] I'm the audit manager for our team in
[00:02:03] Seattle, and as Glenn said, I'm here
[00:02:04] with Sonja Kokar, who is the auditor in
[00:02:07] charge of this audit. And thank you for
[00:02:10] your time today as we talk about the
[00:02:11] upcoming audit and additionally some
[00:02:14] additional resources that we have
[00:02:15] available to local governments. And on
[00:02:18] the next slide, we just talk about the
[00:02:20] types of audits that we conduct. That
[00:02:23] includes the accountability audit,
[00:02:24] which is the type of audit that we'll be
[00:02:26] conducting here. We also conduct
[00:02:27] financial statement audits, federal
[00:02:29] single audits, and a variety of other
[00:02:31] audits, including performance audits.
[00:02:33] And I'll go ahead and hand it over to
[00:02:36] Sonia to talk more about your upcoming
[00:02:38] audit. Thanks, Joe. So,
[00:02:42] as Joe mentioned, we'll be performing an
[00:02:44] accountability audit that will be coming
[00:02:46] covering the fiscal year 2024.
[00:02:50] We'll review management's use and

[00:02:52] safeguarding of public resources and
[00:02:55] evaluate the Port's compliance with
[00:02:57] state laws, regulations, and their own
[00:03:00] policies and procedures. At this time,
[00:03:03] we do not have our audit scope
[00:03:05] identified. However, we will inform the
[00:03:07] management team of the specific areas we
[00:03:10] plan to evaluate after we complete
[00:03:12] planning procedures. On the next slide,
[00:03:15] I'll discuss some related audit work.
[00:03:18] In addition to the accountability audit,
[00:03:19] we will also be performing in a
[00:03:22] attestation audit for the Port of
[00:03:24] Seattle's Industrial Development
[00:03:25] Corporation. Our audit policy requires
[00:03:30] examination of the Port's IDC every
[00:03:33] three years. Our office last reviewed
[00:03:35] the Port's Industrial Development
[00:03:37] Corporation for fiscal year 2019 through
[00:03:41] 2021. So this year we will perform an
[00:03:44] assessment audit of the IDC's activities
[00:03:47] covering fiscal years 2022 through 2024.
[00:03:52] During our audit, we'll examine
[00:03:54] compliance with state law requirements.
[00:03:57] In addition to that, we'll also be
[00:03:59] reviewing work performed by other
[00:04:01] auditors. On the next slide are some
[00:04:03] additional details on the work we plan
[00:04:06] on performing. It's a professional
[00:04:09] standards that we consider the work
[00:04:11] performed by other auditors. Moss Adams
[00:04:13] performed the financial statement and
[00:04:16] federal single audit for the Port for
[00:04:19] fiscal year 2024. During planning
[00:04:23] stages of our audit, we will review and
[00:04:25] consider those reports and the work
[00:04:27] performed on the next slide, I will go
[00:04:31] over some Ways we Stay Connected an
[00:04:34] important part of our office is the
[00:04:36] continuous communication between our
[00:04:38] audit staff and yours. There's a number
[00:04:40] of ways we strive to stay connected
[00:04:43] throughout the audit process. Today I'll
[00:04:45] highlight a few key methods that we
[00:04:49] do throughout the audit to stay
[00:04:51] connected. One of them is an engagement
[00:04:53] letter. At the start of our audit, we
[00:04:55] provide an engagement letter to be
[00:04:57] signed by your office and ours. The
[00:05:00] letter outlines upcoming audit and the
[00:05:02] expectations for each party. This is a
[00:05:05] helpful tool to be notified on what to
[00:05:08] expect during the audit process and then
[00:05:10] one of our most important tools for
[00:05:13] keeping you up to date are weekly status
[00:05:15] meetings. As the name suggests, these
[00:05:18] are reoccurring meetings with the Audit
[00:05:20] Liaison to provide you an overview of
[00:05:22] the audit. This is also a great
[00:05:24] opportunity to discuss what's completed
[00:05:27] still in process and bring up any
[00:05:30] concerns or questions as they arise.
[00:05:33] And lastly, we are committed to ensuring

[00:05:35] you hear directly from us on the results
[00:05:37] of our audit. We will work with
[00:05:41] Management to schedule an exit meeting
[00:05:43] and invite all governing body members.
[00:05:46] On the next slide, I'll touch on
[00:05:50] levels of reporting if there are any
[00:05:53] recommendations. Our office has three
[00:05:55] levels of reporting. The first is
[00:05:57] findings. Those are formally addressed
[00:06:00] which they are significant deficiencies
[00:06:02] in material weakness and those are
[00:06:05] included in the audit report. If a
[00:06:07] finding is issued, the Port will have an
[00:06:09] opportunity to respond and the response
[00:06:11] will also be included as part of the
[00:06:13] audit report. Management letters
[00:06:16] communicate control deficiencies.
[00:06:18] However, this is less significant than a
[00:06:20] finding. Management letters are formally
[00:06:23] communicated to the governing body and
[00:06:26] Management letters are referenced but
[00:06:28] not included in the audit report. And
[00:06:30] then last are exit items. These are
[00:06:32] lower level housekeeping item
[00:06:34] recommendations that address control
[00:06:36] deficiencies. These recommendations are
[00:06:39] not included in the audit report and
[00:06:41] they are informally communicated to
[00:06:43] management. With that I will pass it on
[00:06:46] to Jo who will go over some important
[00:06:49] information about our audit. Thanks,
[00:06:52] Sonia. So some additional information.
[00:06:54] As always, we definitely safeguard
[00:06:57] confidential information. We have
[00:06:59] security site that we use to hold that
[00:07:01] information. But we still please ask
[00:07:03] that please let us know if there's any
[00:07:05] sensitive or confidential information
[00:07:06] that's provided. Our audit costs are
[00:07:09] provided in our exit document, entrance
[00:07:12] document that we provided and also in
[00:07:15] the engagement letter. And then we do
[00:07:18] have an audit dispute process that's
[00:07:20] available. If there is any disputes
[00:07:22] related to any of our findings. There's
[00:07:24] levels of that you can go starting with
[00:07:28] me and then all the way up to the
[00:07:30] Assistant Director, the Director and all
[00:07:32] the way up to State Auditor Pat McCarthy
[00:07:34] if there are any disputes. And then we
[00:07:36] have a reminder about our loss
[00:07:37] reporting. State law requires that any
[00:07:41] losses be reported to our office to
[00:07:43] timely. And then on the next slide we
[00:07:47] talk about reporting cybersecurity
[00:07:49] issues that that's related to the loss
[00:07:52] reporting that if there's any losses
[00:07:54] involving cybersecurity issues they
[00:07:56] would also need to be reported to our
[00:07:58] office. And then there's also a reminder
[00:08:00] that if there's any cybersecurity
[00:08:02] incident that involves more than 500
[00:08:05] people, then that should be reported to

[00:08:08] the Attorney General's office. And then
[00:08:11] on the next slide we just note that we
[00:08:14] are also audited. We have a peer review
[00:08:16] that's conducted by the National State
[00:08:18] Auditor's association that occurs on a
[00:08:21] three year cycle where they review our
[00:08:23] work. And just to let you know that our
[00:08:26] last peer review did result in a pass
[00:08:28] rating which is the best rating that you
[00:08:32] can. It doesn't sound like a whole lot,
[00:08:33] but it's better than the failed. So
[00:08:34] basically we did get a pass and we have
[00:08:37] our next one coming up here soon and
[00:08:39] that's available on our site. And then
[00:08:42] on the next slide just talk about some
[00:08:44] of those resources. I mentioned at the
[00:08:46] beginning that we have our local
[00:08:47] government support team that supports
[00:08:50] the BARS Manual that prescribes the
[00:08:52] accounting and reporting requirements
[00:08:54] and also has some training on accounting
[00:08:57] reporting. And then we also have a help
[00:08:59] desk that's available throughout the
[00:09:01] year for local governments to submit
[00:09:02] their questions. And we also have the
[00:09:05] center for Government Innovation that
[00:09:07] has some tools and resources and
[00:09:10] services that are available to local
[00:09:12] governments at no additional cost that
[00:09:13] can help improve operations. And then
[00:09:17] on the next slide we just list a few of
[00:09:20] those services that are offered through
[00:09:22] the center for Government Innovation
[00:09:23] that includes cyber checkups that are
[00:09:26] available to assess the government's
[00:09:28] frontal penalty to cybersecurity
[00:09:31] threats. And we also have lean
[00:09:34] facilitations that are available for
[00:09:37] trainings, facilitations on ways to
[00:09:39] improve processes. And then we have team
[00:09:42] building workshops that are also
[00:09:44] available through the center for
[00:09:45] Government Innovation. And then lastly
[00:09:47] we have the financial intelligence tool.
[00:09:50] This is something we've had for a few
[00:09:53] years where we have the statistics from
[00:09:56] all the local governments. But in the
[00:09:57] last few years we worked to make that
[00:09:58] information more accessible and user
[00:10:02] friendly. So it's a good way to be able
[00:10:04] to compare to one government to other
[00:10:07] governments or to other governments of
[00:10:08] the same type. And we have the
[00:10:10] information on the contact information
[00:10:11] there on the slide and that
[00:10:15] would conclude our presentation.
[00:10:19] So we're open to any questions or
[00:10:21] comments that you may have.
[00:10:24] Thank you so much to the state auditors
[00:10:27] team for the accountability opening
[00:10:28] audit report today. Are there any
[00:10:30] questions from our committee members at
[00:10:32] this time? I've got one for you.

[00:10:36] We're spending a lot of time thinking
[00:10:39] about the impact that artificial
[00:10:41] intelligence will have on port
[00:10:43] operations on the maritime and aviation
[00:10:47] ecosystem. I know in my day job we're
[00:10:50] thinking a lot about how artificial
[00:10:52] intelligence could potentially
[00:10:53] streamline certain government processes
[00:10:55] like permitting. I'm wondering from the
[00:10:58] state auditor's perspective if there is
[00:11:00] a role for AI in the auditing process,
[00:11:03] if there is a new category where you all
[00:11:07] will need to audit organizations for
[00:11:10] inappropriate use or mistaken use of AI
[00:11:13] or anything like that. I'm just
[00:11:14] wondering, imagine you all have a
[00:11:16] conversation at your office about. I'm
[00:11:17] curious if there's anything you can
[00:11:18] divulge. Oh, I would start by saying
[00:11:22] that's a great question. At this point
[00:11:24] we don't have a plan to audit
[00:11:28] the use of artificial intelligence. But
[00:11:31] I'm saying that that might be something
[00:11:33] that could be coming up in the future.
[00:11:35] Right now we are looking at it
[00:11:37] internally that we aren't using it
[00:11:40] internally at this point, but we do have
[00:11:42] a committee that's reviewing how we
[00:11:45] might gradually look at how we can
[00:11:47] implement it. But we're definitely also
[00:11:49] concerned about making sure that the
[00:11:51] public records requirements are met and
[00:11:53] that definitely that, you know, any use
[00:11:56] would be used to make sure that it's.
[00:11:58] The information is accurate. I mean, I
[00:12:00] suppose the same type of things that I'm
[00:12:02] sure that you would be dealing with in
[00:12:04] the private sector as far as it's a
[00:12:06] great tool, but we're being very
[00:12:08] cautious about how we would implement
[00:12:10] it. So right now I'd say short answer
[00:12:12] would be we're studying it and looking
[00:12:14] at how it might be useful in the future.
[00:12:16] Appreciate that. If there are no
[00:12:19] additional questions or comments for
[00:12:21] this item, we'll move on to the next
[00:12:22] topic. Glenn, just wanted to give you
[00:12:24] one second too, if you had any. Oh, no,
[00:12:26] no comments for me. Just thanks to Joe
[00:12:29] and Sonia. We have a great working
[00:12:32] relationship and they rely on our work
[00:12:34] and you know, and we rely on their work
[00:12:37] as well to move our plan forward. So
[00:12:39] thank you so much, Joe, for coming and
[00:12:41] selling it. Thank you. All right, we're
[00:12:44] going to move on to the next topic of
[00:12:45] updates and approvals. Thank you so
[00:12:47] much, by the way, for coming down. Item
[00:12:50] number four on the agenda is the
[00:12:51] internal audit overview. Glenn, you have
[00:12:53] the floor. Thank you, Commissioner.
[00:12:56] Okay, we're going to give.
[00:13:06] Sure. Essentially,

[00:13:10] you know, commissioners internal audit.
[00:13:13] The first item 4. I want to talk a
[00:13:15] little bit about what we do and who is
[00:13:18] internal audit mainly for the public's
[00:13:20] benefit. So next slide please.
[00:13:23] Michelle. We, our key function
[00:13:27] is to provide assurance services. The
[00:13:31] port's controls are effective and
[00:13:32] efficient. Ports controls are working
[00:13:34] and we do that through our audit plan.
[00:13:36] And we report up to you four times a
[00:13:38] year. And as needed, you know,
[00:13:42] we also are required to look
[00:13:47] at GCCM projects and audit them by RCW
[00:13:50] requires independent audits of all GCC M
[00:13:54] projects, certain aspects of it. So we
[00:13:56] look at those costs through an
[00:13:58] independent audit consultant that works
[00:14:00] with us. And then we have to do an
[00:14:04] annual payment card industry. The port
[00:14:05] does. So we assist from the IT front in
[00:14:09] that periodically to make sure that the
[00:14:12] ports controls are meeting payment card
[00:14:15] industry standards. And if you don't
[00:14:18] pass the audit, also, you know, there
[00:14:20] are industry fines. We have been passing
[00:14:22] the audit and from an IT perspective,
[00:14:25] we want to make sure that that
[00:14:26] continues. Also.
[00:14:29] One of the things, another thing we do
[00:14:31] is we provide consulting services. It's
[00:14:36] mainly we learn a lot when we see
[00:14:39] things, when we do things, when we work,
[00:14:41] we touch lots of different parts of the
[00:14:43] business. So when someone needs help and
[00:14:47] it doesn't compromise our independence
[00:14:49] to the extent that it doesn't, we do
[00:14:51] offer them advisory services in that
[00:14:54] respect. We also do it externally, you
[00:14:56] know, such as with the South King County
[00:14:58] Fund, like we talked about, where we're
[00:15:00] open, we have resources on our website
[00:15:03] and to the extent that we can help
[00:15:05] anyone out, so, you know, they do have
[00:15:08] stronger controls and better protect the
[00:15:10] port, we try to do that. And one of
[00:15:14] the things that both the government
[00:15:17] standards and international standards
[00:15:20] advocate is that we remain independent
[00:15:22] and objective and they recommend, and we
[00:15:25] do do this, we report to the executive
[00:15:26] director administratively and
[00:15:28] functionally to the audit committee. So
[00:15:30] from that respect, we are best practice.
[00:15:32] Next slide, please. Michelle, a quick
[00:15:36] overview for org structure. We do have
[00:15:38] one vacancy in capital Audit which we
[00:15:42] plan on filling. We'll most likely have
[00:15:46] that resource assist with operational
[00:15:49] audits as well because we have a little
[00:15:51] of a need there. But you know, overall
[00:15:55] we have operational audits or
[00:15:57] performance audits with which Dan Chase

[00:16:00] leads, Spencer Bright leads the capital
[00:16:02] and Ritika leads the IT audits.
[00:16:05] And that concludes item four.
[00:16:07] Commissioners,
[00:16:26] thank you. Commissioner. One of the
[00:16:28] things we do is the audit committee has
[00:16:33] to approve internal audit's budget.
[00:16:36] Although it's also approved
[00:16:38] administratively and internally by, you
[00:16:41] know, the executive committee and by the
[00:16:45] full commission at a later stage. I do
[00:16:47] present it at this stage to the audit
[00:16:49] committee. This is the finalized budget
[00:16:52] that you see here for 2026 that has
[00:16:56] been approved internally. The largest
[00:16:59] chunk of our budget is our salaries and
[00:17:01] wages, our resources. And that's
[00:17:05] been relatively consistent over the
[00:17:07] years. You know, slight increases due to
[00:17:10] pay equity and some other HR programs
[00:17:13] and inflation, cost of living raises,
[00:17:15] but our headcount has been consistent
[00:17:19] for the last three years. Another large
[00:17:22] item that we have are our travel and
[00:17:24] other employee expenses, which is
[00:17:26] essentially training. So you've got
[00:17:29] salaries and you've got training and our
[00:17:32] training is relatively flat, but it
[00:17:35] allows everyone to get there all the
[00:17:37] training they need and meet the training
[00:17:39] needs of the department. Also, a lot of
[00:17:42] folks have CPA licenses or certified
[00:17:47] fraud examiners, certified information
[00:17:49] system monitor licenses, and all of
[00:17:52] those fall, you know, the training
[00:17:54] requirements for those all fall in here.
[00:17:56] So it's just the basic training
[00:18:02] and maintenance, other expenses,
[00:18:04] workers comp and telephone expenses.
[00:18:07] There's really nothing there. But this
[00:18:10] is the bulk of our budget and we plan on
[00:18:13] spending most of it, if not all of it in
[00:18:15] 2026.
[00:18:19] Any questions regarding the budget?
[00:18:26] All right, is there a motion and a
[00:18:28] second to approve the proposed 2026
[00:18:29] budget? So moved and seconded. The
[00:18:33] motion has been made and seconded. Is
[00:18:35] there any objection to approval of the
[00:18:36] motion hearing None. The motion is
[00:18:38] approved. Thank you, Commissioner. All
[00:18:42] right, item number six on the agenda is
[00:18:43] the approval of the 2025 audit plan.
[00:18:45] Commissioner, before we run to item six,
[00:18:48] just a little background information.
[00:18:50] Slide 20, slide five
[00:18:55] is essentially a quick overview of some
[00:18:57] actuals and where we're tracking on the
[00:18:59] budget. It's just more information,
[00:19:00] doesn't need to be approved, but just
[00:19:02] background information. Next slide
[00:19:04] please. Michelle and
[00:19:08] One of the things we do, this gets

[00:19:11] capitalized with the project, so it's
[00:19:13] not subject to approval because it goes
[00:19:15] with the full cap. It ties into the full
[00:19:17] capital budget. But these are the
[00:19:19] construction projects that we're working
[00:19:22] on currently and our estimated spend on
[00:19:25] all those projects. And now that
[00:19:28] concludes item five, Commissioner. All
[00:19:30] right, so let's move on to the approval
[00:19:32] of the 2025 audit plan update. Go ahead,
[00:19:34] Brian. Okay, so the next slide talks a
[00:19:38] little bit, shows a little bit about
[00:19:39] where we're tracking. Everything in
[00:19:41] green is done. This is our 2025 audit
[00:19:46] plan. Anything in yellow is in progress
[00:19:50] and we've got a few that are not started
[00:19:53] and one that's been just deferred
[00:19:58] until 2026. And I'll talk a little bit
[00:20:00] more about this in the next slide. So
[00:20:03] next slide please, Michelle.
[00:20:07] So the minor
[00:20:11] tweaks that we do need to make, we're
[00:20:15] going to defer on the IT side, the new
[00:20:18] IT environment, the general technology
[00:20:20] controls, and primarily because there
[00:20:24] were some recommendations that came out
[00:20:25] from the Ponderance Report that we're
[00:20:27] going to use to assess where
[00:20:31] the organization stood. And those
[00:20:34] controls haven't been put in yet.
[00:20:35] They'll be done next year. So there's
[00:20:38] nothing for us to look at. So Deputy
[00:20:41] Executive Director Goon and I had a
[00:20:44] conversation on this and we agreed to
[00:20:46] move it to 2026. And in lieu of that,
[00:20:50] we move the baggage conveyor system
[00:20:51] audit up to 2025.
[00:20:55] Additionally, the recovery effort on
[00:20:58] performance audits, recovery effort,
[00:21:00] data integrity, construction management,
[00:21:02] that piece has essentially
[00:21:09] a lot of IT is still work in process.
[00:21:12] They're in the process of getting data
[00:21:15] loaded into the systems and the systems
[00:21:17] are just coming back online. That as as
[00:21:20] far as getting data. And so they're a
[00:21:22] little behind there. So what, what we
[00:21:24] agreed on is we'd look at what they're
[00:21:26] doing and where they stand, provide them
[00:21:28] guidance and things that they need to do
[00:21:29] and come back and look at it at a later
[00:21:32] time when they do get the data into the
[00:21:33] system. So we will issue a memo on that
[00:21:37] talking about where we stand. But you
[00:21:40] know, full blown audit isn't warranted
[00:21:42] because they really haven't done
[00:21:45] anything yet on this. So the
[00:21:49] next slide, there's nothing really here.
[00:21:53] It's all the previously shown GCCM
[00:21:57] continuous audits that we have under
[00:21:59] contract and no changes here. So with
[00:22:03] that, back to you for approval. Any
[00:22:06] questions? Questions on the proposed

[00:22:08] update to the audit here. All right,
[00:22:12] how about a motion to approve the
[00:22:14] proposed plan update? So moved and
[00:22:16] seconded. The motion has been made. And
[00:22:19] seconded. Is there any objection to
[00:22:21] approval of the motion hearing? None.
[00:22:23] The motion is approved. All right, now
[00:22:27] we're going to move into our performance
[00:22:28] audit section of the agenda. Item number
[00:22:30] seven is a performance audit for port
[00:22:32] management governance committees.
[00:22:34] Director Fernandez, you have four.
[00:22:36] Thank you, Commissioner. The first audit
[00:22:39] that we'll be talking about, port
[00:22:41] management governance committees, was
[00:22:44] led by Dan Chase. He's our performance
[00:22:46] audit manager, and he will be presenting
[00:22:49] today, and I will assist aye. as needed.
[00:22:52] So, Dan, you have the floor. Great.
[00:22:54] Well, thank you for the introduction,
[00:22:56] Glenn. Good afternoon, audit committee
[00:22:58] members. So the audit
[00:23:03] that we performed had a scope period of
[00:23:05] January 24 through June of 25.
[00:23:09] And we really had two objectives in this
[00:23:12] audit. The first objective was a little
[00:23:14] more of a traditional view of
[00:23:16] governance. So what we did, as you
[00:23:19] probably know, there's. There's eight
[00:23:21] standing committees of the commission,
[00:23:24] and those committees are not legally
[00:23:27] authorized to act on behalf of the port,
[00:23:30] but they do make recommendations to the.
[00:23:32] To the port commission. So the approach
[00:23:35] that we took is we looked at the
[00:23:37] charters, and there are requirements
[00:23:40] that the committee meets every, you
[00:23:43] know, quarter or thereabouts.
[00:23:47] It has who's supposed to attend, and
[00:23:49] then there's minutes that are kept. And
[00:23:51] so we reviewed those minutes and happy
[00:23:54] to report that everything was well
[00:23:55] documented and no exceptions.
[00:23:59] Next slide, please.
[00:24:02] So the second objective was really a
[00:24:06] focus of the trade, business and
[00:24:08] community development process, or tpcd.
[00:24:11] And what we looked at was how the
[00:24:14] requests were made and how they were
[00:24:18] approved. You might know
[00:24:22] that the TBCD requests are approved
[00:24:24] through the development funding review
[00:24:27] Committee. And the committee has three
[00:24:30] members. A representative from legal,
[00:24:33] the accounting and financial reporting
[00:24:35] department, and then one from external
[00:24:37] relations. And one of the things that
[00:24:40] they look at and evaluate is whether it
[00:24:43] fits into one of four categories. Those
[00:24:46] categories are promotion of tourism,
[00:24:49] economic development programs,
[00:24:51] education and awareness, and promotion
[00:24:54] of port properties. Next slide.

[00:25:01] So what we found is, and I'll just kind
[00:25:04] of generally speak that, you know,
[00:25:08] procedures hadn't been drafted.
[00:25:11] Resolution 2779 hadn't been updated for
[00:25:16] about 50 years, and then the policy
[00:25:19] document hadn't been updated for about
[00:25:20] six years. So there's really kind of an
[00:25:23] opportunity to kind of look at that
[00:25:24] documentation and refresh it if
[00:25:27] necessary.
[00:25:30] One of the exceptions that we found is
[00:25:33] related to the budgeting of
[00:25:37] the requests. There were 130
[00:25:41] approved requests in from January
[00:25:45] 25 through June of 25,
[00:25:49] and there were 27 that reflected that
[00:25:52] they hadn't been budgeted. So let me
[00:25:55] Explain a little bit about what that
[00:25:57] actually means. So there's a SharePoint
[00:26:01] site that memorializes the requests and
[00:26:05] the approval process and when the
[00:26:09] application is submitted there's a
[00:26:12] button that's. That is supposed to be
[00:26:15] checked for whether or not it was
[00:26:16] budgeted. So all that means is that the
[00:26:19] bud that that button wasn't checked.
[00:26:21] Now I don't know if that actually hadn't
[00:26:23] been budgeted for because we did get the
[00:26:24] budget and there's a very detailed
[00:26:28] budget for about \$1.8 million for 2025.
[00:26:32] So the reason why it's
[00:26:36] important that it should be reflected as
[00:26:39] budgeted because RCW 5336120
[00:26:43] states that trade promotion shall be
[00:26:46] budgeted for. So next slide.
[00:26:52] Do you have a question? I have a quick
[00:26:55] question. Thank you, Chair.
[00:26:58] So you said it wasn't budgeted. The
[00:27:00] button to budget wasn't clicked.
[00:27:03] Don't. I would imagine that those items
[00:27:06] come before the commission for approval
[00:27:09] beforehand. And was the. The budget for
[00:27:13] those items? Right. Yeah. So there was.
[00:27:15] It would have been part of the budget
[00:27:17] that, that the commission approves. I
[00:27:19] don't know exactly the details. So it
[00:27:22] wasn't in the system. But at some point
[00:27:23] they presented the budget plan that
[00:27:26] included the items that were billable.
[00:27:30] That would be my assumption. Yeah. I
[00:27:32] don't know what the actual budget looks
[00:27:34] like. But the budget is approved at the
[00:27:37] beginning of the year. Was it cross
[00:27:39] reference? The reason why I'm asking is,
[00:27:42] you know, you could say that it was a
[00:27:44] mistake and there the. The button wasn't
[00:27:46] clicked. But I would imagine that there
[00:27:48] would be other places that they would
[00:27:51] have been a little more forthcoming
[00:27:53] about what the budget plan is. And so
[00:27:55] was that question asked of them? Were
[00:27:58] there other places where they documented
[00:28:00] their budget plan that included those

[00:28:02] items? So was this like to show good
[00:28:05] faith? Yeah, I didn't look at that in
[00:28:08] the audit. I mean all I looked at was
[00:28:10] the SharePoint site. But what I did do
[00:28:11] is I got the budget for Trade, Business
[00:28:14] and community development and it's very
[00:28:16] detailed listing of the departments
[00:28:19] that. That have budgeted for that line
[00:28:23] item. I think it would be important to
[00:28:24] cross reference that because we're
[00:28:28] calling them out. Yeah. And cross.
[00:28:32] And you know, the comprehensive budget
[00:28:35] for the port is all the RCW talks about.
[00:28:38] It doesn't talk about all the details.
[00:28:40] It doesn't require you to go into. It
[00:28:42] just says the items need to be budgeted
[00:28:44] for. So from our perspective, from the
[00:28:46] port's perspective, we have a TBCD
[00:28:49] budget and it's Budgeted by department,
[00:28:51] by ELT function and the
[00:28:55] commission office. And holistically from
[00:28:57] our perspective is as long as you don't
[00:29:00] exceed that budget that you have in your
[00:29:02] individual department, say the
[00:29:04] commission office or economic
[00:29:06] development, then you're okay. If you
[00:29:08] exceed that, you know, then you're in
[00:29:12] violation of the rcw. So and
[00:29:15] holistically, so you can allocate
[00:29:17] budget, say the commission office needs
[00:29:21] budget dollars and it's an economic
[00:29:23] development you can use. You know, it's
[00:29:26] allowable to use economic development's
[00:29:28] budget as long as a concurs.
[00:29:31] But you know, holistically that entire
[00:29:34] budget can't be exceeded for the rcw.
[00:29:36] It needs to be budgeted for which it is
[00:29:38] by the commission when the whole budget
[00:29:41] is approved. So that's one. What Dan is
[00:29:45] referring to is there's a spreadsheet
[00:29:47] that's used to track all this stuff and
[00:29:49] in that spreadsheet there were a lot of
[00:29:51] opportunities for improvement. There's a
[00:29:53] rejection reason code that wasn't filled
[00:29:56] out in many instances and something was
[00:29:58] rejected as to why and that
[00:30:00] communication feedback which Dan will
[00:30:02] talk about. And then there's also was
[00:30:05] this item budgeted for. And I think what
[00:30:07] Dan's trying to get at is they need to
[00:30:09] be a little more diligent and say yes or
[00:30:12] no, not just leave that field. Or if
[00:30:14] they say no then it should be denied
[00:30:17] right off the bat because you don't have
[00:30:19] it budgeted for. So there's a disconnect
[00:30:21] when you connect that to the bigger
[00:30:23] picture of what the RCW allows and what
[00:30:26] the board is doing. So we just, we're
[00:30:30] just pointing out that that spreadsheet
[00:30:31] needs to be cleaned up and maintained
[00:30:33] and, and there needs to be a
[00:30:34] communication mechanism back to the
[00:30:37] submitter. And I'm wondering if they

[00:30:38] have another tool. The reason why that
[00:30:40] they're not filling that out. Is it
[00:30:41] because they have other tools that
[00:30:43] they're using? I'm just curious. Or is
[00:30:46] that the. I don't have. They're required
[00:30:48] to use that spreadsheet only. Yeah, I
[00:30:51] don't, I don't have the answer for that.
[00:30:52] I mean that's the question for. Yeah, I
[00:30:55] think it might help to go from the sort
[00:30:59] of abstract to the concrete and just
[00:31:00] throw out a hypothetical scenario in
[00:31:04] which let's say a department learns
[00:31:08] in, you know, one of during
[00:31:12] this window, January, June, that a high
[00:31:16] level member of a foreign government is
[00:31:18] coming to Washington to do a trade event
[00:31:21] of some sort and we want to be able to
[00:31:23] host and there's some expenses
[00:31:24] associated with that which would be, I
[00:31:26] believe, an appropriate use of tbc, but
[00:31:28] was not anticipated during the budgeting
[00:31:31] process the prior year. Specifically,
[00:31:33] we didn't know that the. Let's say, you
[00:31:35] know, the vice premier of Korea were
[00:31:39] coming to Seattle, but we want to be
[00:31:41] good hosts. My understanding, based on
[00:31:44] what you just described, Glenn, is that
[00:31:47] the Economic Development department or
[00:31:50] the protocol officer may already has
[00:31:52] some budget amount.
[00:31:55] Let's say it's \$20,000 per year and that
[00:31:59] person may choose to use that portion of
[00:32:01] it for that thing, which was not
[00:32:03] anticipated. But if then during
[00:32:07] that calendar year of that budget, she
[00:32:10] still maintains her total expenses below
[00:32:13] that line, she's still in compliance.
[00:32:15] But if she doesn't, she would need to
[00:32:17] reach out to another department that has
[00:32:18] some surplus budget to pull it. In any
[00:32:21] case, when filling out that spreadsheet,
[00:32:25] they need to ensure that they're
[00:32:28] checking the box that says there is
[00:32:30] budget for this. Right? Absolutely.
[00:32:31] You're exactly right. And note it. Say
[00:32:34] not specific. If they wanted to, they
[00:32:35] can note it and say not specifically
[00:32:37] budget, but covered by this budget and
[00:32:39] put some better notes in. And I think
[00:32:41] another thing like, you know, there's
[00:32:44] opportunities in that spreadsheet and
[00:32:46] that would be a key one. And it makes us
[00:32:48] look like we're not in compliance when
[00:32:50] they mark it as no, but it needs to be
[00:32:54] yes or no, but we have the budget
[00:32:57] somewhere else, just like you said, and
[00:32:59] we're using it in our general pool, not
[00:33:01] specifically budgeted for, but
[00:33:02] holistically we're okay. I mean, I think
[00:33:06] just to add to what Glenn is saying, I
[00:33:08] think that would be one of the things
[00:33:10] that the committee would look for is if
[00:33:12] it's not reflected as being budgeted

[00:33:15] because the box wasn't checked, that
[00:33:17] there would be communication back to the
[00:33:19] requester to, you know, check that to
[00:33:22] make sure it had been budgeted. I'll
[00:33:24] just clarify something and I could be
[00:33:26] wrong on this, but I don't remember the
[00:33:29] RCW mentioning anything about going over
[00:33:32] budget. It just needed to be budgeted
[00:33:34] for, so. And. And the commission always
[00:33:37] has the authority to increase the budget
[00:33:39] by vote, Right? Great. Yeah,
[00:33:43] adjust that. Okay, so next slide. And
[00:33:46] it's the final slide. We had some
[00:33:49] general recommendations and Glenn, I'll
[00:33:51] go through these real quick and I think
[00:33:52] you maybe had a couple comments that you
[00:33:54] wanted to make as well. So one of
[00:33:58] the things we recommended that, that
[00:34:00] actually Glenn pointed out was to remove
[00:34:02] the word community from the actual name
[00:34:04] itself because the RCWs, there's no
[00:34:06] mention of community development in the
[00:34:09] RCW. So it might be a little bit
[00:34:10] misleading. I think there also
[00:34:15] needs to be some communication on what
[00:34:17] TBCD is going to be used for or what
[00:34:20] it's supposed to be used for. And then,
[00:34:23] you know, I think there should be some
[00:34:25] communication back to maybe requesters
[00:34:29] that have had their request, you know,
[00:34:32] rejected so that they understand why.
[00:34:35] And then finally, you know, like I
[00:34:39] mentioned before, creating procedures
[00:34:41] and updating documents if necessary
[00:34:44] would be a good step as well. So yeah,
[00:34:46] to add to that, Commissioners, you know,
[00:34:48] one of the key roles of the committee
[00:34:50] that reviews this stuff should basically
[00:34:53] be is it legal, does it meet the RCW
[00:34:55] requirement? And if it's, you know,
[00:34:58] it's. And that is why we say, you know,
[00:35:01] legal and AFR should be on the
[00:35:04] committee. It's not a lot, you know, at
[00:35:07] least at this stage, it shouldn't be a
[00:35:08] lobbying case on. I want, I'm not
[00:35:11] getting my approval, my item approved,
[00:35:13] so I need more voice on the committee.
[00:35:16] It's a black and white thing. Does it
[00:35:18] meet the RCW requirement or not? And
[00:35:20] that's really the key element of the
[00:35:23] committee. Yeah, those, those are
[00:35:26] all my comments. So we've got a question
[00:35:29] from. Yes.
[00:35:32] Okay. Couple things on this
[00:35:36] recommendation. So the RCW that we list
[00:35:38] here says it shall be pursuant to
[00:35:41] specific budget items. And that's where
[00:35:42] we're calling out like 27 of the 130
[00:35:45] didn't reflect not budgeted but specific
[00:35:50] budget items. Seems to contradict what
[00:35:52] you were saying, Glenn, of like just a
[00:35:54] holistic budget and you can't go over it
[00:35:56] like that seems to be, I mean the way

[00:35:58] that's termed doesn't seem like just put
[00:36:01] 100,000 in the budget and whatever gets
[00:36:03] you to that 100,000 is fine. It seems to
[00:36:05] be much more specific. But then also,
[00:36:08] obviously when you guys are looking at
[00:36:09] this, we need to make sure we're
[00:36:10] complying with the law, we need to make
[00:36:11] sure we're complying with rcws, but also
[00:36:13] best practice. So. So like you said,
[00:36:16] you got a really detailed budget from
[00:36:18] them of all the items. I think it would
[00:36:19] be like, I don't know if it's possible
[00:36:21] to go back and just cross reference like
[00:36:23] of these 27, do you see them in this
[00:36:25] detailed budget? Because it seems like
[00:36:26] if there's that detailed of a budget,
[00:36:28] they put the specific budget items,
[00:36:30] which is what's required. But it seems
[00:36:32] like it should be more easily. Well,
[00:36:35] hopefully, you know, the titles might
[00:36:37] have changed or it might not be easy to
[00:36:38] cross reference But I think it'd be
[00:36:39] worth looking at because that's
[00:36:41] important when we're looking at is there
[00:36:44] a specific budget item and if it is
[00:36:45] reallocated what we need to do as far as
[00:36:48] getting back to your recommendations of
[00:36:50] like what's an allowable expense.
[00:36:51] Right. And all those pieces. So it just
[00:36:54] seems like we could do a little more to
[00:36:55] make this. You know, are they not. Are
[00:36:58] they violating rcw? No. But then there's
[00:37:00] also best practice which we also want to
[00:37:02] look at. Right. You know the budget that
[00:37:04] I get was by department and so my, my
[00:37:07] guess and I can look into this but my
[00:37:09] guess is it's probably budgeted at that
[00:37:11] level and not specific line items
[00:37:13] because I don't know if they necessarily
[00:37:15] know what. What you're going to be down.
[00:37:17] Yeah, you're not going to know every
[00:37:20] detail. So that's kind of why you
[00:37:22] specifically budgeted with the best
[00:37:24] specifics you have. You can't get too
[00:37:26] granular. Yeah but. But I'll look into
[00:37:28] your. Your questions and, and if there's
[00:37:30] more to add I'll. I'll pass it on to
[00:37:31] Glenn and forwarded on. Good question.
[00:37:35] We do have Lisa if you want to provide a
[00:37:37] response or she does have a management
[00:37:40] response. The next slide.
[00:37:48] And Lisa Lam, her team is critical in
[00:37:52] this process and does a lot of the work
[00:37:54] on it. So she provided the response and
[00:37:57] worked very closely with us on the
[00:37:58] audit. Good afternoon audit
[00:38:02] committee member. My name is Lisa Lam.
[00:38:04] I'm the director of accounting and
[00:38:06] financial reporting. We value our
[00:38:09] internal audit. Take a look at our TBCD
[00:38:12] process or the going to be tbd.
[00:38:14] Removing the community wording. The
[00:38:17] management response that we provided

[00:38:18] with the report is a collective effort
[00:38:20] from the the oversight committee that
[00:38:23] Dan just mentioned that compiles of
[00:38:26] legal accounting and financial reporting
[00:38:29] as well as external relations.
[00:38:33] The team actually also on the call
[00:38:35] Tunny, Diana, Andrew Kartiker
[00:38:39] couldn't join us today and Chris in the
[00:38:42] meeting here today too they have already
[00:38:44] working on the improvement process as
[00:38:47] internal audit recommend to to document
[00:38:51] our procedure, updating our policy,
[00:38:53] clarify our processes and educating our
[00:38:57] stakeholder who's submitting the request
[00:38:58] and tighten up some of the area that
[00:39:01] internal audit mentioned about the
[00:39:03] SharePoint form. How could we streamline
[00:39:05] that make it modernized Best practice
[00:39:07] closing the loop on the requester
[00:39:09] whether your item that you request and
[00:39:12] get approved and denied. What are the
[00:39:14] required fields for for example of if
[00:39:17] you get denied what is the rationale and
[00:39:19] reason so that we can kind of close the
[00:39:20] feedback loop on that Definitely
[00:39:23] monitoring the compliance with the
[00:39:25] regulation is the key of this policy.
[00:39:27] To make sure that the item being request
[00:39:30] are comply with the state law
[00:39:31] requirement and also whether the
[00:39:34] budgetary item is not exceeding our
[00:39:36] budget. Those are also important focus
[00:39:39] in our improvement of this policy and
[00:39:42] procedure. The team actually started
[00:39:44] working on it before the audit start in
[00:39:47] spring. While we are in accounting, our
[00:39:50] department are working our best through
[00:39:53] the recovery of the cyber attacks as
[00:39:55] well. So we have started this work. The
[00:39:57] goal is to implement the recommendations
[00:39:59] item in this response by end of this
[00:40:03] year. That's our goal and we'll work
[00:40:06] closely together and to see whether we
[00:40:08] need to update the resolution item
[00:40:11] because that would be something that not
[00:40:13] just the staff can do. We will need to
[00:40:14] engage the full commission if we need to
[00:40:18] update our resolution. Thank you.
[00:40:22] Any additional questions or comments?
[00:40:26] I just want a couple of comments.
[00:40:29] First I want to this is a bit of an
[00:40:31] audit of the commission too. I mean we
[00:40:34] are responsible for some of the
[00:40:36] confusion around this and and are
[00:40:38] regular consumers of what was formerly
[00:40:43] known as TBCD development funding for
[00:40:44] things that were requested to
[00:40:46] participate in. And so I want to assure
[00:40:50] everyone involved that we take this
[00:40:51] seriously. And to Lisa's point
[00:40:55] there is a process underway to improve
[00:40:58] this. And I appreciate that we're going
[00:41:01] to rename it. I'm not sure we want to

[00:41:02] call it the TBD Committee because it
[00:41:03] just sounds like it's. We are never
[00:41:05] coming up with the names to be
[00:41:07] determined. Maybe it's the TBD or it's
[00:41:11] the Trade and Economic Development or
[00:41:13] something like that. But anyways these
[00:41:15] overlapping acronyms we should come be
[00:41:18] thoughtful about that too. I also really
[00:41:20] want to emphasize what you said Glenn,
[00:41:23] which is the role of this, of the folks
[00:41:26] who are reviewing these for acceptance
[00:41:30] or rejection should not have to split
[00:41:35] hairs to determine whether it meets it
[00:41:37] or not. And so we should really make
[00:41:39] sure that our both our procedures and
[00:41:41] our definition around this are in line
[00:41:44] with RCW and are really clear so that
[00:41:46] they're just calling balls and strikes.
[00:41:47] They're saying that was in, that was out
[00:41:50] and if it's out there's no room for
[00:41:52] lobbying. It's just not an appropriate
[00:41:53] use. And if it's in there isn't any
[00:41:55] question they can proceed. So and some
[00:41:57] of that is sounds like it's functional.
[00:41:59] It's making sure that the spreadsheet,
[00:42:01] you know, when filled out lets
[00:42:05] folks know that it there's more work
[00:42:07] needed before it could be approved or
[00:42:08] just simply doesn't meet the standard.
[00:42:10] So we're taking this seriously. And it
[00:42:12] sounds like we're hoping to have this
[00:42:13] updated by the end of this calendar
[00:42:15] year. So appreciate it. All right.
[00:42:20] Thank you so much. Say thank you so much
[00:42:22] much. Item number eight is
[00:42:26] a performance audit for the Widen
[00:42:28] Arrivals roadway project. Glenn, go
[00:42:30] ahead. Thank you, Commissioner. I'm
[00:42:32] going to call Spencer Bright, our
[00:42:33] capital Audit Manager that led this
[00:42:37] project. But essentially when you're
[00:42:39] approaching the airport, you know, with
[00:42:41] all the traffic and chaos, the drives
[00:42:43] are being widened. It's a big project,
[00:42:45] 52 million on this one. And Spencer's
[00:42:48] going to talk a little bit about the
[00:42:49] work they did. Thank you, Glenn. Good
[00:42:52] afternoon, audit committee members. So
[00:42:56] the Widen Arrivals roadway project
[00:42:58] purposes to expand the roadway at the
[00:43:01] airport to enhance tourism and access
[00:43:05] and it consists of a larger Whiting
[00:43:08] Widen Arrivals roadway program.
[00:43:11] The objective of our engagement was to
[00:43:14] assess the effectiveness of port
[00:43:16] processes in achieving project goals and
[00:43:20] identify areas where processes may be
[00:43:24] improved to
[00:43:28] meet the additional traffic expected for
[00:43:31] the 2026 FIFA World Cup. The port
[00:43:36] incorporated a bus canopy project which
[00:43:40] was originally planned to be a separate
[00:43:43] project. We did note this decision does

[00:43:48] comply with state bidding laws.
[00:43:50] However, we did make a suggestion that
[00:43:52] in the future the court consider
[00:43:54] maintaining projects that are originally
[00:43:58] considered separate just to meet the
[00:44:01] spirit of bidding laws and provide
[00:44:03] opportunities for other interested
[00:44:06] parties. Parties. This is not an
[00:44:08] exception, just something we had
[00:44:10] mentioned. We do want to highlight port
[00:44:14] management's robust documentation
[00:44:17] processes which proved crucial in
[00:44:20] maintaining operational continuity
[00:44:23] during the cyber event that we
[00:44:25] encountered. Next slide, please.
[00:44:33] The original contract was 52.6
[00:44:37] million. As of the report date, there
[00:44:40] were 4.4 million in executed
[00:44:45] change orders. These change orders were
[00:44:48] primarily because of unforeseen site
[00:44:50] conditions and there's been an
[00:44:54] adjustment to unit price bid items of
[00:44:56] 300,000, which brings the current
[00:44:59] contract to 57.3 million.
[00:45:03] Next slide please.
[00:45:07] We identified three low rated
[00:45:12] observations which port has corrected
[00:45:17] during the throughout, during the
[00:45:20] engagement or shortly thereafter.
[00:45:23] First. First issue is two contractor
[00:45:27] payments were delayed beyond the
[00:45:30] standard 30 day time frame. One delay
[00:45:34] was caused by the cyber event while the
[00:45:36] other had no documented reason. We also
[00:45:41] noticed that the contract omitted a
[00:45:44] clause that aligns with the PORT
[00:45:45] standard wording which requires timely
[00:45:48] payments. So we recommended to improve
[00:45:51] future practices, all contracts include
[00:45:55] the standard payment clause and that any
[00:45:59] delays be clearly communicated and
[00:46:02] documented. And these steps will just
[00:46:04] help ensure legal compliance and
[00:46:06] maintain transparency with contractors.
[00:46:10] And for smaller businesses that are
[00:46:12] reliant on money, they get paid in that
[00:46:15] 30 day window. Next slide please.
[00:46:22] For this change, order 31 was mistakenly
[00:46:26] issued as a lump sum instead of a not to
[00:46:29] exceed amount, conflicting with tracking
[00:46:34] costs based on unit prices.
[00:46:37] This misclassification such as this
[00:46:40] could lead to overpaying a contractor or
[00:46:44] creating unintended contractor
[00:46:47] liability. We recommended that
[00:46:51] the Change Order 31 be reclassified as a
[00:46:55] not to exceed and that future change
[00:46:58] orders involving variable costs use the
[00:47:02] not to exceed format. This will help
[00:47:04] ensure better financial control and
[00:47:06] accurate cost tracking. And next.
[00:47:10] Next slide, please.
[00:47:16] So we identified a approximately

[00:47:20] \$5,400 overpayment for contaminated
[00:47:25] soil, which is a unit price. This was
[00:47:29] amounting to only 1% of total
[00:47:32] contaminated soil payments,
[00:47:35] which just shows that overall, the port
[00:47:39] construction team has a robust review
[00:47:42] process. After bringing this
[00:47:46] to port construction team's attention,
[00:47:49] they proactively corrected it by
[00:47:53] reducing the contractor's requested
[00:47:55] payment, meaning that there's no further
[00:47:59] action was required as the matter was
[00:48:01] resolved prior to the audit report's
[00:48:04] release. And next slide.
[00:48:09] And management concurred with our
[00:48:12] recommendations and as I mentioned,
[00:48:15] we're fixing them while we were
[00:48:18] performing the audit.
[00:48:24] We do have Brian Sweet here, but I guess
[00:48:27] from construction Management, but
[00:48:29] essentially he's concurring with
[00:48:30] everything, so. So in the interest of
[00:48:32] time, we can just move forward.
[00:48:36] All right. Any questions from committee
[00:48:40] members at this time?
[00:48:43] Just on the first one, the late payment.
[00:48:46] Did we have any late penalties because
[00:48:49] of that? Like the 41 day? No. Okay. And
[00:48:53] then the one, the number two that you
[00:48:55] wanted to reclassify from lump sum to
[00:48:57] not to exceed, I assume that's already
[00:48:59] been done too. That is correct.
[00:49:00] Perfect. Thanks. Glenn. Can I ask.
[00:49:04] You gave me a great description. I
[00:49:07] didn't understand the difference between
[00:49:08] moms on the not to exceed. And you gave
[00:49:10] me a great description or a pre brief
[00:49:12] share that for the benefit of all. So.
[00:49:14] So when you have a contract, say you're
[00:49:17] having someone haul soil away,
[00:49:19] contaminated soil, and they're taking
[00:49:21] truckloads, it's by the truckload.
[00:49:24] Right. So not to exceed mean if you're
[00:49:27] going to aye. 100 truckloads, you're
[00:49:29] estimating 100, but they do 60.
[00:49:33] They get to keep that difference between
[00:49:36] the 100 truckloads and the 60. So the
[00:49:39] not to exceed would say we're going to
[00:49:42] pay you for each truckload that you
[00:49:44] carry out. And if you just do 60, we'll
[00:49:47] pay you that. If you do 100, then we'll
[00:49:50] pay you the 400. But the problem also
[00:49:53] lies with if you have a lump sum that
[00:49:56] says, okay, we'll pay you 100,
[00:50:00] and then they haul 100 and if they
[00:50:05] haul less, they make money on it. But if
[00:50:07] they haul more and their vision is if we
[00:50:09] haul more than 100 we're going to send
[00:50:14] you a change order and charge you for
[00:50:15] that extra. Then it's a win win for the
[00:50:19] contractor and a lose lose for the port.
[00:50:21] So, so you get to choose one or the
[00:50:22] other but not both. And I think that's

[00:50:24] the way I look at it. So in this case it
[00:50:27] was clearly, you know, if they went over
[00:50:29] 100 they were going to charge us the
[00:50:31] extra. So it should have been a. Not to
[00:50:34] exceed, not to exceed. Okay, that's
[00:50:36] really helpful to understand. Any
[00:50:39] further questions at this time?
[00:50:42] Okay, we're on to number nine,
[00:50:46] correct? Yeah, number nine will
[00:50:50] be non public session. Okay, so number
[00:50:52] nine on the agenda is an information
[00:50:53] technology audit. This item will be
[00:50:55] discussed in closed session after the
[00:50:57] public session adjourns. Due to the
[00:50:59] security sensitive nature of the item as
[00:51:01] such. We'll now move to the next order
[00:51:02] of business. Item 10 is a limited
[00:51:06] contract compliance audit. Generally
[00:51:09] these are audits are not discussed
[00:51:11] unless there are issues. Glenn, is there
[00:51:13] anything with these audits that you
[00:51:15] would like to bring to committee at this
[00:51:16] time? Not on this particular audit
[00:51:18] Commissioner, committee members, any
[00:51:21] questions on it? Having read the
[00:51:22] materials I'm sure. Okay,
[00:51:26] well that brings us to the end of our
[00:51:29] public session. Glenn, do you have any
[00:51:31] closing comments for the committee
[00:51:32] today? I just my appreciation to all
[00:51:36] committee members for their support and
[00:51:39] you know, in helping us get our plan
[00:51:41] done and staying on course. So thank
[00:51:42] you. Any closing comments from committee
[00:51:45] members? I just want
[00:51:49] to say that I do think we deserve like
[00:51:50] double pay for it's the last 80 degree
[00:51:53] day of probably of the year and here we
[00:51:56] are in air conditioned chambers with
[00:51:58] minimal windows. But thank you all for
[00:52:01] being here in the midst of it. Not not
[00:52:03] playing hooky on a day that would have
[00:52:04] been perfect for it. Okay. Hearing no
[00:52:08] further comments we'll now recess into
[00:52:09] the non public portion of our meeting to
[00:52:12] discuss audit matters related to
[00:52:14] security sensitive information. The non
[00:52:17] public portion of the meeting will last
[00:52:18] approximately 30 minutes and the meeting
[00:52:20] will adjourn with no further business
[00:52:21] after that time. Participants joining
[00:52:24] the non public portion of the meeting
[00:52:25] via Ms. Teams please close out this
[00:52:28] meeting link and join in one hour at 2
[00:52:31] 2:30pm the teams meeting invitation
[00:52:35] there for everyone joining in the
[00:52:37] physical meeting room. Please proceed to
[00:52:38] the third floor Conference Room 3 CC01.
[00:52:41] The current time is 1:26.

END OF TRANSCRIPT