

Financial Stewardship

Accountability

Transparency

Item No. 11a supp
Meeting Date: December 9, 2025

2025 Internal Audit Annual Report

Glenn Fernandes - Director, Internal Audit

December 9, 2025

P69 Commission Chambers

12:00 PM – 5:00 PM

Operational Excellence

Governance



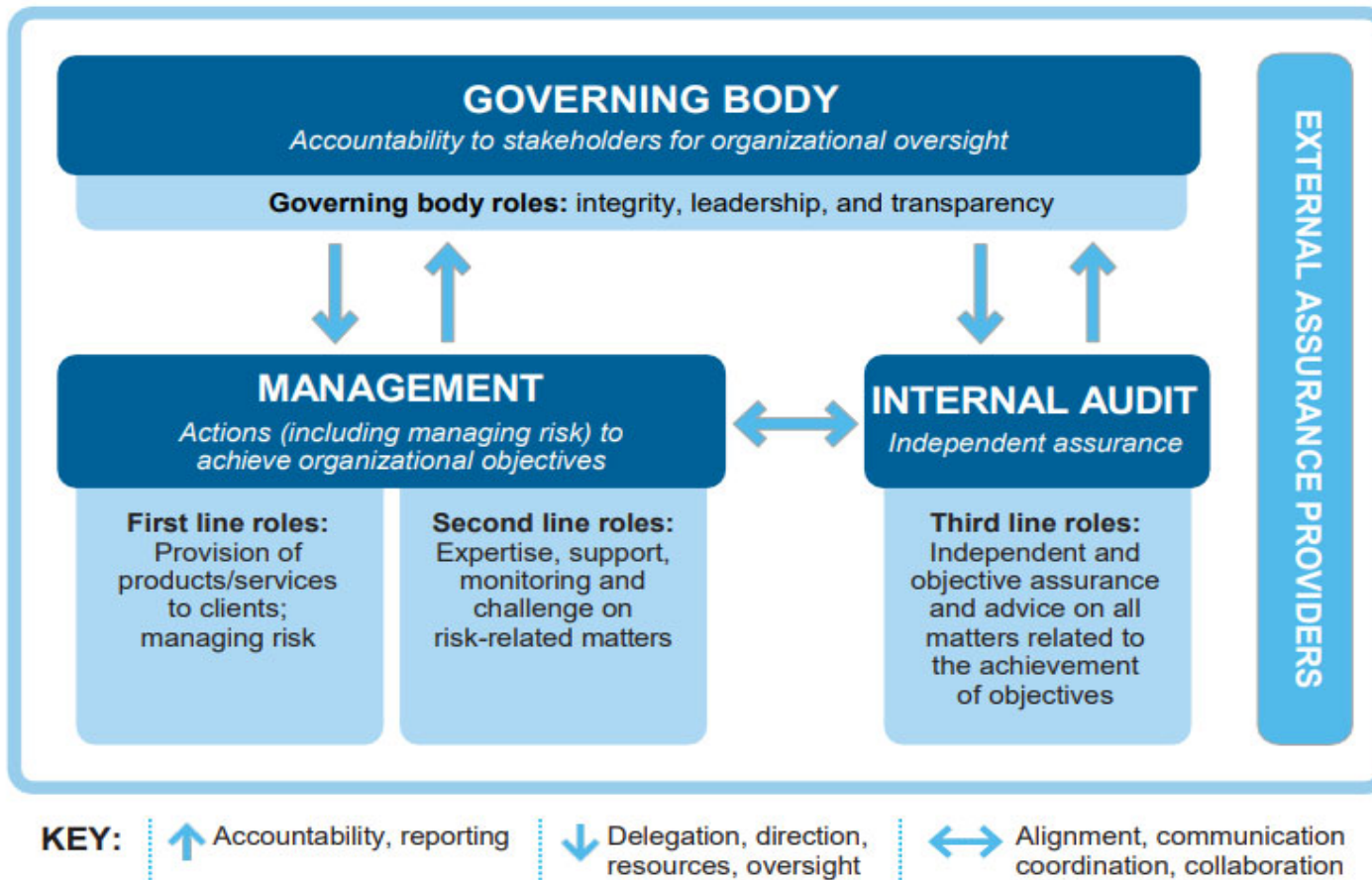
2025 Audit Committee

- Commissioner Ryan Calkins, Committee Chair
- Commissioner Hamdi Mohamed, Committee Member
- Sarah Holmstrom, Committee Public Member

Substitutes

- Commissioner Fred Felleman

The IIA's Three Lines Model



- **Combined Assurance to Break Down Silos:**

The governing body, management, and internal audit have their distinct responsibilities, but all activities need to be aligned with the objectives and collectively grow the value of the organization.

- **Beyond the Three Lines Model:**

Today's environment of risk bedlam requires us to go a step further. Collaboration is a business imperative and a platform we can use to generate even greater enterprise value.

Source: The Institute of Internal Auditors, *THE IIA'S THREE LINES MODEL – An Update of the Three Lines of Defense*, published in July 2020.

2025 Key Initiatives

- Information Technology
 - Cybersecurity
 - Operations Technology
- Capital Delivery
- 2024 Cyber-Event Recovery

2025 Audit Plan Update

- 13 audit reports were completed in 2025: 5 Performance, 4 Capital Project, 4 Information Technology Reports
- Additionally, 10 Limited Contract Compliance Reviews and 2 Capital Project Reviews were completed
- Audits identified 8 High Risk, 10 Medium Risk, and 7 Low Risk rated issues for management action
- General Contractor/Construction Manager (GC/CM) Projects; real-time auditing, as required by RCW 39.10.385 – 7 projects in process
- Audit reports are shared with Audit Committee Members, and for transparency, are also posted to the Port's external facing website

[Audit reports can be found at <https://www.portseattle.org/page/internal-audit-reports.>]

| 2025 AUDIT PLAN STATUS | | | | | | | | | | | | | |
|--|-----------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Report Title | Type | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
| Recovery Effort - Data Integrity - Maritime | Performance | | | | | | | | | | | | |
| Banking/Fraud Controls | Performance | | | | | | | | | | | | |
| Community Initiatives - ANEW | Performance | | | | | | | | | | | | |
| Consultants/Contractor Management | Performance | | | | | | | | | | | | |
| Port Management Governance Committees | Performance | | | | | | | | | | | | |
| Terminal 91 Berths 6 & 8 | Performance - Capital | | | | | | | | | | | | |
| Maritime Center at Fishermen's Terminal | Performance - Capital | | | | | | | | | | | | |
| 2023 Airfield Projects - Contract 2 | Performance - Capital | | | | | | | | | | | | |
| Widen Arrivals Roadway | Performance - Capital | | | | | | | | | | | | |
| Recovery Effort - Data Integrity - Construction Management ¹ | Performance - Capital | | | | | | | | | | | | |
| Club at SEA - Pre-Construction Closeout Cost Reconciliation ¹ | Performance - Capital | | | | | | | | | | | | |
| Closed Network System - Satellite Transit System (STS) (AVM) | IT | | | | | | | | | | | | |
| Third-Party Risk Management (ICT & AVM) | IT | | | | | | | | | | | | |
| Access Control Management (AVM) | IT | | | | | | | | | | | | |
| Access Control Management (ICT) | IT | | | | | | | | | | | | |
| Baggage Conveyor System (AVM) ² | IT | | | | | | | | | | | | |
| New IT Environment - Information Technology General Controls (ITGC) ² | IT | | | | | | | | | | | | |
| Gate Gourmet, Inc. | Contract Compliance | | | | | | | | | | | | |
| BF Foods, LLC | Contract Compliance | | | | | | | | | | | | |
| Concourse Concessions, LLC | Contract Compliance | | | | | | | | | | | | |
| SSP America SEA, LLC (Ballard Brew Hall) | Contract Compliance | | | | | | | | | | | | |
| SSP America SEA, LLC (Mi Casa Cantina) | Contract Compliance | | | | | | | | | | | | |
| SSP America SEA, LLC (Le Grand Comptoir) | Contract Compliance | | | | | | | | | | | | |
| SSP America SEA, LLC (Camden Food Co.) | Contract Compliance | | | | | | | | | | | | |
| Sun's, Inc. | Contract Compliance | | | | | | | | | | | | |
| The Yarrow Group, LLC | Contract Compliance | | | | | | | | | | | | |
| LaTrelle's Flight Kitchen, LP (Wendy's) | Contract Compliance | | | | | | | | | | | | |

¹ Performed as a Review at Management Request

² Deferred at the request of Management

| | |
|-----|-------------|
| KEY | Complete |
| | In Process |
| | Not Started |
| | Deferred |

Performance Audits

- Five Performance completed in 2025
- Key Observations Included:
 - (Consultants/Contractors) On-and off-boarding procedures, between departments are inconsistent and are not well understood.
 - (Community Initiatives) Deliverables within contracts are modified and changed verbally without evidence of written documentation and appropriate review.
 - Port Mgmt. Governance Committees/TBCD
 - (Governance Committees) No issues noted
 - (TBCD) Procedural Documents did not exist. Additionally, Resolution 2779 covering Promotional Hosting, is approximately 50 years old. Internal policy documents have not been updated in six years.

Capital/Construction Audits

- Seven GC/CM Projects were being continuously audited as required by RCW 39.10.385
 - Estimated Spend of \$1.5B
- Pay applications (billings) from key subcontractors, are reviewed for compliance to contracts
- Issues identified by Independent Auditors are generally corrected when identified

Capital/Construction Audits

- Four Capital/Construction audits were completed in 2025
 - Projects audited had estimated Capital Spend of \$176 million
- Two Capital/Construction reviews were completed at management's request
- Key Observations from Audits Included:
 - (T91 Berths 6 & 8) Engineering Construction Management did not obtain sufficient documentation from the contractor to adequately review pay applications for accuracy. This resulted in a net overpayment of \$147,377.

Information Technology (IT) Audits

- Four IT audits were completed in 2025
- Focus on critical Information Technology controls (including Cybersecurity controls) and essential Operational Technology Systems
 - Issues discussed in non-public session

2026 Audit Strategy

- IT - focus on protecting key systems and networks from emerging risks and evolving threat landscapes
- Capital Delivery - focus on Financial, Quality, and Schedule
 - Complete RCW Required GC/CM Audits
- Operational focus on key controls in various business units

Questions

Glenn Fernandes
Director, Internal Audit