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**APPROVED MINUTES  
AUDIT COMMITTEE SPECIAL MEETING  
March 18, 2025**

The Port of Seattle Commission Audit Committee met in a special meeting March 18, 2025. 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 Calkins, Commissioner Mohamed, and Public Member Sarah Holmstrom (non-voting).

**1. Call to Order:**

The committee special meeting was called to order at 8:45 a.m. by Commissioner Mohamed. The agenda was approved without objection.

*\*Internal Audit Department presentation contains information for Agenda Items 3 through 12.*

**EXTERNAL AUDITS**

**2. Office of the Washington State Auditor – Accountability Audit Results for 2023**

Presenters:

Sonia Khokhar, Assistant State Auditor

Sonia Khokhar, Assistant State Auditor, shared the results of the Port of Seattle's most recent Accountability Audit. The presentation overviewed:

- the role of the auditor;
- period of the audit – January 1, 2023 – December 31, 2023;
- audit results – that the Port complied in all material aspects and audit areas;
- areas examined and included the audit;
- work of other auditors reviewed during the accountability audit; and
- the next accountability audit will be scheduled for the fall of 2025 and an assessment audit will be conducted of the Port of Seattle Industrial Development Corporation.

Commissioner Calkins spoke regarding the auditor's motto of increasing trust in government and spoke to public employees' working in good faith.

Members of the Committee thanked the Auditor for the report.

## **UPDATES AND APPROVALS**

### **3. Director's Annual Communication**

Presenters:

*Glenn Fernandes, Internal Audit Director*

Internal Audit Director, Glenn Fernandes, overviewed the annual communication he is required to make regarding independence and quality assurance requirements.

Discussion ensued regarding the training that the Internal Audit team goes through for quality assurance, external and internal.

### **4. Internal Audit Outreach Program Update**

Presenters:

*Glenn Fernandes, Internal Audit Director*

Internal Audit Director, Glenn Fernandes, spoke about partnering with the Port's Office of Equity, Diversity, and Inclusion to build a training presentation targeted to leaders at small community-based organizations utilizing grant programs of the Port. The goal of the program is outreach and to assist recipients of grants in understanding the process and accounting and security requirements. Director Fernandes spoke to the 2025 goal of meeting with community-based organizations, developing partnerships, and providing them with information.

Discussion ensued regarding program benefits to small businesses.

Members of the Committee thanked Mr. Fernandes and the team for their work on the program.

### **5. 2025 Internal Audit Plan Update**

Presenters:

*Glenn Fernandes, Internal Audit Director*

Internal Audit Director, Glenn Fernandes, overviewed the status of the 2025 Audit Plan since its adoption. He spoke regarding conducting audits of community initiatives to ensure grant guidelines are being followed. He overviewed Limited Contract Compliance audits on the plan and separately, IT-critical audits. Director Fernandes highlighted the seven GC/CM contracts currently underway for capital projects.

Discussion ensued regarding whether items listed on the plan are prioritized in any way as they come forward to the Commission. Director Fernandes responded the first tier is risk-based. Commissioner Mohamed noted that it would be helpful when items come forward to the Commission to know if those projects are currently being audited.

Commissioner Calkins noted that it appears audits on the plan are on schedule.

## **PERFORMANCE AUDITS**

### **6. Consultants/Contractor Management**

Presenters:

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

The presentation addressed:

- the number of contractors working with the Port;
- assessing compliance with Port policy EX-10 and reviewing offboarding processes;
- the difference in how the Port works with contractors vs. Port employees;
- Internal Revenue Service criteria to determine whether individuals providing services are employees or contractors;
- the Port is in compliance with EX-10;
- finding that the Port does not have a standard offboarding process making it difficult to know if everything is collected before a contractor leaves the Port;
- inconsistency in data making it difficult to rely on data reviewed;
- inconsistency on how offboarding is done throughout Port groups;
- audit recommendation to have a uniform system and methodology to track contractor onboarding and offboarding.

Deputy Executive Director Goon provided the management response, noting that there were no negative findings of the audit and the audit provided the opportunity to review how this information is collected and tracked.

Commissioner Calkins again underscored the value in having an internal audit group and appreciated the work of the Internal Audit Department.

Public Member Sarah Holmstrom inquired to confirm that there was no non-compliance issue specifically identified through the audit. Internal Audit Manager Dan Chase confirmed.

General discussion ensued regarding best practices on issuance of key/access.

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

### **7. Banking/Fraud Controls**

Presenters:

Glenn Fernandes, Director, Internal Audit

The presentation addressed:

- the audit was a clean audit; and
- the audit reviewed bank statements for the Port's authorized accounts; contacted 25 financial institutions; reviewed grant payments, confirming all funds were received; and interviewed prime contractors.

The Audit Committee thanked the Internal Audit team for their report.

**8. 2023 Airfield Projects**

Presenters:

Glenn Fernandes, Director, Internal Audit  
Spencer Bright, Capital Audit Manager

The presentation addressed:

- the audit was a clean audit;
- five critical projects for airfield infrastructure reviewed; and
- no issues were identified that warranted reporting.

The Audit Committee thanked the Internal Audit team for their report.

**INFORMATION TECHNOLOGY AUDITS**

**9. Closed Network System – Satellite Transit System (STS)**

Commissioner Calkins advised that Item 9 would be addressed in non-public session due to the security-sensitive nature of the item.

**LIMITED CONTRACT COMPLIANCE AUDITS**

**10. BF Foods LLC**

Presenters:

Glenn Fernandes, Director, Internal Audit

Director Fernandes reported that:

- a six-month period was reviewed;
- issues were found so that the period reviewed was expanded;
- \$5M in sales at SEA with percentage fees in the amount of approximately \$600,000;
- bag fees and retail fees were not being reported as revenue to the Port, which amounted to \$12,963 with \$1,500 in unpaid percentage fees;
- revenue is self-reported;
- 2023 - 2024 data was then reported with additional unreported revenue and unpaid percentage fees; and
- the contract does include penalties for unpaid fees.

Director Fernandes noted that management's response was that they would go back and collect the money.

Commissioner Mohamed asked if there was anything that would be done to avoid the missed fees in the future. Director Fernandes stated that going forward it will be verified that the bag fees and the retail fees are being added.

- 11. **Concourse Concessions, LLC**
- 12. **Gate Gourmet, Inc**

Commissioner Calkins noted that limited contract compliance audits are only discussed if issues were identified and there were no issues identified with Agenda Items 11 and 12.

**13. Committee Comments**

Director Fernandes thanked the Members of the Committee for their efforts and time serving on the Audit Committee.

Commissioner Mohamed thanked the entire audit team for their work and public member, Sarah Holmstrom for her public service.

**14. Adjournment**

There being no further public business, the meeting recessed to non-public session at 10:00 a.m. Non-public session lasted approximately 45 minutes, and the meeting adjourned at 10:45 a.m. with no further action taken.

Prepared:

Attest:

Michelle M. Hart, MMC, Commission Clerk

Ryan Calkins, Audit Committee Chair

Minutes approved: July 15, 2025.