

START OF TRANSCRIPT

[00:00:00] Sam.  
[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 July  
[00:00:35] 15, 2025 and the time is 3:12pm  
[00:00:39] we are meeting today at the Port of  
[00:00:41] Seattle headquarters Commission chambers  
[00:00:43] and virtually on Microsoft Teams.  
[00:00:44] Present with me today are Commissioner  
[00:00:47] Hamdi Mohamed and public member Sarah  
[00:00:48] Holmstren to make this meeting more  
[00:00:51] accessible to the public. The meeting is  
[00:00:52] digitally recorded and will be uploaded  
[00:00:54] to the Commission's website. A call and  
[00:00:56] telephone number is also provided for  
[00:00:58] anyone who would like to listen into the  
[00:00:59] meeting. Our first item  
[00:01:03] of business is approval of the minutes  
[00:01:05] from the committee's December 2024 and  
[00:01:08] March 2025 meetings. Are there any  
[00:01:11] corrections to the minutes Hearing  
[00:01:15] None. Are there any objections to  
[00:01:17] approving the minutes as presented?  
[00:01:20] Hearing none. The minutes are are  
[00:01:22] approved as presented. Next on our  
[00:01:26] agenda are external audits. We will hear  
[00:01:28] from Moss Adams regarding the 2024  
[00:01:30] financial statement audit results. Mr.  
[00:01:32] Fernandez, please introduce the item and  
[00:01:34] our presenters today. Thanks,  
[00:01:36] Commissioner. Today we have Olga  
[00:01:38] Darlington from Moss Adams who will be  
[00:01:41] presenting. She's the engagement partner  
[00:01:44] in our 2024 financial statement audit.  
[00:01:47] And Olga, looks like you have somebody  
[00:01:50] with you. I do. Good afternoon. But  
[00:01:53] before you also get started, Olga, one  
[00:01:55] more thing. We also commissioners have  
[00:01:57] Lisa Lam, who's our AFR director,  
[00:01:59] online, dialing in from Singapore in  
[00:02:02] case six in the morning over there in  
[00:02:04] case we have questions for her. But  
[00:02:06] she's responsible. She just gets the  
[00:02:08] hardship award for today. She's  
[00:02:11] responsible for the good news that Olga  
[00:02:14] will be presenting today. Okay. And with  
[00:02:16] that, I'll hand it over to you and Tina.  
[00:02:18] Thank you, Glenn. Good afternoon,  
[00:02:19] members of the committee. Today with me  
[00:02:22] is Abe McClenney,  
[00:02:25] who is the IT manager and he assists  
[00:02:31] our audit team looking at the systems  
[00:02:34] and IT system access controls. And this  
[00:02:38] year in particular, given the events  
[00:02:41] that happened in 2024 that impacted the  
[00:02:45] financial systems and our audit EFF, I  
[00:02:48] thought he would provide a very good  
[00:02:50] overview of some of the things that  
[00:02:51] we've done from that standpoint during  
[00:02:54] the audit for risk assessment. But  
[00:02:56] first, let me start with the good

[00:03:01] news, which would be on the next slide.  
[00:03:03] And that's the reports we issued based  
[00:03:06] on our audits. The next slide.  
[00:03:10] So the audits are completed and  
[00:03:14] we issued an unmodified report on the  
[00:03:18] audit of the financial statements of the  
[00:03:20] Port, which includes, of course, the  
[00:03:22] Enterprise Fund as well as  
[00:03:23] Weyerhausman's Pension Trust Fund. The  
[00:03:27] reports were issued at the end of June,  
[00:03:29] as always, in accordance with  
[00:03:32] governmental auditing standards that we  
[00:03:34] perform the audit under. We Are required  
[00:03:37] to issue a report on internal control  
[00:03:38] over financial reporting. That report  
[00:03:41] was issued, was issued also clean report  
[00:03:44] with no findings included. We do  
[00:03:48] perform a compliance audit over major  
[00:03:51] federal programs. As in the issue  
[00:03:56] our reports on internal control as well  
[00:03:58] as compliance. Once again, that report  
[00:04:01] is also clean report with no  
[00:04:03] modifications. We do reference the  
[00:04:07] schedule of expenditures of federal  
[00:04:09] awards that it lists all of the awards  
[00:04:11] that were expanded by the port during  
[00:04:13] the fiscal year 2024. So all in all,  
[00:04:16] all clean reports. A couple more  
[00:04:19] additional engagements that were  
[00:04:22] completed on the next slide. And the  
[00:04:23] reports that we issued are a  
[00:04:28] report on schedule of passenger facility  
[00:04:31] charges. That is a compliance audit that  
[00:04:33] goes to FAA for passenger facility  
[00:04:35] charges that are collected at the  
[00:04:37] airport as well as spent on projects  
[00:04:40] that are approved by faa. Clean report,  
[00:04:43] there no control findings or compliance  
[00:04:46] findings. And a report on schedule of  
[00:04:50] net revenues available for revenue bond  
[00:04:52] debt service. So that's another clean  
[00:04:55] report. The schedules showing  
[00:04:59] the capacity of the port to repay bond,  
[00:05:03] make payments on the bonds and  
[00:05:05] compliance with those covenants. So all  
[00:05:08] in all, clean. A couple more reports on  
[00:05:11] the next slide is the agreed upon  
[00:05:12] procedures. We perform specific  
[00:05:15] procedures that are required by the  
[00:05:16] Department of Ecology as well as the  
[00:05:19] Environmental Protection Agency, very  
[00:05:21] specific reports verifying the numbers  
[00:05:24] in the financials that reported to them  
[00:05:26] for meeting some environmental  
[00:05:29] responsibilities. So those it says  
[00:05:32] performed in July, those reports were  
[00:05:34] issued just yesterday and will be  
[00:05:35] submitted to those respective agencies.  
[00:05:37] So no issues there as well. So lots  
[00:05:41] of reports. All audits are complete,  
[00:05:42] all reports are in good shape. So on the  
[00:05:45] next section of my presentation, as  
[00:05:47] always, I like to share with you the

[00:05:50] areas of audit emphasis and some of the  
[00:05:53] specific areas where we perform  
[00:05:58] procedures and spend our audit effort.  
[00:06:02] Okay, on the next slide, the first area  
[00:06:05] is the internal control environment. We  
[00:06:08] do spend a significant amount of time  
[00:06:09] looking at internal controls and  
[00:06:12] processes at the port, ensuring that any  
[00:06:16] payments being received are accounted  
[00:06:18] correctly, any billings for services are  
[00:06:21] accounted correctly, any payments that  
[00:06:23] are distributed to vendors and in  
[00:06:25] payroll are accurate. So we're looking  
[00:06:27] very closely at all of those processes.  
[00:06:29] And of course, as part of that, we're  
[00:06:32] looking at the environment of the IT  
[00:06:34] environment. So the challenge this  
[00:06:38] year, of course presented itself was the  
[00:06:41] cyber event that happened in August  
[00:06:43] 2024. It changed our audit approach in  
[00:06:47] how we look at internal controls. You  
[00:06:49] know, the first part, part of the year  
[00:06:50] were controls as we have seen them  
[00:06:53] historically. And those processes that  
[00:06:55] we attested that were still in place  
[00:06:57] before the event. Then there was a  
[00:06:59] period of darkness, if you will, when  
[00:07:01] the systems were down and being rebuilt  
[00:07:05] and Then we looked at the newly  
[00:07:08] established controls and processes after  
[00:07:09] the systems went back up and running.  
[00:07:11] So Abe can expand a little bit on what  
[00:07:15] we have done with respect to looking at  
[00:07:17] that cyber event and how it impacted the  
[00:07:19] systems and the recovery process. Thank  
[00:07:22] you Olga. As Olga mentioned, we  
[00:07:25] bifurcated our testing on the IT side  
[00:07:27] around the controls into about three  
[00:07:30] different periods. The first is the  
[00:07:32] period prior to the breach where the  
[00:07:34] systems were online and functioning  
[00:07:35] effectively. The second was the period  
[00:07:38] in which the financial systems were  
[00:07:40] taken down due to the incident. And then  
[00:07:42] the third period is the is the  
[00:07:44] remediation period when the systems were  
[00:07:47] re spun up from the backups. So our  
[00:07:50] approach to testing that was we were  
[00:07:51] able to get historical data for the  
[00:07:54] period 1:1 through the incident and  
[00:07:56] tested that as we would normally. Then  
[00:07:59] after the incident occurred, we were  
[00:08:02] able to evaluate Management's procedures  
[00:08:04] to spin back online the system. So we  
[00:08:08] looked at their backup configuration  
[00:08:09] configurations, the processes that they  
[00:08:12] performed to re implement the systems,  
[00:08:15] as well as management's processes to  
[00:08:17] perform functioning testing over the  
[00:08:20] functioning of the systems, including  
[00:08:21] over reports, configurations, et cetera,  
[00:08:24] as well as user access and validated  
[00:08:27] that those were performed effectively

[00:08:30] for the middle period during the outage.  
[00:08:34] Additionally, the team performed  
[00:08:36] additional substantial procedures and  
[00:08:37] evaluated additional manual controls on  
[00:08:40] the business side to ascertain that  
[00:08:43] there were sufficient and appropriate  
[00:08:44] controls to reduce the risk of  
[00:08:47] inaccuracies in the financial  
[00:08:49] statements. Based on those procedures,  
[00:08:52] we determined that there was not a  
[00:08:56] higher risk, that there was an impact to  
[00:08:58] the financials on the IT side. And then  
[00:09:01] as a supplemental procedure, we also  
[00:09:03] evaluated the file modification dates  
[00:09:06] for many of the key programs for the  
[00:09:08] accounting processes relied upon and  
[00:09:11] noted the last change dates of those to  
[00:09:14] validate that those were not impacted by  
[00:09:16] the incident. Outside of the cyber  
[00:09:18] security procedures that we performed,  
[00:09:20] we did our typical procedures. So  
[00:09:22] looking at access security, the change  
[00:09:26] management procedures that the port has  
[00:09:29] in place is as well as different  
[00:09:30] operational controls. And as a result of  
[00:09:33] that testing we didn't identify any  
[00:09:35] deficiencies that would raise to the  
[00:09:36] level where they would impact the  
[00:09:38] ability to rely on the financial data  
[00:09:40] coming from the systems. And I do want  
[00:09:44] to highlight that management implemented  
[00:09:46] a lot of human controls, human based  
[00:09:50] controls, manual controls, to ensure  
[00:09:52] that all of the information that was put  
[00:09:55] input back into the system once it was  
[00:09:57] rebuilt was accurate, the  
[00:10:00] reconciliations were done and we tested  
[00:10:02] those manual controls that normally  
[00:10:05] weren't there in the past, that were new  
[00:10:07] to ensure that they were in place and  
[00:10:09] the information was accurate.  
[00:10:13] We take a break for a moment and ask for  
[00:10:16] A couple of questions. Commissioner  
[00:10:18] Mohamed, thank you and thank you for the  
[00:10:20] presentation. I had a question around  
[00:10:23] the controls. The new controls that were  
[00:10:25] set up. It sounds like there was  
[00:10:28] historical data that came back and some  
[00:10:31] of the information you all evaluated was  
[00:10:34] information that was recovered. Were  
[00:10:37] there new functions or new designs that  
[00:10:39] were created as part of the recovery  
[00:10:43] that you all also looked at? That's a  
[00:10:46] good question. I'll speak to the IT  
[00:10:47] control aspect and then Olga can speak  
[00:10:50] if there's any changes on the business  
[00:10:51] side. On the IT side, the focus was on  
[00:10:55] restoration of the existing controls.  
[00:10:57] So what we were doing was looking at  
[00:10:59] the, as you mentioned, the restored  
[00:11:02] environment for the first portion of the  
[00:11:05] year and then on a go forward basis  
[00:11:07] after remediation. I believe that there

[00:11:10] were, you know, new procedures put in  
[00:11:12] place to kind of harden the network to  
[00:11:16] prevent or reduce the likelihood of  
[00:11:19] another incident like this happening.  
[00:11:21] But the key controls for the financial  
[00:11:24] statement audit itself on the IT side  
[00:11:27] remained constant. Where there were  
[00:11:29] additional controls put in place were on  
[00:11:33] the business side for that outage period  
[00:11:35] where we were not able to rely on the  
[00:11:38] system controls. I think that's what  
[00:11:41] Olga was speaking to earlier, and I'll  
[00:11:43] let you elaborate on that if you like.  
[00:11:44] Right. And as. As the system was  
[00:11:48] down, the information was still being  
[00:11:50] collected from other systems that were  
[00:11:52] available. And once the system rebuild  
[00:11:56] was completed, the staff ensured  
[00:12:01] that all of that complete information  
[00:12:02] was put back online. And at the end of  
[00:12:05] the year, all of the reconciliations  
[00:12:07] were completed to ensure its accuracy.  
[00:12:09] I imagine you guys looked at like a  
[00:12:11] sample size of information. What was  
[00:12:13] that size? Yes, it depended on what  
[00:12:18] cycle we were looking at. So capital  
[00:12:20] assets would have a much bigger sample  
[00:12:22] compared to some of the other smaller,  
[00:12:26] for example, inventory type cycles. So  
[00:12:29] it just really depended. Thank you for  
[00:12:31] those answers. And also depended on when  
[00:12:33] systems were brought back online because  
[00:12:35] there were different time periods.  
[00:12:37] Payroll, system payments, it went online  
[00:12:39] first and then the other systems  
[00:12:41] followed later in the year. Thank you.  
[00:12:44] All right, keep going with the  
[00:12:46] presentation. Okay. All right.  
[00:12:47] Management estimates is another area  
[00:12:49] where we spend quite a significant  
[00:12:50] amount of effort looking at, because it  
[00:12:54] is based on management's knowledge of  
[00:12:57] operations, history of the organization,  
[00:12:58] and other events. The management  
[00:13:01] estimates that you see listed in front  
[00:13:04] of you are all very similar to similar  
[00:13:06] types of organizations and operations.  
[00:13:09] The environmental remediation liability  
[00:13:12] in particular was a big focus this year  
[00:13:14] because it did have a significant  
[00:13:16] increase in the liability recorded that  
[00:13:20] resulted in a \$91 million special  
[00:13:25] items item recorded due to a change in  
[00:13:27] an estimate for a particular cleanup  
[00:13:30] site. So that was one of the big changes  
[00:13:33] in all those estimates. The rest of them  
[00:13:34] are very similar similar to previous  
[00:13:37] estimates. Next slide.  
[00:13:45] Northwest Seaport alliance joint venture  
[00:13:48] will always look at related party  
[00:13:49] balances making sure that any inter  
[00:13:51] entity transactions are balanced and are  
[00:13:54] accurate as well. Of course the

[00:13:57] Northwest Seaport alliance audit was  
[00:14:00] impacted by the outage at the Port of  
[00:14:03] Seattle, the systems outage. So we  
[00:14:06] ensured that that information that was  
[00:14:08] transferred or shared with Northwest  
[00:14:11] Seaport alliance for the north harbor  
[00:14:13] was accurate. Capital assets had  
[00:14:16] significant increases in balances this  
[00:14:19] past year. 780 million. So once again  
[00:14:21] took a sample of big projects and  
[00:14:25] cost additions earlier in the year as  
[00:14:27] well as later in the year making sure  
[00:14:30] all of those were accurate it and  
[00:14:32] approved. Next slide.  
[00:14:36] The other side of the balance sheet is  
[00:14:40] the bond activity. Of course there was a  
[00:14:41] big bond issuance during 2024. We  
[00:14:45] confirmed the balance as outstanding at  
[00:14:47] the end of the year. Any arbitrage  
[00:14:50] potential payments, we look at those,  
[00:14:52] any debt covenants ensuring the  
[00:14:54] compliance with those during the year.  
[00:14:56] I already spoke about the environmental  
[00:14:59] remediation liability a little bit big  
[00:15:01] increase in the liability there that  
[00:15:03] resulted in a special item similar to a  
[00:15:06] special item for a similar type of  
[00:15:09] environmental liability that was  
[00:15:11] recorded in 2022 as well.  
[00:15:14] So. Okay, next slide. We also  
[00:15:19] have revenue is just a big audit risk.  
[00:15:22] Anytime we look at revenues. The port  
[00:15:25] has many different sources of revenue  
[00:15:27] from the airport, maritime business and  
[00:15:30] all of the others. So we do perform a  
[00:15:33] lot of testing on the in combination of  
[00:15:36] tests from tests of details to  
[00:15:38] analytical procedures to ensure accuracy  
[00:15:41] of the revenue. We did confirm several  
[00:15:45] send out several confirmations to  
[00:15:48] airlines for airline revenue, lending  
[00:15:50] fees and such as well as the PFC that  
[00:15:52] was collected from those. It was a kind  
[00:15:55] of independent verification of revenue  
[00:15:57] that was recorded. Leases is another  
[00:16:01] big area. We did look at any new lease  
[00:16:03] agreements that were entered into during  
[00:16:05] the year and just assess to make sure  
[00:16:07] that those are recorded accurately as a  
[00:16:09] long term receivable or liability as  
[00:16:11] applicable. Next slide.  
[00:16:16] There was one new accounting standard,  
[00:16:19] GASB standard implemented in current  
[00:16:21] year. It's GASB 101 and compensation.  
[00:16:24] The GASB itself is not a big change in  
[00:16:28] the accounting, but it just clarifies  
[00:16:32] the definition of what compensated  
[00:16:34] absence means. Because of that there was  
[00:16:37] an impact to the financial statements of  
[00:16:39] the port that required a restatement  
[00:16:44] of 2023 results. For comparative  
[00:16:46] purposes. Not a significant impact. As I  
[00:16:49] say in CH, change in that position was



[00:16:51] only 4.5 million for as I say, just  
[00:16:54] different definition of the compensated  
[00:16:57] absences. So Not a big impact.  
[00:17:00] Big undertaking for the poor team  
[00:17:03] though, having to calculate all of the  
[00:17:05] compensated absences and related  
[00:17:07] benefits for all kinds of different  
[00:17:09] types of employees considering,  
[00:17:11] especially with some of the payroll  
[00:17:13] systems being down for a while this  
[00:17:15] year. Next slide.  
[00:17:19] Fiduciary activities not to leave out  
[00:17:22] Warehouseman's Pension Trust Fund. We do  
[00:17:24] test that plan as a separate audit,  
[00:17:27] almost ensuring any contributions as  
[00:17:30] well as benefit payments being made  
[00:17:32] timely and correct and any investments  
[00:17:33] that are included in the plan are still  
[00:17:37] there to cover the benefits that are  
[00:17:39] upcoming and single. Audit As I  
[00:17:41] mentioned, Compliance audit of expense  
[00:17:43] expenditures of Federal awards. Airport  
[00:17:45] Improvement Program is the major program  
[00:17:48] this year as it is most years, but a  
[00:17:52] little over \$48 million. And we do take  
[00:17:55] a sample of expenditures of those awards  
[00:17:58] and make sure that they're in compliance  
[00:18:00] with the grant documents. Okay,  
[00:18:04] on the next page we have some required  
[00:18:08] communications that the auditing  
[00:18:10] standards require us to share with you.  
[00:18:12] The first one is ensuring that we all  
[00:18:15] understand responsibilities that the  
[00:18:17] independent auditor has versus  
[00:18:19] management and management does take that  
[00:18:22] responsibility very seriously, ensuring  
[00:18:25] the internal controls are in place,  
[00:18:27] ensuring new accounting standards are  
[00:18:29] implemented timely, and drafting all of  
[00:18:32] the financial schedules and support for  
[00:18:36] us to audit. Next slide has  
[00:18:42] a couple of additional items. There  
[00:18:46] wasn't really a change to our audit  
[00:18:48] scope that we conducted for 2024.  
[00:18:51] The timing obviously changed because of  
[00:18:54] the cyber event, but outside of that we  
[00:18:56] already knew about that at the onset  
[00:18:58] when we were planning the audit. So we  
[00:19:00] modified our scope, scope and timing  
[00:19:02] accordingly and we remained flexible  
[00:19:05] throughout the period that Port was  
[00:19:07] trying to work on rebuilding their  
[00:19:09] systems and gathering the information  
[00:19:10] for accurate financial reporting. At the  
[00:19:13] end of the year, we didn't have any  
[00:19:15] disagreements with management or  
[00:19:16] difficulties in performing the audit,  
[00:19:18] obtaining information or application of  
[00:19:22] accounting standards. So overall, other  
[00:19:25] than the big cyber event, other than  
[00:19:28] that the audit went as planned and as  
[00:19:31] usual. Next slide.  
[00:19:37] We are not aware of any consultation

[00:19:41] of the Port with other accountants on  
[00:19:45] any accounting matters. We don't design  
[00:19:49] our audit procedures for fraud, but we  
[00:19:51] do make enough inquiries and introduce  
[00:19:55] surprise procedures in our audit to see  
[00:19:57] if there is any non compliance or with  
[00:20:00] laws, regulations or any instances of  
[00:20:02] fraud. We would bring that to your  
[00:20:03] attention. I'm happy to report there was  
[00:20:05] nothing that would require your  
[00:20:07] attention today on that front. Next  
[00:20:14] We didn't identify any adjustments  
[00:20:18] during the audit that required to be  
[00:20:22] recorded and corrected in the draft  
[00:20:24] financial statements. And that is once  
[00:20:28] again a big applause  
[00:20:32] to the team here at the Port. With all  
[00:20:35] of the challenges of having systems down  
[00:20:38] and gathering information, implementing  
[00:20:40] additional Controls spending a lot of  
[00:20:43] extra hours on ensuring accurate  
[00:20:45] financial reporting. We during the audit  
[00:20:47] did not identify anything that needed to  
[00:20:49] be corrected. So it speaks very highly  
[00:20:51] about the time and effort that it took  
[00:20:52] for the team here to prepare the annual  
[00:20:55] report this year especially. Next slide.  
[00:21:00] Just a couple of updates for your  
[00:21:03] attention here. New accounting  
[00:21:04] pronouncements that are coming up. I'm  
[00:21:06] not going to go in great detail on those  
[00:21:07] unless you are really interested in some  
[00:21:10] more accounting language. I do have to  
[00:21:13] highlight that this these three  
[00:21:15] standards that are on the screen should  
[00:21:17] be an easier implementation for the port  
[00:21:20] in the coming years compared to the very  
[00:21:22] hefty impact that the, you know, the  
[00:21:25] last couple of years of new accounting  
[00:21:27] standards had. These are primarily  
[00:21:29] disclosure related so some footnotes  
[00:21:30] will be adjusted in the future updated  
[00:21:34] for these standards. Some classification  
[00:21:36] of revenue line items may change but  
[00:21:39] overall shouldn't have any more  
[00:21:40] restrictions statements and the  
[00:21:41] financial statements going forward. And  
[00:21:44] next slide.  
[00:21:48] Once again big thank you to the team  
[00:21:50] here. Given all of the extra work that  
[00:21:54] the teams were doing at the port.  
[00:21:56] Everybody was very collaborative,  
[00:21:58] helpful, answering all of our questions  
[00:22:01] as we always the cooperation was  
[00:22:05] as we always have experience experienced  
[00:22:07] in the past. I do want to confirm that  
[00:22:11] we do still work with the two  
[00:22:14] subcontractors, one of whom is the WMBE  
[00:22:19] designated entity and that's Rydal and  
[00:22:22] Consulting. So a portion of our total  
[00:22:25] fee we share with our subcontractors to  
[00:22:28] meet that requirement. Next slide.  
[00:22:34] And that's our team and our contact



[00:22:35] information. If you have any questions  
[00:22:38] after today's presentation. And that  
[00:22:40] concludes my presentation. Thank you so  
[00:22:44] much Olga and Abe. I'm going to turn  
[00:22:47] over committee members with any  
[00:22:49] questions? No more. Does there any  
[00:22:51] questions? I had a couple.  
[00:22:55] So the 780 million capitalization  
[00:23:00] that's going to be a kind of regular  
[00:23:02] occurrence for the next few years for us  
[00:23:05] as we continue building new stuff.  
[00:23:08] And so I'm wondering and when you said  
[00:23:11] that I immediately thought oh my gosh,  
[00:23:13] we're going to have a huge depreciation  
[00:23:14] expense ongoing for that. And then just  
[00:23:17] thinking about each year as we add  
[00:23:20] additional new assets to it. Do you guys  
[00:23:23] review the depreciation schedules that  
[00:23:25] we use? I imagine as we capitalize  
[00:23:29] things there's a range. We don't just  
[00:23:33] get to say everything is going to  
[00:23:34] depreciate over 30 years. We have to  
[00:23:36] sort of think through each building or  
[00:23:39] item that we're purchasing. So how do  
[00:23:42] you do you review that? We do. We don't  
[00:23:45] do extensive testing on each asset in  
[00:23:47] each depreciation schedule. So what we  
[00:23:49] do with those new assets that were added  
[00:23:52] or transferred from construction in  
[00:23:55] progress to capital assets, those  
[00:23:58] projects as they close, they get broken  
[00:24:00] down into different categories of assets  
[00:24:02] for capitalization. Each category has  
[00:24:05] its own depreciable life. So it's  
[00:24:07] anywhere between, you know, 10 to 50  
[00:24:12] and 80 years. So we do, as those  
[00:24:16] projects get closed and broken down into  
[00:24:19] the asset groups, we do ensure that  
[00:24:22] that's accurate, that transition is  
[00:24:24] accurate, and that life assigned to the  
[00:24:26] group is accurate. And then from  
[00:24:29] there on it's just kind of automatic  
[00:24:31] calculation of depreciation expense.  
[00:24:33] And you're right, the depreciation  
[00:24:35] expense is already quite large in the  
[00:24:37] financial statements and it will be that  
[00:24:39] way. But majority of the assets are very  
[00:24:42] long lived assets. So between, you know,  
[00:24:45] when you average between 30 to 80 year  
[00:24:47] life, it's not as significant. Each year  
[00:24:50] they increase. Okay,  
[00:24:55] remind me on the warehouseman's pension  
[00:24:58] is that. And Glenn, you're welcome to  
[00:25:00] answer this too. Is that a system that  
[00:25:03] we're grandfathering out? Are we adding  
[00:25:05] new entrants to that system? Or is it  
[00:25:07] we're just. No, that is a closed plan.  
[00:25:09] For the members that were in the  
[00:25:13] plan at the time that the Port took it  
[00:25:15] over, I believe it was 2004. So the  
[00:25:18] assets as well as the.  
[00:25:22] Well, the assets are decreasing because  
[00:25:24] the payments are being made. And no,

[00:25:25] there is no new entrance to that plan.  
[00:25:28] And finally, I know that there's at  
[00:25:31] least one instance in which we need to  
[00:25:33] report to federal agencies. And we're in  
[00:25:36] an era in which many of those agencies  
[00:25:38] are understaffed at this point. I'm  
[00:25:42] wondering if you're having any issues  
[00:25:43] either with us or with other clients and  
[00:25:46] responsiveness from the federal  
[00:25:48] government on any of these relationships  
[00:25:50] where you have to report. So there's  
[00:25:55] two reports that get filed with faa,  
[00:25:59] the passenger facility charge charge  
[00:26:01] compliance report, and the single audit  
[00:26:03] for federal expenditures. We don't  
[00:26:07] really request information from the  
[00:26:09] federal government for those in our  
[00:26:13] audit. We look at the information  
[00:26:15] provided by the port and how those funds  
[00:26:18] are spent and compare that to the actual  
[00:26:20] grant agreement that's already been in  
[00:26:22] place. So we haven't had any, any issues  
[00:26:26] with trying to reach members of those  
[00:26:30] federal agencies that the Port works  
[00:26:32] with. And so then you all file a third  
[00:26:35] party report on our compliance to those  
[00:26:38] agencies. They give you some sort of  
[00:26:40] confirmation receipt and it's sort of  
[00:26:42] done unless something comes up correct,  
[00:26:45] the Port submits those reports. Some are  
[00:26:48] annual, some are quarterly, and for most  
[00:26:51] of those reports are automated systems  
[00:26:53] in place. So Once you submit it, it  
[00:26:55] stamps date stamps them to make sure  
[00:26:58] that they're filed timely. And then once  
[00:27:02] the federal agency does their review,  
[00:27:03] they could come back and question. But  
[00:27:05] even in the past, they didn't come back  
[00:27:07] every year. It's just when they get to a  
[00:27:09] certain point in the program, they may  
[00:27:11] come back. So that's still always an  
[00:27:14] option that they have. But at this time,  
[00:27:17] as long as we submit those reports to  
[00:27:19] timely, there is no other  
[00:27:20] responsibilities that the port has.  
[00:27:22] Okay. If there are no additional  
[00:27:26] questions or comments for this item,  
[00:27:27] we'll move on to the next topic of  
[00:27:29] updates and approvals. And thank you  
[00:27:31] again so much. Thank you very much.  
[00:27:36] All right, item number four on the  
[00:27:38] agenda is the open issue status report.  
[00:27:40] Glenn, I'm going to give you the floor.  
[00:27:42] Thanks, Commissioner. Next slide please.  
[00:27:44] Michelle. Commissioner, one of the  
[00:27:46] things we do is periodically come back  
[00:27:49] to you and give you an update on all our  
[00:27:51] open issues and the critical ones that  
[00:27:52] are slipping or you know, the ones that  
[00:27:55] are being done completed. So I'm going  
[00:27:57] to highlight public session open issues  
[00:28:01] here. We will also have non public  
[00:28:03] session open issues which we will

[00:28:05] discuss and non public session later.  
[00:28:07] So this just talks about public issues  
[00:28:11] on the audits that we've done in the  
[00:28:15] last few years and they're still open.  
[00:28:16] So as you can see from this chart, in a  
[00:28:19] very simplistic manner, we've got about  
[00:28:21] six issues that are not due and about  
[00:28:23] four that are a little overdue. And I'm  
[00:28:27] going to provide a little highlight,  
[00:28:28] you know, a little additional  
[00:28:29] information on some of the ones that are  
[00:28:32] overdue and maybe coming due  
[00:28:35] in a little next slide please.  
[00:28:38] Michelle. Yeah, so all the issues are  
[00:28:42] listed in the appendix. So you can see  
[00:28:44] both the issues that are not due and the  
[00:28:47] issues that are overdue. But a couple  
[00:28:49] that I want to highlight with time  
[00:28:50] approval controls, these are just  
[00:28:52] recently overdue, but you know, the  
[00:28:55] projected time is going to be another  
[00:28:57] year before these are fixed time  
[00:29:01] approval controls. We have a lot of  
[00:29:02] represented folks at put their time in  
[00:29:04] and if they don't put their time in  
[00:29:07] accurately or don't put them in at all,  
[00:29:09] somebody's got to do that at the back  
[00:29:11] end and it creates a lot of additional  
[00:29:13] work for folks. So, you know,  
[00:29:16] designing a formal review process on the  
[00:29:19] aviation side to make sure that  
[00:29:22] employees put their time in correctly  
[00:29:24] and on time still is opened.  
[00:29:29] Additionally, there are certain groups  
[00:29:33] in aviation that have a lot of overtime  
[00:29:35] and some of it's a cost issue, some of  
[00:29:39] it can be a safety issue. But putting in  
[00:29:41] Some work rules to address. The overtime  
[00:29:46] is going to be a little overdue. Part of  
[00:29:49] it's probably due to the cyber event,  
[00:29:51] but part of it is because of the  
[00:29:52] complexity of it also and the different  
[00:29:55] labor groups that you've got to  
[00:29:57] negotiate with and work with. And we're  
[00:29:59] talking only about discretionary  
[00:30:01] overtime. There's some overtime that's  
[00:30:02] mandatory. You know you have a snowstorm  
[00:30:05] or what you need people in. But for day  
[00:30:08] to day stuff that's a little bit overdue  
[00:30:11] and it's going to be early 2026 before  
[00:30:14] those are addressed. Utilities  
[00:30:17] management, we talked about a water leak  
[00:30:21] on the aviation side and you know a  
[00:30:24] couple years ago in an audit from last  
[00:30:28] year and we recommended leak detection  
[00:30:30] systems. Well those are going to take  
[00:30:32] some time and they're. Well, they're  
[00:30:36] scheduled to be done by the end of this  
[00:30:37] year. But nonetheless on the maritime  
[00:30:40] side we did have a leak of about 2.68  
[00:30:43] million gallons which. And they're  
[00:30:47] really hard to detect if they're under  
[00:30:48] the piers because you don't see them

[00:30:51] until you start seeing water bills and  
[00:30:52] you try to understand why. So is there  
[00:30:55] an opportunity to put in a leak  
[00:30:57] detection system that flags it if you do  
[00:30:59] have a pressure blowout and you've got  
[00:31:01] water leaking. So 2.68.  
[00:31:04] We use about  
[00:31:08] 12 million gallons a month. So it's  
[00:31:11] about 20% if you maritime water  
[00:31:15] usage that a little over 20 that you're  
[00:31:19] losing when you miss something like  
[00:31:20] this. But it is caught and addressed. I  
[00:31:22] just wanted to kind of point that out to  
[00:31:24] you. That's our follow up. If you have  
[00:31:27] any questions and follow up. Happy to  
[00:31:29] take those. I can. Any questions on  
[00:31:32] those? Go ahead Sarah. Question on  
[00:31:36] the second one. So the due date for this  
[00:31:39] overtime policy was beginning of the  
[00:31:42] year. When did we issue this  
[00:31:43] recommendation? Like how long do we.  
[00:31:45] This was in 2024. About mid year of  
[00:31:49] 2024. Okay. So we gave aye. six months  
[00:31:52] and then it was supposed to be due in  
[00:31:54] January and it's now I assume the status  
[00:31:57] is current. So as of July and we do have  
[00:32:00] still somebody from Ryan Pasaruski  
[00:32:04] from aviation Maintenance that can speak  
[00:32:05] to it if need be. But go ahead sir. I  
[00:32:08] guess I just. This was a big one that I  
[00:32:10] remember really significant overtime  
[00:32:14] amounts for some people in some cases.  
[00:32:15] Yes. And it. There was a lot of reasons  
[00:32:20] why that didn't really make sense and  
[00:32:21] kind of ties in with number one on like  
[00:32:24] reviewing having controls kind of all  
[00:32:26] together. And it's concerning to me that  
[00:32:29] you know they had six months to figure  
[00:32:32] out a process for this. And then it's  
[00:32:34] been another going on seven months and  
[00:32:36] we still don't have it. And then again,  
[00:32:39] tied in with the first one that was due  
[00:32:41] in April and we're still not there.  
[00:32:45] I guess I would like to see a little bit  
[00:32:47] more definition around what's the  
[00:32:49] timeline for this and what is really  
[00:32:51] taking so long to make this happen. So  
[00:32:53] I'm going to ask Ryan to come up and  
[00:32:55] talk a little bit about it on behalf of  
[00:32:59] Aviation Maintenance. Ryan, if you can  
[00:33:02] introduce yourself. Good afternoon,  
[00:33:04] Commissioners Public member. I'm Ryan  
[00:33:06] Pazyewski with Aviation Maintenance.  
[00:33:08] I'm the electrical director for the  
[00:33:11] division or for the department.  
[00:33:14] So with this one, there's just.  
[00:33:17] I just want to make sure we're clear as  
[00:33:20] far as administering the what.  
[00:33:24] What's been requested by audit that's  
[00:33:27] being done currently. So for instance,  
[00:33:29] the first one there as far as the review  
[00:33:33] of time. So we've transferred  
[00:33:36] that work to our management team

[00:33:39] who is now conducting that review. So we  
[00:33:43] have various orgs in our department, so  
[00:33:47] we have various managers in our  
[00:33:48] department that are all doing this level  
[00:33:51] of work now. And we are kind of finding  
[00:33:54] that happy medium of where that level  
[00:33:57] needs to be. Some are really diving into  
[00:34:00] the time sheets and some aren't.  
[00:34:03] And that's based on basically the  
[00:34:05] contracts and the line of the business.  
[00:34:06] So we are doing that level of review  
[00:34:10] that's happening now. So I think in the  
[00:34:12] spirit of this audit, I think we've made  
[00:34:15] that adjustment. It's just as far as  
[00:34:16] codifying it into a process, into our  
[00:34:20] work rules. That's where we need a  
[00:34:22] little bit more time. We were doing an  
[00:34:25] active audit of our work rules before  
[00:34:29] the cyber event. Unfortunately, the  
[00:34:31] cyber event kind of side derailed that  
[00:34:34] effort. So we just got back into it  
[00:34:38] since that has happened. And we  
[00:34:41] are incorporating this kind of hand at  
[00:34:44] the same time to kind of build that.  
[00:34:45] Now the work rules are for the whole  
[00:34:47] department, so. So they reach into every  
[00:34:49] line of our business. So obviously we  
[00:34:52] have to have those discussions with  
[00:34:53] every line of the business of how it  
[00:34:55] impacts them based on the work they do.  
[00:34:58] For instance, we have CDL drivers versus  
[00:35:01] just warehouse attendants. The amount of  
[00:35:03] work that those people can do varies  
[00:35:06] just based on the severity of the danger  
[00:35:09] there. So we're looking at that. As far  
[00:35:11] as the overtime P submission, we've also  
[00:35:14] implemented a second level approver on  
[00:35:17] excessive overtime. So that body of work  
[00:35:20] is also being done real time. It's just  
[00:35:22] not codified within the work rule  
[00:35:25] process that's what we need some more  
[00:35:26] time is just that administrative effort.  
[00:35:33] What are you considering like that  
[00:35:36] higher level or excessive overtime for  
[00:35:38] that secondary review? How much, how  
[00:35:41] many hours or what's the cutoff point  
[00:35:43] there? So, you know, we. What I was  
[00:35:46] explaining to Glenn earlier today is  
[00:35:48] that with our business, we're 24  
[00:35:51] 7, so we have three shifts and a  
[00:35:56] lot of times staff on those shifts will  
[00:36:00] pick up shifts. They'll split shifts if  
[00:36:03] we're short for whatever reason, sick  
[00:36:06] leave or whatever. So they'll split the  
[00:36:08] follow on shift or come in early for  
[00:36:10] that shift. So our staff works generally  
[00:36:13] at either an 8 hour workday or a 10 hour  
[00:36:15] workday. So if they split a shift, that  
[00:36:18] would take a 10 hour workday person up  
[00:36:20] to 15 hours. So we feel, depending on  
[00:36:24] the work, we think 15 hours is an  
[00:36:28] appropriate amount of time. So it allows  
[00:36:30] the members to spend split those shifts,

[00:36:32] which works out really well when we need  
[00:36:35] that extra coverage due to staffing  
[00:36:38] shortfalls. Anything more than that, we  
[00:36:41] think, you know, obviously there'll be a  
[00:36:43] second level approval if they work two  
[00:36:45] shifts. That'd be more of an emergency  
[00:36:47] type of situation that we would need to  
[00:36:49] get another look. And the way our  
[00:36:52] department is layered, we have that  
[00:36:56] ability to take it from just the  
[00:36:59] frontline managers to that next level to  
[00:37:01] approve any of those special cases per  
[00:37:04] se. And like I said, that's all  
[00:37:05] happening now. It's just codifying it in  
[00:37:08] the into a process is what we're kind of  
[00:37:11] dealing with.  
[00:37:15] All right, thank you. And then I presume  
[00:37:19] if this isn't closed by the next  
[00:37:21] meeting, we'll review it again. Yes,  
[00:37:24] I'm hoping. Well, it'll be closed by  
[00:37:27] the next meeting or that'll be in  
[00:37:29] December time frame when we bring it up  
[00:37:32] again. So obviously we think we can do  
[00:37:38] it in the next few months. But we just  
[00:37:40] wanted to, like Glenn was saying, if we  
[00:37:42] could. We wanted to state it early next  
[00:37:45] year, but we think we can be more  
[00:37:47] aggressive on that. Like I said that  
[00:37:48] we're having those conversations weekly.  
[00:37:50] We're making good progress. There's  
[00:37:52] nothing that's come to a grinding halt.  
[00:37:55] So the forward momentum  
[00:37:58] is there to complete this by the end of  
[00:38:00] the year. So we should. I would say we  
[00:38:02] have a strong chance of having some sort  
[00:38:05] of conclusion to this by the next  
[00:38:07] meeting. Okay, well,  
[00:38:10] Sarah's going to be really angry. By the  
[00:38:12] sound, it's not. So better get it  
[00:38:14] cleaned. We know Sarah likes the  
[00:38:18] timelines and we appreciate your  
[00:38:21] willingness to continue to hammer us on  
[00:38:24] that. So thank you, Sarah. All right.  
[00:38:26] Appreciate it, Ryan. Thanks for coming.  
[00:38:27] Thanks, Ryan. Appreciate it.  
[00:38:31] Next item,  
[00:38:37] item five, if you want to introduce it,  
[00:38:40] Commissioner,  
[00:38:45] item five on the agenda is the approval  
[00:38:48] of the 2025 audit. Okay,  
[00:38:51] commissioners, so to provide you with a  
[00:38:54] quick overview, we're mid year through  
[00:38:56] and everything in green is done,  
[00:38:59] Everything yellow is in progress and  
[00:39:02] orangish pinkish shading has yet to be  
[00:39:05] kicked off and started. Now, on the next  
[00:39:08] slide, I'm going to highlight a few more  
[00:39:10] things that that we're making, some  
[00:39:12] tweaks that we're making. Next slide,  
[00:39:14] please, Michelle. So the  
[00:39:18] critical items here that we're doing on  
[00:39:22] the limited contract compliance side,  
[00:39:25] they've been going reasonably smoothly.



[00:39:27] So we're actually moving a few audits up  
[00:39:31] from our contingency plan. And you'll  
[00:39:34] see Littrell's Flight Kitchen, the  
[00:39:37] Yarrow Group and Suns Inc. That'll be  
[00:39:39] moved up to the main plan.  
[00:39:41] Additionally, in the blue column on  
[00:39:44] Performance Community Initiatives,  
[00:39:47] while that's completed, we just renamed  
[00:39:52] the title and fine tuned the title a  
[00:39:53] little bit to Community Initiatives Dash  
[00:39:56] and new Terminal 91. We had  
[00:40:02] something an audit on construction  
[00:40:06] solicitation bidding, and we combined  
[00:40:07] that into the terminal 91 berth  
[00:40:09] certificates and eight audits. So we'll  
[00:40:11] pick that up within that audit. And then  
[00:40:13] we added an audit for the Club at SEA  
[00:40:17] under Performance Capital at the bottom  
[00:40:19] there. And that was primarily because  
[00:40:21] it's a new GCCM project that's in  
[00:40:25] process at the airport and we were asked  
[00:40:29] to look at it by construction  
[00:40:30] Management. So they asked if we could  
[00:40:32] come in and help them out. So that was  
[00:40:33] added to the plan and we picked it up in  
[00:40:35] that manner. I'm going to go ahead and  
[00:40:38] go to the next slide and just highlight  
[00:40:40] a few more things,  
[00:40:43] essentially internal audit capital. So  
[00:40:46] we do look at GCCM projects on a  
[00:40:49] continuous basis. Nothing's changed  
[00:40:52] here. These are just continuous audits  
[00:40:54] that we continue to work on and they're  
[00:40:56] all under contract and being actively  
[00:40:58] worked. And in December we'll give you a  
[00:41:01] readout on some of the. But for right  
[00:41:02] now, that's it. There were those minor  
[00:41:05] changes in the previous slide. And I'll  
[00:41:08] take any questions or I'll take your  
[00:41:10] approval on it. That was it.  
[00:41:14] No objections. All right,  
[00:41:18] Sarah, do you have any questions on it  
[00:41:20] before we go to vote? All right, I have  
[00:41:24] no questions on this item. So we are.  
[00:41:27] I'm going to ask for a motion to approve  
[00:41:29] the proposed plan. Still moved and  
[00:41:31] seconded. The motion has been made and  
[00:41:34] seconded. Is there any Objection to  
[00:41:35] approval of the motion. None. Hearing  
[00:41:38] none. The motion is approved. All right,  
[00:41:42] for the next item, we're moving into our  
[00:41:44] performance audit section of the agenda.  
[00:41:46] Item number six is a performance audit  
[00:41:48] for community initiatives Anew. Go  
[00:41:50] ahead, Glenn, take the floor. Thank you,  
[00:41:52] Commissioners. The first audit that  
[00:41:55] we're going to talk about is Anew. So  
[00:41:59] one of the things we had in the plan was  
[00:42:03] to look at community initiatives and  
[00:42:04] look at, you know, randomly pick  
[00:42:07] something and assess the controls. Of  
[00:42:10] that we did select a new. We narrowed  
[00:42:14] our scope to just one and a little

[00:42:16] background on a new.  
[00:42:20] Essentially, Anew was created. It's a  
[00:42:23] very old organization, but to help  
[00:42:27] initially women and then eventually  
[00:42:29] women and people of color into non  
[00:42:33] traditional careers like construction,  
[00:42:35] manufacturing, more representative jobs.  
[00:42:37] We have two contracts with them and each  
[00:42:40] has a corresponding delivery with a  
[00:42:42] predetermined unit cost. So you complete  
[00:42:44] this and you get paid an X amount for  
[00:42:46] completing, and that's all tied to the  
[00:42:48] contract. So Anew submits an invoice to  
[00:42:52] the port with a narrative as to what  
[00:42:53] they did and what part of the contract  
[00:42:55] they met and then there's payment on  
[00:42:58] that behalf. You know, whilst I'm going  
[00:43:01] to jump ahead and say on the new side,  
[00:43:04] we looked at their reporting and the  
[00:43:07] deliverables, so they provide a report  
[00:43:09] to the port telling the port what  
[00:43:11] they've accomplished. And we looked at  
[00:43:14] that report to verify that they actually  
[00:43:16] did what they said they did in that  
[00:43:18] report. And we didn't find any issues in  
[00:43:21] their reporting to the port. We did find  
[00:43:24] some opportunities on the port side  
[00:43:26] though, which we're going to talk about  
[00:43:28] and how we can improve our internal  
[00:43:29] processes with these contracts. And  
[00:43:32] Bookta and Anna are here to talk about  
[00:43:35] it after I'm done. But from a very high  
[00:43:38] level, some of these are already being  
[00:43:40] addressed if they're not already  
[00:43:41] addressed. So these tie into a previous  
[00:43:44] audit and OEDI already has processes in  
[00:43:48] place or they're building processes to  
[00:43:51] address these. An example would be an  
[00:43:53] invoice for 19,000 that was paid for  
[00:43:57] an outreach event that was supposed to  
[00:43:59] be held. I say the issue is addressed  
[00:44:02] because the controls have been put in  
[00:44:04] place. As far as the outreach event, I  
[00:44:06] don't believe it's done yet. It's been  
[00:44:08] held yet. But you know, the payment was  
[00:44:10] made before the event, which from  
[00:44:14] a government agency perspective, you've  
[00:44:16] got to meet that contract deliverable  
[00:44:17] before you make the payment. So it's  
[00:44:19] just improvements on our side. Next  
[00:44:23] slide, please, Michelle. From a very  
[00:44:26] high level, these are the two contracts  
[00:44:28] that we have one is for leadership  
[00:44:31] development, the other is for  
[00:44:33] construction worker outreach and  
[00:44:35] training. So the top one, the smaller  
[00:44:38] one for 199,000 is for leadership  
[00:44:42] development and the second larger  
[00:44:44] contract is for construction worker  
[00:44:46] outreach and training. Next slide  
[00:44:49] please, Michelle. So the key elements,  
[00:44:52] Commissioners, again, these are  
[00:44:55] relatively small and maybe in substance

[00:44:59] some of these are being met. But you  
[00:45:03] know, when contracts are modified and  
[00:45:05] changed, there's oftentimes verbal  
[00:45:07] agreement without written documentary  
[00:45:10] evidence. So the issue with that is  
[00:45:12] while it's, you know, when it isn't  
[00:45:15] documented or written down, agree and  
[00:45:18] the contract says one thing and we're  
[00:45:19] doing something else, it becomes, it  
[00:45:22] could become an issue in the future when  
[00:45:24] there's a disagreement. So in this  
[00:45:27] particular case, the RCW and the  
[00:45:31] contract required an annual report and  
[00:45:33] whilst there's monthly communication  
[00:45:35] between the groups and information is  
[00:45:37] being shared on a monthly basis, that  
[00:45:39] annual report wasn't there. And again,  
[00:45:43] like I said, it's form, it's just an RCW  
[00:45:46] requirement and the contract requires  
[00:45:49] it. So her suggestion is either,  
[00:45:54] well, we have to comply with the RCW and  
[00:45:57] you know, if we're not going to do that,  
[00:45:58] well, we have to do it. Next slide,  
[00:46:01] please.  
[00:46:05] You know, another smaller item was there  
[00:46:09] was supposed to be three reports of  
[00:46:11] employee requirements capacity. Three  
[00:46:15] reports, employee requirements capacity  
[00:46:17] and placement feasibility. And ANEW was  
[00:46:21] supposed to engage contractors, three  
[00:46:23] different ones, and put a report  
[00:46:24] together. Well, you know, there was  
[00:46:26] verbal discussion and they did something  
[00:46:30] a little bit different by having  
[00:46:32] discussions with 12 different employers  
[00:46:34] and there was one report submitted. So  
[00:46:37] while it was different from the  
[00:46:39] contract, what was required of the  
[00:46:41] contract, there was discussion with OEDI  
[00:46:44] and there was verbal agreement to do it  
[00:46:46] in one report. So, you know, what we  
[00:46:50] suggested is if, again, if you're going  
[00:46:52] to change what the contract deliverable  
[00:46:53] say, just put it in writing so you have  
[00:46:56] some sort of agreement there,  
[00:46:58] relatively small. And OEDI is addressing  
[00:47:02] these. So I'm going to jump to the next  
[00:47:04] slide and Anna, and either if you want  
[00:47:07] to talk a little bit about what you're  
[00:47:11] doing and your response, that would be  
[00:47:13] great. Thank you. Thank you,  
[00:47:17] Glenn. Commissioners and public  
[00:47:20] committee member Anna Pavlik. I'm the  
[00:47:22] Workforce Development Director here in  
[00:47:24] the Office of Equity, Diversity and  
[00:47:26] Inclusion to the points Glenn has made.  
[00:47:29] Contract management to me is both an art  
[00:47:32] and a science. And on the science end of  
[00:47:34] things, we, we are still working to  
[00:47:36] tighten up our standard operating  
[00:47:38] procedures, both on the procurement  
[00:47:41] side, the contract management side and  
[00:47:43] the contract monitoring side. We're

[00:47:45] making progress on all fronts and many  
[00:47:50] of those procedures are in place, but  
[00:47:52] some are still under review. In  
[00:47:54] addition, staff training. Right. There  
[00:47:57] is a science to ensuring that all staff  
[00:47:59] who report to me have a very clear  
[00:48:01] understanding of what invoices to  
[00:48:03] approve and which ones not. And so we've  
[00:48:06] conducted that training. And then since  
[00:48:08] I came on board a little over a year  
[00:48:11] ago, I've been reviewing every draft,  
[00:48:13] scope of work prior to it being signed  
[00:48:16] into contract to ensure that there's  
[00:48:18] standardized review of every deliverable  
[00:48:21] and every plan we have in place. And  
[00:48:25] then in working with some of these  
[00:48:26] community based organizations that we  
[00:48:28] work with, that's more of the art of it.  
[00:48:29] Right. Is ensuring that we do what we  
[00:48:33] can to be flexible to changing  
[00:48:36] labor market conditions, changing needs  
[00:48:40] of the organizations we work with and  
[00:48:42] the participants they serve. So we're  
[00:48:44] working with the central procurement  
[00:48:46] office to see if there are more  
[00:48:48] efficient ways to enact very small non  
[00:48:52] material changes like the reporting  
[00:48:54] items that Glenn mentioned.  
[00:48:58] Any questions on this audit?  
[00:49:03] Thank you, Anna for providing those  
[00:49:05] details and Glenn for introducing the  
[00:49:06] item. Glenn, when you said, you know,  
[00:49:10] there was changes that were made to the  
[00:49:11] contract and you'd, you, your  
[00:49:14] recommendation is for it to be written.  
[00:49:16] Is that like an amendment to the  
[00:49:19] contract or is just like a email  
[00:49:21] sufficient? What direction are you guys  
[00:49:22] giving? Well, it needs to be documented  
[00:49:24] in some manner, ideally depending on  
[00:49:29] how big the change is. If you're making  
[00:49:31] a material change, you'd probably want  
[00:49:34] to get an amendment or amend the  
[00:49:36] contract. If it's immaterial and it's  
[00:49:37] relatively small, just put it in  
[00:49:43] Thank you. Two questions. I think  
[00:49:48] to kind of understand the context of,  
[00:49:49] of this conversation and relationship  
[00:49:53] with ANEW helps me to understand roughly  
[00:49:55] how many employees Anew has.  
[00:49:58] It varies. I'd say they're probably  
[00:50:00] around 35 right now. Okay.  
[00:50:04] And something I'm sympathetic  
[00:50:08] to when I think about community based  
[00:50:10] organizations is a lot of these are  
[00:50:13] bootstrapped volunteer,  
[00:50:17] you know, tons of volunteer resources  
[00:50:19] put into even critical functions like  
[00:50:21] some of the management roles. Boards can  
[00:50:23] be really intensively involved in the,  
[00:50:25] in sort of guiding compliance and that  
[00:50:28] kind of stuff. And so Glenn, when you  
[00:50:29] and I spoke, you talked about some

[00:50:33] recommendations for ensuring that your  
[00:50:35] board composition reflects the things,  
[00:50:37] the supports you need from a, even from  
[00:50:40] sort of technical, professional  
[00:50:43] standpoint. Accountants, lawyers,  
[00:50:46] clergy, you know, whoever you feel like  
[00:50:49] you need to really support the mission  
[00:50:51] from a technical standpoint. And I  
[00:50:53] really took away from that. You know,  
[00:50:56] that is an area where I know  
[00:51:00] there's great groups working in the area  
[00:51:02] to help nonprofits develop good boards  
[00:51:06] for their needs. And so I don't know how  
[00:51:08] much we emphasize that with them, but I  
[00:51:11] do think that's a really important  
[00:51:12] piece. And as organizations grow, you  
[00:51:16] aye. these threshold points where  
[00:51:17] compliance significantly increases. And  
[00:51:20] I think there's a lot of mistakes made,  
[00:51:23] maybe because of ignorance where you've  
[00:51:27] been doing it a certain way and then you  
[00:51:29] aye. 15 employees or X amount of revenue  
[00:51:32] and and all of a sudden you're in a new  
[00:51:33] category and didn't realize it and a  
[00:51:35] year or two may go by before it gets  
[00:51:37] caught. And so I think to the extent and  
[00:51:41] kudos to Commissioner Mohamed for really  
[00:51:44] emphasizing this in our work with CBOs,  
[00:51:47] if we choose to work with CBO's,  
[00:51:49] there's a bit of an obligation on our  
[00:51:52] part to ensure that they have the  
[00:51:53] capacity to work with the public agency  
[00:51:56] and to ensure sure that we provide them  
[00:51:59] with the kind of training to the extent  
[00:52:03] that we create additional compliance  
[00:52:07] costs for them, just making sure that  
[00:52:11] they're aware of it as they go into that  
[00:52:13] relationship, maybe even before we sign  
[00:52:14] the contract. And Commissioner, if I can  
[00:52:18] add to that, to your opening point,  
[00:52:21] there's. It just so happened I was  
[00:52:24] reading a fraud magazine. It's what us  
[00:52:26] accounting geeks do from time to time.  
[00:52:28] But it did talk. Not. Yeah,  
[00:52:31] but it was. What is it called? Just  
[00:52:34] fraud. Oh, just. Yeah, it's called from  
[00:52:37] the acfe, their monthly fraud magazine.  
[00:52:40] What's going on in the industry and what  
[00:52:42] trends are happening. Yeah, but just  
[00:52:43] it's really interesting. It does tell  
[00:52:46] you give you guidance as to different  
[00:52:49] things that are happening in government  
[00:52:50] and non government agencies. But there  
[00:52:52] was a big emphasis, an article on CBO's  
[00:52:57] and the fraud that they're experiencing,  
[00:52:59] both targets externally and internally.  
[00:53:02] And it's not just in the Seattle market.  
[00:53:04] It was happening in Spokane, across the  
[00:53:06] country. So to Commissioner Mohammad's  
[00:53:09] initiative, one of the things we did is  
[00:53:11] after the work we did, we did sit down  
[00:53:14] with the executive director and had a  
[00:53:15] list of opportunities for them to look

[00:53:18] at and improve on their controls. And  
[00:53:21] you know, it was, you don't have to do  
[00:53:24] these. These would just make you  
[00:53:25] stronger and better. These are things to  
[00:53:27] consider. And we provided a list to the  
[00:53:29] executive director. And one of the  
[00:53:31] things was, yeah, maybe, you know, it  
[00:53:33] would be a good idea to have someone  
[00:53:34] with finance expertise on your board so  
[00:53:37] you can catch things a little bit  
[00:53:38] easier. And there were a series of other  
[00:53:42] recommendations, recommendations that  
[00:53:43] she really appreciated. So something we  
[00:53:46] do on the site. All right,  
[00:53:50] thanks for the presentation on that.  
[00:53:52] We're going to move to item number  
[00:53:55] seven, which is a performance audit for  
[00:53:57] the Maritime Innovation center project.  
[00:53:59] Thank you, Anna.  
[00:54:03] Commissioners. Thank you,  
[00:54:04] Commissioners. On this audit, I'm going  
[00:54:06] to ask Spencer Bright, who's our Capital  
[00:54:09] Audit Manager, to come up and talk a  
[00:54:11] little bit about what he saw and you  
[00:54:16] know, the Maritime Innovation center as  
[00:54:18] a whole, the construction audit work  
[00:54:20] that he did with that. Spencer,  
[00:54:22] introduce yourself and it's all you.  
[00:54:23] Good afternoon, commissioners and Ms.  
[00:54:26] Holmstrom. I'm Spencer Bright, Capital  
[00:54:28] Projects Audit Manager.  
[00:54:31] The Maritime Innovation center project  
[00:54:34] is being performed using a design bid  
[00:54:38] build delivery method and was originally  
[00:54:41] contracted at 20.5 million. Its  
[00:54:45] objective is to modernize a historic  
[00:54:48] building at Fisherman's Terminal,  
[00:54:50] transform transforming it into a visitor  
[00:54:53] center and achieving green certification  
[00:54:56] goals. Overall, we found that the Ports  
[00:55:00] construction Team demonstrated strong  
[00:55:03] alignment with established policies and  
[00:55:05] procedures in its monitoring,  
[00:55:08] compliance and internal controls,  
[00:55:11] particularly regarding payment  
[00:55:13] processing and documentation of change  
[00:55:17] order approvals. One notable instance  
[00:55:22] involved the project's security  
[00:55:24] services, which were initially handled  
[00:55:27] by American Guard Services. Although the  
[00:55:31] security budget was set at \$250,000  
[00:55:35] with a monthly cost of approximately  
[00:55:38] \$13,000, AGS was removed  
[00:55:42] after multiple break ins and other  
[00:55:47] performance concerns.  
[00:55:50] Subsequently, a change order reassigned  
[00:55:53] security responsibilities to the general  
[00:55:55] contractor, which resulted in a cost  
[00:55:58] increase of approximately \$116,000  
[00:56:03] to the port. We are not citing this as  
[00:56:08] a reportable issue as the Port's  
[00:56:10] construction team acted decisively and  
[00:56:13] proactively once it became evident that



[00:56:18] American Guard Services was not meeting  
[00:56:20] expectations. Next slide please.  
[00:56:29] Another noteworthy instance involved the  
[00:56:32] initial use of custom specifications  
[00:56:35] rather than port standard templates.  
[00:56:38] This resulted in a change order of  
[00:56:41] approximately \$105,000.  
[00:56:45] When this issue surfaced, the Port's  
[00:56:47] construction team collaborated closely  
[00:56:50] with the contractor to proactively  
[00:56:52] resolve the matter and ensure the  
[00:56:56] project's continued progress. Moving  
[00:56:59] forward, the project team intends to use  
[00:57:02] standard specifications on future  
[00:57:04] projects to help mitigate the risk of  
[00:57:07] similar occurrences. Next slide please.  
[00:57:13] We are reporting one low rated  
[00:57:15] observation pertaining to the  
[00:57:17] documentation of unit priced items.  
[00:57:21] Of the \$200,000 spent on soil disposal,  
[00:57:25] supporting documentation for  
[00:57:27] approximately \$2,400 was not provided.  
[00:57:31] This minor discrepancy serves as  
[00:57:34] evidence that overall, the port's  
[00:57:37] review process remains effective and  
[00:57:39] well managed. Next slide please.  
[00:57:45] The Port construction team concurred  
[00:57:48] with our observation and recommendation  
[00:57:50] and secured a credit on the May 2025 pay  
[00:57:53] application. It is important to mention  
[00:57:57] that the team implemented a thorough  
[00:58:00] closeout process including the  
[00:58:02] reconciliation of unit price changes,  
[00:58:06] making it likely that this discrepancy  
[00:58:09] would have been identified by the  
[00:58:13] Ports Construction Team prior to the  
[00:58:17] final payment once this project closes  
[00:58:24] All right, any questions on this  
[00:58:27] relatively clean audit?  
[00:58:30] All right, thank you so much, Spencer.  
[00:58:36] All right, number item number  
[00:58:39] eight on the agenda is an information  
[00:58:41] technology audit. This item will be  
[00:58:43] discussed in closed session after the  
[00:58:45] public session adjourns. Due to the  
[00:58:46] security sensitive nature of the item as  
[00:58:49] such, we'll now move on to the next  
[00:58:51] order of business. Items 9 through 12  
[00:58:55] are limited contract compliance audits.  
[00:58:57] Generally these audits are not discussed  
[00:58:59] unless there are issues. Mr. Fernandez,  
[00:59:02] is there anything with these audits that  
[00:59:03] you would like to bring to the committee  
[00:59:04] at this time? Not today, Commissioner.  
[00:59:08] So, all right, are there any questions  
[00:59:10] from our committee members at this time  
[00:59:12] with respect to those audits?  
[00:59:14] Okay, that brings us to the end of  
[00:59:18] our public session.  
[00:59:22] Glenn, do you have any closing comments?  
[00:59:25] Just want to thank both your  
[00:59:28] commissioners and Sarah especially for  
[00:59:31] driving in and volunteering from

[00:59:33] Anacortes. So thank you so much for  
[00:59:36] being here. All right, any closing  
[00:59:40] comments from committee members for the  
[00:59:41] public? Just a thank you to all the  
[00:59:44] presenters and it was great to hear we  
[00:59:46] had a clean audit. That's always God.  
[00:59:47] Excellent. Thank you. Hearing no further  
[00:59:51] comments, we'll now recess into the non  
[00:59:53] public portion of our meeting to discuss  
[00:59:54] audit matters related to security  
[00:59:56] sensitive information. The non public  
[00:59:59] portion of the meeting will last  
[01:00:00] approximately 30 minutes and the meeting  
[01:00:02] will adjourn with no further business  
[01:00:03] after that time. Participants joining  
[01:00:06] the non public portion of the meeting  
[01:00:07] via Microsoft Teams, please close out  
[01:00:10] this meeting link and join the 4:15pm  
[01:00:12] teams meeting meeting invitation for  
[01:00:15] everyone joining in the physical meeting  
[01:00:16] room please proceed to the third floor  
[01:00:18] Conference Room 3 CC01. The current time  
[01:00:22] is 4:13pm.

END OF TRANSCRIPT