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**APPROVED MINUTES
AUDIT COMMITTEE SPECIAL MEETING
July 15, 2025**

The Port of Seattle Commission Audit Committee met in a special meeting July 15, 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 Hamdi Mohamed, and Public Member Sarah Holmstrom (non-voting).

1. Call to Order:

The committee special meeting was called to order at 3:12 p.m. by Commissioner Calkins. The agenda was approved without objection.

**Internal Audit Department presentation contains information for Agenda Items 4 through 13.*

2. Approval of Audit Committee Meeting Minutes of December 5, 2024 and March 18, 2025.

The minutes of the Audit Committee special meetings of December 5, 2024, and March 18, 2025, were approved without objection.

EXTERNAL AUDITS

3. Moss Adams – 2024 Financial Statement Audit Results

Presenters:

Olga Darlington, Engagement Partner, Moss Adams

Olga Darlington, Engagement Partner, Moss Adams, shared the results of the Port of Seattle's most recent 2024 financial statements audit for 2024. The presentation overviewed:

- reports issued including – Financial Statements for Enterprise Fund and Warehousemen's Pension Trust Fund; Internal Controls over Financial Reporting and on Compliance and Other Matters; Compliance for Major Federal Program and on Internal Control Over Compliance; Schedule of Expenditures of Federal Awards Required by Uniform Guidance; Schedules of Passenger Facility Charges (PFC) Receipts and Expenditures and Related Internal Controls; and Schedule of Net Revenues Available for Revenue Bond Debt Service;

- 'agreed upon procedures' reports to be issued;
- areas of audit emphasis including the internal control environment; management estimates; Northwest Seaport Alliance Joint Venture; capital assets; bond activity; environmental remediation liability; revenue recognition; airlines lease and operating agreements; compensated absences; fiduciary activities; and single audit for the FAA Airport Improvement Program; and
- required communications and government auditing standards.

Discussion ensued regarding:

- all audits receiving a clean report;
- influence of cyberattacks on audit controls;
- sample size of audits;
- the auditor's review of Port depreciation schedules; and
- any reporting done to the federal government and if there have been any issues working with federal agencies.

UPDATES AND APPROVALS

4. Open Issue Status

Presenters:

Glenn Fernandes, Internal Audit Director

Internal Audit Director, Glenn Fernandes, highlighted open issues, including time approval controls and utilities management. Items of note on the open issues table included: Community Initiative – ANEW, and Terminal 91 Berths 6 and 8 (audits renamed to better align to scope); Terminal 91 Berths 6 and 8 (scope of Terminal 91 audit will include construction solicitation/bidding); Sun's Inc, The Yarrow Group, LLC, and Latrelle's Flight Kitchen, LP (Wendy's) (added to plans from contingency audit plan); and Club at SEA (addition to plan at request of construction management).

Discussion ensued regarding the due date for the 'overtime policy' and the deadline for establishing a process being overdue. Management advised that the adjustment has been made but is still pending codification into department policies/rules. Management noted that a second approver has been implemented to review and approve overtime. Discussion continued regarding split shifts and overtime. Audit Committee Members expressed their interest in seeing the audit closed once it has been fully addressed.

5. Approval of 2025 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 advised that some contingency audits are being moved to the main Audit Plan, including by request of Construction Management.

The motion, made by Commissioner Mohamed, to approve the update to the 2025 Audit Plan, carried by the following vote:

In favor: Calkins and Mohamed (2)

Opposed: (0)

PERFORMANCE AUDITS

6. Community Initiatives - ANEW

Presenters:

Glenn Fernandes, Director, Internal Audit

The presentation addressed:

- Apprenticeship and Nontraditional Employment for Women (ANEW) founded in 1980 with the goal of improving access and advancement of women and BIPOC people in non-traditional careers like construction and manufacturing;
- ANEW's process of submitting invoices with narrative summaries to the Port detailing what services were performed and what deliverables were provided;
- the Port's lack of formal process to verify accuracy of the reports and invoices, resulting in \$19,500 incorrectly paid;
- audit findings included: deliverables within the contracts were modified and changed verbally without evidence of written documentation and appropriate review; issues related to the annual reporting provision were found; lack of fulfilling the reporting requirement of three contractors and employers prior to implementation of a training program, which was replaced with verbal discussions and agreements to compile responses in one combined report; and the need to document contractual agreement changes; and
- controls which have been put in place.

Management responded that Port staff is being trained and management is reviewing scopes of work for division agreements and working with the Central Procurement Office to ensure that contract reporting and deliverables are addressed as recommended through the audit report.

Discussion ensued regarding ensuring contracted entities have oversight boards that support the mission of the non-profit and the Port's obligation to ensure success of the organizations in the community initiatives program.

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

7. Maritime Innovation Center Project

Presenters:

Glenn Fernandes, Director, Internal Audit

Spencer Bright, Internal Audit Manager

The presentation addressed:

- the Maritime Innovation Center's support of sustainable maritime growth and equity;
- renovations to the building to meet Living Building Challenge standards;
- monitoring performance of the building to achieve green certification goals;
- issues with American Guard Services, resulting in contractor change and a \$279,232 change order, a net cost increase of \$116,232;
- custom specifications for the project, later converting to standard specifications, which caused key

- issues including unique specifications were overwritten and aviation specifications added in error, and resulting omissions, inconsistencies, and a \$104,800 change order; and
- audit findings that the Port's review process of pay applications was generally effective, but some pay applications lacked support or had errors, leading to a \$2,460 overbilling.

Management responded that the team will use standard specifications at the onset of future projects; concurred with the auditor's recommendations; noted that a robust close-out process independently verifies all pay item documentation per the construction close-out process; and advised that the issue was resolved in the May 2025 progress payment.

It was noted that the Port construction team demonstrated strong alignment with policies and procedures, with the issue being with American Guard Services.

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

INFORMATION TECHNOLOGY AUDITS

8. Third-Party Risk Management (ICT and AVM)

Commissioner Calkins advised that Item 8 would be addressed in non-public session due to the security-sensitive nature of the item.

LIMITED CONTRACT COMPLIANCE AUDITS

- 9. **SSP America SEA, LLC (Ballard Brew Hall)**
- 10. **SSP America SEA, LLC (Mi Case Cantina)**
- 11. **SSP America SEA, LLC (Le Grand Comptoir)**
- 12. **SSP America SEA, LLC (Camden Food Co.)**

Glenn Fernandes, Internal Audit Director, advised that the Limited Contract Compliance Audit reports and data were provided, and that there was nothing of note on these audits to report.

13. Committee Comments

Director Fernandes thanked management for their participation in the audits and Public Member Sarah Holmstrom for her continued time dedicated to the Committee.

Commissioners Calkins and Mohamed thanked everyone for the meeting.

14. Adjournment

There being no further public business, the meeting recessed to non-public session at 4:13 p.m. Non-public session lasted approximately 30 minutes, and the meeting adjourned at 4:45 p.m. with no further action taken.

Prepared:

Attest:

Michelle M. Hart, MMC, Commission Clerk

Ryan Calkins, Audit Committee Chair

Minutes approved: September 16, 2025.