



Port of Seattle Commission
AUDIT COMMITTEE
July 15, 2025 – 3:00 p.m.

To be held in person at the Port of Seattle Headquarters
Building – Commission Chambers, Pier 69, 2711 Alaskan Way, Seattle, Washington.

You may view the full meeting live at meetings.portseattle.org.

To listen live from a remote location, call in at: +1 (206) 800-4046 or (833) 209-2690 and Conference ID 910 552 216#

Committee members:

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

Also attending:

Glenn Fernandes, Internal Audit Director
Aaron Pritchard, Chief of Staff, Commission Services
Michelle Hart, Commission Clerk
Aubree Payne, Deputy Commission Clerk

ORDER OF BUSINESS

1. Call to Order
2. Approval of Minutes – December 5, 2024 and March 18, 2025 (p.2)

External Audits

3. Moss Adams – 2024 Financial Statement Audit Results (Presentation) (p.13)
Olga Darlington, Engagement Partner

Updates and Approval (*Glenn Fernandes, Director, Internal Audit*) (Presentation – Items #4-13) (p.39)

4. Open Issue Status
5. Approval of 2025 Audit Plan Update

Performance Audits (*Glenn Fernandes, Director, Internal Audit; Spencer Bright, Manager, Internal Audit - Capital Audit*)

6. Community Initiatives - ANEW (Report) (p.60)
7. Maritime Innovation Center Project (Report) (p.69)

Information Technology Audits (*Glenn Fernandes, Director, Internal Audit; Ritika Marwaha, Manager, Internal Audit - IT*)

8. Third-Party Risk Management (ICT & AVM)¹ (Report)

Limited Contract Compliance Audits (*Glenn Fernandes, Director, Internal Audit*)

9. SSP America SEA, LLC (Ballard Brew Hall)² (Report) (p.76)
10. SSP America SEA, LLC (Mi Casa Cantina)² (Report) (p.82)
11. SSP America SEA, LLC (Le Grand Comptoir)² (Report) (p.88)
12. SSP America SEA, LLC (Camden Food Co.)² (Report) (p.94)

Concluding Business

13. Committee Comments
 14. Adjournment
-

¹Security Sensitive - Exempt from Public Disclosure per RCW 42.56.420 - Issue Not Discussed in Public Session

²Concession Audits without issues are generally not discussed



P.O. Box 1209
Seattle, Washington 98111
www.portseattle.org; 206.787.3000

**APPROVED MINUTES
AUDIT COMMITTEE SPECIAL MEETING
December 5, 2024**

The Port of Seattle Commission Audit Committee met in a special meeting December 5, 2024. 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 Callins, Commissioner Fred Felleman, and Public Member Sarah Holmstrom (non-voting).

1. Call to Order:

The committee special meeting was called to order at 10:00 a.m. by Commissioner Calkins. The agenda was approved without objection.

**Internal Audit Department presentation contains information for Agenda Items 5 through 13.*

2. Approval of Audit Committee Meeting Minutes of September 19, 2024

The minutes of the Audit Committee special meeting of September 19, 2024, were approved without objection.

EXTERNAL AUDITS

3. Moss Adams – 2024 Audit Entrance

Presenters:

Olga Darlington, Partner
Anna Waldren, Senior Manager
Connor McCauley, Audit Manager

The Moss Adams' team provided the committee with a 2024 Audit Entrance presentation. The presentation addressed scope of the audit services and responsibilities; the audit process; areas of audit emphasis; and the audit timeline. Commissioner Calkins inquired as to recommendations in relation to the 2024 Port cyberattack.

4. R.L. Townsend & Associates – Construction Audit Services Annual Report

Presenters:

Debbie Townsend, President and Executive Construction Cost Control Consultant
Patricia Farrell-Shear, Project Executive
Rachel Townsend-Smith, Senior Professional Associate

The R.L. Townsend and Associates team presented regarding construction audit services. The presentation addressed:

- projects reviewed to audit subcontractor invoices for maximum allowable subcontract costs - Main Terminal Low Voltage; Concourse C-1 Building Expansion; and Post IAR Airline Realignment Project;
- status and audit activities for each project; and
- issues identified.

Discussion ensued regarding:

- audit of maximum allowable subcontracts/actual billed costs;
- reconciliation of the low voltage project by looking at pay applications on a monthly basis to get the data, as well as looking at data as a whole in order to ascertain duplicates or other items assigned to job costs but not billed; and
- with respect to overscale rates – the decision was made to use payable/verified criteria against certified payroll or payroll registers, as ‘reasonable’ was a difficult threshold criteria to define.

Committee Member Sarah Holmstrom stated that a dollar value assigned to the errors would be helpful in future reports if the Port has agreed to pay above originally agreed upon rates. She expressed her concern about not having a way to determine if overscale rates are reasonably charged. Commissioner Felleman agreed that job description and pay rate should be defined and noted that it would also be helpful to have the number of receipts reviewed.

Discussion continued regarding it being helpful to understand why the Port approved overscale payments/rates. Commissioner Calkins asked to know the answer and for Internal Audit to get back to the Committee in this regard.

UPDATES AND APPROVALS

5. 2024 Audit Plan Update

Presenters:

Glenn Fernandes, Director, Internal Audit

Internal Audit Director Glenn Fernandes reported regarding the status of completion of the 2024 Audit Plan. He noted that the majority of the plan is complete with the exception of IT audits deferred due to the cyberattack in 2024.

6. Approval of Proposed 2025 Internal Audit Plan

Presenters:

Glenn Fernandes, Director, Internal Audit

Internal Audit Director Glenn Fernandes spoke regarding building annual audit plans in concert with Port priorities, risk and compliance-based plans, and best practices. Established frameworks are incorporated, risk interviews held, and proposed audits are tied to strategic objectives. Capital GC/CM continuous audits are conducted to confirm the proper accrual of costs with the Port procuring an independent auditor, providing oversight of the work performed, and assisting in fieldwork as needed. The independent auditor provides the Audit Committee with annual updates and final reports upon completion of each project. Director Fernandes concluded by noting that 4 IT audits and 2 contingency audits are included in the 2025 audit plan.

Discussion ensued regarding:

- including network monitoring and defense as a contingency audit in 2025;
- how Commissioner-requested audits are included in annual plans, the role that the Commission has in developing the plan, and the Audit Committee being able to add to or change the plan at any time;
- ensuring subcontracted grant obligations are being fulfilled;
- conducting audit follow-ups and evaluating how often following up results in correcting deficiencies;
- reviewing bids to see if they are surprisingly close and how audit addresses that scenario; and
- the importance of having appropriate information controls in place and educating staff on what information can and can't be shared, maintaining the Port's goal of being a welcoming port.

The motion, to approve the 2025 Internal Audit Plan, passed without objection.

In favor: Calkins and Felleman (2)

Opposed: (0)

7. Internal Audit Outreach Project Update

Presenters:

Glenn Fernandes, Director, Internal Audit

Director Fernandes provided an update regarding the project; noting that phase 3 in 2025 will be reaching out to small businesses in order to promote awareness and understanding of the Internal Audit process, emphasizing the importance of internal controls and risk mitigation through targeted outreach and education initiatives.

8. Open Issue Status

Presenters:

Glenn Fernandes, Director, Internal Audit

Director Fernandes stated that most of the open issues are IT-related and will be discussed in non-public session later in the meeting. He noted that on the operational side, there are only a couple of issues that are still open and presumes they will be closed out by the end of the month or early January.

PERFORMANCE AUDITS

9. Partner in Employment (Report)

Presenters:

Glenn Fernandes, Director, Internal Audit
Nikita Goyal, Senior Internal Auditor

The presentation addressed:

- the objective of the audit - to verify Partner in Employment (PIE) compliance with deliverables in contracts with the Port of Seattle;
- the audit was initiated - due to fund misappropriation allegations by a PIE employee;
- scope - three active contracts, totaling approximately \$509K, supporting refugee and immigrant services;
- PIE's Executive Director confirmation of misappropriation occurring between March and May 2024, but was only detected in late May;
- that PIE reported fraud to King County Sheriff's Department after the Whistleblower complaint was filed; and
- audit findings –
 - The figures, reported by PIE, did not accurately reflect the actual number of clients served and were materially inflated. PIE failed to maintain sufficient supporting documentation to substantiate the numbers reported to the Port, for clients served and related expenses.
 - There was no formal procedure in place to verify the accuracy of reports and invoices submitted to the Port.

Management advised that the three contracts are closing and that a nine-step plan will be implemented moving forward with all community-based contracts to ensure that solicitations and contracts have adequate language regarding what supporting documentation will be required and what site visits will look like to verify documentation. A number of standardized processes will also be implemented, with consultants onboarded in a clear way so that it is clear what deliverables are.

Discussion ensued regarding:

- how funding was paid out through the contract – a specified number of clients were to be served each month;
- contracts did not specify what occurred if the number of clients were not served, but these minimum requirements and terms will be included in future contracts;
- site visits needed to be in place as part of the monitoring plan throughout the life of the contract with supporting documentation provided;
- having another data point in performance audit reports indicating if management's responses are completed;
- restructuring grant programs and monitoring small business grants closely; and
- the Port continuing to assist businesses to understand the process in order to set them up for success.

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

10. Equity Policy Directive Compliance (Report)

Presenters:

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

The presentation addressed:

- the adoption of the Equity Policy Directive by the Commission in 2023;
- providing audits to ensure the directive is being carried out;
- training requirements – portwide compliance with the annual mandatory racial equity training stated within the directive is not being enforced, with only 453 employees, representing 19.6% of the Port, completing the mandatory EDI training requirement for the year;
- reporting data accuracy within the Port's learning management system;
- the Office of Equity, Diversity, and Inclusion reviewing training delivery to ensure employees are being trained effectively;
- providing opportunities for employees to learn valuable skills;
- 51 trainings provided/offered last year to employees;
- providing more opportunities for self-guided employee training in the future; and
- establishing procedures for addressing failure to complete training requirements.

Discussion ensued regarding:

- monitoring in-person attendance as training occurs;
- tracking future years' change in training; and
- mandating training and mandating managers' approach to supporting employee training.

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

11. Utilities Management – Port-Wide (Report)

Presenters:

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

The presentation addressed:

- the period of the audit – January 2023 – June 2024;
- mitigation and monitoring/billing process;
- maritime consumption increased from commencement of Terminal 5 operations;
- aviation consumption decreased from water leak;
- finding 1 – a leak detection monitoring system to identify and/or prevent water leaks from occurring does not exist; since 2020, management identified 13 leaks, the most significant of which began in 2021, lasted 15 months, and leaked approximately 155 million gallons;
- finding 2 – in 2019, an audit of utilities concluded that some meters were not functioning correctly and either needed to be replaced or repaired; of approximately 143 accounts, 12 remain broken and continue to be billed using estimates;

- finding 3 – a leak detection monitoring system to identify and/or prevent water leaks from occurring does not exist; unique to maritime, some infrastructure is positioned underwater, creating a greater challenge to identify and repair leaks.

Director Fernandes noted that management's responses are included in the report.

Discussion ensued regarding challenges in finding smaller leaks.

**Clerk's Note: Agenda Items 12 and 13 were not discussed in public session, with Director Fernandes noting that these audits included no findings. He further noted that Item No. 15 did have a nominal recovery amount noted.*

INFORMATION TECHNOLOGY AUDITS

14. Application Software Security

This item was discussed in non-public session following the public session.

16. Committee Comments

Director Fernandes thanked Commissioner Felleman for serving as an alternate for this committee meeting and Committee Member Sarah Holmstrom for volunteering her time on the committee.

17. Adjournment

There being no further public business, the meeting recessed to non-public session at 12:02 p.m. Non-public session lasted approximately 45 minutes, and the meeting adjourned at 12:50 p.m. with no further action taken.

Prepared:

Attest:

Michelle M. Hart, MMC, Commission Clerk

Ryan Calkins, Audit Committee Chair

Minutes approved: July 15, 2025.



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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

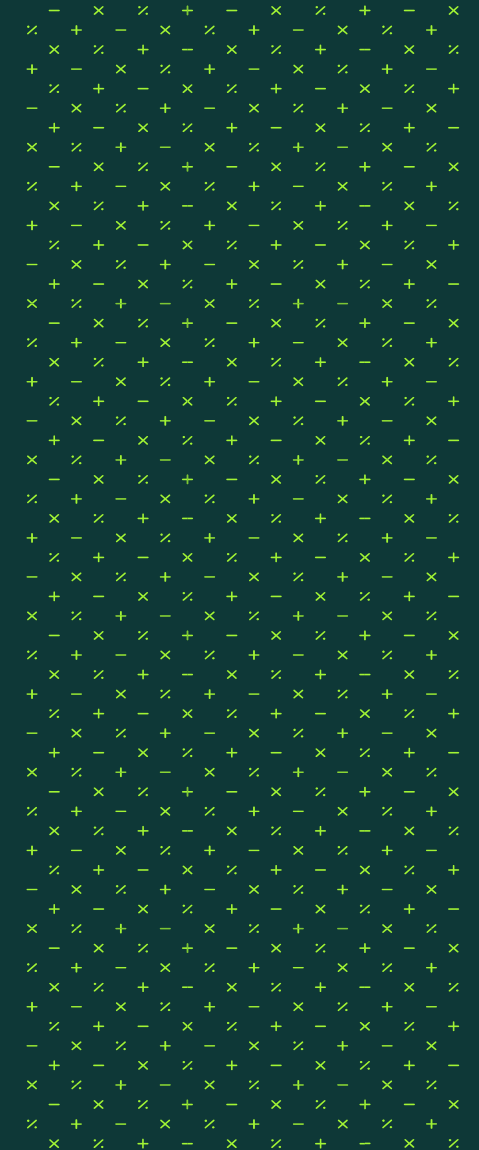
Minutes approved: July 15, 2025.



MOSSADAMS

Port of Seattle

Report on 2024 Financial Audit Results





Agenda

01 REPORTS ISSUED

02 AREAS OF AUDIT EMPHASIS

03 REQUIRED COMMUNICATIONS

04 OTHER MATTERS





Reports Issued

Auditor Reports Issued

Auditor Report on Financial Statements for the Enterprise Fund and the Warehousemen's Pension Trust Fund

- Unmodified opinion
- Dated June 26, 2025

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

- No internal control or compliance findings
- Dated June 26, 2025

Report on Compliance for the Major Federal Program and on Internal Control Over Compliance; Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance (Single Audit)

- No internal control or compliance findings
- The Schedule of Expenditures of Federal Awards (SEFA) is presented fairly in all material respects in relation to the financial statements



Other Reports Issued

Audit and report on the schedules of
Passenger Facility Charge (PFC)
Receipts and Expenditures and related
internal controls

- Unmodified opinion
- No internal control or compliance findings
- Dated June 26, 2025

Report on the Schedule of Net Revenues
Available for Revenue Bond Debt
Service

- Unmodified opinion
- Dated June 26, 2025



Agreed Upon Procedures Reports To Be Issued

Report on Agreed Upon Procedures for
Washington State Department of
Ecology

- Performed in July

Report on Agreed Upon Procedures for
Environmental Protection Agency

- Performed in July





Areas of Audit Emphasis

Areas of Audit Emphasis



Internal Control Environment

- IT General Controls/ Cyber event recovery
- Financial Reporting
- Capital assets/project management
- Cash receipts/receivables
- Cash disbursements/payables
- Payroll
- Bond and investment transactions
- Administration of federal awards

Management Estimates

- Allowance for doubtful accounts
- Environmental remediation liability
- Legal contingencies and insurance recoveries
- Leases & Subscription Based IT Arrangements (SBITAs)
- Compensated absences
- Actuarial valuations for pension and other post-employment benefits amounts



Areas of Audit Emphasis (Cont.)



Northwest Seaport Alliance (NWSA) Joint Venture (JV)

- Confirmed the Port of Seattle's share in operating revenue through agreement to NWSA audited financial statements – As of December 31, 2024, investment in JV was \$340 million and income from JV was \$62.4 million

Capital Assets

- Evaluation of capitalization policies
- Testing of additions of \$780 million, retirements, overhead application, and depreciation/amortization
- Testing of timely closing of capital improvement projects into capital assets



Areas of Audit Emphasis (Cont.)



Bond Activity

- \$1 billion of bonds issued in 2024
- Tested debt issuances, repayments, arbitrage liability, discounts and premiums, compliance with covenants, and procedures over information presented in the net revenues schedule

Environmental Remediation Liability

- \$91 million of Special Item recorded in 2024
- Reviewed management's estimates by performing predictive analysis as well as testing of processes in place to record the liability. We have selected significant projects to test for potential liabilities.
- Confirmed with attorneys for potential impact on environmental remediation liability



Areas of Audit Emphasis (Cont.)



Revenue Recognition

- Operating revenue analysis using business indicators such as landed weight, enplanements, gate usage, and boat counts
- Ad valorem tax levy, investment income, PFC, Customer Facility Charge (CFC), and federal grants
- Selected a sample of lease agreements and reperformed management's lease receivable calculations

Airline Lease and Operating Agreements

- Analysis of revenue requirement by cost center category under the Signatory Lease and Operating Agreement (SLOA IV) agreement, including landing fees, terminal rents, gate fees, and baggage claim rates
- Confirmations of amounts on an airline-by-airline basis



Areas of Audit Emphasis (Cont.)



Adoption of GASB 101 – *Compensated Absences*

- Tested accruals by reviewing assumptions and verifying inputs used to calculate additional liability
- Reviewed Governmental Accounting Standards Board (GASB) guidance and evaluated disclosures for appropriate application of guidance
- Overall restatement impact to the Annual Comprehensive Financial Report (ACFR):
 - Reduced payroll and related taxes payable by \$3.4 million
 - Increased long-term liabilities by \$7.9 million
 - Decreased unrestricted net position by \$4.5 million



Areas of Audit Emphasis (Cont.)



Fiduciary Activities

- Consideration of investment balances, plan contributions and distributions for the Warehousemen's Pension Trust Fund

Single Audit

- Total federal awards reported on schedule of expenditures of federal awards – \$48.3 million
- Major program – Federal Aviation Administration (FAA) Airport Improvement Program – \$48.1 million





Required Communications

Required Communications and Government Auditing Standards



Auditor and Management responsibilities for financial statements under Generally Accepted Auditing Standards:

To form and express an opinion about whether the financial statements are fairly presented; to plan and perform the audit in accordance with generally accepted auditing standards and *Government Auditing Standards*.

Our audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control or to identify deficiencies in the design or operation of internal control. Accordingly, we considered the entity's internal control solely for the purpose of determining our audit procedures and not to provide assurance concerning such internal control.

Our audit does not relieve Port management and the Port Commission of its responsibilities



Required Communications (continued)



Audit was performed according to the planned scope and timing, which was modified due to cyber event that occurred in 2024



Significant accounting policies are summarized in Note 1 to the financial statements



Financial statement disclosures were consistent, clear and understandable



Representations were requested and received from management



There were no disagreements with management or difficulties encountered during the audit



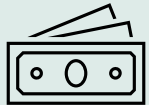
Required Communications (continued)



Consultation with other independent auditors (none of which we are aware)



Illegal acts (none noted)



Ability to continue as a going concern (no disclosure necessary)



Consideration of fraud in a financial statement audit

Procedures performed included journal entry testing, third-party confirmations, and interviews of personnel



Required Communications (continued)



There were no uncorrected adjustments identified as part of our audit procedures



Other Information Included in the Annual Comprehensive Financial Report:

Management is responsible for the other information included in the Annual Report. The other information comprises the Introductory information and Statistical information. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

Our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the audited financial statements. We have read the information, and nothing came to our attention that caused us to believe that such information is materially inconsistent with the financial statements.





Other Matters

Upcoming Accounting Pronouncements:



GASB Statement No. 102, *Certain Risk Disclosures*
(effective 2025)

GASB Statement No. 103, *Financial Reporting Model Improvements*
(effective 2026)

GASB Statement No. 104, *Disclosure of Certain Capital Assets*
(effective 2026)



Acknowledgements

- Regular status meetings were held between Moss Adams and Port management and staff throughout the audit
- All Port personnel organization wide were responsive and fulfilled all requests in a timely manner
- ‘Tone at the Top’ and attitude from management was one of openness in response to audit requests and discussion points
- Ryland Consulting and Branch, Richards & Co. personnel were an integral part of our audit team.
 - Ryland Consulting: 7% of contract fees
 - Branch & Richards: 4% of contract fees
 - Total sub participation of 11% of contract fees



Contact Us



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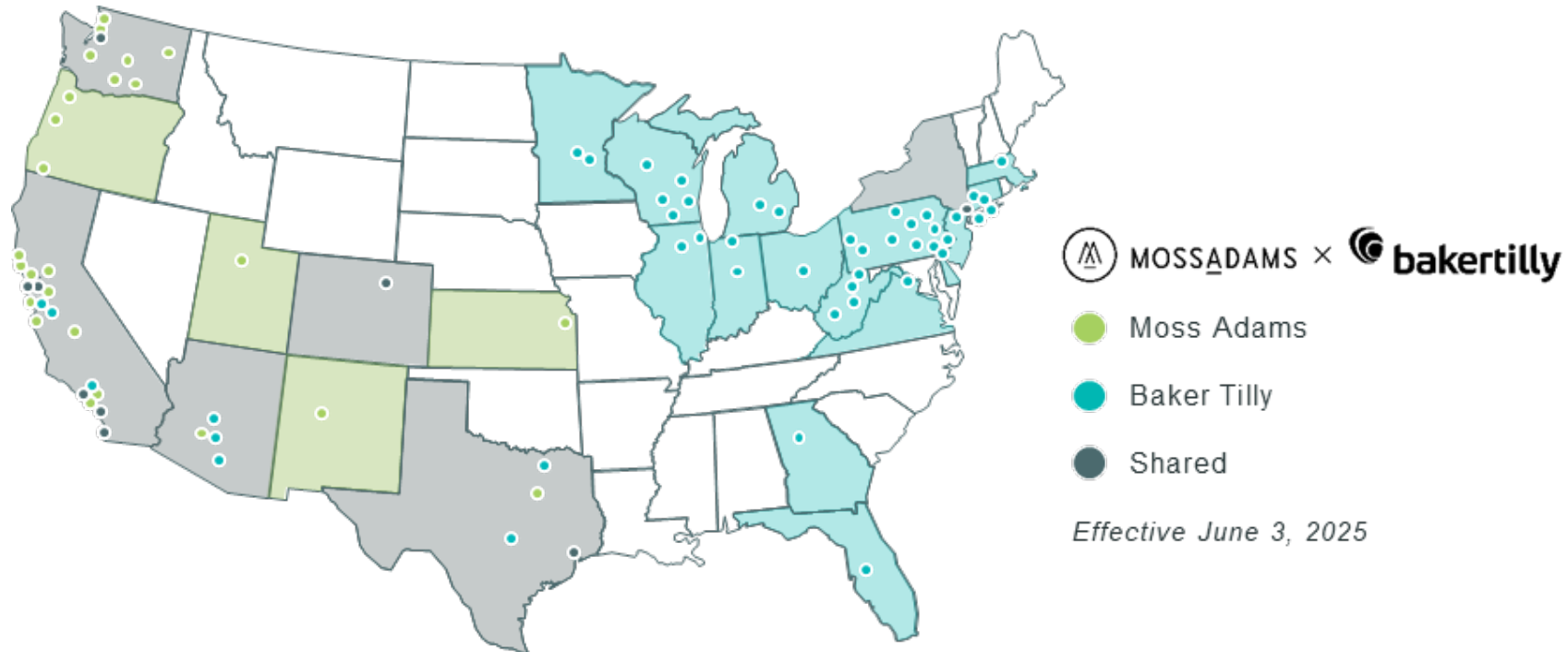


More Than A Merger. A Multiplier.

We're joining forces with Baker Tilly to
redefine accounting and advisory services
for the middle market.



Our Combined Footprint





INTERNATIONAL CAPABILITIES

Our partnership with Baker Tilly International will enable us to meet any growing international needs.

EXPANDED NATIONAL FOOTPRINT

We will have a larger pool of clients in public sector to give you access to more best practices and benchmarking. Our scale and evolved business model will help us attract and retain top talent to better serve you.

STRATEGIC INDUSTRY RESOURCE

You will gain access to a wider range of insights through our combined expertise and expanded services offerings.

OUR PROMISE

Leadership you have come to appreciate will assume similar roles in the newly merged firm. We don't anticipate any changes to the teams that currently serve you unless it presents an opportunity for improved service.





THANK
YOU



Port of Seattle Audit Committee

Internal Audit Update

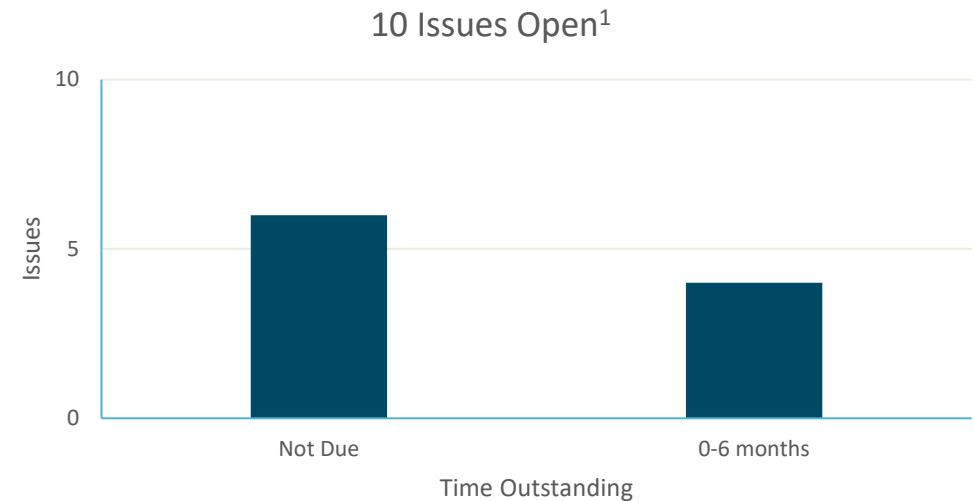
Glenn Fernandes - Director, Internal Audit

July 15, 2025

P69 Commission Chambers

3:00 PM – 4:30 PM

Open Issue Status – Aging Report as of June 25, 2025



1. Security Sensitive issues are excluded from the Public Session open issues presentation.

See **Appendix A** for a detailed listing of outstanding issues, including Report Finding, Issue Owners, and Current Status, as of June 25, 2025.

Highlighted Open Issues

Audit	Risk Level	Description	Due Date
Time Approval Controls	High	<p>No Formal Review Process - There is no formal review and approval process performed over employees' timesheets assuring the accuracy of hours submitted every pay period.</p> <p><i>Status - Discussions with Mike Tasker, Director of Aviation of Maintenance who indicated that progress has been made and due to the cyber event, progress is still occurring.</i></p>	4/1/2025
Time Approval Controls	High	<p>No Overtime Policy - A policy limit to control the amount of overtime employees work has not been established. Without a limit, the likelihood of accidents could increase, and employee well-being could decline due to individuals who work excessive hours.</p> <p><i>Status - Discussions with both Mike Tasker, Director of Aviation of Maintenance and Mikel O'Brien, Sr. Director of Labor Relations. Labor Relations has developed guidance and language (Aviation Maintenance Work Rules) for Aviation Maintenance to further develop into systems and processes.</i></p>	1/1/2025
Utilities Management	Medium	<p>A leak detection monitoring system to identify and/or prevent water leaks from occurring did not exist. Unique to Maritime, some infrastructure is positioned underwater, creating a greater challenge to identify and repair leaks.</p> <p><i>Status - A leak estimated at approximately 2.68 million gallons occurred at Terminal 102, but has been repaired.</i></p>	12/31/2025

2025 AUDIT PLAN STATUS														
Audit Title	Type	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Recovery Effort - Data Integrity - General	Performance													
Banking/Fraud Controls	Performance													
Community Initiatives - ANEW ¹	Performance													
Consultants/Contractor Management	Performance													
Port Management Governance Committees	Performance													
Terminal 91 Berths 6 & 8 ^{1,2}	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	Performance - Capital													
Club at SEA ⁴	Performance - Capital													
Closed Network System - Satellite Transit System (STS) (AVM)	IT													
Third-Party Risk Management (ICT & AVM)	IT													
Access Control Management (ICT & AVM)	IT													
New IT Environment - Information Technology General Controls (ITGC)	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. ³	Contract Compliance													
The Yarrow Group, LLC ³	Contract Compliance													
Latrelle's Flight Kitchen, LP (Wendy's) ³	Contract Compliance													

¹ Audit renamed to better align to scope

² Scope of Terminal 91 audit will include Construction Solicitation/Bidding

³ Added to plan from contingency audit plan

⁴ Addition to plan at request of Construction Management

KEY	Complete
	In Process
	Not Started

Approved 2025 Audit Plan

Item #5

Limited Contract Compliance	Performance	Performance - Capital	Information Technology
<ul style="list-style-type: none"> • Gate Gourmet, Inc. • BF Foods, LLC • Concourse Concessions, LLC • SSP America SEA, LLC (Ballard Brew Hall) • SSP America SEA, LLC (Mi Casa Cantina) • SSP America SEA, LLC (Le Grand Comptoir) • SSP America SEA, LLC (Camden Food Co.) • LaTrelle's Flight Kitchen, LP (Wendy's) ³ • The Yarrow Group, LLC³ • Sun's, Inc ³ 	<ul style="list-style-type: none"> • Recovery Effort – Data Integrity – General • P-Cards & Accounts Payable Payments and Banking/Fraud Controls • Community Initiatives - ANEW¹ • Consultants/Contractor Management² • Port Management Governance Committees 	<ul style="list-style-type: none"> • Terminal 91 - Berths 6 & 8^{1,2} • Maritime Center at Fishermen's Terminal • 2023 Airfield Projects- Contract 2 • Widen Arrivals Roadway • Recovery Effort - Data Integrity - Construction Management • Club at SEA⁴ 	<ul style="list-style-type: none"> • Closed Network System – Satellite Transit System (STS) (AVM) • Third-Party Risk Management • Access Control Management • New IT Environment – Information Technology General Controls (ITGC)

¹ Audit renamed to better align to scope

² Scope of Terminal 91 audit will include Construction Solicitation/Bidding

³ Added to plan from contingency audit plan

⁴ Addition to plan at request of Construction Management

Internal Audit Capital GC/CM Continuous Audits

- RCW 39.10.385 requires an independent audit
- Third-party independent auditor provides the Audit Committee with annual updates and final reports upon completion of each project
- The following table represents GC/CM projects that Internal Audit is overseeing:

Capital GC/CM Continuous Audits	
Main Terminal Low Voltage System Upgrade	<i>Under Contract</i>
Post IAF Airline Realignment	<i>Under Contract</i>
C Concourse Expansion Project	<i>Under Contract</i>
Eastside Fire Station	<i>Under Contract</i>
Baggage Optimization Phase 3	<i>Under Contract</i>
Concourse Low Voltage Upgrade	<i>Under Contract</i>
South Concourse Evolution	<i>Under Contract</i>

Audits Completed in Second Quarter – 2025

- 1) Community Initiatives - ANEW
- 2) Maritime Innovation Center Project
- 3) Third-Party Risk Management (ICT & AVM)¹
- 4) SSP America SEA, LLC – Ballard Brew Hall²
- 5) SSP America SEA, LLC – Mi Casa Cantina²
- 6) SSP America SEA, LLC – Le Grand Comptoir²
- 7) SSP America SEA, LLC – Camden Food Co.²

¹Security Sensitive - Exempt from Public Disclosure per RCW 42.56.420 - Issue Not Discussed in Public Session

²Concession Audits without issues are generally not discussed

Community Initiatives - ANEW

- Apprenticeship and Nontraditional Employment for Women (ANEW) was founded in 1980:
 - Goal - Improve access and advancement of women and BIPOC (Black, Indigenous, People of Color) in non-traditional careers like construction and manufacturing
 - Each contract has a corresponding deliverable with a pre-determined unit cost
 - ANEW submits an invoice and narrative summary to the Port detailing what services were performed and what deliverables were provided
 - Port lacked formal process to verify accuracy of reports and invoices
 - Invoice (\$19,500) incorrectly paid/issue addressed

Community Initiatives - ANEW

➤ Two active contracts:

Contract No.	Start Date	Term	Full Amount	Amount Paid (as of 5/31/25)	Scope of Work Areas
P-00321657	11/21/2023	1 Year; with the option to extend for up to 2 optional years in 1-year increments (Contract was extended on 11/20/24)	\$ 199,000	\$ 76,500	1) Program Development & Industry Employer Engagement 2) Recruitment, Outreach, and Screening 3) Enrollment, Training, and Retention 4) Placement 5) Management Support 6) Annual Reporting
P-00321390	7/7/2023	3 Years; with the option to extend for up to 4 optional years in 1-year increments	\$ 1,249,996	\$ 331,471	1) Apprenticeship Programs and Employer Engagement 2) Recruitment 3) Pre-Apprenticeship Screening, Enrollment, and Training 4) Placement 5) Case Management and Career Navigation 6) Retention 7) Work-Related Wraparound Services 8) Collaboration 9) Annual Reporting

1) Rating: Medium

Deliverables within the contracts are modified and changed verbally without evidence of written documentation and appropriate review.

- P-00321390: “Annual Report”
 - Report is due annually as required by the contract and RCW 53.08.245
 - An annual report was not created
 - Instead, a verbal discussion and agreement was made that data would be collected and reported monthly

1) Rating: Medium

- P-00321657: “Three reports of employer requirements, capacity, and placement feasibility”
 - ANEW was tasked to engage three different contractors and employers prior to the implementation of a training program
 - The three reports to evidence this deliverable did not exist
 - Instead, a verbal discussion and agreement was made to compile responses from 12 different employers in roundtable discussions in one combined report, instead of submitting three separate documents
- If changes to contractual agreements are not documented and approved, modifications could become more prevalent resulting in miscommunication and disagreements.

Management Response

- OEDI is evaluating which components of the contract scope of work can be standardized for inclusion in Workforce Development and South King and Port Communities Fund templates. The goal is to aid staff in efficient contract drafting, streamline performance reporting and make it easier for funded partners to understand Port expectations.
- OEDI developed SOPs and additional procedures will be developed by Q4 2025.
- Contract Monitoring SOPs are under review prior to implementation.
- OEDI will work in partnership with CPO to determine the appropriate written documentation and review needed for modifying contract deliverables.

DUE DATE: 12/31/2025

Management will discuss in detail. (Full response in Audit Report No. 2025-11)

Maritime Innovation Center Project

- Maritime Innovation Center supports sustainable maritime growth and equity
- Historic building renovated to meet Living Building Challenge standards
- Port is monitoring performance to achieve green certification goals
- Issues with American Guard Services, resulted in contractor change and \$279,232 change order
 - \$116,232 net cost increase

Maritime Innovation Center Project

- Project began with custom specifications, not Port standard templates
- Later conversion to standard specifications caused some key issues:
 - Unique specifications were overwritten; aviation specifications added in error
 - Resulted in omissions, inconsistencies, and \$104,800 change order
- Team will use standard specifications at the onset of future projects

1) Rating: Low

The Port's review process of Pay Applications was generally effective, but some Pay Applications lacked support or had errors, leading to \$2,460 in overbilling.

- Contractor billed \$200K for 3,500 tons of soil disposal
- In most instances, Pay Applications included receipts and reviewer corrections
- Some supporting documents were missing, totaling \$2,460 variance
- Construction team received a credit on the May 2025 Pay Application

Management Response

- We concur with the Auditor's recommendations
- We strive to document each pay item accurately as work progresses
- A robust close-out process independently verifies all pay item documentation, per CM SOP 90.05 Construction Closeout
- We are confident this discrepancy would have been corrected before final payment
- This issue was resolved in the May 2025 progress payment

Management will discuss in detail. (Full response in Audit Report No. 2025-10)

SSP America SEA, LLC

Limited Contract Compliance Audit which included four locations:

- Ballard Brew Hall
- Mi Casa Cantina
- Le Grand Comptoir
- Camden Food Co.

No issues were identified.

Questions/Committee Comments

Item #13



Appendix

A – Aging of Outstanding Issues as of June 25, 2025

Appendix A – Aging of Outstanding Issues as of June 25, 2025

Performance, Capital, and Limited Contract Compliance Audits

Audit Type	Audit Title	Description	Rating	Target Date	Report Date	Days Outstanding (from Report Date)	Months/Years Outstanding (from Report Date)	Days Outstanding (from Target Date)	Issue Owner	Report Finding	Current Status from Management as of 6/25/25
Performance	Time Approval Controls	No Formal Review Process	High	3/31/2025	6/4/2024	386	1-2 years	86	Director, Aviation Maintenance	No Formal Review Process - There is no formal review and approval process performed over employees' timesheets assuring the accuracy of hours submitted every pay period.	Discussions with Mike Tasker, Director of Aviation of Maintenance who indicated that progress has been made and due to the cyber event progress is still occurring.
Performance	Time Approval Controls	No Overtime Policy	High	12/31/2024	6/4/2024	386	1-2 years	176	Director, Aviation Maintenance	No Overtime Policy - A policy limit to control the amount of overtime employees work has not been established. Without a limit, the likelihood of accidents could increase, and employee well-being could decline due to individuals who work excessive hours.	Discussions with both Mike Tasker, Director of Aviation of Maintenance and Mikel O'Brien, Sr. Director of Labor Relations. Labor Relations has developed guidance and language (Aviation Maintenance Work Rules) for Aviation Maintenance to further develop into systems and processes. To close this issue, the work rules will need to be implemented into systems and processes.
Performance	Partner in Employment	No Formal Review Process	High	12/31/2025	10/21/2024	247	6-12 months	-189	Sr Director, Equity Diversity & Inclusion	There was no formal procedure in place to verify the accuracy of reports and invoices submitted to the Port.	Agreed upon target date is 12/31/2025. In progress.
Performance	Utilities Management	Fully Integrated Leak Detection System	High	12/31/2025	10/16/2024	252	6-12 months	-189	Managing Director, Maritime	Aviation – Facilities & Infrastructure has started a Leak Detection pilot program prior to this audit to find the most suited technology for Airport conditions. When the program does find a reliable technology, a capital project will be submitted for a fully integrated leak detection system.	Agreed upon target date is 12/31/2025. In progress.
Performance	Aqueous Film Forming Foam (AFFF) Transition	ARFF Vehicles Valves	Medium	3/31/2025	9/6/2024	292	6-12 months	86	Fire Chief, Fire Department Director, Aviation Environment Services	ARFF vehicle valves were actuated and were found to operate as intended with the new F3 foam, however, the POSFD had not yet decided, if and when, to test the valves on ARFF vehicles on an ongoing basis. Failure to test valves can pose a risk of valves malfunctioning due to prolonged inactivity.	On May 13, 2025, management confirmed that a rebound testing work plan was finalized in 2024. Although samples are being collected, they are not currently analyzed due to lab limitations in detecting low PFAS levels in F3 foam; analysis will proceed once methods improve. In March 2025, the Fire Department successfully completed FAA compliance testing of ARFF vehicles' foam systems, though process for valve functionality testing is still pending.

Appendix A – Aging of Outstanding Issues as of June 25, 2025

Performance, Capital, and Limited Contract Compliance Audits

Audit Type	Audit Title	Description	Rating	Target Date	Report Date	Days Outstanding (from Report Date)	Months/Years Outstanding (from Report Date)	Days Outstanding (from Target Date)	Issue Owner	Report Finding	Current Status from Management as of 6/25/25
Performance	Aqueous Film Forming Foam (AFFF) Transition	Improvement in AFFF Management Policies	Medium	12/31/2024	9/6/2024	292	6-12 months	176	Fire Chief, Fire Department Director, Aviation Environment Services	Internal Audit identified areas for Improvement in AFFF Management Policies, Compliance, and Training Documentation.	On May 13, 2025, management confirmed that the policy update has been completed, and the SPCC/SWPPP documents have been reviewed. However, edits will not be incorporated until the documents enter their review cycle, and no action will be taken at this time. Recommendation 3 remains in progress.
Performance	Contractor Management	Inconsistencies in on-and-off boarding procedures	Medium	3/31/2026	3/5/2025	112	0-6 months	-279	Deputy Executive Director	The Port does not have a centralized way to track and monitor when equipment, keys, parking permits, and badges are issued and collected. As a result, on-and-offboarding procedures between departments are inconsistent and well understood.	Agreed upon target date is 3/31/2026.
Performance	Utilities Management	Broken Meters	Medium	12/31/2025	10/16/2024	252	6-12 months	-189	AV Chief Development Officer Director, AV Facilities & Capital Programs	Aviation - In 2019, an Audit of Utilities concluded that some meters were not functioning correctly and either needed to be replaced or repaired. Of approximately 143 accounts, 12 remain broken and continue to be billed using estimates.	Management confirmed that the costs have been approved, and planning has begun to either repair or replace broken meters. Agreed upon target date is 12/31/2025
Performance	Utilities Management	No Leak Detection Monitoring System	Medium	12/31/2025	10/16/2024	252	6-12 months	-189	AV Chief Development Officer Director, AV Facilities & Capital Programs	A leak detection monitoring system to identify and/or prevent water leaks from occurring does not exist. Unique to Maritime, some infrastructure is positioned underwater, creating a greater challenge to identify and repair leaks.	A leak estimated at approximately 2.68 million gallons occurred at Terminal 102, but has been repaired. Management is determining most appropriate strategy regarding implementation of a leak detection system. Agreed upon target date is 12/31/2025.
Concession	BF Foods, LLC	Underreported Revenue	Medium	9/30/2025	3/3/2025	114	0-6 months	-97	Director, Aviation Commercial Management	Revenue categories titled “bag fees” and “retail” were not reported and captured as revenue. For the six-month period beginning January through June 2023, \$12,963 in revenue was underreported and \$1,555 in percentage fees were underpaid.	The total due is \$36,517. ADR management was provided with the data on 5/21/2025 for billing by September 30, 2025.

INTERNAL AUDIT REPORT

Operational Audit
Community Initiatives - ANEW

July 2023 – May 2025



Issue Date: June 20, 2025
Report No. 2025-11

This report is a matter of public record, and its distribution is not limited. Additionally, in accordance with the Americans with Disabilities Act, this document is available in alternative formats on our website.

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Executive Summary

Internal Audit (IA) completed an audit of the Port of Seattle's (Port) Community Initiatives, specifically the community-based organization (CBO) Apprenticeship and Nontraditional Employment for Women (ANEW), for the period July 2023, through May 2025. The audit was conducted to determine whether services performed and deliverables submitted to the Port, met the requirements of the contracts.

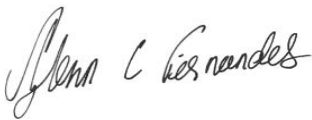
ANEW is a non-profit organization dedicated to improving the access and advancement of women in non-traditional career pathways, such as construction and manufacturing. Since its inception, ANEW has expanded some programs to all genders. The Port has two ongoing contracts with ANEW, worth a total maximum amount of nearly \$1,449,000, and as of May 31, 2025, has paid approximately \$408,000. These programs primarily aim to provide workforce development services, such as community outreach, pre-apprenticeship training, job placement and retention, as well as leadership development opportunities, for women and black, indigenous, and people of color (BIPOC) in economically vulnerable communities.

IA reviewed ongoing contracts with ANEW by interviewing the Port Program Manager, as well as the ANEW staff and Executive Director. We conducted walkthroughs to assess documentation, reporting procedures, and activities undertaken to meet contract obligations and deliverables.

In general, the reports and invoices provided to the Port accurately reflected the services and deliverables provided by ANEW. However, our audit identified an opportunity where internal controls could be enhanced or developed. This opportunity is listed below and discussed in more detail beginning on page six of this report.

1. **(Medium)** Deliverables within the contracts are modified and changed verbally without evidence of written documentation and appropriate review.

In addition, there was no formal procedure in place to verify the accuracy of reports and invoices submitted to the Port. The Port relied primarily on trust in ANEW's reporting and self-attestation. As such, there was one invoice (\$19,500) that was incorrectly paid before the required services had been performed. This issue is currently being addressed by management, as a result of a prior audit report published in October 2024.



Glenn Fernandes, CPA
Director, Internal Audit

Responsible Management Team

Bookda Gheisar, Sr. Director Equity, Diversity and Inclusion
Anna Pavlik, Director Workforce Development

Background

Apprenticeship and Nontraditional Employment for Women (ANEW) was founded in 1980 with the goal of improving the access and advancement of women in non-traditional career pathways such as construction and manufacturing. As the oldest, continuously running pre-apprenticeship program in the nation, ANEW offers a wide variety of programs and services, primarily to women and BIPOC in economically disadvantaged communities. These include: Pre-Apprenticeship Training Programs like Pre-Apprenticeship Construction Education (PACE) and a Trades Rotation Program (TRP), a Youth Exploration Program (YEP), a Commercial Driver's License (CDL) Licensing Program, and Forklift Certification.

The Port has two active contracts with ANEW, as outlined in the table below:

Contract No. & Name	Contract Start Date	Term	Full Amount	Amount Paid (as of 5/31/25)	Scope of Work Areas
P-00321657 Workforce Development Leadership Development	11/21/2023	1 Year; with the option to extend for up to 2 optional years in 1-year increments (Note: Contract was extended on 11/20/24 for another year)	\$ 199,000	\$ 76,500	1) Program Development & Industry Employer Engagement 2) Recruitment, Outreach, and Screening 3) Enrollment, Training, and Retention 4) Placement 5) Management Support 6) Annual Reporting
P-00321390 Construction Worker Outreach, Training, Placement, and Retention Services	7/7/2023	3 Years; with the option to extend for up to 4 optional years in 1-year increments	\$ 1,249,996	\$ 331,471	1) Apprenticeship Programs and Employer Engagement 2) Recruitment 3) Pre-Apprenticeship Screening, Enrollment, and Training 4) Placement 5) Case Management and Career Navigation 6) Retention 7) Work-Related Wraparound Services 8) Collaboration 9) Annual Reporting

For each work area in the table above, there is a corresponding deliverable due (e.g. written reports, compiled responses, a spreadsheet with detailed numerical information, word document templates, learning curriculum, questionnaires, etc.) from ANEW, with a pre-determined unit cost for each deliverable. Together with the deliverables and any supporting documentation, ANEW submits an invoice and narrative summary to the Port detailing what was performed during the period and what deliverables have been provided. If any adjustments to the invoices are needed, these will be returned to ANEW for corrections before being finalized and processed in the Port's Accounts Payable (AP) system.

Audit Scope and Methodology

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) and The Institute of Internal Auditors' Global Internal Audit Standards. Due to a 2024 cyber event at the Port of Seattle, the required GAGAS triennial peer review has been delayed; however, we believe this had no impact on the engagement or the assurance provided. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides such a basis.

In some instances, we used judgmental sampling methods to determine the samples selected for our audit test work. In those cases, the results of the work cannot be projected to the population as a whole.

The period audited was July 2023, through May 2025 and included the following procedures:

Interviews and Process Walkthroughs

- Conducted walkthroughs and inquiries with key personnel at ANEW to gain an understanding of:
 - ANEW's daily operations and how it relates to the organization's contracts with the Port
 - Contract deliverables, invoices, and monthly reports

Document Review

- Obtained and reviewed key documents, including:
 - Active contracts with ANEW, along with any contract amendments
 - Reports and invoices submitted by ANEW, along with supporting documentation

Validation

- Contract P-00321390: Construction, Outreach, and Training
 - Requested and reviewed all invoices and supporting documentation
 - Verified that the amounts paid to ANEW agree to the invoices billed
 - Judgmentally selected three invoices to perform detail testing:
 - Obtained supporting documentation for each line item invoiced
 - Sampled students from the monthly ANEW Participant Detail Report and reviewed physical student records and case files maintained at the ANEW office
- Contract P-00321657: Leadership Development
 - Requested and reviewed all invoices and supporting documentation
 - Verified that the amounts paid to ANEW agree to the invoices billed
 - Performed detail testing on 100% of the population

Schedule of Observations and Recommendations

1) Rating: Medium

Deliverables within the contracts are modified and changed verbally without evidence of written documentation and appropriate review.

Throughout the year, ANEW submits invoices to the Port for certain milestones and outcomes achieved during a specific month. Prior to the signing and start of the contracts, the deliverables required for each milestone and outcome, as well as the unit cost for each, was negotiated and agreed upon by ANEW and the Port. During our audit, we discovered instances where some elements of a specific contract deliverable requirement were modified and altered without supporting written documentation.

1.) **P-00321390:** “Annual Report”

As required by RCW 53.08.245 and per the terms of the contract, “Consultant (ANEW) shall track and report annual quantitative information on program outcomes.” As such, there is an annual report requirement that is due once a year, which includes information on certain demographics, number of workers trained, recruited, placed in jobs, and retained, types of jobs and range of compensation, number and types of businesses that are served, etc.

During our audit, we requested a copy of the Annual Report submitted by ANEW to the Port. However, no such document existed. Based on discussions with ANEW and the Port, IA discovered that instead of annually, it was determined verbally between ANEW and the Port that data would be collected and submitted monthly instead. This allowed for more timely tracking and reporting of Key Performance Indicators (KPIs) to Port Management, while also lessening and alleviating the burden on ANEW staff.

2.) **P-00321657:** “Three reports of employer requirements, capacity, and placement feasibility”

Per the terms of this contract, ANEW was tasked to engage different contractors and employers prior to the implementation of a training program. Additionally, ANEW had to identify employer requirements, capacity, and potential for placement of graduates. In relation to this, three reports of employer requirements, capacity, and placement feasibility from employers were listed as part of the deliverables.

During the audit, we requested these three reports, but they did not exist. Based on discussions with ANEW and the Port, instead of requiring three reports from three employers, IA noted that the Port allowed ANEW to compile interview responses from 12 employers who participated in two roundtable discussions instead. Since the outcome of 12 employers was deemed to be more beneficial to the Port than the initial expected requirement of three, the Port verbally allowed ANEW to submit the three documents in one combined report instead.

In both cases presented above, the overall requirements of the contracts were still being fulfilled and met, despite the change in formatting and presentation of the deliverables. As such, in all material respects, ANEW was still in compliance with its Port contracts. However, IA noted that these modifications and changes were usually merely discussed verbally between the Port and ANEW, without any written documentation and appropriate secondary review. Eventually, these undocumented adjustments may cause miscommunications and disagreements between the Port and any other CBO

in the long run, possibly resulting in tensions and friction. Additionally, this can be prevalent and widespread if these unwritten changes continue to be done across different contracts with various CBOs.

Recommendations:

- 1.) Evaluate the Port's Office of Equity, Diversity, and Inclusion's (OEDI's) current contract drafting process to determine whether language can be revised to reflect the Port's expectations and requirements more precisely.
- 2.) Continue to develop contract management standard operating procedures (SOPs) to provide better guidance for both Port and ANEW staff.
- 3.) Require written documentation and appropriate review for any modifications and changes to a contract's deliverables. This will improve transparency and prevent any potential misunderstandings.

Management Response/Action Plan:

The Office of Equity, Diversity and Inclusion has a number of activities underway to ensure the most effective, efficient and equitable investment in workforce development possible and will share some of the efforts underway in response to the specific recommendations outlined above.

1. Evaluate the Port's Office of Equity, Diversity, and Inclusion's (OEDI's) current contract drafting process to determine whether language can be revised to reflect the Port's expectations and requirements more precisely:
 - As part of our draft procurement standard operating procedures, OEDI is evaluating which components of the contract scope of work can be standardized for inclusion in Workforce Development and South King and Port Communities Fund templates. The goal is to include standardized components in templates to aid staff in efficient contract drafting, streamline performance reporting and make it easier for funded partners to understand Port expectations.
 - In June 2024, the Workforce Development Director began reviewing each draft contract to support staff development, contract standardization, etc.
 - OEDI collaborates with the Central Procurement Office (CPO) to draft contracts and continually improve the solicitations and contracts created. This ongoing partnership produces consistency in approach, clarity in expectations and successful contract outcomes.
2. Continue to develop contract management standard operating procedures (SOPs):
 - OEDI developed procurement standard operating procedures (SOPs) with assistance from CPO.
 - Contract monitoring SOPs are under review prior to implementation.
 - Additional contract management procedures for reporting, standardized deliverables, etc. will be developed in Q3 and Q4 2025.
3. Require written documentation and appropriate review for any modifications and changes to a contract's deliverables:
 - OEDI will work in partnership with CPO to determine the appropriate written documentation and review needed for modifying contract deliverables.

DUE DATE: 12/31/2025

Appendix A: Risk Ratings

Observations identified during the audit are assigned a risk rating, as outlined in the table below. Only one of the criteria needs to be met for an observation to be rated High, Medium, or Low. Low rated observations will be evaluated and may or may not be reflected in the final report.

Rating	Financial/ Operational Impact	Internal Controls	Compliance	Public	Commission/ Management
High	Significant	Missing or partial controls	Non-compliance with Laws, Port Policies, Contracts	High probability for external audit issues and / or negative public perception	Requires immediate attention
Medium	Moderate	Partial controls Not functioning effectively	Partial compliance with Laws, Port Policies Contracts	Moderate probability for external audit issues and / or negative public perception	Requires attention
Low	Minimal	Functioning as intended but could be enhanced	Mostly complies with Laws, Port Policies, Contracts	Low probability for external audit issues and/or negative public perception	Does not require immediate attention

INTERNAL AUDIT REPORT

Operational - Capital Audit
Maritime Innovation Center Project

November 2023 – April 2025



Source: Construction Management Team Photo

Issue Date: June 20, 2025
Report No. 2025-10

This report is a matter of public record, and its distribution is not limited. Additionally, in accordance with the Americans with Disabilities Act, this document is available in alternative formats on our website.

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Executive Summary

Internal Audit (IA) completed an audit of the Maritime Innovation Center Project for the period November 2023, through April 2025. The audit was conducted to systematically and independently examine the Project's completion, verify compliance with contractual obligations, assure full reconciliation of financial matters, assess the effective resolution of risks or issues, and identify lessons learned and opportunities for improvement that could benefit future projects.

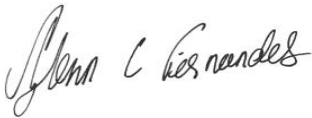
The Project was executed using a Design-Bid-Build delivery method. The Port of Seattle (Port) entered into a construction agreement with Forma Construction for a total original contract value of approximately \$20.5 million.

Security on the Project was originally managed by American Guard Services (AGS), with a budget of \$250,000 and a monthly cost of about \$13,000. Due to performance issues, including multiple break-ins, AGS was removed after the Port had paid approximately \$87,000 to AGS. A change order transferred security responsibilities to the general contractor, and a new security contract was implemented in May 2025.

Additionally, we determined that custom technical specifications were used at the beginning of the Project instead of the Port's standard templates. The specifications that are unique to this project were inadvertently superseded and some inapplicable aviation specifications were included. This led to omissions and some inconsistencies, resulting in three change orders totaling \$104,800. The Project team has committed to using standard specifications in the future, and Port leadership is working to improve guide documents across all capital projects.

In general, Port management's, monitoring, compliance, and internal controls aligned with established policies and procedures, particularly in the areas of timeliness of payments and documenting change order approvals. However, our audit identified an opportunity where internal controls could be enhanced or further developed. This opportunity is summarized below and discussed in greater detail beginning on page six of this report.

1. **(Low)** In most instances, the Port's internal controls over the review process for Pay Applications worked well. However, we identified instances in which Pay Applications were missing supporting documentation or billed incorrectly, resulting in a small overbilling of \$2,460.



Glenn Fernandes, CPA
Director, Internal Audit

Responsible Management Team

Karen Goon, Deputy Executive Director
Sofia Mayo, Director of Central Procurement Office
Brian Sweet, Director of Engineering – Construction Management
Janice Zahn, Chief Engineer

Background

The Maritime Innovation Center is part of the Port of Seattle's plan to make Washington a leader in sustainable maritime and ocean industries. Located at Fishermen's Terminal, the Center will support innovation, job growth, and equity in the maritime sector. It also supports the state's Blue Economy strategy.

The project is in the process of renovating the historic Ship Supply building while preserving its original timber frame. The work includes removing hazardous materials, partial demolition, structural upgrades, a new core and shell, updated utilities, and improved site paving.

The Maritime Innovation Center is designed to achieve the standards of the Living Building Challenge (LBC), a green building certification overseen by the International Living Future Institute. To qualify, the building must achieve net-zero energy and water usage, incorporate non-toxic materials, and adhere to high standards for sustainability, equity, and design. Once construction is complete and 80 percent of the space is occupied, the building enters a one-year performance period, during which it must demonstrate compliance with LBC targets. Failure to meet these benchmarks may result in monetary penalties to meet the intended carbon offset, and maintain certification.

To meet these goals, the Port has contracted a consultant and is training Maritime staff to monitor and adjust building performance throughout the year. Certification is granted only after a successful review of the building's actual performance data.

Security on the Project was originally managed by American Guard Services (AGS), with a budget of \$250,000 and a monthly cost of about \$13,000. Due to performance issues, including multiple break-ins, AGS was removed after the Port had paid approximately \$87,000 to AGS. A change order transferred security responsibilities to the general contractor, and a new security contract was implemented in May 2025.

Additionally, we determined that custom technical specifications were used at the beginning of the Project instead of the Port's standard templates. The team converted these specifications to the Port's guide specifications so that the Division 0 and Division 1 references were properly and fully incorporated. During this conversion, the specifications that are unique to this project were inadvertently superseded by the guide specifications and some inapplicable aviation specifications were included. This led to omissions and some inconsistencies, resulting in three change orders totaling \$104,800. While starting the project with standard guide specifications and then modifying them to fit the project would have correctly factored in the changes, using custom specifications and then converting them to standard specifications may result in incorrect budgets and estimates and potential project delays when specifications are missing. The Project team has committed to using standard specifications in the future, and Port leadership is working to improve guide documents across all capital projects.

The original construction contract was \$20.5 million. With approved change orders, the current estimate is \$21.3 million. Substantial completion is scheduled for October 17, 2025, and final completion is expected by December 16, 2025.

Audit Scope and Methodology

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) and The Institute of Internal Auditors' Global Internal Audit Standards. Due to a 2024 cyber event at the Port of Seattle, the required GAGAS triennial peer review has been delayed; however, we believe this had no impact on the engagement or the assurance provided. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides such a basis.

The period audited was November 2023, through April 2025 and included the following procedures:

Trip Tickets

- Examined the trip tickets for line items with the unit of measure "TON"
- Verified material quantities billed on the pay estimates were accurately supported by trip tickets
- Reviewed documentation to determine whether there were missing trip tickets

Timeliness of Payments

- Compared the pay estimates with the payment dates to verify payments were issued timely

Living Building Challenge

- Obtained an understanding of the International Living Future Institute requirements
- Obtained an understanding of the controls in place to meet the International Living Future Institute requirements

Change Orders

- Obtained an understanding of management's Change Order review process
- Verified approvals by required personnel
- Confirmed the approved change order amounts tied to the Change Order Log

Accurate and Relevant Project Specifications

- Discussed with the project team and general contractor to assess the accuracy and relevance of the project specifications and evaluated the impact of any incorrect or irrelevant details

Bidder Evaluation

- Reviewed the RFP for Maritime Security #24-98 to understand the evaluation criteria and interviewed stakeholders to gain insight into their considerations during the evaluation

Schedule of Observations and Recommendations

1) Rating: Low

In most instances, the Port's internal controls over the review process for Pay Applications worked well. However, we identified instances in which Pay Applications were missing supporting documentation or billed incorrectly, resulting in a small overbilling of \$2,460.

The contractor billed 3,500 tons of soil disposal through three pay applications for a total cost of approximately \$200,000. Our testing determined there is a review process in place to verify that Pay Applications are supported. Documentation was readily available for the audit and there were receipts supporting the Pay Applications. We observed written notes on the Pay Applications and corrections that were made by the reviewer, prior to making payments. We did, however, find instances in which supporting documentation could not be located, as listed in Table 1. The two instances totaling \$2,460 represent approximately 1 percent of the total population reviewed. This figure reflects testing of 100 percent of the pay applications, as no sampling was used in our analysis. The Construction Management (CM) team took immediate action and contacted the contractor to obtain supporting documentation and performed reconciliation to receive a credit on the next Pay Application.

Table 1: Unit Price Work Items Lacking Supporting Documentation

Pay Application	Reason	Variance
7	Inadequate Documentation	\$23.75
9	Inadequate Documentation	\$2,460

Following this observation and prior to the issuance of our report, the Construction Management team reconciled the pay applications and applied a credit on a future pay application. Supporting unit price items, such as daily trip tickets, requires substantial documentation. While minor variances exist, overall, Construction Management has implemented a robust review process.

Recommendations:

Approvers should verify that all billed amounts include adequate supporting documentation during the pay application review process, in accordance with Standard Operating Procedure 40.07 *Unit Price Bid Item Management*. As construction management received a credit for the overcharges, no follow up is needed.

Management Response/Action Plan:

We concur with the Auditor's recommendations. While we attempt to document each pay item as accurately as possible as work progresses, we also have a very robust close-out process where the documentation for all pay items are independently verified to ensure proper compensation to the Contractor. This is outlined in CM Standard Operating Procedure 90.05 Construction Closeout. We are confident that this discrepancy would have been corrected prior to the final payment for this work, however, due to Audit's early discovery of this issue, this issue was remedied in the May 2025 progress payment.

Appendix A: Risk Ratings

Observations identified during the audit are assigned a risk rating, as outlined in the table below. Only one of the criteria needs to be met for an observation to be rated High, Medium, or Low. Low rated observations will be evaluated and may or may not be reflected in the final report.

Rating	Financial/ Operational Impact	Internal Controls	Compliance	Public	Commission/ Management
High	Significant	Missing or partial controls	Non-compliance with Laws, Port Policies, Contracts	High probability for external audit issues and / or negative public perception	Requires immediate attention
Medium	Moderate	Partial controls Not functioning effectively	Partial compliance with Laws, Port Policies, Contracts	Moderate probability for external audit issues and / or negative public perception	Requires attention
Low	Minimal	Functioning as intended but could be enhanced	Mostly complies with Laws, Port Policies, Contracts	Low probability for external audit issues and/or negative public perception	Does not require immediate attention

INTERNAL AUDIT REPORT

Limited Contract Compliance Audit
SSP America SEA, LLC (Ballard Brew Hall)

July 2024 – December 2024

Issue Date: June 3, 2025
Report No. 2025-09

This report is a matter of public record, and its distribution is not limited. Additionally, in accordance with the Americans with Disabilities Act, this document is available in alternative formats on our website.

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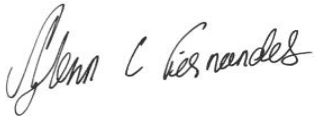
Internal Audit (IA) completed a limited scope audit of the Lease and Concession Agreement (Agreement) between SSP America SEA, LLC, and the Port of Seattle (Port). SSP America SEA, LLC operates four locations under this agreement: Ballard Brew Hall, Mi Casa Cantina, Le Grande Comptoir, and Camden Food Co. This audit report reflects the results of Ballard Brew Hall.

The period audited was July 1, 2024, through December 31, 2024.

The audit was performed to determine whether concession fees were complete, properly calculated, and remitted timely to the Port.

We concluded that SSP America SEA, LLC (Ballard Brew Hall) materially complied with the terms of the Agreement. No exceptions were identified.

We extend our appreciation to management and staff of Aviation Commercial Management and the Accounting & Financial Reporting Departments for their assistance and cooperation during the audit.



Glenn Fernandes, CPA
Director, Internal Audit

Responsible Management Team

Lisa Lam, Director, Accounting and Financial Reporting
Khalia Moore, Assistant Director, Airport Dining and Retail
Jeff Wolf, Director, Aviation Commercial Management

Background

On August 1, 2017, the Port entered into a lease agreement (AIR002237) with SSP America SEA, LLC. Under this agreement, SSP America SEA, LLC operates Ballard Brew Hall, Mi Casa Cantina, Le Grande Comptoir, and Camden Food Co. Below is a description of Ballard Brew Hall.

Ballard Brew Hall

A full-bar service including cocktails, beer, and wine. The menu offers appetizers, small plates, entrees and other items, including sandwiches and salads. A selection of juice, soft drinks, and water are also available.

The Minimum Annual Guarantee (MAG) is 85% of the total paid by the concessionaire to the Port, for the previous calendar year. The annual MAG for SSP America SEA, LLC 2024 was \$1,271,408. At the end of the lease year, a reconciliation is performed comparing the Percentage Fees due to the Port, to the Agreement Year's MAG. Any amount of the Percentage Fees that fall below the MAG is due to the Port.

Percentage Fees:

- 8% of annual gross sales less than \$10,000,000
- 12% of annual gross sales between \$10,000,001 and \$15,000,000
- 16% of annual gross sales greater than \$15,000,000

The table below reflects Ballard Brew Hall's 2024 Gross Sales:

Period	Gross Sales
2024 January - June	\$2,650,724
2024 July - December	3,001,125
	\$5,651,849

The table below reflects 2024's Gross Sales and Percentage Fees for all four locations operating under SSP America SEA, LLC:

Period	Gross Sales	Percentage Fee
2024 January - June	\$8,227,147	\$658,172
2024 July - December	10,266,899	1,300,876
	\$18,494,046	\$1,959,048

Audit Scope and Methodology

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) and The Institute of Internal Auditors' Global Internal Audit Standards. Due to a 2024 cyber event at the Port of Seattle, the required GAGAS triennial peer review has been delayed; however, we believe this had no impact on the engagement or the assurance provided. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides such a basis.

In some instances, we used judgmental sampling methods to determine the samples selected for our audit test work. In those cases, the results of the work cannot be projected to the entire population.

The period audited was July 2024, through December 2024 and included the following procedures:

- Validated that the percentage fees were calculated correctly and in accordance with the lease revenue thresholds
- Agreed Concessionaire's monthly general ledger sales data to what was provided to the Accounting & Financial Reporting Department
- Agreed point of sale summary reports to the general ledger
- Obtained the Annual Gross Sales Report and compared the report to year-end gross sales data reported to AFR
- Reviewed the Profit & Loss statements for variances
- Reviewed a random sample of invoices to determine if they were paid on-time and for the full amount charged

Appendix A: Risk Ratings

Findings identified during the audit are assigned a risk rating, as outlined in the table below. Only one of the criteria needs to be met for a finding to be rated High, Medium, or Low. Findings rated Low will be evaluated and may or may not be reflected in the final report.

Rating	Financial Stewardship	Internal Controls	Compliance	Public	Commission/ Management
High	Significant	Missing or not followed	Non-compliance with Laws, Port Policies, Contracts	High probability for external audit issues and / or negative public perception	Requires immediate attention
Medium	Moderate	Partial controls Not functioning effectively	Partial compliance with Laws, Port Policies Contracts	Moderate probability for external audit issues and / or negative public perception	Requires attention
Low	Minimal	Functioning as intended but could be enhanced	Mostly complies with Laws, Port Policies, Contracts	Low probability for external audit issues and/or negative public perception	Does not require immediate attention

INTERNAL AUDIT REPORT

Limited Contract Compliance Audit
SSP America SEA, LLC (Mi Casa Cantina)

July 2024 – December 2024

Issue Date: June 25, 2025
Report No. 2025-13

This report is a matter of public record, and its distribution is not limited. Additionally, in accordance with the Americans with Disabilities Act, this document is available in alternative formats on our website.

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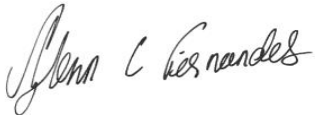
Internal Audit (IA) completed a limited scope audit of the Lease and Concession Agreement (Agreement) between SSP America SEA, LLC, and the Port of Seattle (Port). SSP America SEA, LLC operates four locations under this agreement: Ballard Brew Hall, Mi Casa Cantina, Le Grand Comptoir, and Camden Food Co. This audit report reflects the results of Mi Casa Cantina.

The period audited was July 1, 2024, through December 31, 2024.

The audit was performed to determine whether concession fees were complete, properly calculated, and remitted timely to the Port.

We concluded that SSP America SEA, LLC (Mi Casa Cantina) materially complied with the terms of the Agreement. No exceptions were identified.

We extend our appreciation to management and staff of Aviation Commercial Management and the Accounting & Financial Reporting Departments for their assistance and cooperation during the audit.



Glenn Fernandes, CPA
Director, Internal Audit

Responsible Management Team

Lisa Lam, Director, Accounting and Financial Reporting
Khalia Moore, Assistant Director, Airport Dining and Retail
Jeff Wolf, Director, Aviation Commercial Management

Background

On August 1, 2017, the Port entered into a lease agreement (AIR002237) with SSP America SEA, LLC. Under this agreement, SSP America SEA, LLC operates Ballard Brew Hall, Mi Casa Cantina, Le Grand Comptoir, and Camden Food Co. Below is a description of Mi Casa Cantina.

Mi Casa Cantina operates a full-service bar and restaurant where everything is made to order. The menu includes fresh daily baked tortas and burritos, as well as house-made guacamole, pico de gallo, salsas, chips, salads, fresh fruit, and sweet treats. Cocktails are hand-crafted and the drink menu features specialty agua frescas, as well as a diverse list of boutique tequilas and mezcals.

The Minimum Annual Guarantee (MAG) is 85% of the total paid by the concessionaire to the Port, for the previous calendar year. The annual MAG for SSP America SEA, LLC 2024 was \$1,271,408. At the end of the lease year, a reconciliation is performed comparing the Percentage Fees due to the Port, to the Agreement Year's MAG. Any amount of the Percentage Fees that fall below the MAG is due to the Port.

Percentage Fees:

8% of annual gross sales less than \$10,000,000
12% of annual gross sales between \$10,000,001 and \$15,000,000
16% of annual gross sales greater than \$15,000,000

The table below reflects Mi Casa Cantina 2024 Gross Sales:

Period	Gross Sales
2024 January - June	\$1,576,287
2024 July - December	2,390,482
	\$3,966,769

The table below reflects 2024's Gross Sales and Percentage Fees for all four locations operating under SSP America SEA, LLC:

Period	Gross Sales	Percentage Fee
2024 January - June	\$8,227,147	\$658,172
2024 July - December	10,266,899	1,300,876
	\$18,494,046	\$1,959,048

Audit Scope and Methodology

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) and The Institute of Internal Auditors' Global Internal Audit Standards. Due to a 2024 cyber event at the Port of Seattle, the required GAGAS triennial peer review has been delayed; however, we believe this had no impact on the engagement or the assurance provided. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides such a basis.

In some instances, we used judgmental sampling methods to determine the samples selected for our audit test work. In those cases, the results of the work cannot be projected to the entire population.

The period audited was July 2024, through December 2024 and included the following procedures:

- Validated that the percentage fees were calculated correctly and in accordance with the lease revenue thresholds
- Agreed Concessionaire's monthly general ledger sales data to what was provided to the Accounting & Financial Reporting Department
- Agreed point-of-sale summary reports to the general ledger
- Obtained the Annual Gross Sales Report and compared the report to year-end gross sales data reported to AFR
- Reviewed the Profit & Loss statements for variances
- Reviewed a random sample of invoices to determine if they were paid on-time and for the full amount charged

Appendix A: Risk Ratings

Findings identified during the audit are assigned a risk rating, as outlined in the table below. Only one of the criteria needs to be met for a finding to be rated High, Medium, or Low. Findings rated Low will be evaluated and may or may not be reflected in the final report.

Rating	Financial Stewardship	Internal Controls	Compliance	Public	Commission/ Management
High	Significant	Missing or not followed	Non-compliance with Laws, Port Policies, Contracts	High probability for external audit issues and / or negative public perception	Requires immediate attention
Medium	Moderate	Partial controls Not functioning effectively	Partial compliance with Laws, Port Policies Contracts	Moderate probability for external audit issues and / or negative public perception	Requires attention
Low	Minimal	Functioning as intended but could be enhanced	Mostly complies with Laws, Port Policies, Contracts	Low probability for external audit issues and/or negative public perception	Does not require immediate attention

INTERNAL AUDIT REPORT

Limited Contract Compliance Audit
SSP America SEA, LLC (Le Grand Comptoir)

July 2024 – December 2024

Issue Date: June 25, 2025
Report No. 2025-14

This report is a matter of public record, and its distribution is not limited. Additionally, in accordance with the Americans with Disabilities Act, this document is available in alternative formats on our website.

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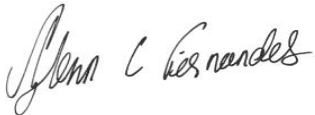
Internal Audit (IA) completed a limited scope audit of the Lease and Concession Agreement (Agreement) between SSP America SEA, LLC, and the Port of Seattle (Port). SSP America SEA, LLC operates four locations under this agreement: Ballard Brew Hall, Mi Casa Cantina, Le Grand Comptoir, and Camden Food Co. This audit report reflects the results of Le Grand Comptoir.

The period audited was July 1, 2024, through December 31, 2024.

The audit was performed to determine whether concession fees were complete, properly calculated, and remitted timely to the Port.

We concluded that SSP America SEA, LLC (Le Grand Comptoir) materially complied with the terms of the Agreement. No exceptions were identified.

We extend our appreciation to management and staff of Aviation Commercial Management and the Accounting & Financial Reporting Departments for their assistance and cooperation during the audit.



Glenn Fernandes, CPA
Director, Internal Audit

Responsible Management Team

Lisa Lam, Director, Accounting and Financial Reporting
Khalia Moore, Assistant Director, Aviation Commercial Management
Jeff Wolf, Director, Aviation Commercial Management

Background

On August 1, 2017, the Port entered into a lease agreement (AIR002237) with SSP America SEA, LLC. Under this agreement, SSP America SEA, LLC operates Ballard Brew Hall, Mi Casa Cantina, Le Grand Comptoir, and Camden Food Co. Below is a description of Le Grand Comptoir.

Le Grand Comptoir is described as a multi-award winning, beautifully designed, full-service travel oasis. Travelers can sit and wind down over a glass of premium wine hand-picked from the region as well as the world's best vineyards, paired with bistro-inspired plates designed to match the delight and gratification of the drink choice. Travelers can choose from a range of small plates, a vast selection of local cheeses and charcuterie, large tartines and seasonal salads.

The Minimum Annual Guarantee (MAG) is 85% of the total paid by the concessionaire to the Port, for the previous calendar year. The annual MAG for SSP America SEA, LLC 2024 was \$1,271,408. At the end of the lease year, a reconciliation is performed comparing the Percentage Fees due to the Port, to the Agreement Year's MAG. Any amount of the Percentage Fees that fall below the MAG is due to the Port.

Percentage Fees:

8% of annual gross sales less than \$10,000,000

12% of annual gross sales between \$10,000,001 and \$15,000,000

16% of annual gross sales greater than \$15,000,000

The table below reflects Le Grand Comptoir 2024 Gross Sales:

Period	Gross Sales
2024 January - June	\$2,125,465
2024 July - December	2,397,629
	\$4,523,094

The table below reflects 2024's Gross Sales and Percentage Fees for all four locations operating under SSP America SEA, LLC:

Period	Gross Sales	Percentage Fee
2024 January - June	\$8,227,147	\$658,172
2024 July - December	10,266,899	1,300,876
	\$18,494,046	\$1,959,048

Audit Scope and Methodology

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) and The Institute of Internal Auditors' Global Internal Audit Standards. Due to a 2024 cyber event at the Port of Seattle, the required GAGAS triennial peer review has been delayed; however, we believe this had no impact on the engagement or the assurance provided. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides such a basis.

In some instances, we used judgmental sampling methods to determine the samples selected for our audit test work. In those cases, the results of the work cannot be projected to the entire population.

The period audited was July 2024, through December 2024 and included the following procedures:

- Validated that the percentage fees were calculated correctly and in accordance with the lease revenue thresholds
- Agreed Concessionaire's monthly general ledger sales data to what was provided to the Accounting & Financial Reporting Department
- Agreed point-of-sale summary reports to the general ledger
- Obtained the Annual Gross Sales Report and compared the report to year-end gross sales data reported to AFR
- Reviewed the Profit & Loss statements for variances
- Reviewed a random sample of invoices to determine if they were paid on time and for the full amount charged

Appendix A: Risk Ratings

Findings identified during the audit are assigned a risk rating, as outlined in the table below. Only one of the criteria needs to be met for a finding to be rated High, Medium, or Low. Findings rated Low will be evaluated and may or may not be reflected in the final report.

Rating	Financial Stewardship	Internal Controls	Compliance	Public	Commission/ Management
High	Significant	Missing or not followed	Non-compliance with Laws, Port Policies, Contracts	High probability for external audit issues and / or negative public perception	Requires immediate attention
Medium	Moderate	Partial controls Not functioning effectively	Partial compliance with Laws, Port Policies Contracts	Moderate probability for external audit issues and / or negative public perception	Requires attention
Low	Minimal	Functioning as intended but could be enhanced	Mostly complies with Laws, Port Policies, Contracts	Low probability for external audit issues and/or negative public perception	Does not require immediate attention

INTERNAL AUDIT REPORT

Limited Contract Compliance Audit
SSP America SEA, LLC (Camden Food Co.)

July 2024 – December 2024

Issue Date: June 25, 2025
Report No. 2025-12

This report is a matter of public record, and its distribution is not limited. Additionally, in accordance with the Americans with Disabilities Act, this document is available in alternative formats on our website.

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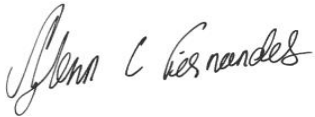
Internal Audit (IA) completed a limited scope audit of the Lease and Concession Agreement (Agreement) between SSP America SEA, LLC, and the Port of Seattle (Port). SSP America SEA, LLC operates four locations under this agreement: Ballard Brew Hall, Mi Casa Cantina, Le Grand Comptoir, and Camden Food Co. This audit report reflects the results of Camden Food Co.

The period audited was July 1, 2024, through December 31, 2024.

The audit was performed to determine whether concession fees were complete, properly calculated, and remitted timely to the Port.

We concluded that SSP America SEA, LLC (Camden Food Co.) materially complied with the terms of the Agreement. No exceptions were identified.

We extend our appreciation to management and staff of Aviation Commercial Management and the Accounting & Financial Reporting Departments for their assistance and cooperation during the audit.



Glenn Fernandes, CPA
Director, Internal Audit

Responsible Management Team

Lisa Lam, Director, Accounting and Financial Reporting
Khalia Moore, Assistant Director, Aviation Commercial Management
Jeff Wolf, Director, Aviation Commercial Management

Background

On August 1, 2017, the Port entered into a lease agreement (AIR002237) with SSP America SEA, LLC. Under this agreement, SSP America SEA, LLC operates Ballard Brew Hall, Mi Casa Cantina, Le Grand Comptoir, and Camden Food Co. Below is a description of Camden Food Co.

Camden Food Co. provides an airside marketplace filled with healthy options alongside indulgent yet affordably priced treats. From fresh, gourmet salads, artisan sandwiches and a wide range of hot and cold drink options, to nutrient-dense snacks and freshly baked treats to grab-and-go, there's something for every taste and dietary preference.

The Minimum Annual Guarantee (MAG) is 85% of the total paid by the concessionaire to the Port, for the previous calendar year. The annual MAG for SSP America SEA, LLC 2024 was \$1,271,408. At the end of the lease year, a reconciliation is performed comparing the Percentage Fees due to the Port, to the Agreement Year's MAG. Any amount of the Percentage Fees that fall below the MAG is due to the Port.

Percentage Fees:

8% of annual gross sales less than \$10,000,000
12% of annual gross sales between \$10,000,001 and \$15,000,000
16% of annual gross sales greater than \$15,000,000

The table below reflects Camden Food Co. 2024 Gross Sales:

Period	Gross Sales
2024 January - June	\$1,874,671
2024 July - December	2,477,663
	\$4,352,334

The table below reflects 2024's Gross Sales and Percentage Fees for all four locations operating under SSP America SEA, LLC:

Period	Gross Sales	Percentage Fee
2024 January - June	\$8,227,147	\$658,172
2024 July - December	10,266,899	1,300,876
	\$18,494,046	\$1,959,048

Audit Scope and Methodology

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) and The Institute of Internal Auditors' Global Internal Audit Standards. Due to a 2024 cyber event at the Port of Seattle, the required GAGAS triennial peer review has been delayed; however, we believe this had no impact on the engagement or the assurance provided. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides such a basis.

In some instances, we used judgmental sampling methods to determine the samples selected for our audit test work. In those cases, the results of the work cannot be projected to the entire population.

The period audited was July 2024, through December 2024 and included the following procedures:

- Validated that the percentage fees were calculated correctly and in accordance with the lease revenue thresholds
- Agreed Concessionaire's monthly general ledger sales data to what was provided to the Accounting & Financial Reporting Department
- Agreed point-of-sale summary reports to the general ledger
- Obtained the Annual Gross Sales Report and compared the report to year-end gross sales data reported to AFR
- Reviewed the Profit & Loss statements for variances
- Reviewed a random sample of invoices to determine if they were paid on time and for the full amount charged

Appendix A: Risk Ratings

Findings identified during the audit are assigned a risk rating, as outlined in the table below. Only one of the criteria needs to be met for a finding to be rated High, Medium, or Low. Findings rated Low will be evaluated and may or may not be reflected in the final report.

Rating	Financial Stewardship	Internal Controls	Compliance	Public	Commission/ Management
High	Significant	Missing or not followed	Non-compliance with Laws, Port Policies, Contracts	High probability for external audit issues and / or negative public perception	Requires immediate attention
Medium	Moderate	Partial controls Not functioning effectively	Partial compliance with Laws, Port Policies Contracts	Moderate probability for external audit issues and / or negative public perception	Requires attention
Low	Minimal	Functioning as intended but could be enhanced	Mostly complies with Laws, Port Policies, Contracts	Low probability for external audit issues and/or negative public perception	Does not require immediate attention