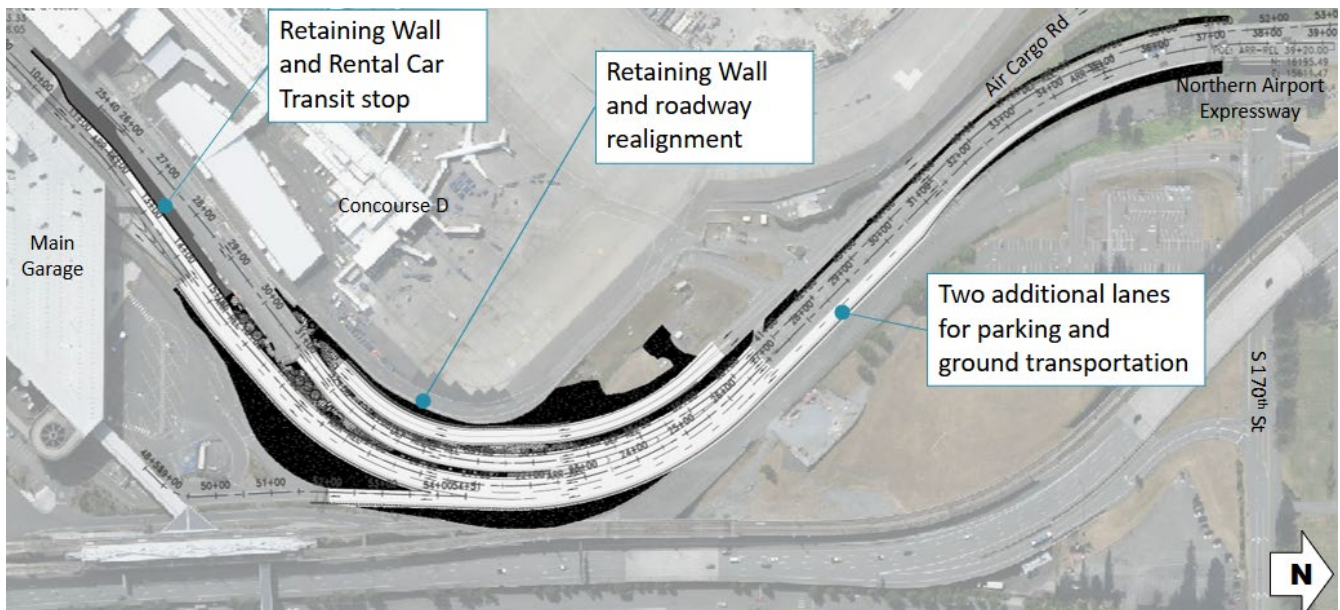


# INTERNAL AUDIT REPORT

## Capital Project Audit

### Widen Arrivals Roadway



August 2023 – July 2025

Issue Date: August 28, 2025

Report No. 2025-17

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## Executive Summary

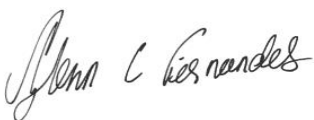
We completed an audit of the Widen Arrivals Roadway Project for the period August 2023, through July 2025. The audit was performed to assess the effectiveness of project goal achievement and identify opportunities for improvement. It provided an independent evaluation of the Port of Seattle's (Port) management practices, specifically in processing pay applications, handling change orders, and monitoring unit price items. The objectives were to review the adequacy of internal controls, determine contract compliance, and highlight lessons learned to inform future projects.

The project was executed using a Design-Bid-Build delivery method (DBB). The Port entered into a construction agreement with Scarsella Brothers Inc. (Scarsella), based on unit pricing for each line item, with an original contract value of approximately \$52.6 million. The Project also received partial funding from federal sources.

This Project is one of four major DBB contracts within the broader Widen Arrivals Roadway Program. However, due to the time constraints associated with the 2026 FIFA World Cup, the Port elected to incorporate the Bus Canopy Project into this contract to streamline delivery and mitigate potential delays. Additionally, there is a possibility of scope expansion, which would include a separate art installation, specifically, a glass artwork installed on the canopy. These changes were made to maintain the Project schedule, as issuing separate bids for the canopy and art installation could jeopardize timely completion ahead of the World Cup.

Overall, Port management's monitoring, compliance, and internal controls generally aligned with established policies and procedures. The Construction Management Group also developed a strong process for maintaining project documentation, which proved valuable during the cyber-attack outage when access to most systems, including project management platforms, were unavailable. However, our audit identified areas where internal controls could be enhanced or developed. These opportunities are outlined below and discussed in greater detail beginning on page six of this report.

1. **(Low)** Payments issued by the Port exceeded the contractual timeframe and omitted a Port-standard clause that aligns with state law.
2. **(Low)** Misclassification of Change Order 31 as Lump Sum Instead of Not-To-Exceed (NTE).
3. **(Low)** Duplicate Payment Identified for Unit Price Bid Item.



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### Responsible Management Team

Sofia Mayo, Director CPO  
Brian Sweet, Director - Engineering  
Janice Zahn, Chief Engineer

## Background

The Widen Arrivals Roadway Project is included in the Port of Seattle's Century Agenda Strategic Objectives, which aim to position the region as a leading tourism destination and business gateway. As part of this initiative, the Project will expand the Northern Airport Expressway by adding two additional southbound lanes, bringing the total to six, to enhance access to parking and ground transportation. Additionally, it includes the relocation and replacement of aging utility infrastructure systems.

The original roadway system was designed to accommodate an activity level of 25 million annual passengers. However, by 2022, the airport experienced 45.9 million annual passengers, resulting in significant roadway congestion and queuing during peak travel periods. The Project aims to alleviate these conditions by reducing curbside private vehicle pickup and drop off times and maintaining a maximum 15-minute travel time from the airport clock tower to the terminal curb or parking garage.

We observed that the Widen Arrivals Bus Canopy Project (MC-0321272) had been incorporated into the Roadway Project through a change order. In parallel, management was evaluating the potential consolidation of the separately funded artist services contract under the same project. Although art-related expenses were designated to be covered by the Art Program, this consolidation was considered to streamline project delivery and scheduling.

The Bus Canopy Project was originally included within the broader Widen Arrivals Roadway Program but was separated, along with three other components, into separate DBB projects due to design complexities and schedule restraints. Despite their separate execution, all projects remained under the Program's overarching structure. The Artist Services contract, initiated independently and supported by separate funding, excluded installation services due to the artist's overseas location in the Netherlands. To meet the FIFA World Cup 2026 timeline and mitigate the risks associated with managing multiple contractors concurrently, Port management decided to retain Scarsella, the existing contractor, for the additional bus canopy scope without initiating a new competitive bidding process.

We consulted with the Legal Department to determine whether this approach raises compliance concerns. They confirmed that the action was permissible under Washington State Code and Port policy. We appreciate the strong partnership and support from Management throughout the audit process, which enabled open communication and timely clarification of key decisions. We did note that, although bypassing a competitive process was permissible in this instance, it may reduce transparency, limit equitable access for other vendors, and increase the risk of higher costs or reduced value in the services provided.

The original construction contract was \$52.6 million. With approved change orders and unit price bid item adjustments, the current estimate is \$57.3 million (as of the report date). Substantial completion is scheduled for June 07, 2026.

## **Audit Scope and Methodology**

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards and The Institute of Internal Auditors' Global Internal Audit Standards. 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 meets this requirement and supports our audit objectives.

We used a risk-based judgmental method to identify samples for testing. Accordingly, the results represent the samples tested and may not represent the entire population.

The period audited was August 2023, through July 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

- Obtained an understanding of management's pay estimates process
- Verified that payment amounts matched invoice totals by comparing pay estimates with payment dates and confirmed that payments were made in a timely manner

### Change Orders

- Assessed management's process for reviewing change orders
- Verified approvals were obtained from required personnel
- Confirmed approved change order amounts were accurately reflected in the Change Order Log
- Evaluated change orders for accuracy and completeness

### Contract Compliance

- Reviewed executed contract documents, including amendments and addendums
- Confirmed inclusion of clear scope, deliverables, timelines, and payment terms
- Verified submission of required reports, certifications, and submittals were submitted, as per contract requirements

### Federal Funding

- Gained an understanding of the federal funding acquisition process
- Verified the total amount federal funds awarded and disbursed to date
- Interviewed management regarding risks and contingency plans in case federal funding is withdrawn
- Reviewed the bond issuance process supporting project funding

## Schedule of Observations and Recommendations

### 1) Rating: Low

**Payments issued by the Port exceeded the contractual timeframe and omitted a Port standard clause that aligns with state law.**

We determined that, although pay estimates were signed by the Port and payment amounts aligned with the approved estimates, multiple instances of noncompliance with contractual obligations and applicable state payment statutes were identified.

The Project Manual (Volume 1, Section 90-06) specifies that partial payments will be made “at least once each month,” but it omits the standard Port clause, which requires payment within 30 days after completion of the Port’s review and determination of the amount due.

Two pay estimates exceeded the 30-day payment timeframe:

- Pay Estimate #11 was paid 34 days after submission, attributed to a Port-wide cyberattack. The contractor was kept informed.
- Pay Estimate #16 was paid 41 days after submission, with no documented justification for the delay.

#### **Recommendations:**

1. Future contracts include the standard payments clause aligned with RCW 39.76.011(2).
2. Document and communicate payment delays to contractors.

#### **Management Response/Action Plan:**

1. Concur. All current Port funded projects include the standard payment clause. CM will coordinate with CPO to ensure a 30-day payment clause is included in future FAA funded contracts.
2. Concur. Will review with Construction Managers at next quarterly meeting.

**DUE DATE: 09/17/2025**

**2) Rating: Low**

**Misclassification of Change Order No. 31 as Lump Sum Instead of Not-To-Exceed (NTE).**

Change Order No. 31 was issued as a lump sum rather than a Not-To-Exceed (NTE). It provided an additional \$100,000 in funding to Change Order No. 17, which was valued at \$650,000 and tracked on unit prices. According to discussions with the Construction Management Group, the cost of contaminated soil removal had the potential to exceed the combined authorized amount of \$750,000. Construction Management indicated that if actual costs surpassed this amount, they would seek additional funding.

Given that the work was being tracked by unit price, Change Order No. 31 should have been structured as NTE, allowing the Port to authorize funding up to a defined limit while reconciling actual costs at project completion. Classifying it as a lump sum instead either implied that the contractor assumed all cost beyond \$100,000, or that the contractor would receive the full amount regardless of costs, neither of which aligned with the Port's intended cost management strategy.

**Recommendations:**

Change Order No. 31 should be reclassified as a Not-To-Exceed change order to accurately reflect cost risk and control. Future changes involving variable or uncertain costs should be managed with NTE change orders, with costs tracked and reconciled upon completion. If additional funding is required, a subsequent NTE change order should be executed to maintain transparency and proper financial control.

**Management Response/Action Plan:**

Concur. Construction Management will remind staff to keep change orders properly classified when increasing previous Not-To-Exceed change orders during the next quarterly meeting.

**DUE DATE: 09/17/2025**

**3) Rating: Low**

**Duplicate Payment Identified for Unit Price Bid Item.**

In most cases, the Port's internal controls over the pay application review process functioned effectively to ensure that billings for unit price work items were accurate and properly supported. However, we identified one instance where a unit price bid item, contaminated soil, was inadvertently paid twice, resulting in an overpayment of approximately \$5,387. At the time of review, contaminated soil payments totaled \$677,134.01, making the overpayment less than 1% of the total.

Specifically, the Port paid for the same contaminated soil disposal work dated October 30, 2024, on both Pay Estimate 11 and 12. Upon identifying the error and prior to the issuance of this report, the Construction Management team reconciled the associated trip tickets and pay applications. A corrective credit of \$5,386.66 was submitted and applied under Change Order No. 31 on Pay Estimate 18 in the amount of \$5,386.66.

**Recommendations:**

No further action is required, as the overpayment was identified and resolved prior to the issuance of the audit report.

**Management Response/Action Plan:**

No response required.

## 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
<b>High</b>	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
<b>Medium</b>	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
<b>Low</b>	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