



Port of Seattle Commission

**AUDIT COMMITTEE**

**September 16, 2025 – 12:30 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](https://meetings.portseattle.org).**

**To listen live from a remote location, call in at: +1 (206) 800-4046 or (833) 209-2690 and Conference ID 554 641 485#**

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**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

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**ORDER OF BUSINESS**

1. Call to Order
2. Approval of Minutes – July 15, 2025 (p.2)

**External Audits (Presentation)**

3. Office of the Washington State Auditor – 2024 Accountability Audit Opening (Report) (p.7)  
*Joseph Simmons, Program Manager; Sonia Khokhar, Assistant State Auditor; and  
Sophia Sullam, Assistant Audit Manager*

**Updates and Approval (Glenn Fernandes, Director, Internal Audit) (Presentation – Items #4-10) (p.24)**

4. Internal Audit Overview
5. Approval of Proposed 2026 Budget
6. Approval of 2025 Audit Plan Update

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

7. Port Management Governance Committees (Report) (p.47)
8. Widen Arrivals Roadway (Report) (p.57)

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

9. Access Control Management (AVM)<sup>1</sup> (Report)

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

10. LaTrelle's Flight Kitchen, LP (Wendy's) (Report) (p.66)

**Concluding Business**

11. Committee Comments
  12. Adjournment
- 

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



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

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

The Port of Seattle Commission Audit Committee met in a special meeting July 15, 2025. The meeting was held in the Commission Chambers located at the Port of Seattle Headquarters Building, 2711 Alaskan Way, Seattle, WA, and virtually via Microsoft Teams. Committee members present included Commissioner Ryan Calkins, Commissioner Hamdi Mohamed, and Public Member Sarah Holmstrom (non-voting).

**1. Call to Order:**

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

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

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

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

**EXTERNAL AUDITS**

**3. Moss Adams – 2024 Financial Statement Audit Results**

Presenters:

Olga Darlington, Engagement Partner, Moss Adams

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

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

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

Discussion ensued regarding:

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

## **UPDATES AND APPROVALS**

### **4. Open Issue Status**

Presenters:

*Glenn Fernandes, Internal Audit Director*

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

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

### **5. Approval of 2025 Audit Plan Update**

Presenters:

*Glenn Fernandes, Internal Audit Director*

Internal Audit Director, Glenn Fernandes, overviewed the status of the 2025 Audit Plan since its adoption. He advised that some contingency audits are being moved to the main Audit Plan, including by request of Construction Management.

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

**In favor: Calkins and Mohamed (2)**

**Opposed: (0)**

## **PERFORMANCE AUDITS**

### **6. Community Initiatives - ANEW**

Presenters:

Glenn Fernandes, Director, Internal Audit

The presentation addressed:

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

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

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

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

### **7. Maritime Innovation Center Project**

Presenters:

Glenn Fernandes, Director, Internal Audit

Spencer Bright, Internal Audit Manager

The presentation addressed:

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

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

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

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

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

## **INFORMATION TECHNOLOGY AUDITS**

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

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

## **LIMITED CONTRACT COMPLIANCE AUDITS**

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

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

### **13. Committee Comments**

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

Commissioners Calkins and Mohamed thanked everyone for the meeting.

**14. Adjournment**

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

Prepared:

Attest:

\_\_\_\_\_  
Michelle M. Hart, MMC, Commission Clerk

\_\_\_\_\_  
Ryan Calkins, Audit Committee Chair

Minutes approved: September 16, 2025.



## Office of the Washington State Auditor

### Pat McCarthy

### Entrance Conference: Port of Seattle

The Office of the Washington State Auditor's vision is increased trust in government. Our mission is to provide citizens with independent and transparent examinations of how state and local governments use public funds, and develop strategies that make government more efficient and effective.

The purpose of this meeting is to share our planned audit scope so that we are focused on the areas of highest risk. We value and appreciate your input.

#### Audit Scope

Based on our planning, we will perform the following audits:

#### **Accountability audit for January 1, 2024 through December 31, 2024**

We will examine the management, use and safeguarding of public resources to ensure there is protection from misuse and misappropriation. In addition, we will evaluate whether there is reasonable assurance for adherence to applicable state laws, regulations and policies and procedures.

We will share the specific areas we plan to evaluate after we complete our planning procedures.

#### **Assessment Audit of Port of Seattle Industrial Development Corporation for January 1, 2022 through December 31, 2024**

SAO audit policy requires an examination of the Port of Seattle Industrial Development Corporation (IDC) at least once every three years. Our office last reviewed the Port's IDC for fiscal years 2019-2021. We will perform an assessment audit of the IDC's activities for fiscal years 2022-2024 to ensure state law requirements were met.

#### Engagement Letter

We have provided an engagement letter that confirms both management and auditor responsibilities, and other engagement terms and limitations. Additionally, the letter identifies the cost of the audit, estimated timeline for completion and expected communications.

#### Work of Other Auditors

A financial statement and federal single audit of the Port was performed by Moss Adams (now Baker Tilly).

In accordance with professional standards, we considered the audit report and audit work performed by the other auditors in the planning of our audit. This includes communicating with the other auditors, evaluating the quality and results of the other auditor's work, and identifying areas that could affect our audit, including those in which we could leverage the work already performed.

Accountability audits differ in scope from financial statement and single audits. Financial statement audits determine if amounts reported in the financial statements are fairly stated, while single audits determine compliance with specific federal grant requirements. In contrast, accountability audits determine compliance with

laws, regulations and the government's policies in areas selected for testing, as well as determine if public assets are safeguarded against loss or misuse.

The accountability audit may examine some of the same areas covered in the financial statement and/or single audit. However, due to the objective for accountability audits, the audit will approach and test these differently and not duplicate work already performed.

## **Levels of Reporting**

### **Findings**

Findings formally address issues in an audit report. Findings report significant results of the audit, such as significant deficiencies and material weaknesses in internal controls; misappropriation; and material abuse or non-compliance with laws, regulations or policies. You will be given the opportunity to respond to a finding and this response will be published in the audit report.

### **Management Letters**

Management letters communicate control deficiencies, non-compliance, misappropriation, or abuse that are less significant than a finding, but still important enough to be formally communicated to the governing body. Management letters are referenced, but not included, in the audit report.

### **Exit Items**

Exit items address control deficiencies, non-compliance with laws or regulations, or errors that have an insignificant effect on the audit objectives. These issues are informally communicated to management.

## **Important Information**

### **Confidential Information**

Our Office is committed to protecting your confidential or sensitive information. Please notify us when you give us any documents, records, files, or data containing information that is covered by confidentiality or privacy laws.

### **Audit Costs**

The cost of the audit is estimated to be approximately \$141,000.

### **Expected Communications**

During the course of the audit, we will communicate with Andrew Cartica, CPA, Assistant Director of Capital Services and Financial Systems, and Diana Benson, CPA, Assistant Director over General Accounting, on the audit status, any significant changes in our planned audit scope or schedule and preliminary results or recommendations as they are developed.

Please let us know if, during the audit, any events or concerns come to your attention of which we should be aware. We will expect Andrew and Diana to keep us informed of any such matters.

### **Audit Dispute Process**

Please contact the Audit Manager or Assistant Director to discuss any unresolved disagreements or concerns you have during the performance of our audit. At the conclusion of the audit, we will summarize the results at the exit conference. We will also discuss any significant difficulties or disagreements encountered during the audit and their resolution.



## **Loss Reporting**

Washington state law requires all state agencies and local governments to immediately notify SAO if staff know or suspect loss of public resources, or of other illegal activity including a cyber-attack if it resulted in a loss of public resources or potentially impacted financial records or systems. State and local government employees should alert us to suspected fraud through the online Report a Suspected Fraud or Loss form below. These notifications can be made on our website at [www.sao.wa.gov/report-a-concern/how-to-report-a-concern/fraud-program](http://www.sao.wa.gov/report-a-concern/how-to-report-a-concern/fraud-program).

## **Cybersecurity Loss Reporting**

State and Local governments may also be required to report cybersecurity issues to the Washington State Attorney General's Office (AGO) or to the State Auditor's Office, including security breaches and cyber fraud. To learn more about when to report cybersecurity issues, please visit our website at <https://sao.wa.gov/has-your-government-experienced-a-cybersecurity-issue-here-is-when-and-how-to-report/>.

## **Peer Reviews of the Washington State Auditor's Office**

To ensure that our audits satisfy Government Auditing Standards, our Office receives external peer reviews every three years by the National State Auditors Association (NSAA). The most recent peer review results are available online at [www.sao.wa.gov/about-sao/who-audits-the-auditor](http://www.sao.wa.gov/about-sao/who-audits-the-auditor). Our Office received a "pass" rating, which is the highest level of assurance that an external review team can give on a system of audit quality control.

## **Working Together to Improve Government**

### **Audit Survey**

When your report is released, you will receive an audit survey from us. We value your opinions on our audit services and hope you provide us feedback.

### **Local Government Support Team**

This team provides support services to local governments through the Budget, Accounting, and Reporting System (BARS) and annual online filing technical assistance, provides accounting, reporting and BARS training. Our website and client portal offers many resources, including a client Help Desk that answers auditing and accounting questions, updated BARS manuals, access to resources and recorded trainings, and additional accounting and reporting resources. Additionally, this team assists with the online filing of your financial statements.

Stay informed on current and upcoming accounting implementations at [https://sao.wa.gov/sites/default/files/bars-files/GASB\\_Accounting\\_Changes.pdf](https://sao.wa.gov/sites/default/files/bars-files/GASB_Accounting_Changes.pdf)

### **The Center for Government Innovation**

The Center for Government Innovation of the Office of the Washington State Auditor offers services designed to help you, help the residents you serve at no additional cost to your government. What does this mean? They provide expert advice in areas like building a Lean culture to help local governments find ways to be more efficient, effective and transparent. The Center also provides financial management technical advice and best practices and resources. These can be accessed from the "Improving Government" tab of our SAO website and help you act on accounting standard changes, comply with regulations, protect public resources, minimize your cybersecurity risk and respond to recommendations in your audit. The Center also offers the Financial Intelligence Tool, better known as FIT, to help you assess and monitor your finances and compare your financial operations to other local governments like you. You can email the Center for a personal training session to learn all the

benefits using the FIT tool can provide. The Center understands that time is your most precious commodity as a public servant, and wants to help you do more with the limited hours you have. Learn more about how the Center can help you maximize your effect in government at <https://sao.wa.gov/improving-government/center-government-innovation>.

Explore the latest resources in our Resource Library at <https://sao.wa.gov/improving-government/resource-library>.

### **Audit Team Qualifications**

**Tina M. Watkins, CPA, Director of Local Audit** – Tina has been with the Washington State Auditor’s Office since 1994. In her role, she oversees the audit teams that perform the audits for over 2,200 local governments. She serves on the Washington Finance Officers Association Board. She served as Assistant Director of Local Audit for 8 years prior to becoming the Director of Local Audit. Phone: (360) 260-6411 or [Tina.Watkins@sao.wa.gov](mailto:Tina.Watkins@sao.wa.gov)

**Wendy Choy, Assistant Director of Local Audit** - Wendy has been with the Washington State Auditor’s Office since 2002. In her role as Assistant Director, she assists with statewide oversight and management of all the audits for local government. She is also the program manager for public hospital districts. She served as an Audit Manager for six years prior to becoming an Assistant Director of Local Audit. Phone: (425) 502-7067 or [Wendy.Choy@sao.wa.gov](mailto:Wendy.Choy@sao.wa.gov)

**Joe Simmons, CPA, Program Manager** – Joe has been with the State Auditor’s Office since 1987 and became Audit Manager of Team Central King County in 2015. In his prior role as Assistant Audit Manager on two different teams he worked on audits of state and local governments throughout Pierce, Kitsap, Mason, Clallam, and Jefferson counties. He also serves as the Office’s statewide Program Manager for CPA Reviews, Public Facilities Districts, Public Development Authorities, and Air Pollution Control Authorities. Phone: (206) 613-7628 or [Joseph.Simmons@sao.wa.gov](mailto:Joseph.Simmons@sao.wa.gov)

**Sophia Sullam, Assistant Audit Manager** – Sophia joined the Washington State Auditor’s Office in 2016. Sophia has supervised and worked on financial statement, federal grant compliance, and accountability audits for local governments such as King County, the City of Seattle, Seattle School District, Sound Transit, and several public development authorities. Phone: (206) 613-7629 or [Sophia.Sullam@sao.wa.gov](mailto:Sophia.Sullam@sao.wa.gov)

**Sonia Khokhar, Audit Lead** - Sonia has been with the Washington State Auditor’s Office since 2020. In her role as an Assistant State Auditor, she has worked on financial statements, federal grant compliance and accountability audits for a variety of governments in the Seattle area, including King County, the City of Seattle, Seattle School District, the Port of Seattle, King County Regional Homeless Authority and other local governments. Sonia also serves as one of the team’s fraud specialists. Phone (206) 613-7639 or [Sonia.Khokhar@sao.wa.gov](mailto:Sonia.Khokhar@sao.wa.gov)

# Entrance Conference

Port of Seattle

Joseph Simmons  
*Program Manager*

Sophia Sullam  
*Audit Supervisor*

Sonia Khokhar  
*Audit Lead*

September 16, 2025



Office of the  
Washington  
State Auditor  
Pat McCarthy

*Disclaimer: This presentation is intended to be viewed in conjunction with the complete packet of entrance materials provided. A copy of those materials may be requested by contacting the presenters listed or by emailing [PublicRecords@sao.wa.gov](mailto:PublicRecords@sao.wa.gov).*



# Audits that Matter



## Accountability

### Financial

Performance Audits

Cybersecurity Audits

Unauditable  
Governments

Citizen Hotlines

### Federal

Fraud/ Whistleblower  
Investigations

Other Engagements



Pat McCarthy  
State Auditor

2,724 audits conducted  
(July 1, 2023 – June 30, 2024)  
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# Accountability Audit

January 1, 2024 through December 31, 2024

We will examine the management, use and safeguarding of public resources to ensure there is protection from misuse and misappropriation. In addition, we will evaluate whether there is reasonable assurance for adherence to applicable state laws, regulations and policies and procedures.

We will use a risk-based audit approach for the Port and will share the specific areas we plan to evaluate after we complete our planning procedures.



# Related Audit Work



## Attestation – Port of Seattle Industrial Development Corporation

- January 1, 2022 through December 31, 2024
- Planned procedures: Compliance with state law for IDCs

## Review of Independent CPA firm Audit

- January 1, 2024 through December 31, 2024
- Audit Type: Financial and Federal

# Work of Other Auditors

- A financial statement audit and federal single audit was performed by Moss Adams (now Baker Tilly) of the Port.
- We will review their work and determine if anything causes concern about its quality.
- We will remain alert and report to you on whether any limitations restricted our analysis of the other audit.
- We will notify you if we notice any instance in which a material misstatement of the financial statements has or may have resulted from fraud or suspected fraud.







# Levels of Reporting



Findings

Management  
letters

Exit items



# Important Information

Confidential  
Information

Audit Costs

Audit  
Dispute  
Process

Loss  
Reporting

# Reporting Cybersecurity Issues

## Reporting to the Attorney General's Office (AGO)

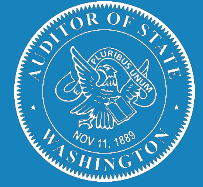
- Reporting required for single security incidents affecting >500 Washington residents
- Find out more about reporting requirements and how to report at [www.atg.wa.gov/data-breach-notifications](http://www.atg.wa.gov/data-breach-notifications)

## Reporting to the State Auditor's Office (SAO)

- Reporting may be required for cyber-security events involving financial records or finances, regardless of number of affected parties.
- To learn more, please visit <https://sao.wa.gov/has-your-government-experienced-a-cybersecurity-issue-here-is-when-and-how-to-report/>



# Peer Reviews of Washington State Auditor's Office



## *“Who audits the State Auditor?”*

- To ensure our audits satisfy government auditing standards, our Office receives external peer reviews every three years by the National State Auditors Association (NSAA)
- Most recent peer review results are available online at [www.sao.wa.gov/about-sao/who-audits-the-auditor/](http://www.sao.wa.gov/about-sao/who-audits-the-auditor/)
- Rating received: “Pass”, the highest level of assurance that an external review team can provide

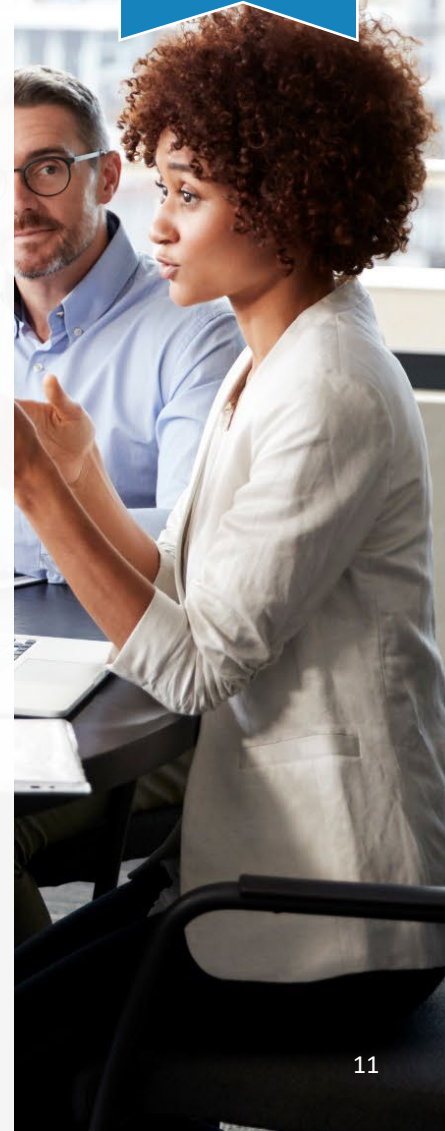
# Working Together to Improve Government

## Local Government Support Team

- BARS & Annual Online Filing
- Accounting and Reporting Training
- Client portal, including helpdesk

## The Center for Government Innovation

- Free tools, resources and services to help you solve problems and improve operations.



# SAO's Center for Government Innovation offers:



- **Cyber checkups** to assess your government's vulnerability to common cybersecurity threats
- **Customized Lean facilitations & trainings** to help you improve how work gets done
- **Teambuilding workshops** to help you strengthen your team, increase trust, and promote workplace harmony
- **Financial Intelligence Tool (FIT)** data to help you monitor your government's financial health





# Questions?



Contact Joseph Simmons, Program Manager,

[Joseph.Simmons@sao.wa.gov](mailto:Joseph.Simmons@sao.wa.gov)

(206) 613-7628

# Port of Seattle Audit Committee

## Internal Audit Update

Glenn Fernandes - Director, Internal Audit

September 16, 2025

P69 Commission Chambers

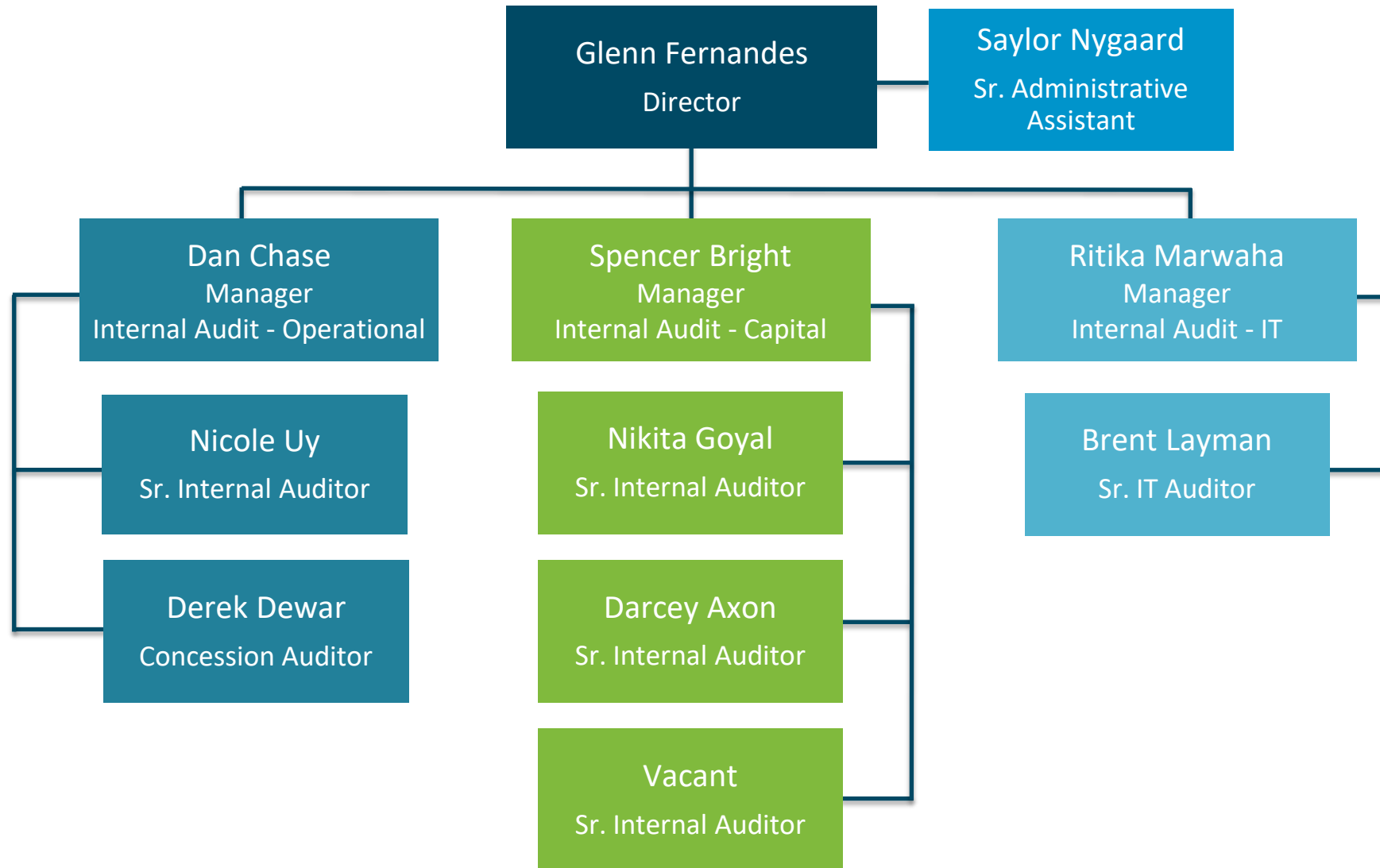
12:30 PM – 2:30 PM



# Internal Audit Overview

- Internal Audit, through an annual Audit Plan, provides assurance that the Port's controls are effective and efficient. The department facilitates four public Audit Committee meetings per year, and non-public meetings, as needed.
- The department facilitates RCW required independent audits on GC/CM Projects and periodically assists in the required Payment Card Industry audit.
- The department provides advisory services to the Port, to the extent that it does not compromise the department's independence.
- The department maintains its independence and objectivity by reporting administratively to the Executive Director and functionally to the Audit Committee.

# Internal Audit Organization Structure



# 2026 Baseline Budget Overview

	Org/Node Name	2024	2025	2026	26 Bud to 25	26 Bud to 25
Line	Account Description	Budget	Budget	Budget	Bud Change \$	Bud Var %
1	Salaries and Benefits	2,118,896	2,193,568	2,375,925	182,357	8.31%
2	Equipment Expense	563	563	0	(563)	(100.00%)
3	Supplies & Stock	1,000	1,000	1,035	35	3.46%
4	Outside Services	42,095	2,095	2,265	170	8.11%
5	Travel & Other Employee Exp	52,287	60,812	60,511	(301)	(0.49%)
6	Promotional Expenses	0	0	0	0	0.00%
7	General Expenses	505	505	825	320	63.37%
8	Other Expenses	8,397	8,004	8,343	339	4.24%
9	Total Charges To Capital	0	0	0	0	0.00%
	<b>Non Payroll Subtotal</b>	<b>\$ 104,847</b>	<b>\$ 72,979</b>	<b>\$ 72,979</b>	<b>\$ (0)</b>	<b>0.0%</b>
	<b>Total</b>	<b>\$ 2,223,743</b>	<b>\$ 2,266,547</b>	<b>\$ 2,448,904</b>	<b>\$ 182,356</b>	<b>8.0%</b>

# 2025 YTD Actuals

	Org/Node Name	2024	2024	1H 2025	1H 2025	1H 25 Bud to 1H 25 Act	1H 25 Bud to 1H 25 Act
Line	Account Description	Budget	Actuals	Budget	Actuals	Bud Change \$	Bud Change %
1	Salaries and Benefits	2,118,896	1,854,092	1,083,234	1,139,274	56,040	5.2%
2	Equipment Expense	563	4,849	489	2,402	1,913	391.2%
3	Supplies & Stock	1,000	995	492	812	320	65.0%
4	Outside Services	42,095	21,653	2,095	1,181	(914)	(43.6%)
5	Travel & Other Employee Exp	52,287	47,274	55,675	22,892	(32,783)	(58.9%)
6	Promotional Expenses	0	0	0	0	0	
7	General Expenses	505	(1,750)	505	2,660	2,155	426.7%
8	Other Expenses	8,397	8,317	4,002	3,845	(157)	(3.9%)
9	Total Charges To Capital	0	0	0	0	0	
	<b>Non Payroll Subtotal</b>	<b>\$ 104,847</b>	<b>\$ 81,338</b>	<b>\$ 63,258</b>	<b>\$ 33,792</b>	<b>\$ (29,466)</b>	<b>-46.6%</b>
	<b>Total</b>	<b>\$ 2,223,743</b>	<b>\$ 1,935,430</b>	<b>\$ 1,146,492</b>	<b>\$ 1,173,066</b>	<b>\$ 26,574</b>	<b>2.3%</b>

# (Capitalized) Outside Services

GC/CM Audit Costs (Outside Services) are directly capitalized to each Project and are not reflected in the expense budget. Below is a summary of GC/CM spending for informational purposes.

Project	Firm	Construction Cost Estimate	Est. Audit Spend over Life of Project	Audit Work
Post IAF Airline Realignment	RL Townsend	\$45 MM	\$82,044	In Process, expected completion 2027
C Concourse Expansion Project	RL Townsend	\$49.2 MM	\$304,000	In Process, expected completion 2026
Main Terminal Low Voltage Project	RL Townsend	\$55 MM	\$73,555	In Process, expected completion 2026
South Concourse Evolution	Talson Solutions	\$1B	\$634,310	In Process, expected completion 2032
Primary Fire Station (Eastside)	FACT Financial Solutions	\$15 MM	\$21,805	In Process, expected completion 2026
Industrial Wastewater Treatment Plant-Heavy Civil GC/CM	Not Selected	\$150 MM	\$118,500	Expected timeline 2026 - 2029
Baggage Optimization 3	Fort Hill & Associates	\$300 MM	\$217,500	In Process, expected completion 2027
Concourse HVAC Improvement Renewal/Replacement Program (CHIRRP)	Not Selected	\$200 MM	\$180,000	Expected timeline 2026 – 2032
Terminal 25 South Restoration (Heavy Civil GC/CM)	Not Selected	-	-	Expected timeline 2026 – 2029 Construction and audit budgets not established
Main Terminal Improvement Program		\$520 MM	\$499,200	Expected timeline 2026 - 2034
Concourse Low Voltage Upgrades	RL Townsend	\$22.3 MM	\$27,195	In Process, expected completion 2026
<b>Total</b>		<b>\$2.35 B</b>	<b>\$2.15 MM</b>	

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 <sup>1</sup>	Performance													
Consultants/Contractor Management	Performance													
Port Management Governance Committees	Performance													
Terminal 91 Berths 6 & 8 <sup>1,2</sup>	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 <sup>4</sup>	Performance - Capital													
Closed Network System - Satellite Transit System (STS) (AVM)	IT													
Third-Party Risk Management (ICT & AVM)	IT													
Access Control Management (AVM)	IT													
Access Control Management (ICT)	IT													
Baggage Conveyor System (AVM) <sup>3</sup>	IT													
New IT Environment - Information Technology General Controls (ITGC) <sup>5</sup>	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. <sup>3</sup>	Contract Compliance													
The Yarrow Group, LLC <sup>3</sup>	Contract Compliance													
LaTrelle's Flight Kitchen, LP (Wendy's) <sup>3</sup>	Contract Compliance													

<sup>1</sup> Audit renamed to better align to scope

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

<sup>3</sup> Added to plan from contingency audit plan

<sup>4</sup> Addition to plan at request of Construction Management

<sup>5</sup> Deferred to 2026 Audit Plan at request of Port Management, added Contingency Audit in lieu of this Audit

KEY	Complete
	In Process
	Not Started
	Deferred

# 2025 Audit Plan

Item #6

Limited Contract Compliance	Performance	Performance - Capital	Information Technology
<ul style="list-style-type: none"> <li>• Gate Gourmet, Inc.</li> <li>• BF Foods, LLC</li> <li>• Concourse Concessions, LLC</li> <li>• SSP America SEA, LLC (Ballard Brew Hall)</li> <li>• SSP America SEA, LLC (Mi Casa Cantina)</li> <li>• SSP America SEA, LLC (Le Grand Comptoir)</li> <li>• SSP America SEA, LLC (Camden Food Co.)</li> <li>• LaTrelle's Flight Kitchen, LP (Wendy's)<sup>3</sup></li> <li>• The Yarrow Group, LLC<sup>3</sup></li> <li>• Sun's, Inc.<sup>3</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Recovery Effort – Data Integrity – General</li> <li>• P-Cards &amp; Accounts Payable Payments and Banking/Fraud Controls</li> <li>• Community Initiatives - ANEW<sup>1</sup></li> <li>• Consultants/Contractor Management<sup>2</sup></li> <li>• Port Management Governance Committees</li> </ul>	<ul style="list-style-type: none"> <li>• Terminal 91 - Berths 6 &amp; 8<sup>1,2</sup></li> <li>• Maritime Center at Fishermen's Terminal</li> <li>• 2023 Airfield Projects- Contract 2</li> <li>• Widen Arrivals Roadway</li> <li>• Recovery Effort - Data Integrity - Construction Management<sup>4</sup></li> <li>• Club at SEA<sup>4</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Closed Network System – Satellite Transit System (STS) (AVM)</li> <li>• Third-Party Risk Management (ICT &amp; AVM)</li> <li>• Access Control Management (AVM)</li> <li>• Access Control Management (ICT)</li> <li>• Baggage Conveyor System (AVM)<sup>3</sup></li> <li>• <del>New IT Environment – Information Technology General Controls (ITGC)<sup>5</sup></del></li> </ul>

<sup>1</sup> Audit renamed to better align to scope

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

<sup>3</sup> Added to plan from contingency Audit Plan

<sup>4</sup> These are not full audits, they will be performed as reviews and a summary memo will be issued

<sup>5</sup> Deferring to 2026 Audit Plan at the request of Port Management, and added a Contingency Audit in lieu

# 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 Third Quarter – 2025

- 1) Port Management Governance Committees
- 2) Widen Arrivals Roadway
- 3) Access Control Management (AVM)<sup>1</sup>
- 4) LaTrelle's Flight Kitchen, LP (Wendy's)

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

# Port Management Governance Committees

➤ Scope: January 2024 – June 2025

➤ Objectives:

1) To determine whether management oversight committees adhered to requirements within their charters, such as the occurrence of meetings and attendance of members

- Eight standing committees or boards that engage in outreach efforts and communicate Commission priorities to the public
- Not legally authorized to act on behalf of the Port of Seattle (POS)
- Sanctioned to evaluate information, advise, and make recommendations to the POS Commission

# Port Management Governance Committees

## ➤ Objectives (continued):

2) To assess the Trade Business and Community Development (TBCD) process, specifically how requests were made and approved

- TBCD requests are evaluated and approved through the Development Funding Review Committee
- Must be associated with one of four categories:
  - 1) Promotion of Tourism
  - 2) Economic Development Programs
  - 3) Education and Awareness
  - 4) Promotion of Port Properties and Facilities/Trade Promotion

**1) Rating: Low**

**Procedural documents did not exist. Additionally, Resolution 2779 is approximately 50 years old, and internal policy documents have not been updated in six years. While the respective RCWs have not changed, an opportunity exists to modernize the language in Resolution 2779.**

- According to RCW 53.36.120, “trade promotion or promotional hosting shall be pursuant to specific budget items as approved by port commission at the annual public hearings on the port districts budget.” Of the 130 approved requests, 27 (\$264,840) reflected “false” or not budgeted.

**1) Rating: Low**

## Recommendations:

- The TBCD Committee should be owned jointly by Legal and Accounting & Financial Reporting (AFR).
- The title of the Policy AC-4 and the related account and approval process should be updated to remove “Community” Development, to better align with the RCW and to minimize confusion.
- Educate Port staff and the Commission on what constitutes an allowable expenditure per the RCW and Port Policy.
- An effort should be made to identify if the Port would benefit from updating Resolution 2779 to modernize the language and to better align to current operations of the Port.
- Procedures should be created, and the SharePoint file should be completely and accurately filled out.

# Management Response

- We appreciate the Internal Auditor's review of Port governance practices, specifically the AC-4 Policy, *Promotional Hosting; Trade/Business and Community Development (TBCD) Expenses*. Since spring 2025, the TBCD Development Funding Review Committee (Review Committee) has been actively engaged in a cross-functional work group including Commission staff to update the AC-4 Policy and develop associated procedures to ensure all required fields of the SharePoint application are properly documented, and reasons for denied applications are included. We acknowledge the need to enhance these procedures to improve clarity, streamline the process, and provide education for the appropriate use of funds budgeted for qualifying TBCD expenses. We expect the workgroup to complete the policy review and development of the procedures in 2025.

**DUE DATE: 12/31/2025**

**Management will discuss in detail. (Full response in Audit Report No. 2025-15)**

# Widen Arrivals Roadway

- The Project will expand the roadway to boost tourism and access
- This Project is one of four major within the broader Widen Arrivals Roadway Program
- Bus Canopy Project added to this Project to meet 2026 FIFA World Cup deadlines and avoid delays
- Port management's strong documentation process enabled continuity during cyber-attack system outage

# Widen Arrivals Roadway

- Original contract was \$52.6MM
- As of July 2025, there are \$4.4MM in change orders bringing the current contract to \$57.3MM
- Substantial completion is anticipated to occur in June 2026
- Period audited was August 2023 – July 2025



**1) Rating: Low**

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

- Contract omitted the Port's standard 30-day payment clause
- Two pay estimates exceeded the 30-day timeframe:
  - #11 (34 days, due to cyberattack)
  - #16 (41 days, no justification)

**Recommendations:**

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

**2) Rating: Low**

## **Misclassification of Change Order (CO) 31 as Lump Sum Instead of Not-to-Exceed (NTE)**

- CO 31 issued as lump sum, not NTE
- Lump sum conflicts with unit price cost tracking
- Misclassification risks overpayment or unintended contractor cost liability

### **Recommendations:**

CO 31 should be reclassified as NTE; future variable costs should be managed with NTE orders for proper tracking and financial control.

**3) Rating: Low****Duplicate Payment Identified for Unit Price Bid Item.**

- Duplicate payment of \$5,387 identified for contaminated soil
- Port construction team verified and applied corrective credit on Pay Estimate 18

**Recommendations:**

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

# Management Response

We concur with the Auditor's recommendations.

DUE DATE: 09/17/2025

Management will discuss in detail. (Full responses in Audit Report No. 2025-17)

## LaTrelle's Flight Kitchen, LP (Wendy's)

This is a Limited Contract Compliance Audit without any issues and will not be presented during this meeting. However, the final report (No. 2025-18) is made available.

# Questions/Committee Comments

Item #11



# INTERNAL AUDIT REPORT

Operational Audit  
Port Management Governance Committees

January 2024 – June 2025

Issue Date: September 03, 2025  
Report No. 2025-15

*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 titled Port Management Governance Committees for the period January 2024, through June 2025. The audit contained two objectives. First, to determine whether management oversight committees adhered to requirements within their charters, such as the occurrence of meetings and attendance of members. Second, to assess the Trade Business and Community Development (TBCD) process specifically how requests are made and approved.

### Objective 1

The Port of Seattle (POS) website lists eight standing committees or boards that engage in outreach efforts and communicate Commission priorities to the public. Unlike the POS Commission, the standing committees are not legally authorized to act on behalf of the POS. Rather, they are sanctioned to evaluate information, advise, and make recommendations to the POS Commission.

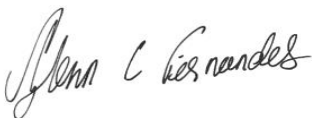
### Objective 2

TBCD expenditures are allowed only to the extent they are specifically authorized for port districts under the laws of the State of Washington and must be associated with one of four categories: 1) trade promotion, 2) promotion of tourism, 3) economic development programs, or 4) education and awareness.

No exceptions were identified for Objective 1. Within Objective 2, one low-rated issue was identified. Management has also commenced improving how TBCD requests are processed, thus we provided some opportunities that could assist in this process. These opportunities are listed below and discussed in more detail beginning on page six of this report.

1. (Low) Procedural documents did not exist. Additionally, Resolution 2779 is approximately 50 years old, and internal policy documents have not been updated in six years. While the respective RCW's have not changed, an opportunity exists to modernize the language in Resolution 2779 and to update internal policy documents.

We extend our appreciation to Port management and staff for their assistance and cooperation during this audit.



Glenn Fernandes, CPA  
Director, Internal Audit

### **Responsible Management Team**

Lisa Lam, Director, Accounting Finance & Reporting  
Chris Leopold, Sr. Port Counsel  
Aaron Pritchard, Chief of Staff, Commission Services

## Background

Global Internal Audit Standards, which guide the internal audit profession, defines governance as “the combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the organization toward achievement of its objectives.”

### **Standing committees of the Commission**

The POS website lists eight standing committees or boards that engage in outreach efforts and communicate Commission priorities to the public. Unlike the POS Commission, the standing committees are not legally authorized to act on behalf of the Port. Rather, they are sanctioned to evaluate information, advise, and make recommendations to the POS Commission.

Appendix B lists the eight committees and includes a brief description of their purpose.

### **Trade, Business, and Community Development (TBCD)**

The Port has the authority to make promotional expenditures if and only to the extent they are specifically authorized for port districts under the laws of the State of Washington. Funding may be provided where there is a clear, identifiable, and compelling connection between the event, program, organization or activity and the Port’s specific purpose and authority. Gifts, donations or contributions to the general community or charitable organizations are generally not authorized.

TBCD requests are evaluated and approved through the Development Funding Review Committee. Requests under \$1,000 may be approved by General Counsel or their designee. Requests must be associated with one of the following four categories:

#### **I. Promotion of Port Properties and Facilities/Trade Promotion**

Trade promotion expenditures are undertaken with the specific intention of fostering continued or increased trade in the region.

#### **II. Promotion of Tourism**

The Port’s ability to encourage tourism is limited to advertising, publicizing, or otherwise distributing information. The Port has no authority to directly finance, or sponsor events directed generally at promoting tourism, or that support a particular local or regional event, unless that expenditure will result in a direct benefit to the Port and its properties and facilities.

#### **III. Economic Development Programs**

These programs are developed and managed by the Port or are programs funded by the Port but administered by a third party (i.e. Port Jobs).

#### **IV. Education and Awareness**

These expenditures are related to informing the public about the role of the port district, its facilities, programs, and/or services. Although these events are often focused on a local or an affected community, they are typically open to the public and often held in venues spread throughout the port district.

## 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. 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 January 2024, through June 2025 and included the following procedures:

### Interviews and Process Walkthroughs

- Conducted walkthroughs and inquiries with key personnel to gain an understanding of the TBCD requests and approval processes

### Document Review

- Obtained and reviewed key documents, including:
  - Port policy AC-4 (Promotional Hosting; Trade/Business and Community Development Expenses)
  - Resolution Number 2779
  - TBCD Funding Application
  - Promotional Hosting and TBCD Frequently Asked Questions
  - State of Washington, Office of the State Auditor Division of Municipal Corporations – Bulletin No. 404

### Standing Committee Validation

- For the period beginning January 2024, through December 2024, the following procedures were performed:
  - Assessed whether a charter existed
  - Meetings occurred as required and were attended by Chair and Co-Chair
  - Minutes were prepared and retained

Note: See the listing of Committees included in the scope for this procedure.

### TBCD Validation

- For the period beginning January 2025, through June 2025\*, the following procedures were performed:
  - Determined if a TBCD application was completed
  - Validated if the request was approved by the Development Funding Review Committee
  - Assessed whether the expenditure was captured in the approved budget for 100% of requests made between January 2025, through June 2025
  - Determined if the request was approved by an authorized individual

\* To gain a broader understanding of why requests were declined, the scope for declined requests was extended from January 2024, through June 2025.

## Schedule of Observations and Recommendations

### 1) Rating: Low

**Procedural documents did not exist. Additionally, Resolution 2779 is approximately 50 years old, and internal policy documents have not been updated in six years. While the respective RCW have not changed, an opportunity exists to modernize the language in Resolution 2779 and to update internal policy documents.**

Policy documents are broad in nature while procedures are more detailed and specific. Collectively, they function to serve the organization to minimize the likelihood of errors and deviations from regulations, laws, and/or internal requirements. Procedures also serve to make sure processes are understood and consistently followed as employees change and institutional knowledge is lost.

In the absence of procedural documents, IA reviewed data in the SharePoint flow to gain an understanding of how requests are initiated and approved. We used these criteria as reflected in SharePoint, to assess the process. The SharePoint data is not always updated and occasionally incorrect as identified below:

- According to RCW 53.36.120, “trade promotion or promotional hosting shall be pursuant to specific budget items as approved by port commission at the annual public hearings on the port districts budget.” Port Policy AC-4 captures this requirement which states “Expenditures in the Trade, Business and Community Development account (Account #66400) must be included in the Port’s Approved Budget.” Of the 130 approved requests, 27 (\$264,840) reflected “false” or not budgeted. Budgeted expenses have not been exceeded as of the audit date, however, the incorrect data in the file indicates a need to maintain comprehensive and accurate data.

We reviewed Commission Resolution 2779 and Port Policy AC-4 (Promotional Hosting; Trade/Business and Community Development Expenses) and had the following observations:

- The Policy has not been updated since February 2018. The reference for further guidance or information lists a contact no longer employed by the Port. Although state law governing TBCD has not changed, and Resolution 2779 is the foundation for Policy AC-4.
- The title of the Policy is Trade, Business, & Community Development. Community Development can be misconstrued to mean something other than Community Outreach to raise public awareness of the Port, its facilities, programs, and/or services, as specified in the RCW.
- The Policy falls within Accounting and Financial Reporting (AFR), and decision making resides among three groups (AFR, Legal, and External Relations). The decision-making process is grounded in compliance with State Law (RCW 53.08.255). The Policy states, “If approved, the application will be approved by the General Counsel and/or Committee.” Two critical departments that are a key control and need to remain on the committee are the Legal and AFR Departments.

**Recommendations:**

- Procedures should be created, and the SharePoint file should be completely and accurately filled out with robust documentation by all committee members. Reasons for any decisions should also be included.
- The TBCD Committee should be owned jointly by Legal and AFR.
- The Committee should provide education to Port staff and the Commission on what constitutes an allowable expenditure per the RCW and Port Policy.
- The title of the Policy AC-4 and the related account and approval process should be updated to remove “Community” Development, to better align with the RCW and to minimize confusion about what type of expenditures are permitted.
- An effort should be made to identify if the Port would benefit from updating Resolution 2779 to modernize the language and to better align to current operations of the Port, without compromising the requirements of the respective RCWs.

**Management Response/Action Plan:**

We appreciate the Internal Auditor’s review of Port governance practices, specifically the AC-4 Policy, Promotional Hosting; Trade/Business and Community Development (TBCD) Expenses. Since spring 2025, the TBCD Development Funding Review Committee (Review Committee) has been actively engaged in a cross-functional work group including Commission staff to update the AC-4 Policy and develop associated procedures to ensure all required fields of the SharePoint application are properly documented, and reasons for denied applications are included. We acknowledge the need to enhance these procedures to improve clarity, streamline the process, and provide education for the appropriate use of funds budgeted for qualifying TBCD expenses.

As stated in the prior audit findings from the State Auditor’s Office in 2005, the Washington State Constitution prevents the gifting of public funds. As such, RCW 53.36.140, 53.08.255, and 53.08.245 and Resolution 2779 define the legal framework for allowable TBCD expenses, promotional hosting expenses, and the requirement for a review committee. These laws remain unchanged, and any modifications to allowable TBCD expenses must be adopted by Commission resolution. AFR and Legal will review Resolution 2779 to determine if updates are warranted in order to clarify the relevant state law requirements.

Currently, the Review Committee and/or General Counsel evaluates each application for proposed business expenses as allowable costs within the law, and adequate supporting documentation exists to justify the qualifying TBCD expenses. At least two of the three committee members must agree before an application is approved; there is never a situation where there is a tie.

We are pleased to note that Internal Audit has affirmed the effectiveness of internal controls in the TBCD expense approval process to ensure compliance with Port Policy and applicable RCWs.

The Review Committee will update the AC-4 Policy, including its name, to enhance clarity on allowable costs as prescribed by RCW 53.36.120, 53.36.140, 53.08.245, and 53.08.255. We expect the

Port Management Governance Committees

workgroup to complete the policy review and development of the procedures in 2025.

**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
<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

## **Appendix B: Standing Committees of the Commission**

### Audit (Not in scope)

Provides review and oversight authority on matters related to the Port's internal control environment.

### Aviation

Provides recommendations about fulfilling the Port's Century Agenda goals to meet the region's air transportation needs at SEA for the next 25 years. The committee focuses on airport capital infrastructure programs.

### Board of Ethics (Not in scope)

Addresses advisory questions pertaining to the application of the Commission's Ethics Code or substantive complaints filed to the Board of Ethics.

### Equity and Workforce Development

Institutes policies and practices that address the systemic inequity of economic opportunities, working conditions, impacts on local communities, and participation in Port affairs.

### Governance

Addresses Governance matters specific to Commission operations.

### Port-wide Arts and Cultural Board

Over sees the public art program at SEA.

### Sustainability, Environment, & Climate

Provides information, advice, and recommendations to inform commission policy development in pursuit of the Port's Century Agenda environmental and sustainability goals.

### Waterfront & Industrial Lands

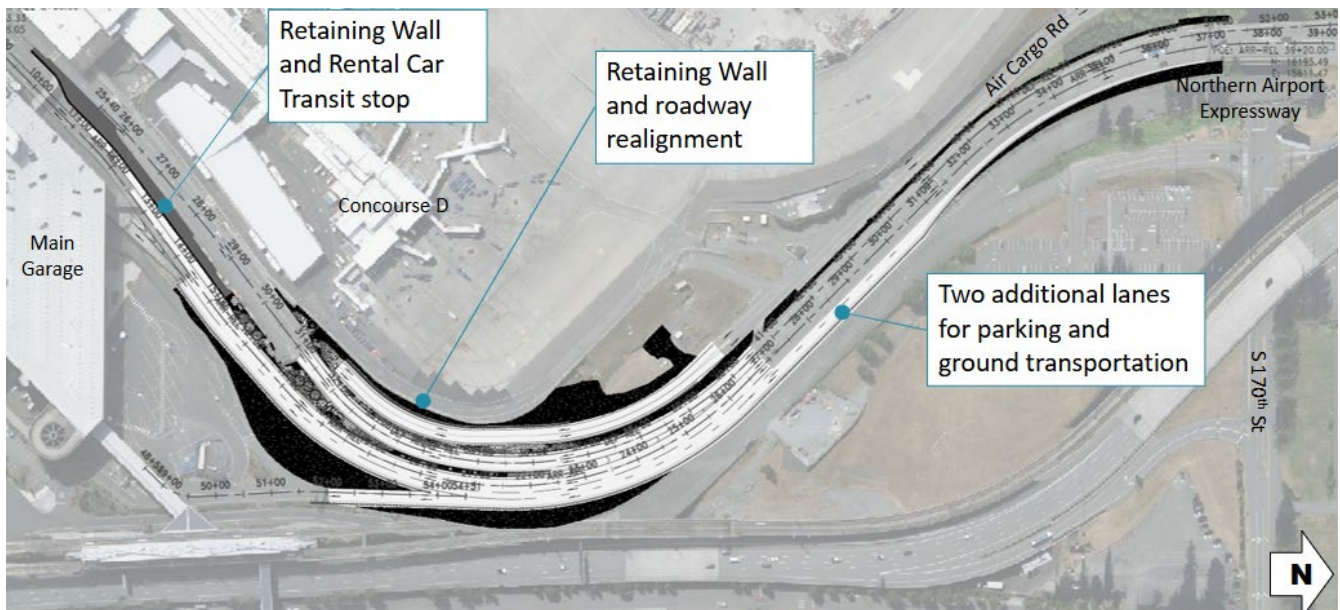
Promotes policy and activities that support maritime and industrial businesses and industrial lands.



# INTERNAL AUDIT REPORT

## Capital Project Audit

### Widen Arrivals Roadway



August 2023 – July 2025

Issue Date: August 28, 2025

Report No. 2025-17

*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

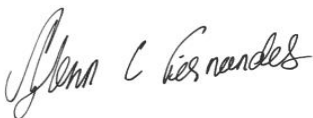
We completed an audit of the Widen Arrivals Roadway Project for the period August 2023, through July 2025. The audit was performed to assess the effectiveness of project goal achievement and identify opportunities for improvement. It provided an independent evaluation of the Port of Seattle's (Port) 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.



Glenn Fernandes, CPA  
Director, Internal Audit

### 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

Limited Contract Compliance  
LaTrelle's Flight Kitchen, LP (Wendy's)

January 2024 – December 2024

Issue Date: September 16, 2025  
Report No. 2025-18

## Executive Summary

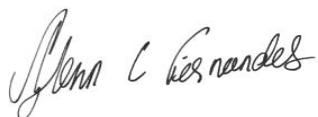
Internal Audit (IA) completed limited procedures related to the Lease and Concession Agreement (Agreement) between LaTrelle's Flight Kitchen, LP, and the Port of Seattle (Port).

The period reviewed was January 1, 2024, through December 31, 2024.

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

***No exceptions were identified.***

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



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 February 19, 2020, the Port entered into a lease agreement (AIR002531) with LaTrelle's Flight Kitchen, LP. Under this agreement, LaTrelle's Flight Kitchen, LP operates Wendy's.

The Minimum Annual Guarantee (MAG) is 85% of the total paid by the concessionaire to the Port, for the previous calendar year. The 2024 annual MAG for LaTrelle's Flight Kitchen, LP was \$781,096. 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:

12% of annual gross sales less than \$3,000,000

13% of annual gross sales between \$3,000,000.01 and \$5,000,000

14% of annual gross sales greater than \$5,000,000.01

The table below reflects Gross Sales:

Period	Gross Sales
2024 January - June	\$4,023,373
2024 July - December	4,367,292
	\$8,390,665

## Approach

The period assessed was January 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