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**APPROVED MINUTES
AUDIT COMMITTEE SPECIAL MEETING
September 16, 2025**

The Port of Seattle Commission Audit Committee met in a special meeting September 16, 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 12:30 p.m. by Commissioner Calkins. The agenda was approved without objection.

**Internal Audit Department presentation contains information for Agenda Items 4 through 10.*

2. Approval of Audit Committee Meeting Minutes of July 15, 2025.

The minutes of the Audit Committee special meeting of July 15, 2025, were approved without objection.

EXTERNAL AUDITS

3. Office of the Washington State Auditor – 2024 Accountability Audit Opening

Presenters:

Joseph Simmons, Program Manager
Sonia Khokhar, Assistant State Auditor
Sophia Sullam, Assistant Audit Manager

The Office of the Washington State Auditor's Team presented information regarding the opening of the Port Accountability Audit. The presentation overviewed:

- the period of the audit – January 1, 2024, through December 31, 2024;
- scope of the audit – to examine the management, use and safeguarding of public resources to ensure there is protection from misuse and misappropriation; and to evaluate whether there is reasonable assurance for adherence to applicable state laws, regulations and policies and procedures;
- related audit work – Attestation, Port of Seattle Industrial Development Corporation; review of independent CPA firm audit;

- work of other auditors;
- communication during the audit process;
- levels of reporting; and
- information related to reporting cybersecurity issues.

Discussion ensued regarding the use of AI in Port operations and as well in the Auditor's operations and the role of an auditor in this regard. The Office of the Washington State Auditor advised that the office has no plan to audit AI at this time.

UPDATES AND APPROVALS

4. Internal Audit Overview

Presenters:

Glenn Fernandes, Internal Audit Director

Internal Audit Director, Glenn Fernandes, advised the Committee regarding an overview of the Internal Audit function. The review discussed work done through an annually adopted Audit Plan, providing assurance that the Port's controls are effective and efficient. He stated the department facilitates four public Audit Committee meetings per year, and non-public meetings, as needed. The department facilitates 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 and maintains its independence and objectivity by reporting administratively to the Executive Director and functionally to the Audit Committee.

5. Approval of Proposed 2026 Budget

Presenters:

Glenn Fernandes, Internal Audit Director

Internal Audit Director, Glenn Fernandes, overviewed the proposed 2026 Internal Audit Department budget, 2025 year-to-date actuals, discussed capitalized outside services, and requested Committee approval of the proposed budget.

The motion, made by Commissioner Mohamed to approve the 2026 proposed budget, carried by the following vote:

In favor: Calkins and Mohamed (2)

Opposed: (0)

6. Approval of 2025 Audit Plan Update

Presenters:

Glenn Fernandes, Director, Internal Audit

The presentation addressed:

- status of plan completion and changes proposed to the plan since the last update;
- the Terminal 91 Berths 6 and 8 audit was renamed to better align with the scope of the project;
- the scope of the Terminal 91 audit will include construction solicitation/bidding;

- the Baggage Conveyor System audit, LaTrelle's Fight Kitchen audit; the Yarrow Group LLC audit; and Sun's Inc. audit were added to the plan from the contingency audit plan;
- Recovery Effort – Data Integrity – Construction Management is not a full audit and will be performed as reviewed and a summary memo will be issued; and
- the New IT Environment – Information Technology General Controls – has been deferred to the 2026 Audit Plan at the request of Port Management.

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

In favor: Calkins and Mohamed (2)

Opposed: (0)

PERFORMANCE AUDITS

7. Port Management Governance Committees

Presenters:

Glenn Fernandes, Director, Internal Audit

Dan Chase, Manager, Internal Audit – Operational Audit

The presentation addressed:

- timeline of the audit, January 2024 – June 2025;
- objectives of the audit, (1) to determine whether management oversight committees adhered to requirements within their charters, such as the occurrence of meetings and attendance of members and (2) to assess the Trade Business and Community Development (TBCD) process, specifically how requests were made and approved;
- no exceptions or findings were made with respect to the first objective;
- ratings and recommendations made with respect to the second objective;
- recommendations;
 - The TBCD Committee should be owned jointly by Legal and Accounting and 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.
 - Effort should be made to identify if the Port would benefit from updating Resolution No. 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.

Discussion ensued regarding the budgeting process for TBCD requests and requestors being more specific when they fill out request applications to include if the ask has already been budgeted.

Commissioner Mohamed stressed the importance of cross-referencing individual budgets.

Discussion continued regarding the review committee's function to ensure that requests approved meet statutory requirements. Internal Audit Director Fernandes advised that Accounting and Financial Reporting

and Legal should both have seats on the committee.

Management advised that since Spring 2025, the TBCD Development Funding Review Committee has been actively engaged in a cross-functional work group, including Commission staff, to update the AC-4 Policy and to develop associated procedures ensuring all required fields of the SharePoint application are properly documented and reasons for denied applications are included. Management acknowledged the need to enhance procedures to improve clarity, streamline the process, and provide education for the appropriate use of funds budgeted for qualifying TBCD expense and concluded that they expect the workgroup to complete policy review and development of procedures in 2025.

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

8. Widen Arrivals Roadway

Presenters:

Glenn Fernandes, Director, Internal Audit
Spencer Bright, Manager, Internal Audit - Capital Audit

The presentation addressed:

- scope - the project will expand the roadway to boost tourism and access and is one of four major projects within the broader Widen Arrivals Roadway Program; the Bus Canopy Project was added to meet 2026 FIFA World Cup deadlines and avoid delays;
- project change orders realized since the original contract was made;
- substantial completion of the project is anticipated to occur in June 2026;
- the audit period, covering August 2023 – July 2025;
- the finding that payments issued by the Port exceeded the contractual timeframe and omitted a Port standard clause that aligns with state law with the recommendation that future contracts should include the standard statutory payments clause and for management to document and communicate payment delays to contractors;
- the finding that misclassification of Change Order 31 as lump sum instead of not-to-exceed and the recommendation that CO 31 should be reclassified as NTE, with future variable costs managed with NTE orders for proper tracking and financial control; and
- the finding that a duplicate payment was identified for a unit price bid item, with no further action required as the overpayment was identified and resolved prior to the issuance of the audit report.

Management concurred with the Auditor's recommendations.

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

INFORMATION TECHNOLOGY AUDITS

9. Access Control Management

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

Glenn Fernandes, Internal Audit Director, advised that the Limited Contract Compliance Audit report and data was provided, and that there was nothing of note regarding this audit.

11. Committee Comments

No closing comments were provided at this time.

12. Adjournment

There being no further public business, the meeting recessed to non-public session at 1:26 p.m., with the non-public session convening at 2:30 p.m. Non-public session lasted approximately 30 minutes, and the meeting adjourned at 3:05 p.m. with no further action taken.

Prepared:

Attest:

Michelle M. Hart, MMC, Commission Clerk

Ryan Calkins, Audit Committee Chair

Minutes approved: December 4, 2025.