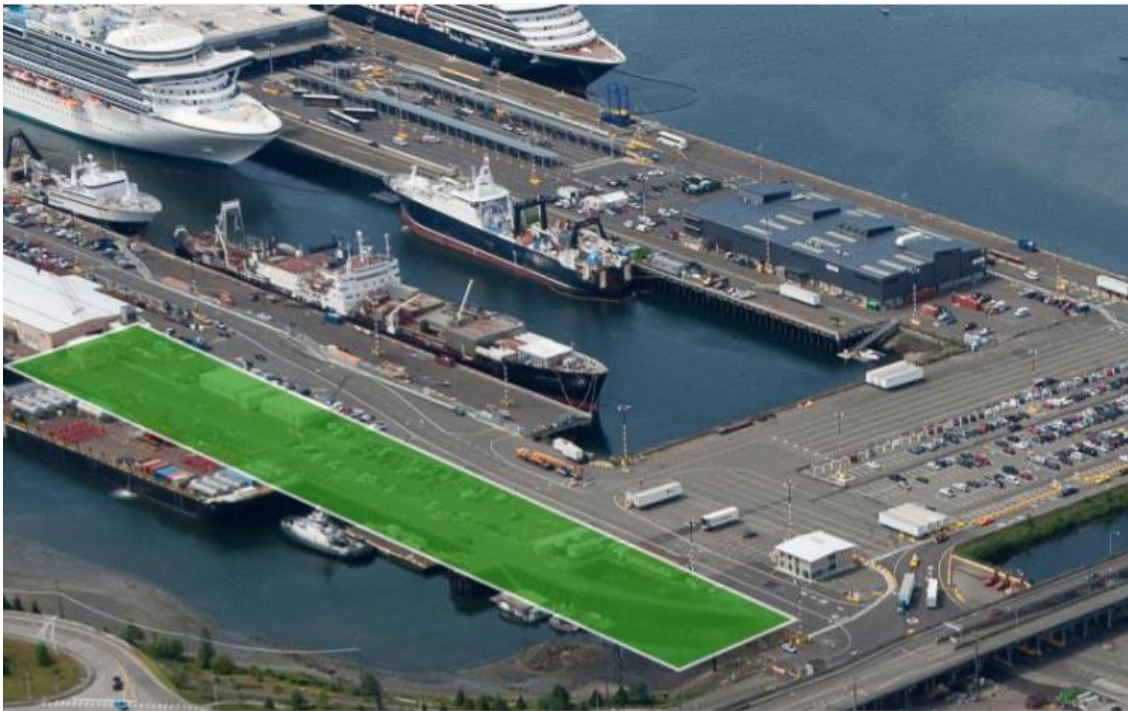


INTERNAL AUDIT REPORT

Capital Project Audit
Terminal 91 Berths 6 & 8 Redevelopment

February 2024 – June 2025



Issue Date: November 4, 2025
Report No. 2025-21

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.

TABLE OF CONTENTS

Executive Summary 3

Background 4

Audit Scope and Methodology..... 5

Schedule of Observations and Recommendations..... 6

Appendix A: Risk Ratings..... 8

Executive Summary

We completed an audit of the Terminal 91 Berths 6 & 8 Redevelopment Project for the period of February 2024, through June 2025. The audit was conducted to assess the effectiveness of the procurement and construction management processes. It also provided an independent evaluation of the Port of Seattle's (Port) management practices, specifically in processing pay applications and monitoring unit price items and tariff charges.

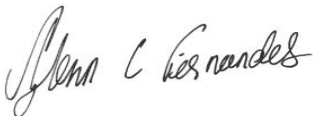
KPFF, the independent engineer, estimated the cost of this project to be \$49,615,105. The two lowest proposers had bids of \$72,636,235 and \$72,695,500 respectively, accordingly, this .08% difference in bids and the significant increase from the engineer's estimate raised concerns. As part of our review, we assessed bid submissions for irregularities. Our analysis did not identify common red flags such as rotation of winning bidders; use of losing bidders as subcontractors...etc. However, we observed that two bid items had identical amounts from the two lowest bidders, and these had notable variances from the engineer's estimates. This could likely be the result of both firms getting estimates from the same local sub-contractor. While these patterns do not constitute evidence of irregularities, they warrant continued awareness and monitoring.

In February 2024, the Port entered into an agreement with Pacific Pile and Marine LP using a Design-Bid-Build approach with a lump sum delivery method. This was supplemented with certain scope-of-work line items reimbursed on a cost-of-work basis. The original contract value was approximately \$72.6 million. Following two change orders, the substantial completion date has been extended from December 28, 2025, to January 11, 2026.

We identified control gaps in the pay application review process. Several pay applications were approved and paid without supporting documentation to substantiate the amounts billed, resulting in an overpayment to the contractor. This observation underscores the importance of adhering to the Port's Standard Operating Procedures (SOP). Reinforcing internal controls will help reduce the risk of overpayment and assure compliance with SOPs.

This opportunity is listed below and discussed in more detail beginning on page six of this report.

1. **(Medium)** Engineering Construction Management (EN-CM) did not obtain sufficient documentation from the contractor to adequately review pay applications for accuracy. This resulted in a net overpayment of \$147,377.



Glenn Fernandes, CPA
Director, Internal Audit

Responsible Management Team

Stephanie Jones Stebbins, Managing Director Maritime
Tin Nguyen, Director Waterfront Project Management
Brian Sweet, Director Engineering Construction Management
Janice Zahn, Chief Engineer

Background

The Terminal 91 Berth 6 & 8 Redevelopment Project will redevelop the vessel berths and adjoining apron areas of Berths 6 and 8 along the northeast side of Pier 90 at Terminal 91. This work will also help assure the long-term viability of the Port as the home to the North Pacific fishing fleet.

Terminal 91 provides short-term and long-term moorage for fishing and commercial vessels. It was originally built as one of the Port of Seattle's (Port) first facilities and berths 6 & 8 are the last remaining original timber pier structures. This section of Pier 90 was most recently rehabilitated in 1985, and little has been done to the structure since then. These berths are at the end of their service life; approximately 30% of the aprons are condemned, and the remaining sections are constrained with severe load limits.

This project will bring the berths back into active service by removing the existing dilapidated, creosote timber pier and replacing it with a prestressed concrete pile supported pier. It includes the demolition of approximately 62,250 square feet of condemned existing timber apron and 830 linear feet of seawall. It also includes the construction of a new 650 pounds per square foot pier tailored to fishing vessels and industrial customers. The project will also provide 750 feet of moorage and will provide a pier apron capable of supporting the fishing fleet and cruise activities and needs.

Terminal 91 is experiencing growth in both the number of vessels (from both the North Pacific fishing fleet as well as cruise activity) and size of vessels. When completed, the project will meet the increased demand by bringing berths 6 and 8 back into service for large fishing vessels, as well as other customers. It will also provide improved berth efficiency and access and will restore the capabilities of the Pier 90 structure to be like the other aprons at Terminal 91.

In February 2024, the Port entered into an agreement with Pacific Pile and Marine LP using a Design-Bid-Build approach with a lump sum delivery method. This was supplemented with certain scope-of-work line items reimbursed on a cost-of-work basis. The original contract value was approximately \$72.6 million. Following two change orders, the substantial completion date has been extended from December 28, 2025, to January 11, 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We used a risk-based, judgmental approach to select items for testing. As a result, the findings reflect only the items tested and should not be interpreted as representative of, or extrapolated to, the entire population.

The period audited was February 2024, through June 2025 and included the following procedures:

Procurement

- Obtained an understanding of the Port's existing controls designed to prevent or detect potential bid fraud
- Reviewed the list of bidders and their submitted bids to identify any unusual patterns or anomalies
- Identified potential red flags commonly associated with bid fraud (e.g., bid rotation, identical bid amounts, subcontractor relationships) and conducted targeted analysis to determine whether any patterns emerged that would warrant further review

Unit Price Bid Items

- Examined trip tickets for all line items with the unit of measure "TON"
- Verified quantities billed on the contractor's pay estimates were accurately supported by corresponding trip tickets
- Reviewed supporting documentation to identify any missing or incomplete trip tickets that could impact the accuracy of billed quantities

Contractor Tariffs

- Reviewed pay applications and change orders to determine whether there were any tariff charges

Change Orders

- Assessed if change order process controls were effective, in compliance, and properly approved and justified
- Evaluated change orders for accuracy and completeness

Schedule of Observations and Recommendations

1) Rating: Medium

Engineering Construction Management (EN-CM) did not obtain sufficient documentation from the contractor to adequately review pay applications for accuracy. This resulted in a net overpayment of \$147,377.

We reviewed all project line items with the unit measurement of “TON”. The Project included five such line items; however, as of August 2025, only three line items (Items 12, 13, and 14) had quantities recorded as used and paid.

Supporting documentation is required to be maintained in accordance with contract provisions and Port SOPs. Specifically:

- Contract, Volume 1 of 3: Part 1 – General, §1.03
Requires that backup documentation be included to support Unit Price or Force Account payment requests.
- SOP 40.08 - Verification and Documentation
Section III(B) states that for Unit Price Bid Items, appropriate documentation must be provided to justify the units to be paid.
- SOP 40.07 – Unit Price Bid Items
 - Field Note Records are completed to document UPBI quantities of work to be paid.
 - A Tabulation of Quantities form is completed for each UPBI.
 - Backup documentation is maintained to support the quantities paid.
- SOP 60.01 – Inspector Daily Report (IDR)
 - Inspectors, on all projects, will complete an IDR for every day the Contractor is scheduled to perform activity.
 - The IDR should be completed daily or at the beginning of the next day’s activity, to avoid errors or omissions.

Pay applications did not have supporting documentation for the following bid items:

ITEM	ITEM DESCRIPTION	PAY APP #	THIS EST QTY	THIS EST COST
12	Furnish and Install Crushed Stone on Slopes	8	662.46	56,640.00
12	Furnish and Install Crushed Stone on Slopes	9	1259.54	107,691.00
13	Furnish and Install Light Loose Rip Rap	9	8742.00	948,944.10
14	Furnish and Install Fish Mix	8	540.47	44,751.30
14	Furnish and Install Fish Mix	9	868.53	71,913.90

In addition, we also noted the following documentation was not maintained:

- The Tabulation of Quantities was not completed as required by SOP 40.07.
- Inspector Daily Reports (IDR) for the following days were not provided:
 - September 11, 2024
 - September 12, 2024
 - September 13, 2024

Engineering Construction Management did not obtain sufficient documentation from the contractor to properly verify the accuracy of pay applications. Our testing revealed that two unit price bid items were underbilled, while one was overbilled, as detailed below:

ITEM	TOTAL QUANTITY BILLED	TOTAL TRACEABLE QUANTITY	DIFFERENCE	UNIT PRICE	TOTAL UNDER / (OVER) PAYMENT
12. Stone	5000.00	5011.00	11.00	\$ 85.50	\$ 940.50
13. Rip Rap	16500.00	15008.54	(1491.46)	\$ 108.55	\$ (161,897.66)
14. Fish Mix	3200.00	3364.00	164.00	\$ 82.80	\$ 13,579.20
			TOTAL OVERPAYMENT		\$ (147,377.96)

Recommendations:

EN-CM should ensure adherence to Port procedures and verify that sufficient documentation is obtained prior to approving contractor pay estimates.

Management Response/Action Plan:

Engineering Construction Management agrees with the recommendation and is reviewing our Standard Operating Procedures to identify if additional controls need to be put in place. CM will continue to train staff in compliance with SOPs and required documentation as well as timeframes for submission of documentation. Training was completed with the project staff on 10/2/25. The over/under quantities were corrected in Pay Estimate 15 and the full amount of \$147,377.96 has been recovered from the Contractor.

Construction Management is confident these discrepancies would have been identified and corrected during the independent verification process that is completed for each Unit Price Bid Item prior to issuing the Final Pay Estimate for the project. As part of our Standard Operating Procedures, this verification is performed by staff members not associated with this project. Additionally, CM is considering modifying our SOPs to include additional unit price item verifications based upon the project duration and/or project team member changes.

Missing IDR's (9/11-13/24) are the reports that would have been written by an inspector who is no longer employed by the Port, ICT was unable to recover those reports from his files at that time of his departure from the Port which was a few weeks after the August 2024 cyberattack.

DUE DATE: 12/31/2025

Appendix A: Risk Ratings

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

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