

[00:00:26] Foreign.

[00:00:30] This is Commissioner Fred Felleman calling to order the Port of Seattle Audit Committee meeting. Special meeting. Today is March 19, 2026 and I'm turning on my mic, so once again, this is Commissioner Fred Felleman calling to order the Port of Seattle Audit Committee special meeting. Today is March 19, 2026 and the time currently is 1:37.

[00:00:57] Okay. And we are meeting today at the Port of Seattle headquarters Commission chambers and virtually only audio is working at this point. Present with me today are Commissioner Calkins and public member Sarah Holstrom to make this meeting more accessible to the public. The meeting is digitally recorded and will be uploaded to the Commission's website. A call in number is also provided for anyone who would like to listen into the meeting.

[00:01:24] And it is open to the public in Commission chambers.

[00:01:31] Our first item of business is approval of the minutes from the committee's December 4, 2025 meeting. Are there any corrections to the minutes?

[00:01:42] Seeing none, there are no objections. So approving the meeting minutes as presented. We don't need to vote for that. We can just say they're approved without opposition. Next on the agenda are updates and approvals.

[00:02:00] We will hear from the internal Audit Director Glenn Fernandez, recording the Director's annual communication and separately an update to the 2026 audit plan. Director Fernandez, please present both the agendas 3 and 4 at this time. And you may proceed. Thank you, Commissioner. Next slide please.

[00:02:19] Michelle.

[00:02:24] So the first slide we have up is the internal audit organizational structure. If you look at it, actually we're fully staffed at this point. So we, you know that, which is a good thing. We have Dan Chase, who's our manager over operational audit and concession audit, Spencer Bright, who does our capital audits, which is essentially the construction audits and ridicule Marwaha, who does the. Manages the IT audits.

[00:02:52] So all, all three arms are fully staffed and we can move to the next slide. Michelle One of the things commissioners that I'm required to do is on an annual basis talk about our independence, make sure that the charter is updated and you know, as it stands, reflects accurately the way we operate, and finally provides an update on our quality assurance and improvement program, both internally and externally. So I'll talk about those three items today. Next slide please. Michelle.

[00:03:34] On the independence requirements, since we follow the global standards is one of our standards that we follow. It requires me on an annual basis to confirm that I'm independent, that the audit function is independent and you know, it's very procedural, but essentially confirming that I continue to work for the audit committee reporting Functionally to the Audit committee and administratively to the executive Director. So my independence is not compromised. It's still good. Next slide please.

[00:04:06] Michelle. Our charter, you know, there's a audit committee charter and then there's an internal audit charter as well. The internal audit charter was Last updated in 2020 and it was signed by the commission president and members of the Audit Committee. As of right now, the charter is still valid and you know, nothing in it needs to be changed at this point. It, it does talk about authority and accountability.

- [00:04:37] Authority meaning what? Who we, what we have access to, the people, the functions of the port and the records and accountability. Who are we accountable to, which is the commission. It talks about our mission and our scope, what our responsibilities are, you know, the fact that we need to be independent and objective. And then our commitment to quality both improving internally and on a go forward basis through peer reviews as well.
- [00:05:05] Improving. So. Next slide please, Michelle.
- [00:05:10] And finally the last both we follow something called the yellow book and the red book. The yellow book being the Government Accountability Office's standards and the red book being the Global Standards or the IIA Standards Institute of Internal Auditor Standards. And both require external peer reviews. The red book also requires internal peer reviews on an annual basis. So we do both.
- [00:05:40] We did have an external peer review in August of 2025, which we did pass. And we have had multiple internal QARs or quality reviews. The last was conducted earlier this year and one was conducted in 2025. And we take the learnings from these and the improvement opportunities and integrate them into and improve. So more to come.
- [00:06:06] The next slide, I'm going to jump to our audit plan. This is item four, since, you know, and, and this is just a highlight of our GANTT chart which talks about where our audits are and what we've kicked off, what's in process and what is required to get done through the course of the year. Yeah, as you can see, we completed the items in green and we're presenting those. This audit committee meeting we are kicking off, although it's in the pinkish orangish color, we are kicking off maritime timekeeping and procurement and those will be kicked off shortly. So they will be done for the June audit committee meeting.
- [00:06:49] And the other items that are yellow, the capital project prioritization process, data centers, and six to rent a car, all in process. And PCI payment card industry. So we're making good progress and we plan on completing the plan as scheduled by year end. Next slide please. We also manage, you know, we have a lot of construction projects going on along around the port.
- [00:07:18] And the RCW requires that payment applications or invoices for GCCM or general contractor construction manager type projects that they be reviewed by an independent auditor before they're paid generally, but sometimes a little bit after. But whilst we still have recourse. So these are all the projects that are being reviewed and going on. Some of them are, you know, the last two, the Main Terminal Improvement Program and Concourse HVAC will be kicked off in 2026 and we'll get involved at that time. But these are all large multimillion dollar projects with you know, the south concourse evolution being, you know, a billion and some change.
- [00:08:11] The main terminal improvement program being half a billion dollars. So they're large projects and there's a lot of pay applications or invoices that come in that the team has to review and the external contractors that work with us review and provide feedback to the audit committee on a periodic basis.
- [00:08:34] Next slide please.
- [00:08:37] And this slide, the final slide here, provides an update of our plan. You know, it's the same plan that was approved in December. The limited contract compliance audits are listed in green. The performance audits in blue. Capital audits next also in blue.

- [00:08:58] And the IT audits. We did make a few tweaks to this. We added the airport dining and retail AC DBE program audit and we swapped that with the inventory management Marine maintenance audit. We figured we could pick up inventory management in another year because the risk is relatively low there and it's been addressed in the past. My, you know, commissioners, I'm open to suggestions and I will work with you as we build up the, the work plan for the ACDBE audit.
- [00:09:31] But essentially we'll be looking at the large players in the ACDBE program and making sure that they're following, you know, the, the ultimate mission that the commission wanted them to follow and developing smaller ACBE and making sure that they're not yet strained from the critical, the core mission. Additionally, we did pick up at management's request the payment card industry assessment. It's an audit, but you know, it's required by the payment card industry every year and we have the skill set in house and certifications to do that. We do it every three years or so and contract it out. You know, it's contracted out by Infosec the other times.
- [00:10:20] So this year Infosec had approached us and asked us to do it. So we obliged. We moved data protection to 2027 and moved payment card industry up. I will take any questions at this point and we'll go from there.
- [00:10:54] You do need to approve it when, if there are no questions before they're done. Is there a motion or second, is there a motion? And I have a sticker here that says, remember the mic, by the way. We're going to put it on forehead from here on out. Just want to make sure everybody understands that I can't read.
- [00:11:16] Is there a motion and a second to approve the updated 2026 internal audit plan? So moved. You have seconded. Yeah, only we. Okay.
- [00:11:26] Moved and seconded. So the motion has been moved and seconded. Is there an objection? Approval of the motion hearing? None.
- [00:11:36] We just approve that it is approved. Thank you. Thank you. All right, so we're going to move on to Accounts Receivable Performance audits. Yes.
- [00:11:50] All right, so our performance audit section of the agenda is. Number five is the performance audit for Accounts Receivable Management at Fishman's Terminal. And Director Fernandez, once again, you have the floor. Thank you, Commissioner. Michelle.
- [00:12:05] Actually, we're going to move two slides forward, so. So we've got three audits to discuss today. The first is Accounts Receivable Management and actually Dan Chase, who's the manager and did led the work on this audit with Nikita Goyal over there that actually did the work, will talk about it. Yeah, but before I hand it over to Dan, I also want to point out that Accounts receivable at Fisherman's Terminal have roughly tripled over the last year and a half and some change to two years. So they've gone up quite a bit.
- [00:12:40] You know, Fisherman's Terminal is a very. Because it's got fresh water, it's. It's hugely advantageous to the boats that are there. You don't have to pull your boat out and bottom paint it like you do at salt water. You know, barnacles don't grow and if they do, when you're out at sea, you come back in through the locks and you know, they all fall off and your hull's clean again.
- [00:13:02] So some great advantages. It's also home to the northwest fishing fleet. So with that, you know, Dan, I'm going to pass it to you. Introduce yourself. Great.
- [00:13:10] Yeah. Dan Chase, Internal Audit Manager. So I'll just jump right into it. Thanks for the introduction, Glenn.

So the audit scope was a two year period from January of 24 through December of 25.

- [00:13:25] Our objectives were to evaluate AR processes, segregation of duties and compliance with policies and procedures. Next slide, please.
- [00:13:38] So we did have three issues. The first one was around how AR is managed. Thanks, Delmis, for Coming up here, including how decisions are made related to collections. I wanted to point out that we do have collection processes in place that AFR has and I wanted to outline those. The first is that the accounts if an account is outstanding for 30 days, that's when the collection efforts begin.
- [00:14:09] And then a dunning letter is system generated and it's sent 25 days from the from the due date. A second letter is sent between 30 and 59 days from the invoice date. And then a final demand letter between 60 and 89 days from the invoice date is sent. And then at 180 days the account may be written off subject to the proper authorization. Next slide.
- [00:14:34] Oh, we can't go to the next slide yet. Sorry, just one. Perfect, thanks.
- [00:14:44] So this is an aging of our receivables as of 1231, 2025 and I've highlighted a couple numbers there that I'll point out. We had a little over 17, 17,000 in the 180 day category in the over 180 day category. And then we also have a little about 1 million in the pending open category. And what that means is a decision hasn't been made on what we want to do with that yet.
- [00:15:18] And then one other point that I'll point out that's not on this slide is that as Glenn mentioned earlier, at the beginning of January 24th the receivable balance was about 600,000. So it's now increased to about 1.6 million. I know there's been some efforts made since the audit, but at that point it was 1.66 million. Glenn, did you want to make a couple more comments? Yeah, I just want to point out that if you look at this and Delvis will add a little to to it when he talks.
- [00:15:50] But in a nutshell, very little is in the 0 to 30 day bucket. Under open the 148,000 or 10% of it is current. The majority of receivables are either late or in litigation or some few in collections or disputed. So from a financial perspective, you know, these are subsidized by the board and by the tax levy. But ultimately, you know, majority of these dollars are not being collected and there's an opportunity there to type apple of them.
- [00:16:28] Looks like.
- [00:16:32] Sorry, my mic was off. Just must have picked up. I. I gotta get the. Turn your mic up. I can hear you fine.
- [00:16:41] What I was pointing out is, you know, the 148000 in the 0 to 30 day bucket and the small amount that's really current the majority of which are either in, you know, more than 30 days old or in litigation or dispute or collection. So you know, really of that 1.5 million. Yeah. Well it tells the story, right? Okay, thanks Glenn.
- [00:17:08] So I'll just go through our recommendation and then move to the next. Next issue and then Dallas, thanks for being here. So. So we recommended that they formalize the process for how they manage delinquent accounts. And then that's.
- [00:17:20] I'm speaking about Bishop's Terminal. And then that also has to align with our accounting and financial reporting processes as well.
- [00:17:30] Next slide. Or actually two slides. Sorry, two slides. And you'll have Dalmas. My glasses I can see here,

but I can't see up there.

[00:17:37] So.

[00:17:39] So do you want to. Do you want to do it that way? Delmis, you want to. Okay. Good afternoon Commissioners.

[00:17:48] Delma Switaker, Chief Operating Officer for the Maritime Division. What we did and I do want to express my appreciation to the audit team for the work they did to be able to. And my team for being able to be very receptive to some of the things that were identified through this process. And I'd be remiss if I didn't talk about our AFR team that we definitely are going to continue to be able to work hand in hand with so we can make those appropriate corrections. What we did is that we were establishing some.

[00:18:25] A good set of standard operating procedures. That one does give us a good idea when we're looking at the handoffs of those as as Dan pointed out in this, in his observation is that as we notice that those handoffs from month to month and we do know the dunning letters are happening with our AFR team. We are reviewing the aging reports. It is what is that next thing that's going to happen with regards to those accounts. And as Commissioner Felleman is clearly aware, we, we definitely have some cyclic.

[00:18:56] You know we have some cyclic activity with regards to our fishing fleet that in, in some cases they you know there are months uh, where they will uh, have historically come in and they've uh, uh paid in bulk, you know in a large uh amount after the fishing season. So there has been those uhh, gaps in, in in payment. Uh. But uh, we, we definitely want to make sure that we are. We're keeping a good eye on the, the current status of each one of those accounts.

[00:19:28] We're also having more of that. A kind of one on one communication with the. The account holders on that during those 30 and 60 day engage 30, 60 and 90 day engagements just to make sure that they're clear about what they're getting. What we did discover from a few of our customers is that they came back and we're like, hey, I don't remember ever being told that I go to Collections and there will be a 20%, you know, increase in my, you know, a payment that I have to make. And so we're making sure that they're reading the entire document that they're receiving on a monthly basis.

[00:20:06] So with that, we, we do know that we're also connected with our AFR team with regards to those particular accounts that have already been sent to collections. And we're working proactively to, in some case, help with payment plans for, for those that, that are, that we notice that are in the rear so that we can. And this would, this is not a, this is. Not everybody comes into a payment plan every month. It's.

[00:20:38] We're. We're giving folks the opportunity to, to, to get their accounts in order, but also give us an opportunity to close the Delta on that \$1.5 million number. I'm also, as you're probably aware, is that in addition to Fisherman's Terminal, I have oversight for Shoalshol, Bell harbor and Bell harbor and Harbor Island. And so all of our facilities, we're evaluating those accounts to be able to ensure that we are managing in the same, using the same profile. And so, so that we have consistent operating procedures across the board.

[00:21:24] So subject to your questions.

[00:21:30] Do we have any questions?

[00:21:35] Okay, I have a couple questions. Just looking at the accounts receivable. How do we have 400,000 in

litigation? That's zero to 30 days. Like, what are they disputing in zero to 30 days?

[00:21:50] Well, looks like Lisa Lam's going to come up and answer the question.

[00:22:00] Hi, good afternoon, Commissioner and public member of our audit committee. Member. My name is Lisa Lam. I'm the Director of Accounting and Financial reporting. So to audit committee member, question just now about one item on the litigation, really on that litigation table, you are seeing we have one customer was in litigation.

[00:22:21] And actually that matter has been resolved with our legal team's effort and their court ruling in our favor. So those are the amount actually the phishing customer due to the report. And we don't want to overlook and forgot about to collect that item. That's why we put that court ruling, all the other amount that due to us on top of the past due invoices and service fee onto our account receivable. So that's what that 396,000, I think you're looking at represented.

[00:22:56] Okay. So it's like the fees related to a larger, more longer outstanding balance basically. But yeah, when we are in litigation actually there's a lot of different costs go into it besides past due charges like derelict vessel litigation fee, lawyer fee on so collectively a number of things that the court rule in our favor on top of what they own that particular customer owners. Okay. And then I guess what I'm wondering is what does follow up look like from this?

[00:23:28] Like when I look at the management response it says we'll have these procedures updated in six months. We listed the port procedures in our recommendation and obviously they need to develop them from their end of following that and what it looks like. But I'm wondering like I know this was as of 1231 25, do we have any kind of update of have we improved yet or have we made any progress? I know the policies in six months but how is that translating to dollars and collections? Yeah.

[00:23:55] Yes, I would say that right now. First off, the standard operating procedures. I just did the red lines just yesterday for that document. We, I would anticipate in the next couple weeks we'll be done with that with that procedure for Fisherman's Terminal. Then as far as we definitely are working collectively with the AFR Team 1 clearly identifying those folks that we have that are already in collections also executing payment plans in areas where we have folks that have identified that hey look, they're, they're.

[00:24:33] They just need a little more time. And so and as. And we have had a number of customers over the last few weeks that have come in and paid their bills and so we're aggressively tackling that. And also there are, there are some of the outstanding collections are in some cases they are lower dollar value items that have been out there for in excess of the. Of.

[00:25:03] Of and 50 days. And so we're looking at where we should make those appropriate adjustments because that those monies will not be recovered. And so we'll be working with our AFR team to be able to assess that.

[00:25:19] Commissioner Clock When I read through the materials and then spoke with Glenn about this particular audit, I think the. I had two conflicting motions. On the one hand, as a former small business owner who had a full time bookkeeper on accounts receivable, I could totally understand how difficult it is to. I mean it's just a series of hard conversations constantly when people fall behind in payments. On the other hand, I recognize the importance of having really clear expectations in the form of rules that we follow procedures

that we follow when we're doing this.

[00:25:59] And so I think the lesson learned here is we really do need to have a very clear procedure for collections and we stick to it. And quite honestly, in the end, I think while you still have to have those hard conversations, I think it eliminates a lot of the moral hazard that occurs when people think, oh, they don't, they're not so rigid on this. I can forget about that for a month or two and eventually I'll get around to it. And quite honestly, then it puts them in an even worse situation because now they're further underwater. And so pleased to hear the management response on this that a lot of these things are already underway.

[00:26:45] But I think, you know, the really clear message is we've got to stick to this even when it, it means a hard conversation. Yes. Commissioner Calkins, I would also like to add is that as the opening statement that we had from Glenn is that Fisherman's Terminal, being home of the North Pacific fishing fleet, is that obviously we value our fishers and the work that they do and we understand the nature of their business and we do want to be supportive and work with our fishers as they, they navigate kind of the difficult times that they may be having with the, with the seasons and some of the adjustments that we've had harvest year over year. And so. But some of these, I also want to indicate that we also have recreational vessels that are there.

[00:27:34] We also have storage in that, at that facility as well. So when you look at this number, it is the combination of all of those things. And so, so we, there, there's not just, I think there may have been some thought about, hey, we may be just looking at one group of folks and it's a very diverse portfolio of items that we are dealing with and we are going to address that aggressively and like I said, have that consistency in our policy and how we respond month over month to be able to make sure that our customers are very clear about, you know, what's, you know, what's expected and that we have a responsibility to make sure we're stewarding the public funds.

[00:28:23] One more question. All right, if I could just follow up. Dan and Dylan, thank you for your presentation and response. You know, to follow up on Commissioner Cochrane's point, it reminds me very much with the trucking issue we had with the clean truck phase in program at, at our terminals. Folks in Tacoma thought it was sort of advisory.

[00:28:43] And the year came and they were, you know, they had to buy new trucks, so they hadn't done so. So we actually had to delay the implementation of program by a year, which was not the best thing but because they didn't take us seriously. So that clear expectation is clearly part of that, part of that operation. One thing I did speak to you about was as you point out, it's a diverse portfolio. So you know, I thought initially this is just the mom and pop bow picker gillniders who I've heard from by the way.

[00:29:16] And but you were saying that some of the larger vessels and maybe even storage folks. So it would be kind of interesting to see what the distribution of the problem is to I would assume the expectations may be different or the strategies may be different. And so is it possible to break out a little bit of what kind of who's really most in arrears and if indeed you see this as a different strategies needed to get them clear? Absolutely. We'll, we'll, we'll put that together for you outside of this meeting and, and share that with you.

[00:29:55] That's great. And so I do believe that we are very much working to support the fishing fleet and there is that nomadic nature of the business. The one thing we have also heard just the fishermen sort of like to be heard and they were talking about, oh, when we meant the mic, the minc, they wanted to have their own

meeting room there. But you guys did a beautiful job with the Norby Center. I was just suggesting that potentially we should be able to give them whatever a quarterly opportunity to hear from us and we could hear a thing or two from them.

[00:30:33] And if there are problems like this brewing, we just have a forum in which we can give them a heads up before they have to go to collections or whatever clear expectations they need. And I think they sort of want that opportunity to be heard. Is that something that would be difficult? No, absolutely. Just to kind of remind everyone is that at one point we have what we call the Fisherman's Terminal Advisory Committee.

[00:30:59] And that committee, you know, pre Covid was still kind of in limbo and the desire and through the conversation, conversations with our managing director, she wanted to definitely get that back on, on our agenda. And I'm pleased to say that we, we did have what we call now our, our industry group meeting. We had our first meeting in February and this was the, before we finished the audit results. So but we, we will be conducting that a similar meeting on a quarterly basis which was asked for by those that attended the meeting and, and things like this, we will be, be part of our future agenda. So we will, we will definitely make sure that we're able to do that.

[00:31:50] Fantastic. I think it'll have multiplicative benefits for the relationship. Well, very good. Thank you so much. We'll continue on to the next issue on this.

[00:31:59] But before we do, I, I want to point out Lisa mentioned the one individual that owes us money that was, you know, ruled in our favor. In a conversation with Lisa, she also said he lives in California, I believe, and is reasonably well, can afford it. I think the individual have a number of properties, some properties I heard through our legal team is in different state, so. So I think there's a possibility to recover that, but they take some more time and legal proceeding and process to complete that.

[00:32:36] Moving on to the next issue, Dan. Okay, next, next slide. Yeah, so I will say that. Sorry. There you go.

[00:32:45] Yeah. So this, this is a repeat issue regarding the segregation of duties. We have a couple examples here. There's. There's five staff that have administrative administrator access in MVMs.

[00:33:03] That, that access is. It gives you high privileges. And, and because it has those elevated privileges, what I've seen is it's only given to a select few people and typically IT administrators.

[00:33:18] And then the next example is there's one person that's been allowed to perform several functions at Fisherman's Terminal, and then that person also has that elevated access in MVMs. The person, and I've said this before, you know, the person who's recording entries in MVMs and has that broad access should not then also be able to make decisions, decisions, you know, collection decisions to override the processes that we have in place and then also interacting with customers. Right. That's just not a good, it's not a good combination to have. And it's not.

[00:33:53] We don't really optimize our skill set either. I mean, we have collection people on Lisa's team. Right. So that's kind of it in a nutshell. I, you know, I can.

[00:34:05] This. I said this was a repeat issue. And so I did go back and look to see what we did to close the issue. And I can go into detail if you'd like, or if we could continue going, going on. But, but I will say that we had.

[00:34:21] We. We did perform issue three separate times, and I've kind of outlined what we did. And, and so I felt comfortable with what we did. I, I don't know if you want me to go into more detail as to why we closed it,

but maybe not at this time, unless Sarah asks. But we'll.

[00:34:40] We.

[00:34:45] We can see if my colleagues have some further questions on this part. Or you want to see it fleshed out further?

[00:34:54] Yeah. Glenn and I had had a conversation about this just to understand, you know, one of the big things that we talk about is the open issues. And then this one was closed. And just understanding to make sure he talked about like, if it's a high rated issue, there's a lot more detailed work that goes into it and that makes sense to me. But if it's a medium rated issue that's not corrected and we closed it, I just want to make sure we're being thorough.

[00:35:16] So it sounds like if we thought it was corrected. I guess mainly what I want to know from that is whatever you saw that you felt like it's corrected, we can close it. Has it reversed since then to cause this issue to come up again? I would say that knowing what I know now, I wouldn't have closed it.

[00:35:36] I will say that on page 30 of our operating handbook, it says, and I quote, for medium rated issues, which it was, the aic, which stands for Auditor in Charge will verbally confirm with management that appropriate corrective action has been taken. Right. And that's exactly what we did. We did it on three different occasions. So you were told it was corrected, but we actually, this is the first time we're kind of back in doing the work and we can see it's not the same issue.

[00:36:01] Still there. Yeah. And I'll just go like high level on. In August of 23, the director at the time, who is now retired, emailed internal audit AFR and our finance and budget. The director of Fisherman's Drummer.

[00:36:18] Yeah, yeah. Not internal audit.

[00:36:22] Let's be clear about that.

[00:36:27] And what was discussed is they wanted to hire an additional FTE to help with the segregation of duties. In November of 23, our staff emailed management and requested an update. They responded on on November 19 and said that they had an approved FDE that was going to, that they were hoping to hire in early August, in early 2024.

[00:36:55] And then they also alluded to having SOPs updated to address the MVMs segregation of duties challenge. Right. So then on January 10 of 24, I emailed all of Fisherman's Terminal management and Glenn to remind them that the issue was becoming due on March 31st and I wanted to get an update by March 11th.

[00:37:23] And my email said, quote, I want to make sure you are aware and simplify what internal audit we'll be looking for to close this issue. It can be distilled down to two deliverables. Number one, drafting procedures related to oversight of billing and collection. The basic element should include who, what and when the review and oversight is performed. And number two, removing the ability within MBMS for individuals to adjust or delete customer balances.

[00:37:51] At a minimum, those collecting payments should not also adjust customer accounts. That was emailed to us. I responded and I did verify that procedures were in place. They did assert that these things had been done. And I responded to that email with everybody included saying this is sufficient for, for us to close this

issue.

- [00:38:14] So it was done very, very thoughtfully. And I going back and looking at this, I'm. I think we did the right thing here. Right now we have another issue that we have now. And so I think there's going to be a little more rigor put around it before we close it.
- [00:38:32] And Sarah, if I'm going to add something to that also the, you know, the principle of segregation of duties, I think a big problem is people understanding what it is, you know, whoever is actually doing the work or making the adjustments. There needs to be a documented trail a system. And a system can control that does that and documents that. So if, if you submit an expense report, for instance, somebody approves it and that's stored in the system that I submit an expense report, somebody else approved it. But segregation of duties is similar.
- [00:39:03] You make an adjustment somewhere your supervisor's approving it. And, and the system needs to have that. And, and I think there was just a misunderstanding there. I believe Delmis can add to it because he's working with it to build system controls that will address this going forward. Yes, Commissioner, I will say there are two aspects to this.
- [00:39:23] Is one, as we, as Dan kind of, as he pointed out, is that the procedure updates were done. I will say though, that. And remember, we also have EX2 authorizations that give certain folks. So four out of the five people that were on that list had the authority to do certain things in accordance with EX2. And so I think that there was a miscommunication as, as we have talked about, you know, more recently with regards to those internal processes regarding segregation.
- [00:40:00] Now, physically, what we're also doing, our MVMs being our marina Vessel management system, is that we are setting up those partitions as far as responsibilities and how there will be handoffs to those approvals that Glenn has, has. Glenn has discussed. So we're working with ICT to kind of set those, those, those processes up. So physically it hasegawa through those, those gates, if you will, for approval. Vice.
- [00:40:36] Vice A just looking at EX2 and say, hey, I've got the authority here. I can go ahead and do it. And so we are, we are and we will be making some additional adjustments to the procedure. And one of the things with segregation of duties, you know, when you have individuals that can issue credits or have inordinate amount of system access without documented oversight or system controls, it causes problems in the long run. Maybe, you know, you're reliant on one individual.
- [00:41:09] And whilst we didn't find any issues with the individual doing it, it's just a bad control to do that. And that's why there's a principle of segregation of duties. We did have a problem at the airport a few years ago where the cashiers in the toll booth had access to receive the tickets when you come out and your cash and then issue credits and they were pocketing some of the money. Yes. And that was discovered and then fixed and segregation of duties were implemented there.
- [00:41:41] But that's kind of why it tells you a story as to why segregation of duties are important.
- [00:41:50] Very good. So are there any further questions? We're good. Well, thanks very much for that presentation. We have the.
- [00:41:58] Oh, one more, one more issue on this. Oh, there's a third one final issue. Just real quick, quickly. It's.
- [00:42:07] So I don't want to get in the way of that. Right. It's a good one. It's, it's around credit risk and I, my, my

background is in banking and so credit risk is a big component to it. And so we talked about, you know, are we, are we, are we doing the right things to, you know, if we're not able to collect, do we have collateral in place?

[00:42:31] Do we have people that, you know, that, are we looking at personal financial data, requesting employment history, anything to mitigate that, that, you know, in, in the event that there's a default, any, you know, how do we mitigate that loss? Right. So those were just some general concepts that, that we threw out there. And I know the mortgage industry is a lot different than, you know, than, than what we're dealing with here, but this concepts are kind of similar and, and proof of insurance and security deposit also makes sure you don't put a derelict vessel and leave it at the terminal and then Delmas has got to clean it up and deal with it. So, you know, just controls in the front end.

[00:43:11] I, I will say commissioners, we are exercising some additional controls with regards to, because in our tariff 6 we have a list of items that each one of the, whether it be our vessel owners are responsible for providing that information like proof of insurance, registration and other document and we are, you know, enhancing some of the guidelines of validation of those particular items and also using MVMs and other tools to be able to help us to, to keep good handles on, on that. I, I will say that we, as, as Dan alluded to, we did talk about several different things, credit reports and things like that. I, I don't know if we're, we're gonna, we're gonna make as much ground. However, we are going to be looking at some, you know, some tools for us to be able to say, hey, we have a problem here and, or there's a risk here and making sure again, we're doing that outreach. We're having those conversations and I think some of the things that we're doing right now with regards to those folks that are aging on our report is that, you know, we're, we're having those discussion with them to let them know that, hey, look, this is not, this is not a good deal or otherwise you may not be able to stay here.

[00:44:30] And so we're, we're hoping to find a healthy balance when it comes to working with our customers. Visa, well, you're, you didn't have an 800 credit report, so you can't come into Fisherman's Terminal. I, I don't know if that's gonna, that, that's gonna serve us well, but we, but we're definitely tightening up some of those things that are already, already and included on our, on our, our turf. 6.

[00:45:00] Do you have further presentation on that? That's it. I see. I don't want to get, I'm not going to jump this. Right.

[00:45:06] So how about any further questions on, on that one? This one, I guess, is interesting to me. We rated it low, but I feel like it's hard to gauge how what this should be rated because of the 1.5 million that's outside outstanding. I'm curious how well we're able to collect. That will tell me like, you know, is this a big issue or not?

[00:45:27] Because if we end up not being able to collect 75% of that because these people can't pay, that's a lot. Then this is a lot bigger issue than, oh, we just haven't had procedures in place and we haven't been following through with those. And if we do, then we can collect. Those are very different scenarios. So I feel like the risk of this is, or the rating of this is, I guess, I don't know, could be a lot more serious depending on what happens.

[00:45:53] Wholeheartedly agree with you, sir. Commissioner Calkins? Well, I I assume that Fisherman's terminals is like she'll show in the other marinas. It's a month to month lease, right? That's correct commissioner.

- [00:46:08] And, and so as a former liver board, you know I had to present my insurance and registration to be current. And so the folks who are collecting the money know when those things expire. Right. And so but on a month, month basis it's not an issue until expiration date. So how much?
- [00:46:33] I guess since your registration, stuff like that's an annual thing but your, your on a month to month mortgage. I mean is that kept track of. You know because obviously the other thing is I recall that it wouldn't take credit cards. I had to have a check on record and I know that was a source of consternation for some people. But also having a check, you know, you're accessing the bank account.
- [00:46:58] So where are we at with both those issues in terms of tracking registration and as well as the way of drawing the funds? We're evolving and I will say because to your point, when we started this conversation we had a lot of different paper records and information. Now we've also evolved to. We had mis which was our earlier version that we weren't able to. We.
- [00:47:27] I don't, I think we, in some cases things like you know the system telling you immediately insurance expired, that didn't happen. MVMs, we are building into that so that, that we can address that. Also in the case of how much insurance you had if you made a change to your insurance. Also we do require folks to make us as a rider. So hopefully the, your insurance company will tell us that there was a change to your, to your policy.
- [00:47:58] And so, and so we're, we're tightening that up so that we have that better notification. So now as far as the payment side of it, we'll let Lisa talk about that one. So Commissioner, public member of the audit committee. So I have some old data. When we were working on the implementation of MVMs back then about RIPE BE for pre Covid at that time the data showed that about 12% or 13% of our payment collected in Fisherman Terminal are accepted through credit card payment.
- [00:48:36] And then we have a half of the customer payment coming through checks to the bank lockbox. We have a bank lockbox process on checks payment and then about 20% payment come to the office mostly through checks and cash. We also have the electronic payment platform. That's where our credit card payment were collected and about 15% of those come through ACH. So we do have wide array of opportunity and different payment channel for customer now to make payment to fisherman terminal.
- [00:49:09] Does that not create opportunities for confusion? Is it? I mean it does give flexibility for the. But I'm just wondering, you know, you don't want to have overdrawing. You don't want somebody should have the opportunity to make a payment plan or something like that.
- [00:49:26] But it seems to be more sporadic. If you just go to the desk and say, you know, here's 20 bucks towards the payment. How can you normalize this? So for payment plans we also trying to tighten up the process. Not just kind of a handshake or verbal hey, pay something each month so that you'll keep your account current.
- [00:49:46] We are working closely with Delmas and our fisherman team there. If a payment plan is formalized in the past practice a while back, we do work with legal. We have a document the customer actually had to sign the payment plan back a while back when I was the assistant director of revenue administration, I actually signed off on that payment plan clown counter signed that. So that formalized the process. And because of since COVID we were very good at doing payment plan labeling.

[00:50:19]

So if a payment plan is formalized and is executed, we will actually adjust whatever on the. On the AR and account receivable. And then we have to reprocess them to make payment plan so that our system infrastructure actually showing at what point this customer deal how much. Because now you sign a payment plan to avoid confusion and have a clear record of finances. Yeah, I just.

[00:50:44] And I would say this. This audit made it very clear that the process is just coming in and. And as Lisa pointed out and having a conversation. I'm gonna give you 20 bucks here. A thousand is that.

[00:50:57] No, we need to be able to formalize our plan and to the to date is that we do have a formally signed document that authorizes a. It's a formal agreement between us and also clear through legal with regards to the language. And I do sign all of those payment plans. And so you can though have a check on record or pay by credit card. Both those options still exist.

[00:51:23] And is that true for all the marinas? Yes, actually that's true for the entire port of Seattle. That the same array of payment channel that we offer to all our customers. That was new since I was there. And just the last thing.

[00:51:35] Wasn't some of this having to just past arrears something to do with our. Our cyber attack? Wasn't there like some delays? How much can we attribute to back payment because of us not being able to bill I mean I know it, I know there were letters sent out and there was an expectation that they were going to continue to pay. That's.

[00:51:59] I think that's when we saw a spike. I think it was about 1.7 million. Shortly after the accounts receivable balance was about 1.7 million. That was the highest within that two year period. But I don't know if you guys want to.

[00:52:10] Yeah, I think to add to the cyber attack. The cyber attack happened August 24th and a lot of including MVMs didn't come back online restored till almost December. I would say late November, early December. And the teams in all the operation will quickly need to put back the transaction in. So we really, I would say while we have our financial record corrected and restored.

[00:52:36] But a lot of work in Q4 of 2024 didn't get quite catch up to Q1 and Q2. Now a lot of our mortgage customer, as Dan mentioned that we sent out letters through our maritime partners to all customers saying that hey, if you have lease agreement, you have mortgage agreement, you know your fixed charges, you still do and own that amount. However, we have authorization from executive director Steve Metruck to seize finance charge process for almost six months. Because we were behind, we were not able to issue statement due to our system issues through almost first six months of the year. So I think while we send letter, some customer do want to see on paper tell me how much I own before I release payment to the Port of Seattle.

[00:53:25] And I can understand why they have that practice. So I think that also accumulate and contribute to the high AR balance. But after I think we start resume finance charge in early June. So from then on our team really worked diligently with Delmas and other trying to restore back all our processes and financials routines with our customer and our stakeholder. However, it does take some time for our fishermen as they have this annual cyclical cycle of go out fishing and come back with money.

[00:53:59] I think that combination of these complicated the balance. Is that the results that we're seeing here? Well, thank you. I assume that having the systems in place will certainly address this. But I think there's also

these somewhat extenuating circumstances that made it particularly worse or the system's weaknesses were shown because of this situation.

[00:54:22] And I said nomadic, I really should have meant migratory in the movements of the fishermen. It's not quite that they're wandering around the world. They keep on coming back. Right. So anyway, just want to correct the terms.

[00:54:34] So anyway, I think that that completes it. So thank you for the presentation. And there's no further comments. Right. All right, so moving on then.

[00:54:44] We have our item 6. We have the performance audit of the public Art program. And Director Fernandez, back to you. Thank you, Commissioner. Again, the public Art program is going to be presented by Dan Chase and his team.

[00:55:00] Dan did the work. So, Dan, public Art program. Yeah, Tommy Gregory's here. Do you want, do you want to come up? Tommy, the senior manager over the art program.

[00:55:10] Thanks for being here, Tommy. Yeah, thanks. Thank you, Dan. My pleasure. Exactly where you want to be.

[00:55:19] Right. And I will point out that. But Wendy Ryder, also the aviation director, has been very engaged in this and has provided very strong management response. Yeah, definitely with that, Dan. Okay, so I'll start off with a little bit of background.

[00:55:34] SEA Tac was the first, was the country's first public art airport to establish a public art collection. And it was established in 1960 and it's grown. It's over 400 pieces, I believe. And I'm sure you've walked through it. You see a variety of different art.

[00:55:52] You've got glass, photography, sculptures, painting, digital media and more. The Art Pool fund, it's calculated at 1% of eligible capital projects. The balance at the end of 2025 was 23.6 million. And the spend in 24 and 25 was just about 8 million. If we go to the next slide.

[00:56:17] So we did have a medium rated issue and it's really around compliance with the policy directive. And so what I'll do is I'll read what the directive requirement is and then explain what we found. So the first, the directive says that the executive director or their delegate shall develop annual work plans which outline yearly goals for the Port Wide arts and cultural program, including art activities, programming activities and budget estimates. So what we found is that in, in 2024 it was, it was incomplete, very incomplete, I would say. And then in 2025 it hadn't been created.

[00:56:55] I'll just go through the all, all of them at one time and then turn it back over to you guys. The directive also states that changes in the capital construction project budgets budgets shall include a proportional change to the project's 1% art allocation. We're not doing that. And a little bit of background. In June of 2021, we issued an audit report.

[00:57:22] And what we found is the funding wasn't occurring the way it was supposed to. And so we made the recommendation to do an annual one time contribution based on, you know, on something. But most likely the budget around September of 2021. That, that time frame, Senior Management at the time at the airport, who have now all left, decided to fund the art pool based on the five year cip. And so that's what happened.

- [00:57:54] And they. There was a \$24.5 million contribution made. And so that goes from 2022 all the way through 2026. So what obviously that doesn't do is when projects go over budget, we're not accounting for that. We're not putting that in there.
- [00:58:10] And then the, the final exception we found is it says in the directive, it says by September 30, 2020, update the port Wide Arts and Cultural Program guidelines to include direction from this policy. Right. I think those, those have been drafted, but they haven't been approved. And I think it's over 16 years old now. So those are the.
- [00:58:32] That's kind of what we found in a nutshell. Like Glenn mentioned, the response, I feel was real solid. But Glenn, Donald, if you have any more comments. No, I think you. Sorry.
- [00:58:45] I think you got all the key points, Dan. So with it, I'll pass it over to Tommy and let Tommy go through. Next slide, please. Michelle, the response that Wendy and her team put together. Michelle, next.
- [00:59:01] No.
- [00:59:03] There you go. Thank you. Great. Thank you, Glenn and Dan and commissioners and public member as well. Thank you for your time today.
- [00:59:13] The management response regarding this audit, I think is, is showing good faith efforts that we are moving forward with, with. With what this plan or the strategic plan has laid out. We also have really good support from the board. It's kind of been a long time coming. And commissioners, you both know, because you've both sat on our public board before the Port Wide Arts and Culture Board.
- [00:59:39] But so the annual. I mean, I think that trying to be in compliance with the way our policy is. Wendy's been supportive. We're presenting that updated policy and, or can I say that we're changing that term. Yes.
- [00:59:56] Okay. So go ahead, Dan. I'm sorry. So there's the policy direct. This was confusing for Glenn.
- [01:00:01] I. There's the policy directive and then there's the guidelines, which also include the word policy in the title. And so I'm like, okay, let's get rid of the word policy out of the guidelines. Just call it the guidelines. Right.
- [01:00:12] So that's what I've. Because it's confusing. Right. So that's what I've. It does, I think, make it less, I hate to say scary, but when we've presented this, especially to our public members of our board, the policy and guidelines might have been a sense of confusion.
- [01:00:28] There so I'm glad that we're simplifying that the guidelines should be something that would not be hard to accept. We've had support from Annabelle Guavic, our new or not new, she's in a new role as a public art manager. But also Tanisha Simmons, when she was an internal intern with the board of Seattle's public art program, assisted on updating that 2009 guideline. Very, very confident that upon our and board meeting we should get, I think, full support on, on adopting the new guidelines, which hopefully will be cemented as our 2026 guidelines moving forward. And the 1% allocation methodology, I don't foresee that being a big topic because I think that we're kind of like you mentioned, we're, we're kind of healthy at the moment when it comes to projects in our ciper and then the board charter.
- [01:01:25] I don't foresee any major changes there. I think that we're outside of the port wide scenario that I think that we've discussed. That would be the only governance structure addition that back when Lance Little was, was in the role, was supportive with Stephanie Jones Stevens. And I do see that that support continuing

into Wendy Ryder's role.

[01:01:49] That's kind of the summary of that. Sorry, that might have been longer than you wanted to hear.

[01:01:55] Is that complete? All right, thank you colleagues. Any questions? Sure.

[01:02:04] So I'm really appreciative of the audit department undertaking this. I think my overall impression upon reading through the results is here we have this program that over the last 10 years and actually less than that really since the restoration of the 1% and then this really significant uptick in total capital spend where we've seen significantly more money moving into the program. And under Tommy's leadership, we have. This is a very ambitious program. And so some of this is just.

[01:02:42] It feels sort of like growing pains where we go, wow, okay, we're bigger now. We've got a more ambitious agenda. And it's figuring out some processes that come with being bigger than you were before and just making sure that they are in place. Consistency consistently. And I'm hearing from management response that there's no pushback on that notion.

[01:03:05] In addition, I think we identified a few things where management from the art team in particular would say, absolutely, now give us the heft to make sure that the rest of the port is taking that seriously. And so I want to make sure that it doesn't just stay in this audit committee conversation, but that we get back to other elements of port management that need to lean in to their responsibilities to serve the AHRQ program as well. So in terms of takeaway, if that's a commission responsibility, we're happy to do that. Dan, go ahead. I'll put you on the issue follow up process.

[01:03:44] How's that? Just cc me on everything. But I think you get my point that I do think there's follow up here to make sure that we get new habits in place and eventually they become routine and it's. We're not having to think about it every time. It's just part of the process.

[01:04:04] So thanks for the work to undertake this and to respond to it and to let. Let me also say I am extremely proud of this program. I think it is not only world class among ports, it is also. We hear about it all the time. It brings joy to the 50 million people going through the airport.

[01:04:27] And as we push out to everyone along the waterfront, I mean I think about, you know, as we play host to the world this summer and they're going to enjoy this stuff, not know that it's because of this. But that doesn't matter. We just want people to experience that joy. And so it's a. It is a huge part of the legacy that we bring as a public agency to this too.

[01:04:49] I like to say, I don't know if it's true, but I like to say we've got to be one of the handfuls of largest collections certainly in the state of Washington. But you know, more people see our art than see Seattle art museums art in any given year because we've got 50 million people going through the airport. That is not an inaccurate statistic. But also I think that I have to thank you in return is because this is stuff that is supporting a program like this that is like the audit confirmed, is one of the longest running public art programs in the United States within an aviation and Port authority or port program. It is a job creator.

[01:05:34] Y'. All. Y'. All, I. You say you hear about it all the time, but I want y' all to hear this part is that there are so many people that we've employed in the creative economy of the greater Seattle area.

[01:05:46] Because this collection, although you're right, it is world class, it's also very Pacific Northwest forward. It's. It's a sense. It has a great sense of place and shows the strong identity and the abilities of the creative

communities of Washington state. It's my last statistic.

[01:06:07] I think I remember seeing we're about 70% Washington state artists in this collection that is going over 431 pieces on public view right now. Extremely proud of that, but also those, just those. I wanted to say that the stories I hear about people being able to pay their rent, being able to keep their studios in Seattle and not having to move to some smaller town in the south or go to Portland to try to find another way to keep their art career going. Kudos to everybody who's been on our board, our CPO partners who help getting people paid, and then all the other folks within the port of Seattle who helped make this collection what it is today. Because it's always been strong.

[01:06:50] It started out strong in 1972 and it is definitely a legacy thing. And if the world like you mentioned, if they don't see it, we know it's there. Like, I mean, and they feel it. So anyway, I'm extremely proud of it and I will continue to work extremely hard to make sure that we're being a good job creator for the creative folks coming through and getting contracts at the airport or maritime, as I hope that happens as well. Great.

[01:07:17] Sarah.

[01:07:21] Well, I would chime in that we're very proud of the program, Tommy, and your stewardship of it. There was two things that I was wondering about just in terms of the being able to forecast the revenues that you have to work with. Are we still using the CIP as the five year average as the budget, or are we looking at what we're doing authorizing per year?

[01:07:47] Dan? Yeah, Correct me if I'm wrong, but I think that is we should maintain or aiming to maintain the CIP and making sure that authorized projects are contributing to the art pool. That's, that's port wide. There haven't been any changes, I don't think. Well, I think the, I think the one time 24.5 million is all the way through 2026.

[01:08:10] That's my understanding of it. It's just a policy update that needs to occur. Right. So. And whether or not that comes under over budget, we're just assuming that's.

[01:08:21] You got 24 million bucks to work with. Yeah, that's what they have to work with. I think 19 million has been authorized some, somewhere in there. So we're looking. I think you might be asking about, you know, upcoming projects like sce.

[01:08:33] No, I'm, I'm trying to see like you going forward. Right. You're looking at like, like the projected five year CIP for what is 1% of that in order for you to budget what you can contract for. Yes. And that's, that's the 24.5 million.

[01:08:51] That's. That was added on to the. Whatever the beginning balance was. So that's what he has to work with through 2026. That's my understanding of it.

[01:09:00] Great, great. So it's easier to plan that way. Sure.

[01:09:05] The one thing you said is not trivial to me is the merger of the maritime one port program. And it's been a goal for as long as I've been looking at was the one port thing was what Steinbrook started.

[01:09:23] We had a consultant report and what is the plan here? And there was always the challenge about having your time applied to a maritime project and that the CIP for maritime is much smaller than the airport and how are we navigating that and when will we formalize that policy as dumb? I think it's evolving. Right. I

mean, we did touch on this a little bit, but we've.

- [01:09:50] I mean, there's the revenues that are generated from, you know, from at the airport. Need to stay there. Right. And so there has to be some thought around how Tommy's time and the expenses are allocated to the maritime side as well. Because I think primarily you're focused on the airport at this point.
- [01:10:11] But we do have. I mean, you're the only art program manager that we have. And so, you know, we just have to. I think we have to be thoughtful with how we go about how we're funding that piece of it. The maritime piece.
- [01:10:24] Yeah. And the senior manager role and manager roles are also evolving. Right. Annabelle has taken the manager spot and I'm retaining the senior manager role. So I do think that if it was to be.
- [01:10:39] It'll go through the board, I imagine Commissioner Felleman and the governance should not be something that's very abstract to us to see that evolution to fruition. Because you're right. This was a conversation, I think before Commissioner Steinbrick left, that was right there. It was almost port wide, officially. So before Dave McFadden left, he was like supportive of that.
- [01:11:02] Before Lance left, he was supportive of it. So I think maybe Wendy coming into this role and being a part of the board could help us see that to fruition. And I don't see it being anything that's going to impact the port or the airport like me. When was it? Dan Thomas, our former.
- [01:11:19] So he allowed. Or in unofficially, kind of had an email stating that I could work at a de minimis level. And I've done that. I've worked, you know, we've done temper exhibits here at Pier 69 where I would work nights and weekends and whatnot but yeah, I don't. I think that coding the time is just a part that I can't turn the key without the rest of the board kind of, of solidifying.
- [01:11:44] So I'm hoping that. I know you've been a great advocate for this and you've said it, I think probably till your face was turning blue in a couple meetings, like, let's just do this. But I think this audit at the end of the day is going to help push us over the hump there to get that done. And I would keep my fingers crossed that 2026 could be the year and then that means that we could do a lot more public facing projects on port waterfront property. Right.
- [01:12:12] I mean, the point is, you know, being thoughtful and having clear guidance are two different things. I mean, I want you to be thoughtful with not inadvertently getting, you know, over your heels over your skis. And we'd be happy to support something, but I mean this consultant report was supposed to give us some clear guidance on how to do that. And I understand you are being consulted on maritime projects that are coming forward, but not necessarily putting out the RFPs and selecting them. Is that true?
- [01:12:42] I'll. I get. Annabelle is now actually officially, I think 20% of her salary is not just aviation anymore. So she is, is working closely with folks at Pier 69. We're doing a couple mural projects, I think you're aware.
- [01:13:02] And my role, I'll come in as in a supporting role and just kind of make sure certain things are above board. Communicating with artists as I've done at the airport, but on a, on a very limited basis here. But it's, it's. I don't know, I don't know how to answer that when it comes to how I fit in from a percent time percentage. But I don't see.
- [01:13:27] I mean, I still think the bulk of the work is at sea. And then we will, it should be like we already have the, the foundation. So I'm hoping that the consulting findings, when they do supply this final report to the

board, that it'll just say this is the percentage we predict. And then hopefully, you know, Stephanie Jones Stevens and other maritime or peer or corporate partners within the port will say we, we see these good opportunities and then they set the public art program for you to help generate RFQs, RFPs, whatever's next. But I mean we, we have the foundation at.

[01:14:04] There's no reason to reinvent the wheel. I hope we could just adopt some of those successful. So the Mink was an expensive project. Yeah. Generated a chunk of change.

[01:14:12] Right. And so. And there's some beautiful art on the, on the net shed. There's beautiful art at the entrance to the, to the fisherman's terminal. There's that great metal art with the fishing net.

[01:14:24] We love that stuff. Yeah. Was that RFP put out through? How was that done and who made the selection? The rfq we did.

[01:14:31] We did a request for qualifications, working closely with the project managers on the FT and the Mink Annabel generated that rfq, you know, again at a de minimis level, staying in compliance with the way we looked at the time distribution there. We assisted with the selection panel. So we had, you know, I think it was three panelists, port staff, and then public art professionals alike made the recommendations for those artists. And then I kind of was on the back, I guess you would say, kind of in the shadows, helping with some of the guidance on how to properly get those artists on board. But we also had great project management.

[01:15:18] I think it was Kelly Purnell. But yeah, I think that this, that was a test sample to see for those who. On the maritime side who haven't been a part of a public art project. To see it could be painless. Or I say painless.

[01:15:34] It could be. It's super worth the effort. Right. To see what is on that nutshed and giving art opportunities to indigenous artists and underrepresented communities for sure that their work is now gracing that giant, beautiful renovated building. But I just really hope that that shows the effort in a successful way.

[01:15:59] Let's just emulate that. Well, I mean the outcome is great and having an example to implement an idea is great. I'm sure there's learning lessons from that. But you know, institutionally, institutionalizing a process going forward, having been through that and nobody seems to be too out of shape over it. Yeah, it just seems to me that, that we kind of did it on the fly before the reports were done.

[01:16:26] And so I'm just hoping that this will result in some sort of formal process that will provide guidance going forward. And I would say the art community and also critics within the Seattle area, their expectations are to see more of that on our, I hate to say non aviation, I don't think we use that term, but the waterfront and the maritime properties. So I'd love to, you know, I'd love to show them that we are putting those efforts in place. And I think that this audit is, is revealing that, you know, we're, we could be a well oiled machine. Port wide.

[01:17:05] Okay. Do you have a Couple things that, you know, you'd also asked about the five year CIP and one of the things Wendy said she'd do is she'd reconvene her team across functional team of finance and budget capital development and take a look at it and see how realistic it is to continue doing that. And if she's going to continue to do that going forward and integrating any other adjustments, then she'll bring it to the Art board. But she's going to do it pretty quickly, get back to the art board and say hey, this is what we propose and then update the policy has required. So that's one.

- [01:17:37] And the other thing is we also validated Art's existence, the tracking and all that stuff in the course of the audit and, and Tommy's doing a fine job there. So there's no issues with that. And the rumblings about reducing the 1%, is that something that is come before us? No, that would, there's, you know, that would. If there's anything on that, it'll come from somebody else, not from us.
- [01:18:00] And I promise I won't ask for 2% on that happy note. All right, thank you for the presentation and the management response. If we finished all our questions, we can move on to our final item number seven. It's the Plainware tenant reimbursement agreement. We'll move through this pretty quickly.
- [01:18:21] Commissioner. I'm going to call Spencer Bright up and actually Stuart Matthews as well and his team.
- [01:18:29] Like I said, it's a pretty clean audit with one low rated issue that was mostly administrative, but with it, I'll pass it on to Spencer and. Please yourself. Thank you. Glenn Spencer Bright Capital Projects Audit Manager. Good afternoon, Commissioners.
- [01:18:44] Ms. Ms. Holmstrom, for the little background on planeware. Planeware is a a small local woman owned business which began operations at the airport in 2018 during the concourse Charlie expansion project. The original space that Plainware was located would have been affected by that project, which would have forced a long closure. And so in response, in 2023, the port approved a tenant reimbursement agreement for up to 1.5 million to support the relocation and remodel cost. The objective of our audit was to determine whether port staff followed policies, procedures and the requirements outlined in, in the tenant reimbursement agreement.
- [01:19:46] Overall, the project management group had strong internal controls, did a very good job on oversight of this particular reimbursement agreement. And we just have one low observation. Michelle, can we have.
- [01:20:05] All right, so we reported that the pay application reviewers approved the final reimbursement Prior to receipt of all the required wage compliance documents, as stated in the tenant reimbursement agreement, tenant was required to provide approved affidavits of intent or affidavits of wages paid and an intent to pay prevailing wages. It's supposed to be received from every contractor before issuing the final payment. We noted that the port only received the general contractors intent but did not receive an affidavit. And additionally, the port did not receive intents or affidavits from three of the subcontractors.
- [01:21:06] Yeah. Just to add to that though, Spencer, the prevailing wage was paid. It was just filing the. The paperwork. Yes, that is correct.
- [01:21:16] Yes. So we reported two recommendations. One, that pay application reviewers should should ensure that they collect all required documentation prior to approving reimbursement. And the second recommendation is that port management should determine whether the requirement of obtaining these intents and affidavits are necessary and amend the tenant reimbursement agreement language accordingly. The purpose of that is that these TRAs do not necessarily fall under the requirements of public works projects.
- [01:22:05] And with me I have Stuart, Matthew and Aaron Gora that can go over management's response. Good afternoon, Commissioners. Ms. Holmstrom, welcome. I'm Stuart Matthews. I'm the assistant director of project management at SEA Tac Airport.
- [01:22:20] And with me today is Erin Gora. She's the program leader for our tenant program. Erin's first audit committee opportunity that she's got. So she's going to be speaking to the response. Good afternoon,

everybody.

- [01:22:31] How are you? So we did acknowledge the finding of kind of the paperwork essentially going through the pay applications. And our SOPs were a bit ambiguous and they listed multiple people throughout, folks on the project, project delivery side. And it was an unfortunate case of every person thought the other person was checking. So definitely an area for us to tighten up on our standard operating procedures.
- [01:22:59] And then taking it one step further after we complete the development of providing very clear roles and responsibilities for the multitude of folks that touch it during project delivery. Having a well informed and very deliberate training of that new policy and procedure. Procedure.
- [01:23:22] That concludes the presentation. Yes, it does. Just want to make sure that is it. Thank you very much. And for the response, Commissioner Calkins, Sarah, Mel.
- [01:23:39] I was able to talk through this with Glenn as well. So I got two very short briefings on this. But yeah, this seems like a pretty minor instance. And the response is sufficient to ensure it won't occur in the future.
- [01:23:56] I'm just wondering about the question of whether you believe this needs to be retained. The requirement of the affidavit and is there a recommendation on that? We do not have a recommendation at this time. This is something we've got to discuss with our procurement folks and our legal folks. So that is sort of the second bullet in our response there, that we'll be sitting down with them to review the requirement for that.
- [01:24:21] If it. It just seems to me that if it's sort of like in the agreement, the lease agreement, to say I really mean it, it's like it's either you're obligated to do it or not, right? It's like, is there some added value of promising? I think we're. We're trying to confirm the legal requirement for it at this point with CPO and legal, and then it would.
- [01:24:40] Would remain and if it was fair enough. Hearing no further questions. I believe this concludes our meeting today. Unless. Glenn, do you have any final comments?
- [01:24:53] Just thanks to both of you for serving another year in the audit committee and Sarah for making the drive down and being here in person. So we appreciate that. All right, so hearing no further comments and having no further business, if there's not a problem, the meeting is now adjourned at 3:03.