

INTERNAL AUDIT REPORT

Capital Project Audit
Planewear Tenant Reimbursement Agreement (CT-09)

June 2023 – January 2025



Issue Date: March 4, 2026

Report No. 2026-03

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Executive Summary

We completed an audit of the Planewear Tenant Reimbursement Agreement (TRA) covering the period June 2023, through January 2025. The objective of this audit was to determine whether Port staff followed policies, procedures, and requirements outlined in the TRA.

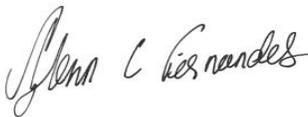
Planewear has held a lease with the Port since June 2018, for space located in Concourse C. This location was significantly impacted by the Concourse C Expansion Project, requiring the tenant to close. In response, Airport Dining and Retail staff, in coordination with the Port Aviation Project Management Group, identified a comparable location within the Central Terminal. The Port subsequently entered a TRA for an amount not to exceed \$1.5 million, which was executed on June 29, 2023.

The Standard Operating Procedures (SOP) are currently under review. Accordingly, we reviewed the TRA and the 2022 version of the Port's related SOPs.

Generally, controls were operating effectively. However, during our review, we identified a control gap where internal controls could be strengthened or where TRA contract language could be clarified or enhanced. This opportunity is summarized below and discussed in greater detail beginning on page six of this report.

1. **(Low)** Port pay application reviewers did not obtain documentation required by the Tenant Reimbursement Agreement prior to payment.

We also identified opportunities to improve processes related to updating Standard Operating Procedures and documentation storage; these observations were communicated separately to Port management.



Glenn Fernandes, CPA
Director, Internal Audit

Responsible Management Team

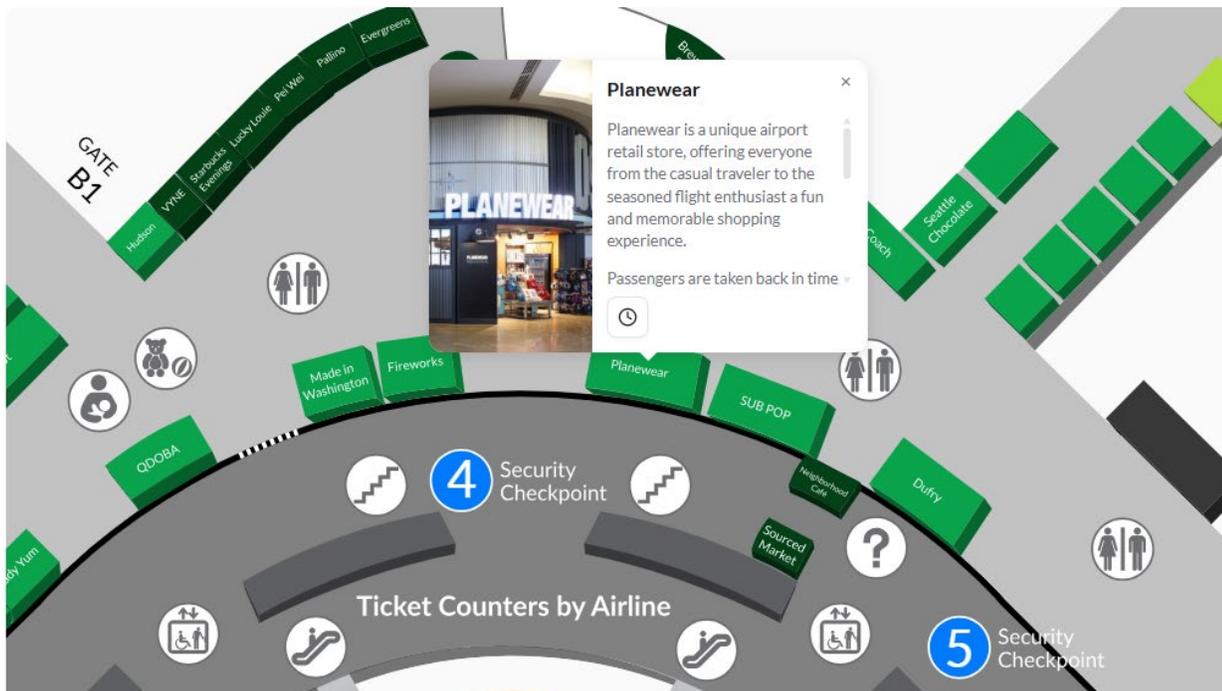
Karen Goon, Deputy Executive Director
Eileen Francisco, Director AV Project Management Group
Brian Sweet, Director Engineering Construction Management
Heather Munden, Director Eng Dept Ops
Jeff Wolf, Director AV Commercial Management
Stuart Matthews, Assistant Director AV Project Management Group

Background

Planewear is a small, local, woman-owned Airport Concessions Disadvantage Business Enterprise (ACDBE) that entered into a Lease and Concession Agreement (Agreement) with the Port on June 19, 2018. The Agreement, which includes a six-year Commission approved extension, is set to expire on December 31, 2033. Planewear offers an aviation and travel themed store which sells apparel, accessories, luggage, collectibles and other travel items.

Planewear's original space experienced multiple impacts during the term of the Agreement. It was further affected by the Concourse C Expansion project which would have required Planewear to close for several years. After working closely with the tenant and conducting additional space evaluations, the Airport Dining and Retail staff, along with the Aviation Project Management Group (AVPMG) identified a comparable location, CT-09 within the Central Terminal, for Planewear to relocate. This relocation included a new tenant reimbursement project.

As part of this relocation, the Port executed a Tenant Reimbursement Agreement (TRA) with Planewear to cover the actual, reasonable costs associated with the design and remodel of space CT-09. The remodel scope included, but was not limited to, permitting, demolition of existing fixtures, installation of new electrical service, millwork, and new storefront signage. Planewear reopened in their new space in April of 2025.



Audit Scope and Methodology

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards and The Institute of Internal Auditors' Global Internal Audit Standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained meets this requirement and supports our audit objectives.

The period audited was June 2023, through January 2025 and included the following procedures:

Vendor Payments

- Extracted all payments made under the project number
- Identified the payee(s) associated with the Project
- Reviewed invoices and supporting documentation to confirm that duplicate payments were not made to multiple entities (e.g., sole proprietor and/or DBA name)

Pay Applications

- Examined all six invoices submitted to verify that requested reimbursement amounts were supported by adequate documentation
- Reviewed payments to verify they did not exceed contract payment requirements
- Confirmed total payment did not exceed the contract's Not to Exceed amount of \$1.5 million
- Verified payments were issued in accordance with contract terms
- Reviewed documentation to determine whether the contingency use complied with contractual requirements

Prevailing Wages

- Reviewed the contract to identify prevailing wage clauses and related compliance obligations
- Compared Statements of Intent to Pay Prevailing Wages and Affidavits of Wages Paid, listed by the Department of Labor and Industries, against those provided to the Port

Schedule of Observations and Recommendations

#1) Rating: Low

Port pay application reviewers did not obtain documentation required by the Tenant Reimbursement Agreement prior to payment.

Intents and Affidavits

The TRA required the Tenant to provide the Port with Washington State Department of Labor and Industries, approved Statements of Intent to Pay Prevailing Wages and Affidavits of Wages Paid from all contractors with labor costs associated with construction, before the Port issued reimbursement.¹

Our review found that the Port received the general contractor's Intent but did not receive the required Intents from the three subcontractors who performed work on the Project. In addition, the Port did not obtain the general contractor's Affidavit before issuing final payment.

To further evaluate compliance, we reviewed the Labor and Industries website. This review confirmed that the general contractor did not file an Affidavit, and two subcontractors filed an Intent but no Affidavit.

Recommendations:

1. Pay application reviewers should ensure that all required documentation is collected and verified prior to approving any reimbursement.
2. The Tenant Reimbursement Agreement language should be reviewed to determine whether the Intent and Affidavit requirements are still necessary and amended accordingly.

Management Response/Action Plan:

AVPMG Management agrees with the recommendations and will be updating the Tenant Reimbursement Agreement Responsibilities SOP to better clarify roles and responsibilities regarding verification of documentation necessary prior to reimbursement.

AVPMG will work with Construction Management, CPO, POS legal department, Commercial Management, and Business and Properties to determine if the Intent and Affidavit requirements are still necessary.

AVPMG will review the updated procedure with all Tenant Project Management staff managing TRA projects to ensure they are familiar with the updated process.

DUE DATE: 8/31/2026

¹ See: Tenant Reimbursement Agreement §2.4 *Prevailing Wages*; §5.1 *Prevailing Wages*; Exhibit D: *Required Reimbursement Records*.

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 complies with laws, Port Policies, Contracts	Low probability for external audit issues and/or negative public perception	Does not require immediate attention