



**Port of Seattle Commission  
AUDIT COMMITTEE  
March 19, 2026 – 1:30 p.m.**

**To be held in person at the Port of Seattle Headquarters Building – Commission Chambers, Pier 69, 2711 Alaskan Way, Seattle, Washington. You may view the full meeting live at [meetings.portseattle.org](https://meetings.portseattle.org).  
To listen live from a remote location, call in at: +1 (425) 660-9954 or (833) 209-2690 and  
Conference ID 856 201 044#**

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**Committee members:**

Commissioner Fred Felleman, Chair  
Commissioner Ryan Calkins, Member  
Committee Public Member Sarah Holmstrom

**Also attending:**

Glenn Fernandes, Internal Audit Director  
Aaron Pritchard, Chief of Staff, Commission Services  
Michelle Hart, Commission Clerk  
Aubree Payne, Deputy Commission Clerk

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**ORDER OF BUSINESS**

1. Call to Order
2. Approval of Minutes – December 4, 2025

**Updates and Approval** (*Glenn Fernandes, Director, Internal Audit*) (Presentation – Items #3-4)

3. Director’s Annual Communication – Independence, Internal Audit Charter, and Quality Assurance (Memo) (Internal Audit Charter & Audit Committee Charter)
4. Approval of Updated 2026 Audit Plan

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

5. Accounts Receivable Management – Fishermen’s Terminal (Report)
6. Public Art Program (Report)
7. Planewear Tenant Reimbursement Agreement (CT-09) (Report)

**Concluding Business**

8. Committee Comments
  9. Adjournment
-

# Port of Seattle Audit Committee

## Internal Audit Update

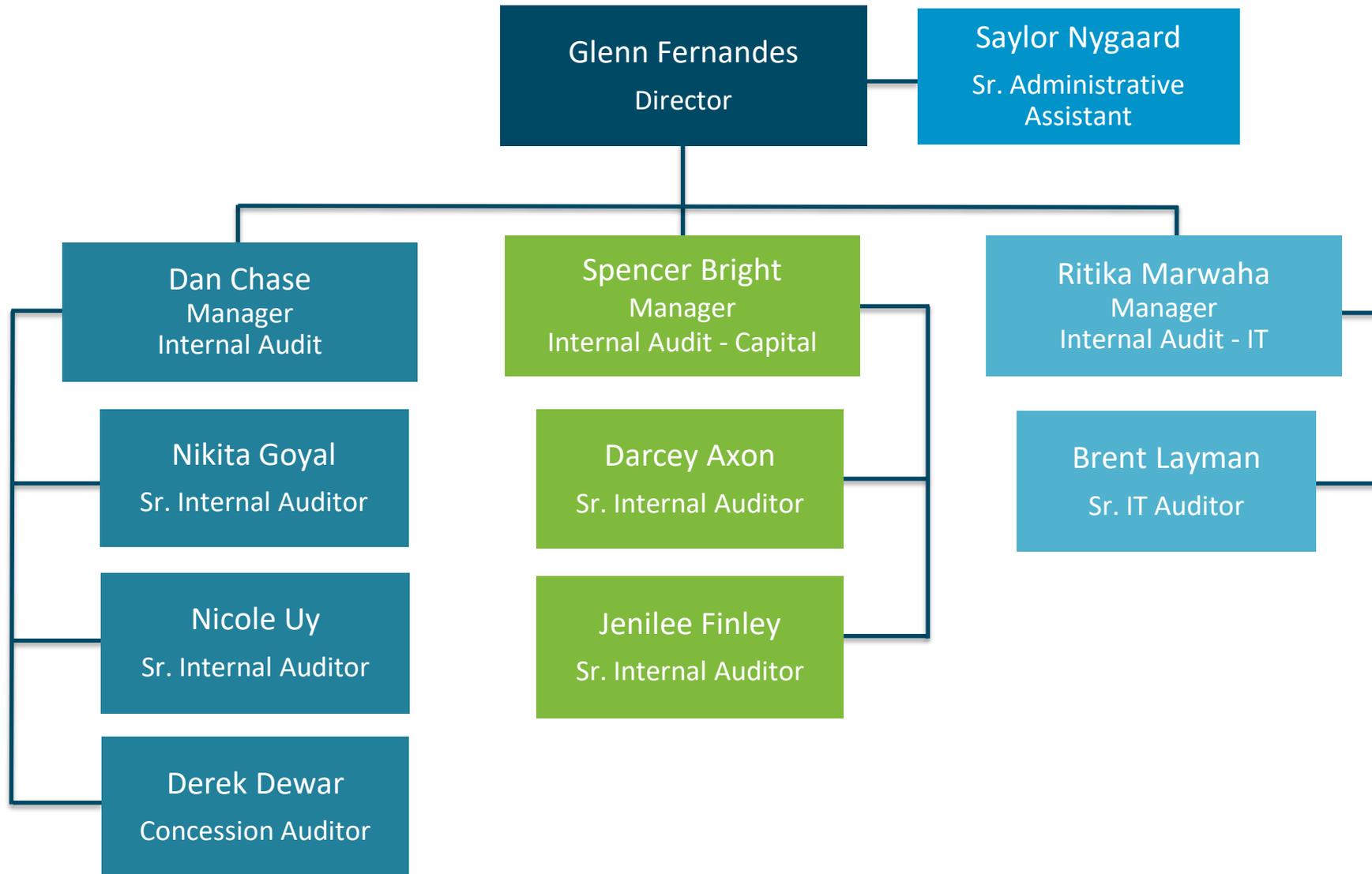
Glenn Fernandes - Director, Internal Audit

March 19, 2026

P69 Commission Chambers

1:30 PM – 3:00 PM

# Internal Audit Organization Structure



# Internal Audit Director's Annual Communication

Annual communication is required by the Institute of Internal Auditors (IIA) Global Internal Audit Standards on:

- Organizational Independence
- Internal Audit Charter
- Quality Assurance and Improvement Program

# Independence Requirement

- IIA Standards require annual confirmation of organizational independence of the internal audit function
- Internal Audit Department continues to maintain organizational independence by reporting functionally to the Audit Committee and administratively to the Executive Director

# Internal Audit Charter

- The Charter was most recently updated in September 2020.
- The Charter defines Internal Audit Department's:
  - Authority and Accountability
  - Mission and Scope
  - Responsibility
  - Independence and Objectivity
  - Commitment to Quality

# Quality Assurance Requirement

- Generally Accepted Government Auditing Standards (GAGAS)/Government Accountability Office (GAO) require an external peer review every three years
- IIA Standards require both an internal and external quality assurance and improvement program; external assessments need to occur at least every five years
- An external peer review was conducted by the Association of Local Government Auditors (ALGA) in August of 2025
- An internal quality review was conducted in both 2025 and in 2026

## 2026 AUDIT PLAN STATUS

| Report Title   | Type                  | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|--|-----------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Public Art Program   | Performance           |     |     |     |     |     |     |     |     |     |     |     |     |
| Timekeeping – Maritime   | Performance           |     |     |     |     |     |     |     |     |     |     |     |     |
| Accounts Receivable Management – Fisherman’s Terminal            | Performance           |     |     |     |     |     |     |     |     |     |     |     |     |
| <del>Inventory Management – Marine Maintenance<sup>1</sup></del> | Performance           |     |     |     |     |     |     |     |     |     |     |     |     |
| Airport Dining & Retail – ACDBE program <sup>2</sup>             |                       |     |     |     |     |     |     |     |     |     |     |     |     |
| Procurement  | Performance           |     |     |     |     |     |     |     |     |     |     |     |     |
| FMLA 3rd Party Administration                                    | Performance           |     |     |     |     |     |     |     |     |     |     |     |     |
| South King County and Port Communities Fund                      | Performance           |     |     |     |     |     |     |     |     |     |     |     |     |
| C Concourse Expansion  | Performance - Capital |     |     |     |     |     |     |     |     |     |     |     |     |
| Main Terminal Low Voltage  | Performance - Capital |     |     |     |     |     |     |     |     |     |     |     |     |
| Post IAF Airline Realignment                                     | Performance - Capital |     |     |     |     |     |     |     |     |     |     |     |     |
| Planewear Tenant Reimbursement Agreement (CT-09)                 | Performance - Capital |     |     |     |     |     |     |     |     |     |     |     |     |
| Capital Project Prioritization Process                           | Performance - Capital |     |     |     |     |     |     |     |     |     |     |     |     |
| Data Centers (ICT & AVM)   | IT                    |     |     |     |     |     |     |     |     |     |     |     |     |
| Baggage Conveyer Systems (AVM)                                   | IT                    |     |     |     |     |     |     |     |     |     |     |     |     |
| Payment Card Industry (PCI) Assessment                           | IT                    |     |     |     |     |     |     |     |     |     |     |     |     |
| <del>Data Protection (ICT)<sup>3</sup></del>                     | IT                    |     |     |     |     |     |     |     |     |     |     |     |     |
| EAN Holdings, LLC  | Contract Compliance   |     |     |     |     |     |     |     |     |     |     |     |     |
| Sixt Rent a Car  | Contract Compliance   |     |     |     |     |     |     |     |     |     |     |     |     |
| HIS HCL SEA FB, LLC  | Contract Compliance   |     |     |     |     |     |     |     |     |     |     |     |     |
| Marmot Mountain, LLC DBA Exofficio                               | Contract Compliance   |     |     |     |     |     |     |     |     |     |     |     |     |

- 1.This audit is removed from the plan and moved to a contingency audit. It will be replaced with the Airport Dining & Retail - ACDBE program Audit.
- 2.This audit has been added to the plan at the Audit Committee’s Request
- 3.This audit has been replaced with the Payment Card Industry (PCI) Assessment, at Port Management's request

|            |                    |
|------------|--------------------|
| <b>KEY</b> | <b>Complete</b>    |
|            | <b>In Process</b>  |
|            | <b>Not Started</b> |

# Internal Audit Capital GC/CM Continuous Audits

- RCW 39.10.385 requires an independent audit
- Third-party independent auditor provides the Audit Committee with annual updates and final reports upon completion of each project
- The following table represents GC/CM projects that Internal Audit is overseeing:

| Capital GC/CM Continuous Audits            |                                     |
|--|-------------------------------------|
| Main Terminal Low Voltage System Upgrade   | <i>Under Contract</i>               |
| Post IAF Airline Realignment               | <i>Under Contract</i>               |
| C Concourse Expansion Project              | <i>Under Contract</i>               |
| Eastside Fire Station                      | <i>Under Contract</i>               |
| Baggage Optimization Phase 3               | <i>Under Contract</i>               |
| Concourse Low Voltage Upgrade              | <i>Under Contract</i>               |
| South Concourse Evolution                  | <i>Under Contract</i>               |
| Main Terminal Improvement Program          | <i>Contract Anticipated in 2026</i> |
| Concourse HVAC Improvement/Renewal Program | <i>Contract Anticipated in 2026</i> |

# Updated 2026 Audit Plan

| Limited Contract Compliance   | Performance   | Performance - Capital  | Information Technology   |
|---|---|--|--|
| <ul style="list-style-type: none"> <li>• EAN Holdings, LLC</li> <li>• Sixt Rent a Car</li> <li>• HIS HCL SEA FB, LLC</li> <li>• Marmot Mountain, LLC DBA Exofficio</li> </ul> | <ul style="list-style-type: none"> <li>• Public Art Program</li> <li>• Timekeeping - Maritime</li> <li>• Accounts Receivable Management – Fishermen’s Terminal</li> <li>• <del>Inventory Management – Marine Maintenance<sup>1</sup></del></li> <li>• Procurement</li> <li>• FMLA 3rd Party Administration</li> <li>• South King County and Port Communities Fund</li> <li>• Airport Dining &amp; Retail – ACDBE program<sup>2</sup></li> </ul> | <ul style="list-style-type: none"> <li>• C Concourse Expansion</li> <li>• Main Terminal Low Voltage</li> <li>• Post IAF Airline Realignment</li> <li>• Planewear Tenant Reimbursement Agreement (CT-09)</li> <li>• Capital Project Prioritization Process</li> </ul> | <ul style="list-style-type: none"> <li>• Data Centers (ICT &amp; AVM)</li> <li>• Baggage Conveyer Systems (AVM)</li> <li>• <del>Data Protection (ICT)<sup>3</sup></del></li> <li>• Payment Card Industry (PCI) Assessment</li> </ul> |

1. This audit is removed from the plan and moved to a contingency audit. It will be replaced with the Airport Dining & Retail - ACDBE program Audit.
2. This audit has been added to the plan at the Audit Committee’s Request
3. This audit has been replaced with the Payment Card Industry (PCI) Assessment, at Port Management's request

# Audits Completed in First Quarter – 2026

- 1) Accounts Receivable Management – Fishermen’s Terminal
- 2) Public Art Program
- 3) Planewear Tenant Reimbursement Agreement (CT-09)

# Accounts Receivable Management – Fishermen’s Terminal

- Scope: January 2024 – December 2025
  
- Objective:
  - Evaluate accounts receivable (AR) processes
  - Segregation of duties
  - Compliance with policies and procedures

**1) Rating: Medium**

**Decisions related to delinquent accounts at Fishermen's Terminal are based on informal discussions and undocumented commitments, rather than established criteria. This has contributed to a significant number of accounts remaining delinquent beyond 90 days.**

**Port Procedure:**

1. Collection efforts begin at 30 days
2. Dunning letters are system generated 25 days from due date
3. Collectors will send second letter at 30-59 days from date of invoices
4. Final demand letter 60-89 days from date of invoice
5. If the account remains uncollectible after 180 days, after attempting all standard account collection procedures, the account may be written off, subject to authorization

## 1) Rating: Medium

| Status (12/31/25) | Days Past Due    |                 |                 |                  |                  | Total              |
|-------------------|------------------|-----------------|-----------------|------------------|------------------|--------------------|
|                   | 0–30             | 31–60           | 61–90           | 91–180           | Over 180         |                    |
| Litigation        | \$396,010        |                 |                 |                  | \$136,671        | \$532,681          |
| Collections       | 768              | 1,184           | 189             | 236              | 21,658           | 24,035             |
| Dispute           | 574              | 861             | 237             | 524              | 2,166            | 4,361              |
| Pending/Open      | 148,693          | 87,376          | 80,740          | 153,966          | 556,872          | <b>1,027,646</b>   |
| <b>Total</b>      | <b>\$546,044</b> | <b>\$89,421</b> | <b>\$81,166</b> | <b>\$154,725</b> | <b>\$717,367</b> | <b>\$1,588,723</b> |

- \$717,367 - 45% over 180 days
- \$1,027,646 - 65% Decision for resolution pending
- \$599,000 at 12/31/2023 to \$1.59M at 12/31/2025

## Recommendation:

FT should formalize written standard operating procedures (SOPs) for accounts receivable monitoring and escalation that align with AFR policy. The SOPs should define clear escalation thresholds, require standardized documentation of customer communications and payment arrangements, and clarify roles between FT and AFR. Any deviation from established escalation criteria should require documented secondary managerial approval.

# Management Response

- FT Management will create and establish recommended SOPs to be operationalized within 6 months
- In reference to the employee who called collections, there will be overall retraining to all FT staff of acceptable steps in these processes

**DUE DATE: 02/15/2027**

Management will discuss in detail. (Full response in Audit Report No. 2026-01)

## 2) Rating: Medium

### Continued weaknesses in Segregation of Duties (SOD) undermine effectiveness of key internal controls.

- **Segregation of Duties (SOD) weaknesses persist:** An audit performed in March 2023 identified similar issues
  - **Excessive system access:** Five FT staff have MVMS administrator rights allowing customer data changes without a secondary review
  - **Conflicting responsibilities:** The same staff involved in moorage utilization also perform collection and billing functions

### Recommendations

1. Separate moorage promotion, billing and collections functions; alternatively implement compensating controls.
2. Perform periodic access reviews to ensure only authorized staff can modify customer or financial data.

# Management Response

- Currently if any adjustments are made, MVMS was built to save ALL changes with (who, what and when), therefore the concern of audit item #1 about “data without documented secondary review” is inaccurate. There is visibility of changes. IN MVMS 2.0 there are changes that will be made on authorizations for staff (this was affected during cyber attack and was put on hold until 2.0 work on system began).
- Item #2, due to the nature of our business and small team the assisting with collections and billing is not assisting, it is review of changes (but they do not actually do the changes), so that it does not sit with one person (which was the issue in the last audit), therefore putting less risk of having only one person doing this work. This step has been considered a high level of customer service for the team because they are able to understand dynamics of our customers and adjust and manage as needed. There will be more periodic independent oversight as suggested.

**DUE DATE: 06/15/2026**

**Management will discuss in detail. (Full response in Audit Report No. 2026-01)**

### 3) Rating: Low

**Credit risk assessment procedures are not performed before executing commercial and recreational moorage agreements with lessees.**

- Evaluating the lessee's ability to pay increases the chance that the Port could recover money if an account becomes uncollectible. These steps could include proof of insurance, security deposit, first and last month's rent, and collateral evaluation.

### Recommendation

Management should assess which due diligence steps could be implemented within existing resources to reduce financial exposure.

# Management Response

FT tariff #6 required proof of required certain maritime insurance, proof of current registration, and seaworthiness or proof of Coast Guard Inspection. There will be a re-set and re-training with FT business staff on ensuring these are annually updated.

**DUE DATE: 02/15/2027**

Management will discuss in detail. (Full response in Audit Report No. 2026-01)

# Public Art Program

- SEA was the country's first public airport to establish a public art collection (late 1960s)
  - Diverse range of styles and artists (regional and emerging)
  - Airport has 400 pieces of artwork; variety of forms (glass/ photography/sculptures/paintings/digital media)
  - Art Pool fund:
    - Calculated as 1% of eligible capital projects from the Aviation Finance & Budget (AV F&B) 2022-2026 cashflows
    - \$23.6M balance as of 12/31/25
  - 2024 Art Pool spend \$3,518,881
  - 2025 Art Pool spend \$4,369,736

**1) Rating: Medium**

**The Port is not fully compliant with the Policy Directive on Port-Wide Arts and Cultural Program (Directive). Specific clauses within the Directive are not being followed and/or implemented.**

➤ Three exceptions identified:

- 1) Annual Workplan incomplete for 2024/not created for 2025
- 2) A corresponding 1% contribution was not funded to account for the proportional change of capital construction budgets increases
- 3) Guidelines have not been updated for over 16 years

# Management Response

## ***1. Annual Workplan***

- Management agrees that a more structured and formal annual workplan will improve transparency, prioritization, and program oversight, and will provide clearer direction to the Port-Wide Arts and Culture Board in carrying out its advisory role.

## ***2. 1% Allocation Methodology***

- This approach was adopted as a governance decision and applied consistently. The issue therefore represents a need for policy clarification and formal alignment rather than a breakdown in internal controls.

## ***3. Program Guidelines***

- Management will upload the document to the Port's website to ensure public visibility. After reviewing the Board Charter, it has been noted that there is no requirement for subsequent Commission adoption of the Board's Public Art Policy and Guidelines.

**DUE DATE: Various**

**Management will discuss in detail. (Full response in Audit Report No. 2026-02)**

# Planewear Tenant Reimbursement Agreement

- Planewear, a small local woman-owned business, entered a lease with the Port in 2018
- The original space experienced multiple impacts from the Concourse C Expansion, which would have required it to close for several years
- A TRA for design and remodel costs (not-to-exceed \$1.5 million) was executed in June 2023
- Planewear reopened in April 2025



**1) Rating: Low**

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

- Tenant was required to submit approved Statements of Intent to Pay Prevailing Wages and Affidavits of Wages Paid from all contractors before the Port issued final reimbursement
- Port received the general contractor's Intent but did not receive required Intents from three subcontractors, or the general contractor's Affidavit before issuing final payment

# Recommendations

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

# Management Response

- 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: 08/31/2026**

**Management will discuss in detail. (Full response in Audit Report No. 2026-03)**

# Questions/Committee Comments





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

**APPROVED MINUTES  
AUDIT COMMITTEE SPECIAL MEETING  
December 4, 2025**

The Port of Seattle Commission Audit Committee met in a special meeting December 4, 2025. The meeting was held in the Commission Chambers located at the Port of Seattle Headquarters Building, 2711 Alaskan Way, Seattle, WA, and virtually via Microsoft Teams. Committee members present included Commissioner Ryan Calkins, Commissioner Fred Felleman, and Public Member Sarah Holmstrom (non-voting).

**1. Call to Order:**

The committee special meeting was called to order at 9:30 p.m. by Commissioner Calkins. The agenda was approved without objection.

*\*Internal Audit Department presentation contains information for Agenda Items 7 through 15.*

**2. Approval of Audit Committee Meeting Minutes of September 16, 2025.**

**The minutes of the Audit Committee special meeting of September 16, 2025, were approved without objection.**

**EXTERNAL AUDITS**

**3. Baker Tilly – 2025 Audit Entrance**

Presenters:

Olga Darlington, Partner

Olga Darlington, Baker Tilly, provided a report addressing:

- scope of the audit – annual audit and report on the financial statements for the year ending December 31, 2025, for the Port's Enterprise Fund and Fiduciary Fund, comprised of the Warehousemen's Pension Trust Fund, included in the Port's Annual Comprehensive Financial Report; audit and report on compliance related to Major Federal Award Program(s), the Schedule of Expenditures of Federal Awards, and related internal controls; audit and report on the schedule of Passenger Facility Charge (PFC) program receipts and expenditures, and related internal controls; audit and report on the schedule of net revenues available for revenue bond debt service;

- communication to ‘Those Charged With Governance and Internal Control Related Matters;’ and limited procedures; and
- the audit timeline, with presentation of Audit results at the second Audit Committee meeting in 2026.

Members of the Committee and Director Fernandes thanked Baker Tilly for their continued services provided to the Port of Seattle.

#### **4. Office of the Washington State Auditor**

Presenters:

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

The presentation addressed:

- Accountability Audit results for the period of January 1, 2024 through December 31, 2024;
- in the areas selected, Port operations complied, in all material respects, with applicable state laws, regulations, and Port policies, and provided adequate controls over the safeguarding of public resources;
- areas examined included self-Insurance – health and welfare, unemployment, workers compensation and paid family and medical leave; accounts payable – general disbursements, credit cards, travel expenditures; payroll compliance with pay equity policy for non-represented employees; open public meetings compliance with minutes, meetings and executive session requirements; and financial condition – reviewing for indications of financial distress;
- additional areas of the audit including an assessment audit on the Port of Seattle Industrial Development Corporation and review of independent CPA firm audits;
- audit costs in alignment with the Auditor’s original estimates; and
- next audit, scheduled for Fall 2026.

Members of the Committee and Director Fernandes thanked the State Auditor’s team for the presentation and audit results.

#### **5. R.L Townsend & Associates – Construction Audit Services Annual Report**

Presenters:

Debbie Townsend, President and Executive Construction Cost Control Consultant  
Rachel Townsend-Smith, Senior Professional Associate

The presentation addressed:

- three construction projects included in the audit – Main Terminal Low Voltage; Phase C-1 Building Expansion; and Post IAF Airline Realignment; and
- scope, progress, potential issues identified, and next steps for each of the projects

Discussion ensued regarding:

- most of the project work being done by contractors and audits occurring as the projects are undertaken;
- confirmation of personnel assigned to the projects; and
- additional personnel to oversee the scope of work called ‘general conditions personnel.’

Members of the Committee and Director Fernandes thanked the R.L. Townsend & Associates team for their work in the construction audits for 2025.

**6. FACT Financial Solutions – Construction Audit Services Annual Report**

Director Fernandes advised that this presentation will be moved to the first quarter of 2026.

**UPDATES AND APPROVALS**

**7. Approval of Proposed 2026 Internal Audit Plan**

Presenters:

*Glenn Fernandes, Internal Audit Director*

Internal Audit Director, Glenn Fernandes, overviewed the summary of the 2025 Audit Plan status; spoke regarding continuous audits; discussed 2026 Audit Plan inputs and the risk assessment process; and advised regarding the proposed operational audit plan, capital audits, IT audits, and lease and concession audits.

Commissioner Felleman spoke regarding additional staffing needed in the Art division/program and asked that a staffing assessment be included in the 2026 Audit Plan. Commissioner Felleman also spoke regarding the 1 percent for art requirement and art for maritime, as well as looking into the size of the art program for the Port. He further discussed how recommendations of audit reports are addressed.

Discussion continued regarding:

- if there are 'honor systems' programs aside of Airport, Dining, and Retail;
- a Family Medical Leave Act third-party audit and looking at controls that can be recommended to assist in administration of the program; and
- concessions.

**The motion, made by Commissioner Felleman to approve the 2026 Internal Audit Plan, carried by the following vote:**

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

**Opposed: (0)**

**8. Open Issue Status**

Presenters:

*Glenn Fernandes, Internal Audit Director*

Internal Audit Director, Glenn Fernandes, advised that there were no current open issues.

## **PERFORMANCE AUDITS**

### **9. Terminal 91 Berths 6 & 8**

Presenters:

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

The presentation addressed:

- Terminal 91 Berths 6 & 8 redevelopment;
- the age of the facilities and their failing conditions;
- the scope of the project – to redevelop existing condemned and load limited areas;
- findings of the audit including lack of sufficient documentation from the contractor to adequately review pay applications resulting in a net overpayment of \$147,378;
- Management's notification of lack of documentation to the contractor and the contractor's submission of that documentation, as well as a credit on the pay application; and
- no further action required, as the overpayment was resolved prior to issuing the audit report.

Members of the committee expressed appreciation for Management's quick follow-up and appreciated the history of the project included in the audit presentation.

### **10. Recovery Effort – Data Integrity - Maritime**

Presenters:

Glenn Fernandes, Director, Internal Audit

Director Fernandes advised that this was a clean audit.

## **INFORMATION TECHNOLOGY AUDITS**

### **11. Access Control Management (ICT)**

Commissioner Calkins advised that Item 11 would be addressed in non-public session due to the security-sensitive nature of the item.

## **LIMITED CONTRACT COMPLIANCE AUDITS**

### **12. Sun's Inc.**

### **13. The Yarrow Group, LLC**

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

**14. Committee Comments**

Comments of appreciation to the staff, committee members, and to Commissioner Felleman for being an alternate on the committee were made. Commissioner Calkins further thanked everyone for the incredible professionalism of the Audit staff and for continuous process improvement resulting from their audit work.

**15. Adjournment**

There being no further public business, the meeting recessed to non-public session at 10:43 a.m., with the non-public session convening at 10:53 a.m. Non-public session lasted approximately 30 minutes, and the meeting adjourned at 11:23 a.m. with no further action taken.

Prepared:

Attest:

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

\_\_\_\_\_  
Fred Felleman, Audit Committee Chair

Minutes approved: March 19, 2026.

3/19/2026

Audit Committee  
Port of Seattle

Re: Required Annual Communication

Annual communication is required by the Institute of Internal Auditors' Internal Standards for the Professional Practice of Internal Auditing (IIA Standards):

Confirmation of Organizational Independence

At the Port, the Internal Audit Department continues to be organizationally independent by reporting functionally to the Audit Committee and administratively to the Executive Director.

Quality Assurance and Improvement Program

The Internal Audit Department has an adequate quality assurance and improvement program in place, which covers certain aspects of our internal audit activities. This has been evidenced by the Department completing its external peer review, most recently conducted by the Association of Local Government Auditors (ALGA) in August of 2025. In addition, we conduct an annual internal quality assessment review, which was most recently completed in the first quarter of 2026.

Sincerely,



Glenn Fernandes, CPA  
Director, Internal Audit

# INTERNAL AUDIT REPORT

Operational Audit  
Accounts Receivable Management – Fishermen’s Terminal

January 2024 – December 2025

Issue Date: March 04, 2026  
Report No. 2026-01

*This report is a matter of public record, and its distribution is not limited. Additionally, in accordance with the Americans with Disabilities Act, this document is available in alternative formats on our website.*

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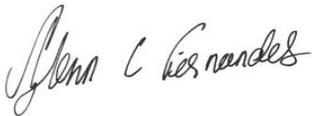
## Executive Summary

We completed an audit of Accounts Receivable Management – Fishermen’s Terminal, for the period January 2024, through December 2025. The audit was conducted to evaluate the accounts receivable processes, including segregation of duties, and to assess compliance with Port policies and procedures.

At the Port, the accounts receivables process is a collaborative effort between Fishermen’s Terminal and the Accounting and Financial Reporting Department (AFR). While we obtained AFR procedures for an understanding of the collection efforts, the scope of our audit focused on Fishermen’s Terminal.

Our review found that the accounts receivable processes at Fishermen’s Terminal need to be strengthened. We identified risks due to gaps in internal controls, which increase the likelihood of undetected misappropriation, and also increase the probability that delinquent accounts will continue to rise. To support our conclusions, we identified opportunities where internal controls could be enhanced or further developed. These opportunities are summarized below and discussed in greater detail beginning on page six of this report.

1. **(Medium)** Decisions related to delinquent accounts at Fishermen’s Terminal are based on informal discussions and undocumented commitments, rather than established criteria. This has contributed to a significant number of accounts remaining delinquent beyond 90 days.
2. **(Medium)** Continued weaknesses in Segregation of Duties (SOD) undermine effectiveness of key internal controls.
3. **(Low)** Credit risk assessment procedures are not performed before executing commercial and recreational moorage agreements with lessees (boat owners).



Glenn Fernandes, CPA  
Director, Internal Audit

### Responsible Management Team

Delmas Whitiker, Chief Operating Officer, Maritime  
Stephanie Jones-Stebbins, Managing Director, Maritime

## Background

Fishermen’s Terminal was the first construction project for the Port of Seattle, with pile drivers hammering the supports for the Salmon Bay docks on February 15, 1913. When the terminal opened, it had more than 1,800 feet of moorage with space for 100 boats, a two-story warehouse, and ample space for repairing nets.

The terminal opened in 1914 and serves as the home port for Seattle’s commercial fishing fleet. Located in Salmon Bay between the Ballard and Magnolia neighborhoods, FT was originally conceived of as both a general cargo facility and a dedicated home port for the fishermen of the region who fished the Northwest and Alaskan waters, and later became the epicenter of the fishing and maritime industries.



Fishermen’s Terminal in 1914

Today, Fishermen’s Terminal serves more than 700 vessels and provides short-term and long-term freshwater mooring for both fishing and commercial vessels, as well as pleasure craft. The facility also includes 227,000 square feet of office, retail, restaurant, and warehouse space.



Fishermen’s Terminal Today

## **Audit Scope and Methodology**

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

We used a risk-based, judgmental 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 January 2024, through December 2025 and included the following procedures:

### Governance, Compliance and Internal Control

- Obtained and reviewed Accounts Receivable (AR) related policies and procedures
- Interviewed management to understand AR related roles, responsibilities, and oversight
- Identified key AR responsibilities, including billing, cash receipt processing, adjustments, and reconciliations
- Assessed segregation of duties within the AR function
- Verified whether user access reviews, for the financial system, were performed

### Accounts Receivable Monitoring and Aging

- Walked through the AR process, including payment receipt, deposit, and posting to Accounts Receivable
- Obtained and analyzed AR aging reports for the audit period
- Reviewed collection and escalation procedures for delinquent accounts to evaluate consistency and effectiveness of collection efforts
- Verified management review and assess reasonableness of aging classifications

### Credits and Write-offs

- Selected a sample of credits to verify approvals and documentation
- Obtained AR aging reports, to verify that write-offs were processed in accordance with established policies

## Schedule of Observations and Recommendations

### 1) Rating: Medium

**Decisions related to delinquent accounts at Fishermen’s Terminal are based on informal discussions and undocumented commitments, rather than established criteria. This has contributed to a significant number of accounts remaining delinquent beyond 90 days.**

The outstanding balance of accounts receivable at Fishermen’s Terminal (FT) was \$599,857 on December 31, 2023, and increased to \$1,588,723 as of December 31, 2025. Notably, on June 30, 2024, the accounts receivable balance was \$556,569 and more than tripled to \$1,742,931 six months later, on December 31, 2024. This increase coincided with a period during which the Port experienced a cyber-attack in August 2024, that disrupted the ability to generate and distribute invoices. During this time, the Port directed tenants to continue making payments consistent with their prior billing amounts and communicated that late fees would not be assessed until a specified date. Despite this guidance, some tenants did not remit payments, which contributed to the significant increase in outstanding accounts receivable balances.

As of December 31, 2025, 55% of the accounts receivable balance is aged beyond 90 days, including \$717,367 or 45% in the 180 days past due category. Refer to the table below for a detail breakdown.

|              | Days Past Due |          |          |           |           | Total       |
|--------------|---------------|----------|----------|-----------|-----------|-------------|
|              | 0–30          | 31–60    | 61–90    | 91–180    | Over 180  |             |
| Litigation   | \$396,010     |          |          |           | \$136,671 | \$532,681   |
| Collections  | \$768         | \$1,184  | \$189    | \$236     | \$21,658  | \$24,035    |
| Dispute      | \$574         | \$861    | \$237    | \$524     | \$2,166   | \$4,361     |
| Pending/open | \$148,693     | \$87,376 | \$80,740 | \$153,966 | \$556,872 | \$1,027,646 |
| Total        | \$546,044     | \$89,421 | \$81,166 | \$154,725 | \$717,367 | \$1,588,723 |

According to Accounting Policy AC-15a (Write-Off of Uncollectible Receivables), “The Accounting & Financial Reporting (AFR) Department, Accounts Receivable operations has written procedures in place to ensure that past due receivables are administered promptly and in a manner that is cost-effective for the overall collection program.” Port of Seattle Accounts Receivable Procedures state, “Collection efforts begin at 30 days” and “dunning letters are system generated 25 days from due date. Collectors will send second letter at 30-59 days from date of invoices, final demand letter 60-89 days from date of invoice. Accounts or items sent to collection agency may be transferred 30 days from date of notice or at the discretion of the collector. If debtor does not respond to payment demand, the account will be placed for collections with a third-party collector.” If the account remains uncollectible after 180 days, after attempting all standard account collection procedures, the account may be written off, subject to authorization.

While FT performs early-stage customer outreach and engages in follow-up discussions regarding outstanding balances, formal documentation of escalation criteria and related decision-making is not consistently established in a standardized procedure aligned with AFR policy. Although AFR policy outlines criteria for referral to third-party collections, in practice, escalation decisions often involve collaboration between FT and AFR rather than referral once criteria are met. Customer discussions and payment arrangements are not consistently documented in a standardized format or governed by clearly defined escalation thresholds.

Based on discussions with AFR, decisions regarding whether and how collection actions are executed are frequently influenced by operational considerations. This has resulted in deviations from the standard collection process outlined in policy.

For example, we were informed of an instance in which a customer account was assigned to a third-party collection agency. An FT employee subsequently contacted the agency to request that the account be returned to the Port. The collection agency appropriately contacted AFR to confirm the request, and AFR instructed the agency to retain the account. While AFR ultimately maintained authority over the decision, this instance highlights the need for clearer communication protocols, defined escalation procedures, and well-established boundaries between operational and financial oversight roles.

**Recommendations:**

FT should formalize written standard operating procedures (SOPs) for accounts receivable monitoring and escalation, that align with AFR policy. The SOPs should define clear escalation thresholds, require standardized documentation of customer communications and payment arrangements, and clarify roles between FT and AFR. Any deviation from established escalation criteria should require documented secondary managerial approval.

**Management Response/Action Plan:**

FT Management will create and establish recommended SOPs to be operationalized within 6 months.

In reference to the employee who called collections, there will be overall retraining to all FT staff of acceptable steps in these processes.

**DUE DATE: 02/15/2027**

**2) Rating: Medium**

**Continued weaknesses in Segregation of Duties (SOD) undermine effectiveness of key internal controls.**

Weaknesses in SOD continue to exist in key business processes. The concept of SOD is having more than one person required to complete a task. As an internal control, its primary objective is to prevent fraud and errors.

In a prior audit (March 2023), management’s response stated “the program is informal and needs to be strengthened. This has resulted in underbilling and a sizable accounts receivables balance.” The response also states, “Commercial Fishing will work to create a structure that will accomplish a separation of duties to ensure integrity in the revenue management function.” However, we continue to observe weaknesses in SOD. Below are some examples:

1. Five individuals at FT have system administrator roles within the Marina Vessel Management System (MVMS), that allow modification of customer data without documented secondary reviews. Such privileged access should be limited to only those with a business need.
2. Employees who support moorage utilization also assist with collections and billing adjustments. Having these responsibilities combined makes it more challenging to optimize both revenue growth and risk management.

**Recommendations:**

1. Assign moorage promotion, billing adjustments, and collection activities at FT to separate individuals or teams, to reduce conflicts of interest. If segregation is not feasible, implement additional compensating controls such as managerial secondary reviews or periodic independent oversight.
2. Regularly review access rights to ensure only authorized staff can modify customer or financial data.

**Management Response/Action Plan:**

Currently if any adjustments are made, MVMS was built to save ALL changes with (who, what and when), therefore the concern of audit item #1 about “data without documented secondary review” is inaccurate. There is visibility of changes. IN MVMS 2.0 there are changes that will be made on authorizations for staff (this was affected during cyber attack and was put on hold until 2.0 work on system began).

Item #2, due to the nature of our business and small team the assisting with collections and billing is not assisting, it is review of changes (but they do not actually do the changes), so that it does not sit with one person (which was the issue in the last audit), therefore putting less risk of having only one person doing this work. This step has been considered a high level of customer service for the team because they are able to understand dynamics of our customers and adjust and manage as needed. There will be more periodic independent oversight as suggested.

**DUE DATE: 06/15/2026**

**3) Rating: Low**

**Credit risk assessment procedures are not performed before executing commercial and recreational moorage agreements with lessees (boat owners).**

Evaluating the lessee’s ability to pay, increases the chance that the Port could recover money if an account becomes uncollectible. These steps could include proof of insurance, security deposit, first and last month’s rent, and collateral evaluation.

**Recommendations:**

Management should assess which due diligence steps could be implemented within existing resources to reduce financial exposure.

**Management Response/Action Plan:**

FT tariff #6 required proof of required certain maritime insurance, proof of current registration, and seaworthiness or proof of Coast Guard Inspection. There will be a re-set and re-training with FT business staff on ensuring these are annually updated.

**DUE DATE: 02/15/2027**

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

# INTERNAL AUDIT REPORT

Operational Audit  
Public Art Program

January 2024 to December 2025



Issue Date: March 3, 2026  
Report No. 2026-02

*This report is a matter of public record, and its distribution is not limited. Additionally, in accordance with the Americans with Disabilities Act, this document is available in alternative formats on our website.*

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## Executive Summary

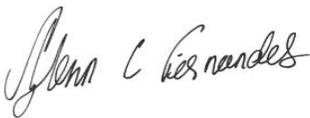
We completed an audit of the Port of Seattle's (Port) Public Art Program for the period January 2024 through December 2025. The audit was conducted to assess the overall compliance of the Port with the Port-wide Arts and Cultural Program Policy Directive (Directive), as well as assess the existence and accuracy of art assets in the airport.

In the late 1960s, the Port became the first public agency to develop and establish a public art collection. Since then, the collection has grown tremendously to over 420 pieces. The collection represents a diverse range of styles and artists, as well as a variety of forms.

Our review concluded that Port management's monitoring, compliance, and internal controls for inventory management and art-related spending aligned with established policies and procedures. However, we identified instances of non-compliance with certain sections of the Directive, which represents an opportunity where internal controls could be enhanced or further developed. This opportunity is summarized below and discussed in greater detail beginning on page six of this report.

1. **(Medium)** The Port is not fully compliant with the Policy Directive on Port-Wide Arts and Cultural Program (Directive). Specific clauses within the Directive are not being followed and/or implemented.

The exceptions identified from this issue highlight the need for a more proactive approach to manage and oversee the Public Art program. This will be especially important as the Port embarks on the Sustainable Aviation Master Plan (SAMP) and scales up capital spending. Developing annual plans, reevaluating funding requirements and associated complexities, updating guidelines, and integrating employee changes will be important parts of the Port's strategies and priorities over time.



Glenn Fernandes, CPA  
Director, Internal Audit

### Responsible Management Team

Wendy Reiter, Managing Director Aviation  
Arif Ghouse, Aviation Chief Operating Officer

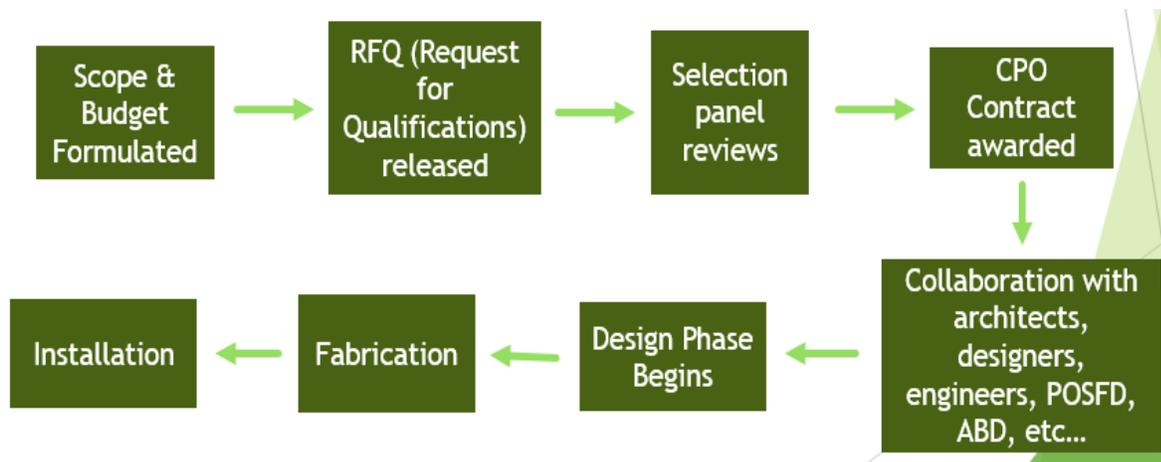
## Background

In the late 1960s, Seattle Tacoma International Airport (SEA) was the country’s first public airport to establish a public art collection. Since then, the Port has continued “acquiring and incorporating high quality, modern, and contemporary art” into the airport’s various terminals and facilities. The collection represents a diverse range of styles and artists, with an emphasis on regional and emerging artists. Additionally, it features a variety of forms, such as glass, photography, sculptures, paintings, and digital/ new media.

The Policy Directive on Port-Wide Arts and Cultural Program (Directive) was formally adopted in November 2019 to “establish a Port-wide Arts and Cultural Program, which returns the Port to its position as a national leader among its peers for art and cultural programming, promotes art and cultural programming throughout all Port and Port-related facilities, and engages the public with the Port.” The Directive includes different components, such as formally establishing a Port-Wide Arts and Culture Board in charge of reviewing art selections and placement, establishes policy regarding the calculation of the art pool fund, and includes metrics on how the overall program is evaluated.

A multi-step process, taking multiple months to years, occurs for art assets acquired. Once a decision has been made regarding the scope and budget, a Request for Qualifications (RFQ) is publicized and any interested artist can submit a proposal. Once all the proposals are received, the selection panel, usually comprised of 3 or 5 panelists to avoid ties, reviews the proposals and votes. Afterwards, the chosen artist is contacted by the Central Procurement Office (CPO) for awarding of the contract. Once the contract is awarded, the collaboration process between the artist and various key teams (Art Program staff, architects, engineers, designers, Construction Team, etc) begins. When everything is agreed upon, the design phase starts. After obtaining approval from Engineering, the fabrication and creation of the art is performed. Lastly, the installation phase occurs when the art piece is actually placed into its final location. Depending on the piece itself, the art can be mounted and bolted to walls, hung onto the ceiling away from an average person’s standing reach, built into the airport’s pillars, or enclosed in glass. These methods reduce the risk of accidental damage, vandalism, and possible theft.

See below for a summary of this process, including the major milestones:



Source: Public Art Program

## **Audit Scope and Methodology**

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

We used a risk-based, judgmental 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 January 2024, through December 2025 and included the following procedures:

### Inquiries and Process Walkthroughs

- Conducted inquiries and walkthroughs with key employees in the Art Program department, to obtain and gain an understanding of:
  - The overall history of the Art Program
  - Day-to-day duties and responsibilities of Port staff related to the Art Program
  - Acquisition process of art, from beginning to end (This includes the different phases as mentioned above)

### Document Review

- Obtained and reviewed key documents, such as:
  - Policy Directive on Port-Wide Arts and Cultural Program (Directive)
  - 2009 POS Art Program Policy and Guidelines (Guidelines)
  - Public Art Program 2024 Annual Report
  - 2024 Annual Workplan
  - Agenda and Minutes from Commission Meetings in 2024 and 2025
  - Agenda and Minutes from Art Board Meetings in 2024 and 2025
  - Full Listing of Art Collection

### Validation and Testing

- Inventory of Art Assets:
  - Observed 15 art pieces at SEA and traced them to the Full Art Collection Listing
  - Selected 15 art pieces from the Full Art Collection Listing and validated their existence by physical observation at SEA
  - Performed a site visit of the storage room to observe how art pieces are stored and kept when not on display
- Art Pool Funding and Spending:
  - Obtained supporting documentation (i.e. Excel spreadsheets and PeopleSoft screenshots) to understand and analyze how the Art Pool fund was calculated
  - Obtained and reviewed a list of all art pool-related spending for the years 2024 and 2025
  - For the three largest projects, Internal Audit (IA) selected three expenses for each project and obtained copies of invoices to review verify reasonableness and amounts spent

## Schedule of Observations and Recommendations

### 1) Rating: Medium

**The Port is not fully compliant with the Policy Directive on Port-Wide Arts and Cultural Program (Directive). Specific clauses within the Directive are not being followed and/or implemented.**

IA selected significant clauses within the Directive to ascertain compliance. We noted the following exceptions:

- A. *Section 4A: The “Executive Director (ED) or their Delegate shall develop annual workplans which outline yearly goals for the Port-Wide Arts and Cultural Program, including art activities, cultural programming activities, and budget estimates.”*
  - IA requested copies for both 2024 and 2025. For the year 2025, no annual workplan was developed. Meanwhile, for the year 2024, a very simplistic 2024 Annual Workplan was created, containing only two columns: “Ideas” and “Source”, without budget estimates.
- B. *Section 5F: “Changes in capital construction project budgets shall include a proportional change to the project’s one-percent allocation for art.”*
  - IA requested supporting documentation and calculations as evidence that this is being performed. Per our discussions with management, this is not being followed and is consistently a contentious subject between the Art and Construction teams. Construction is insistent on following an informal rule that was developed through emails in late 2021 by members of Senior Management that are no longer at the Port. However, no formal amendments or policy changes were officially submitted and approved.
- C. *Section 6J: “By September 30, 2020, update the Port-Wide Art and Cultural Program Guidelines to include direction from this policy.”*
  - IA requested and obtained a copy of the program guidelines to confirm its existence. We noted that the most recent approved version dates back to Q4 of 2009, which is now over 16 years old. A current working draft is in progress and according to the Art Program department, was presented multiple times to the Art Board now but has yet to be formally approved.

### Recommendations:

- 1.) Formalize a process regarding the establishment of a detailed annual workplan in order to aid the overall direction and operations of the Art Program department, as well as present the Art Board with a clear vision for the year. This will promote further clarity and transparency as to how the Art Pool fund is utilized each year.
- 2.) With approval from Senior Management, collaborate with key members from the Construction team to revisit and potentially revise the calculation method of each eligible project’s proportional change to the one-percent allocation for art based on changes in actual budgets. This will ascertain alignment and compliance with the Directive. If changes need to be made regarding the overall methodology of calculating the allocation for art, develop a formal amendment and obtain formal approval from all necessary departments.

- 3.) Finalize and present the current draft of the updated Guidelines to the Art Board for final approval and implementation. This will ensure compliance with the Directive, as well as ensure that the Port's documentation is up to date and relevant.

### **Management Response/Action Plan:**

Management appreciates Internal Audit's review of the Public Art Program and the collaborative approach taken throughout the audit. We agree that this is an appropriate time to strengthen governance documentation and long-term planning for the program as it continues to evolve.

We also want to clarify that the issues identified are not the result of unmanaged spending, missing assets, or breakdowns in financial control. The audit confirmed that inventory controls and monitoring of art-related spending are functioning appropriately. The observations instead relate to documentation completeness, policy interpretation, and the need to modernize program frameworks to reflect current capital delivery practices.

Management's response and action plan are outlined below.

#### **1. Annual Workplan**

Management agrees that a more structured and formal annual workplan will improve transparency, prioritization, and program oversight, and will provide clearer direction to the Port-Wide Arts and Culture Board in carrying out its advisory role.

Action:

- Beginning with the 2027 planning cycle, the Port will implement a standardized annual workplan template that includes program goals, project priorities, and associated budget estimates.
- A 2026 interim workplan will be completed in Q2 2026 using the new format and presented to the Art Board to establish expectations and institutionalize the process.

Target completion: Q2 2026 (interim), Q4 2026 (fully institutionalized process)

#### **2. 1% Allocation Methodology**

Management acknowledges Internal Audit's interpretation of the Directive language. However, the current funding methodology was implemented following executive-level direction from Port Senior Management to stabilize long-range art funding using a multi-year CIP projection model. The intent was to create predictability, align with capital planning cycles, and avoid volatility caused by year-to-year construction budget fluctuations.

This approach was adopted as a governance decision and applied consistently. The issue therefore represents a need for policy clarification and formal alignment rather than a breakdown in internal controls.

Action:

- Management will convene a cross-functional working group including representatives from Aviation, Maritime, Economic Development, Finance & Budget, Capital Development, and the Public Art Program to review the allocation methodology considering the Directive language.
- The working group will engage the Art Board for advisory input as part of its review.

## Public Art Program

- If the review determines that current practice should continue, management will bring forward a formal amendment to the Directive for Commission consideration.
- Alternatively, if alignment with the existing Directive language is required, implementation processes will be modified accordingly to ensure compliance.

Target completion: Q4 2026

### 3. Program Guidelines Update

The new Public Art Policy & Guidelines have been finalized and were shared with the Board in September 2025.

- Management will upload the document to the Port's website to ensure public visibility. Michelle Hart confirmed that Commission approval is not required, noting that after reviewing the Board Charter, there is no requirement for subsequent Commission adoption of the Board's Public Art Policy and Guidelines. A copy will be saved in the Governance archive for reference, and any future updates should be forwarded to Governance to keep the archived version current.

Target completion: Q2 2026

**DUE DATE: Various**

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

# 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

*This report is a matter of public record, and its distribution is not limited. Additionally, in accordance with the Americans with Disabilities Act, this document is available in alternative formats on our website.*

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## Executive Summary

We completed an audit of the 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.

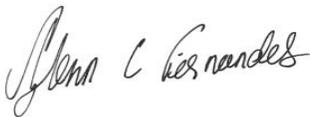
Planewear has held a lease with the Port since June 2018, for space located in Concourse C. This location was significantly impacted by the Concourse C Expansion Project, requiring the tenant to close. In response, Airport Dining and Retail staff, in coordination with the Port Aviation Project Management 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

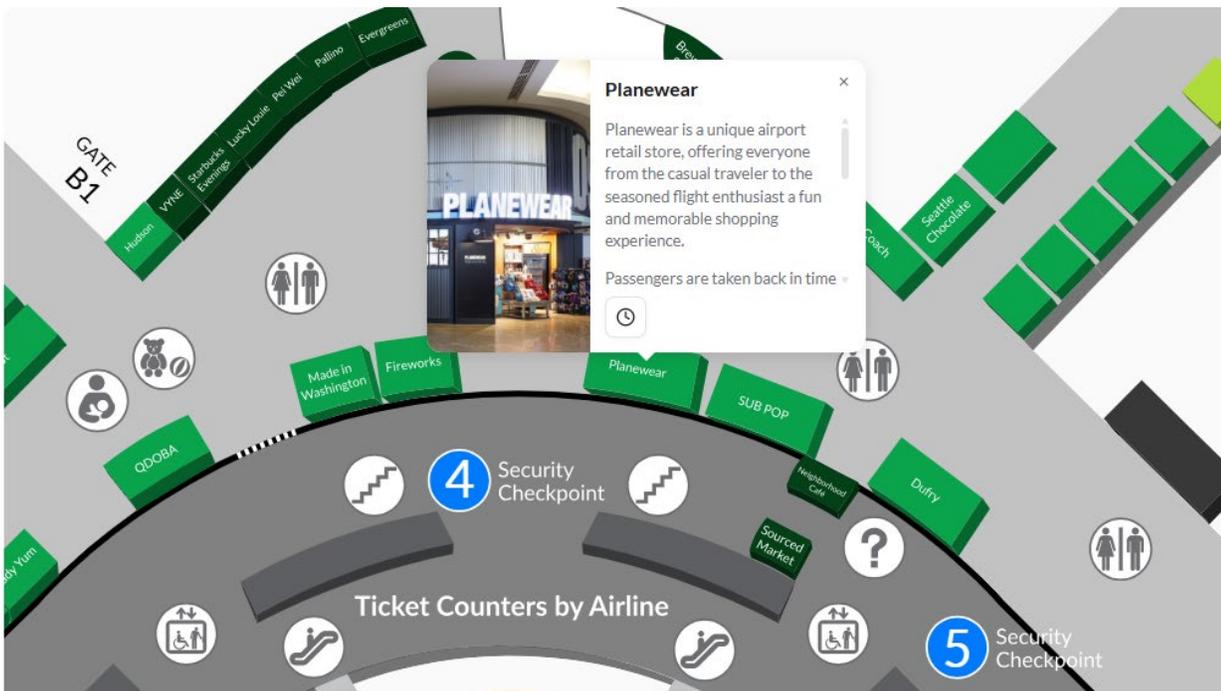
Karen Goon, Deputy Executive Director  
Eileen Francisco, Director AV Project Management Group  
Brian Sweet, Director Engineering Construction Management  
Heather Munden, Director Eng Dept Ops  
Jeff Wolf, Director AV Commercial Management  
Stuart Matthews, Assistant Director AV Project Management 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.<sup>1</sup>

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**

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<sup>1</sup> 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/<br>Operational<br>Impact | Internal<br>Controls                                | Compliance  | Public   | Commission/<br>Management            |
|---------------|-------------------------------------|---|---|--|--------------------------------------|
| <b>High</b>   | Significant                         | Missing or partial controls                         | Non-compliance with Laws, Port Policies, Contracts    | High probability for external audit issues and / or negative public perception     | Requires immediate attention         |
| <b>Medium</b> | Moderate                            | Partial controls<br><br>Not functioning effectively | Partial compliance with Laws, Port Policies Contracts | Moderate probability for external audit issues and / or negative public perception | Requires attention                   |
| <b>Low</b>    | Minimal                             | Functioning as intended but could be enhanced       | Mostly complies with laws, Port Policies, Contracts   | Low probability for external audit issues and/or negative public perception        | Does not require immediate attention |