



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

**APPROVED MINUTES
AUDIT COMMITTEE SPECIAL MEETING
March 19, 2026**

The Port of Seattle Commission Audit Committee met in a special meeting March 19, 2026. 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 Fred Felleman; Commissioner Ryan Calkins, and Public Member Sarah Holmstrom (non-voting).

1. Call to Order:

The committee special meeting was called to order at 1:37 p.m. by Commissioner Felleman. The agenda was approved without objection.

**Internal Audit Department presentation contains information for Agenda Items 3 through 7.*

2. Approval of Audit Committee Meeting Minutes of December 4, 2025.

The minutes of the Audit Committee special meeting of December 4, 2025, were approved without objection.

EXTERNAL AUDITS

There were no external audits presented.

UPDATES AND APPROVALS

3. Director's Annual Communication

Presenters:

Glenn Fernandes, Internal Audit Director

Internal Audit Director, Glenn Fernandes, overviewed the organizational structure of the Internal Audit Department; advised that the Department is fully staffed; and spoke regarding the independence requirement associated with the internal audit function.

4. Approval of Updated 2026 Audit Plan

Presenters:

Glenn Fernandes, Internal Audit Director

Internal Audit Director, Glenn Fernandes, advised regarding the status of the 2026 Audit Plan; discussed capital GC/CM projects currently being overseen by Internal Audit; and noted revisions to the 2026 Audit Plan since its adoption, with the Inventory Management Marine Maintenance audit moving to the contingency audit category and the Airport Dining and Retail ACDBE program taking its place as a performance audit; and the Data Protection IT audit being replaced with the Payment Card Industry Assessment at the request of Port management.

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

In favor: Calkins and Felleman (2)

Opposed: (0)

PERFORMANCE AUDITS

5. Accounts Receivable Management – Fishermen’s Terminal

Presenters:

Glenn Fernandes, Director, Internal Audit

Dan Chase, Manager, Internal Audit

The presentation addressed:

- scope of the audit – January 2024 through December 2025, with the objective of evaluating the accounts receivable process, segregation of duties, and compliance with policies and procedures;
- finding of the audit:
 - decisions related to delinquent accounts at Fisherman’s Terminal are based on informal discussions and undocumented commitments, rather than established criteria, which has contributed to a significant number of accounts remaining delinquent beyond 90 days;
 - the corresponding recommendation is that Fisherman’s Terminal should formalize written standard operating procedures (SOPs) for accounts receivable monitoring and escalation that align with AFR policy; that SOPs should define clear escalation thresholds, require standardized documentation of customer communications and payment arrangements, and clarify roles between Fisherman’s Terminal and AFR; and any deviation from established escalation criteria should require documented secondary managerial approval;
- Fisherman’s Terminal management responded that SOPs will be created and operationalized within six months and noted there will be an overall re-training to all Fisherman’s Terminal staff of acceptable steps in these processes;
- finding of the audit:
 - continued weaknesses in segregation of duties (SOD) undermine effectiveness of key internal controls;
 - the corresponding recommendation is to separate moorage production, billing and collections functions, and alternatively implement compensating controls, and further to perform periodic access reviews to ensure only authorized staff can modify customer or

financial data;

- Fisherman's Terminal management responded that there is currently visibility of changes and that review does not reside with one person on the team, resulting in less risk, yet noted that there will be more periodic independent oversight as recommended by the audit;
- finding of the audit:
 - 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;
 - the corresponding recommendation is that management should assess which due diligence steps could be implemented within existing resources to reduce financial exposure;
- Fisherman's Terminal management responded that tariff #6 requires proof of certain maritime insurance, proof of current registration, and seaworthiness or proof of Coast Guard inspection, noting that there will be a re-set and re-training with Fisherman's Terminal business staff on ensuring these are annually updated.

Discussion ensued regarding:

- making sure customers are reading their notices;
- establishing payment plans for those in arrears;
- litigation fees;
- status of recovering monies owed through the collection process;
- the diverse portfolio of operations being addressed;
- supporting the fishing fleet;
- providing a platform for fisherman to communicate with the Port, including conducting a quarterly industry group meeting;
- mitigating risk; and
- the wide array of payment types received.

Members of the committee thanked the Audit Department for the report and expressed appreciation for Management's follow-up and actions to collect and mitigate arrears in the future.

6. Public Art Program

Presenters:

Glenn Fernandes, Director, Internal Audit
Dan Chase, Manager, Internal Audit

The presentation addressed:

- background of the public art program;
- scope of the audit - to review the Portwide Arts and Culture Program Policy Directive;
- finding of the audit – specific clauses within the directive were not being followed and/or implemented;
 - the annual workplan was incomplete for 2024/not created for 2025;
 - a corresponding 1 percent contribution was not funded to account for the proportional change of capital construction budgets increases; and
 - guidelines have not been updated for over 16 years;

- Public Art Program management agreed that a more structured and formal annual workplan will improve transparency, prioritization, and program oversight, and will provide clearer direction to the Portwide Arts and Culture Board in carrying out its advisory role; stated that the 1 percent allocation methodology was adopted as a governance decision and applied consistently and the issue represents a need for policy clarification and formal alignment rather than a breakdown in internal controls; and stated that the new program guidelines will be uploaded to the Port's website to ensure public visibility.

Discussion ensued regarding:

- the size and magnitude of the art program;
- having one of the largest collections of art in an airport and the longest running public art program in the country;
- revenue forecast to support the program; and
- timeframe associated with formalizing the program to incorporate maritime infrastructure and facilities.

Members of the committee thanked the Audit Department for the report and Management for their thorough response and actions to address recommendations made.

7. Planewear Tenant Reimbursement Agreement

Presenters:

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

The presentation addressed:

- background of the tenant at the airport;
- multiple impacts from the Concourse C Expansion project, and the execution of a tenant reimbursement agreement (TRA) in 2023;
- Planewear's reopening in April 2025;
- finding of the audit – Port pay application reviewers did not obtain documentation required by the tenant reimbursement agreement prior to payment;
 - the 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; and
 - the 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;
 - the corresponding recommendations were that pay application reviews should ensure that all required documentation is collected and verified prior to approving reimbursement and that tenant reimbursement agreement language should be reviewed to determine whether the intent and affidavit requirements are still necessary and amended accordingly;
- Aviation Project Management Group management agreed with the recommendations and are updating standard operating procedures of the reimbursement agreement to better clarify roles and responsibilities regarding verification of necessary documentation prior to reimbursement; will work with Construction Management, CPO, the legal department, commercial management, and business and properties to determine if the intent and affidavit requirements are still necessary; and will review the updated procedures with all tenant project management staff managing tenant

reimbursement agreement projects to ensure they are familiar with the updated process.

Members of the Committee thanked the Internal Audit Department for the audit report and management for their response.

INFORMATION TECHNOLOGY AUDITS

There were no Information Technology Audits presented at this time.

LIMITED CONTRACT COMPLIANCE AUDITS

There were no Limited Contract Compliance Audits presented at this time.

8. Committee Comments

No closing comments were presented.

15. Adjournment

There being no further public business, the meeting adjourned at 3:03 p.m.

Prepared:

Attest:

Michelle M. Hart, MMC, Commission Clerk

Fred Felleman, Audit Committee Chair

Minutes approved: June 4, 2026.