

INTERNAL AUDIT REPORT

Operational Audit
Time Approval Controls – Marine Maintenance

January 2025 to February 2026

Issue Date: May 21, 2026
Report No. 2026-04

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

TABLE OF CONTENTS

Executive Summary.....	3
Background	4
Audit Scope and Methodology.....	5
Schedule of Observations and Recommendations.....	6
Appendix A: Risk Ratings.....	11

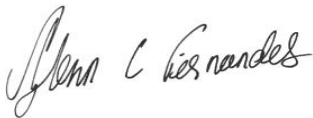
Executive Summary

We completed an audit of Maritime Timekeeping for the period January 2025 through February 2026. The audit was conducted to assess the effectiveness of internal controls related to time entry and approval at Marine Maintenance.

Port of Seattle (Port) payroll costs are the largest operating costs, representing a little over 62% of total operating costs. Payroll costs are budgeted to increase by approximately \$31 million to \$453 million in 2026. The Port has disparate systems, collective bargaining agreements with multiple pay codes, and both hourly and salaried employees. This creates obstacles to establishing one process that is systematically understood and followed by all departments

Our audit determined that the current approval process is not functioning effectively and operates with significant inefficiencies. Wherever possible, we analyzed available data to support these conclusions. Due to time constraints, we also relied on anecdotal evidence to further illustrate the issues observed. These opportunities for improvement are summarized below and discussed in greater detail beginning on page six of this report.

1. **(High)** The approval process to validate the accuracy of time submitted is not adequately designed or operating effectively. The absence of automated tools, such as a formal timekeeping or time clock system, limits management's ability to independently verify hours worked and assess the accuracy of time reported.
2. **(Medium)** Although supervisors play a critical role in maintaining maritime operations and developing workforce competency, managers are largely absent from the payroll review and approval process and need to play a more active role.



Glenn Fernandes, CPA
Director, Internal Audit

Responsible Management Team

Stephanie Jones Stebbins, Managing Director - Maritime
Presley Morrissey, Director – Marine Maintenance
Mikel O'Brien, Senior Director – Labor Relations

Background

The Port of Seattle (Port) employs approximately 2,500 employees, comprised of both represented and non-represented employees. Port payroll costs are the largest operating costs, representing a little over 62% of total operating costs. Payroll costs are budgeted to increase by approximately \$31 million to \$453 million in 2026.

Marine Maintenance (MM) provides the essential construction, repair, and upkeep for maritime properties, including terminal facilities, shoreline structures, and utilities, to ascertain safety, functionality, and environmental compliance. MM manages over 70 miles of stormwater pipes and 15.4 miles of shoreline protection such as steel sheet piles and riprap to prevent erosion. They perform daily cleaning, infrastructure repairs, and waste management to support commercial and recreational boating. They also champion environmental stewardship by implementing, managing, and maintaining waste diversion programs.

The scope of this audit focuses on MM. MM has approximately 170 employees of which 164 are represented and are structured under a Collective Bargaining Agreement (CBA). The CBA is the legally binding written agreement between the Port and the union that establishes the terms and conditions of employment. The table below lists the number of employees within each labor group.

Labor Group	Number of Employees
Auto Machinist	9
Operating Engineer	10
Carpenter	8
Electricians	17
Laborer	49
Millwright	3
Administrative/Inventory/Logistics/Facilities	19
Piledriver	2
Plumber	13
Painter	7
Sign Painter	2
Sprinkler Fighter	8
Sheet Metal	7
Driver/Hostler	10
Total	164

At the end of every shift, hourly represented workers entered their hours worked in Maximo. All hours worked, including sick time, vacation, overtime, etc. are recorded to a specific work order within Maximo. After hours are entered, the crew chief reviews and approves the entries. After the time is entered, the Time Administrator performs an additional validation to identify and correct errors such as when employees have entered less than the 40 weekly hours required. After all necessary adjustments are made, the Time Administrator runs a validation report in Maximo to verify that all records have been processed with no exceptions. After this step is completed, payroll data is ready to be “approved” and submitted from Maximo into PeopleSoft.

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 2025, through February 2026 and included the following procedures:

Interviews and Process Walkthroughs

- Interviewed and performed process walkthroughs with Port managers, crew chiefs, and time administrators to gain an understanding of:
 - The current timekeeping processes, including the review and approval processes
 - Related preventative and detecting controls in place
 - Opportunities for improvement

Document Review

- Reviewed key documents related to timekeeping processes, including the following:
 - Port Policies and departmental procedures
 - CBA defining various aspects of employees' time and terms of employment
 - Full MM Employee Listing, including Department, Job Title, and Manager Names
 - Various reports detailing Overtime Double Time (OTDT) Analysis, OT Requested and OT Worked, Pay Period Review, and Time Review

Testing

- Selected a sample of hourly employees within MM process based on top overtime hours for the audit period
- Accessed and reviewed any correlation between leave without pay hours and overtime hours
- Inquired with each department manager to gain a better understanding of how hours are validated and approved in their group, why OT is needed, and how it is being utilized effectively
- Selected a random sample and requested back up for the OT approved
- Validated the hours reported are following the CBA for the selected sample

Schedule of Observations and Recommendations

1) Rating: High

The approval process to validate the accuracy of time submitted is not adequately designed or operating effectively. The absence of automated tools, such as a formal timekeeping or time clock system, limits management’s ability to independently verify hours worked and assess the accuracy of reported time.

In the absence of standardized systems, managers developed inconsistent and informal tools to support oversight. For example, one manager maintained a log to track their crew’s time for exceptions, while another had initiated efforts to establish baseline expectations for task completion times. While these efforts demonstrated initiative, the lack of a centralized and standardized approach resulted in inconsistent application of controls and reduced reliability of oversight across the department.

Internal Audit’s conclusions were based on a combination of data analysis and corroborated discussions with crew chiefs, managers, and the time administrator. Rather than presenting isolated exceptions, the following examples highlighted systemic control gaps and opportunities to strengthen payroll processes:

Post-Submission Adjustments:

During the 14-month audit period, the Accounting and Financial Reporting Department processed a significant volume of payroll corrections. In total, 919 payroll entries required adjustment after they had already been approved and submitted. The need for this level of post-approval correction indicates that key controls within the payroll review and approval process are not functioning as intended. It also suggests that errors are not being consistently identified prior to approval, resulting in additional workload and processing delays.

Lack of Independent Review of Crew Chief Time:

Crew chiefs commonly review and approve the time of staff reporting to them; however, their own time is not subject to an independent supervisory review. Instead, the Time Administrator processes these entries but should not be expected to serve as the primary approver. Although senior managers were copied on submissions, this did not constitute effective control, thereby increasing the risk of inaccurate or unsupported time entries.

Ineffective Overtime Management and Outdated Work Order Estimates:

A crew chief indicated that outdated and unreliable work order estimates, some exceeding 20 years in age, limited the ability to accurately assess expected job durations and manage time effectively. Additionally, the standard operating procedure (SOP) requiring advance approval of overtime, including documentation of the reason and job order number, was not consistently followed, as supporting documentation was insufficient to verify compliance.

Unauthorized Changes to Approved Time Entries:

Employees were able to request changes directly to the Time Administrator after managerial approval, without the manager’s knowledge.

Allegation of Improper Compensation:

IA was provided with a documented complaint, dated December 9, 2025, regarding allegations of

fraudulent compensation. The complaint alleged that a represented employee incorrectly received “a salary 10% over the Crew Chief Operator scale, even though he no longer supervised any Operators.” The complainant characterized the event as “gifting of public funds and fraud.” The overpayment was approximately \$40,000 in gross pay and approximately \$30,000 in net pay, after taxes and benefits, over a period extending more than one year. In alignment with Port Policy, the CBA should have been the governing document in this situation.

Informal Overtime Practices (Missed Meal Periods):

The CBA requires a 30-minute meal period and allows for missed meals to be compensated at the overtime rate. However, some departments have informally allowed employees who don't take lunch to receive one hour of overtime instead of the 30 minutes required by the CBA. This practice not only doesn't align with the CBA, but also creates an incentive to forgo meals.

Recommendations:

1. Develop a formal process for reviewing and approving time sheets, including crew chiefs to assure accuracy of hours submitted.
2. Consider adding electronic time clocks, which can ideally feed information into Maximo automatically, at all MM workshops and facilities to assure accurate reporting of employees' entry and exit during every shift. This will aid in time tracking, as well as streamline the overall process.
3. Align staffing and workload using updated work order estimates, and enforce consistent pre-approval of overtime in compliance with the SOP.
4. Restrict post-approval changes without formal re-approval and implement reporting to monitor and review all adjustments.
5. Enforce CBA requirements (e.g., meal periods) and provide training to assure consistent application and accountability.

Management Response/Action Plan:

1. Management concurs with the recommendation. Marine Maintenance will develop and implement a standardized time review and approval process for all shops, labor groups, and staff. The process will define roles, responsibilities, escalation paths, and documentation for payroll review. Additional management oversight will be incorporated for crew chief time approvals to strengthen Crew Chief time review and approval accountability.
 - Coordinate with Labor Relations on action items that have impact to CBAs.
 - Develop formal SOP for payroll review and approvals.
 - Implement labor management review and approval of crew chief time.
 - Conduct department wide training on updated procedures.
2. Management partially concurs with recommendation. Marine Maintenance agrees that automation opportunities should continue to be evaluated to improve payroll accuracy and efficiency. However, implementation of electronic time clocks requires coordination with ICT, HR, Labor Relations, Payroll, CPO, etc. to evaluate system compatibility, operational impacts, collective bargaining implications, and funding availability. Because this has Port wide impact and potential funding, LR, and operational impacts, this should be evaluated and a decision made at an organization level.
3. Management concurs with the recommendation. Marine Maintenance recognizes that outdated preventative maintenance work estimates and inconsistent overtime documentation contribute

to operational inefficiencies and reduce management visibility into labor utilization. The department will work to provide feedback to Asset Management teams on PM planning assumptions, update labor estimates where feasible through feedback to Facilities Managers and Asset Management team who are located within the Maritime Planning and Project Management Department and reinforce overtime approval requirements through expectations and a documented overtime request and approval process.

- Develop and socialize overtime procedure that describes request and approval process.
 - Modernize overtime request process by utilizing a MS forms (or similar) to formally request overtime from labor managers (currently use email).
 - Coordinate with Asset Management team to develop and implement standardized maintenance feedback loop that incorporates craft, supervisor and asset management input into preventative maintenance adjustments and maintenance planning improvements.
 - Coordinate with Finance to develop report that monitors overtime trends and exceptions reporting monthly.
4. Management concurs with the recommendation. Marine Maintenance agrees that post-approval payroll changes should include documented justification and appropriate crew chief and management visibility. Additionally, controls will be implemented to improve transparency and accountability for payroll adjustments occurring after approval. However, continued adjustments may need to be made in response to FMLA, and other employee protected time off.
- Establish documented re-approval requirements for post-submission approval changes, except where changes are related to FMLA and other employee protected time off.
5. Management concurs with the recommendation. Marine Maintenance will reinforce compliance with collective bargaining agreement requirements and applicable port policies.
- Outline expectations in crew chief expectations document for their role in ensuring compliance when scheduling meal periods.

DUE DATE: 09/30/2027

2) Rating: Medium

Although supervisors play a critical role in maintaining maritime operations and developing workforce competency, managers are largely absent from the payroll review and approval process and need to play a more active role.

Washington Administrative Code (WAC) 391-35-340, Unit Placement of Supervisors—Bargaining Rights of Supervisors, states:

“(1) It is presumptively appropriate to exclude persons who exercise authority on behalf of the employer over subordinate employees (usually termed ‘supervisors’) from bargaining units containing their rank-and-file subordinates to avoid a potential for conflicts of interest that would otherwise exist in a combined bargaining unit.”

We received a complaint from a staff member within Maritime who provided us with a situation where work was possibly not done but was marked as completed. When the crew chief within Marine Maintenance was asked about why his subordinates did not meet the SOP requirements, the crew chief responded to the Maritime staff member in a condescending manner saying, “Too much work for know one [sic] to care to look at them.” ... “You should look at other crafts [sic] SOPs to compare.” This indicates that in certain situations Crew Chiefs are not objectively holding their subordinates to the requirements of the job and to the values of the Port.

A collective bargaining agreement (CBA) is a legally binding contract between the Port of Seattle and a represented employee’s union. For represented employees, the CBA, not Port Policy, is the governing authority. This notion is reinforced throughout Port Policy, which states: “If this policy conflicts with an applicable labor agreement, the provisions of the labor agreement will prevail.”

Internal Audit believes that represented employees are critical to maintain Maritime properties and provide invaluable knowledge and skill. While crew chiefs are closest to their subordinates and should be the first level of time review, it does not absolve non-represented managers from not performing oversight functions to assure the work is being performed, that SOPs are followed, and time is recorded accurately.

Allowing supervisors to be the sole point of time approval for their peers increases the likelihood of conflicting decisions, whether intentionally or unintentionally. As time approval is a key control over payroll accuracy and labor costs, this weakness increases the risk of errors, excessive overtime, and inconsistent application of approval standards, potentially resulting in financial loss, reduced accountability, and reputational or labor-related disputes.

Recommendations:

Redesign the payroll process so that responsibility for payroll oversight and execution resides not only with crew chiefs, but with non-represented managers as well.

The non-represented managers should be accountable for assuring accuracy, timeliness, compliance, and appropriate segregation of duties within the payroll function. They should perform site visits with their respective teams to assure SOPs are being followed, and that time recorded is accurate.

Consider implementing tools, such as electronic timekeeping systems, that would allow managers to complete these requirements in a more effective manner.

Management Response/Action Plan:

Management partially concurs with the recommendation. Marine Maintenance acknowledges the importance of maintaining appropriate payroll oversight, accountability, and public trust while also recognizing the operational structure, collective bargaining environment, and longstanding workforce model currently in place. Represented crew chiefs provide critical operational oversight and technical leadership necessary to support Maritime operations.

Management agrees additional oversight opportunities should be evaluated to strengthen payroll governance and reduce potential perception concerns. However, implementation of structural changes involving represented workforce may require broader coordination with labor relations, HR, legal and union leadership, as well as evaluation of operational impacts, staffing levels and bargaining obligations.

Marine Maintenance agrees that automation opportunities should continue to be evaluated to improve payroll accuracy and efficiency. However, implementation of electronic time clocks requires coordination with ICT, HR, Labor Relations, Payroll, CPO, etc. to evaluate system compatibility, operational impacts, collective bargaining implications, and funding availability. Because this has Port wide impact and potential funding, LR, and operational impacts, this should be evaluated and a decision made at an organization level.

Marine maintenance will evaluate options to strengthen efficiency in payroll oversight to reduce payroll errors.

- Develop and socialize procedure with crew chiefs and managers that identifies their role in review and approval process.

DUE DATE: 09/30/2027

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/ 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