

INTERNAL AUDIT REPORT

Operational Audit
Procurement – Personal Service Agreements

January 2023 – March 2026



Issue Date: May 20, 2026

Report No. 2026-06

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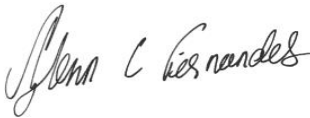
Executive Summary

We completed an audit of the Port of Seattle (Port's) Central Procurement Office's (CPO) Procurement process, specifically relating to Personal Service Agreements, for the period January 2023, through March 2026. The audit was conducted to test the overall compliance of CPO with its own internal policies and procedures, with local state laws and regulations, and with the industry's best practices.

As a recipient of public funds, the Port has a duty to assure that spending is aligned with its overall mission and goals while being fiscally responsible. Each year, as the Port continues to grow and evolve, it also continues to enter into a multitude of service agreements with external consultants and vendors to address various concerns and needs. As such, the Port's CPO continues to be a crucial key department responsible for leading the effort regarding these procurement processes, assuring they are carried out efficiently and in compliance with Port policies and federal/state regulations.

We concluded that Port management, monitoring, compliance, and internal controls, relating to Personal Service Agreements, aligned with established policies and procedures. We did not identify any issues that warranted reporting.

We extend our appreciation to Port management and staff for their assistance and cooperation during this audit.



Glenn Fernandes, CPA
Director, Internal Audit

Responsible Management Team

Karen Goon, Deputy Executive Director
Sofia Mayo, Director Central Procurement Office

Background

The Port’s CPO aims to “deliver innovative, responsible procurement solutions through transparent engagement and a predictable process.” The department is comprised of four different teams: Purchasing, Public Works, Service Agreements (Personal and Professional Services), and Planning & Analytics. For this particular audit, Internal Audit (IA) focused on Service Agreements, specifically Personal Services. The Service Agreements team is responsible for procuring and managing all consultant services, assuring that the procurements are completed efficiently and transparently while complying with Port policies, procedures, and federal/state requirements.

Personal services, per RCW 53.19, encompass any “professional or technical expertise provided by a consultant to accomplish a specific study, project, task, or other work,” except Architectural and Engineering (A&E) Services, which are specifically addressed by RCW 39.80. Each service agreement is a contract between the Port and an external consultant and can be tailored and contain very specific terms. All agreements will include the following: contract price, duration, scope of work (background, tasks, deliverables, schedule), insurance requirements, and fee schedule. Depending on the contract category, there are different requirements related to required approvals and the overall competitive solicitation process. As noted in the table below, there are three different categories:

	Category I	Category II	Category III
Contract Amount	\$49,999 and under	\$50,000 to \$199,999	\$200,000 and above
Commission/Executive Director (ED) Approval	Not Required	Not Required	Required at \$300,000+
Competition Requirement	Not Required	Competitive Selection	Competitive Selection
Selection Process	Best Value: Consider overall Qualifications first, then consider price if firms/vendors are equally qualified.		

IA obtained a full listing from CPO of all personal service agreements from January 2023 to March 2026, noting the following breakdown:

Category	Count
Cat I	138
Cat II	67
Cat III	124
Total	329

Once the contract is executed and signed by all parties, the responsibility of managing the contract transfers from CPO to the respective Project Manager (PM). However, CPO will continue to monitor agreements for any amendments/modifications, contract expiration dates, and missing or expiring insurance.

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 2023, through March 2026 and included the following procedures:

Inquiries

- Conducted inquiries with CPO employees to gain an understanding of:
 - The overall procurement process related to personal service agreements
 - How potential conflicts of interest between CPO and external consultants/vendors are addressed
 - How contract prices are determined, benchmarked, and agreed upon

Document Review

- Obtained and reviewed key documents, including:
 - CPO Internal Policies and Standard Operating Procedures (SOPs):
 - *CPO-1 Policy for Consulting Services*
 - *CC-02 Consultant Ethics and Conflict of Interest*
 - *SOP & Checklist (for Category I, II, and III)*
 - *Negotiation/ Action Summary Template*
 - Municipal Research and Services Center (MRSC) Contracting for Services: Guidelines for Local Governments in Washington State
 - Personal Services Contracting Manual for Washington Ports, by MRSC and Washington Public Ports Association
 - Contracting for Services – A National State Auditors Association (NSAA) Best Practices Document

Validation

- Compliance Testing:
 - Obtained a full listing of personal service agreements for the audit period
 - Haphazardly selected five agreements (two for Category III, two for Category II, and one for Category I) to test compliance, in accordance with significant clauses from the following:
 - *Internal policies and SOPs, as noted above*
 - *State Laws and Regulations, specifically RCW 53.19 Personal Service Contracts*
 - *Industry best practices, per the NSAA Best Practices Document*

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