



Port of Seattle Commission
AUDIT COMMITTEE
June 4, 2026 – 10:00 a.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.

To listen live from a remote location, call in at: +1 (206) 800-4046 or (833) 209-2690 and Conference ID 895 828 644#

Committee members:

Commissioner Fred Felleman, Chair
Commissioner Hamdi Mohamed, Acting 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

ORDER OF BUSINESS

1. Call to Order
2. Approval of Minutes – March 19, 2026 (p.2)

External Audits (Presentation)

3. Baker Tilly – 2025 Financial Statement Audit Results (Presentation) (Report) (p.7)
Anna Waldren, Senior Manager
4. Fort Hill – Baggage Optimization Phase III (Presentation) (Report) (p.25)
Doug Plyler, Principal

Updates and Approval (*Glenn Fernandes, Director, Internal Audit*) (Presentation – Items #4-9) (p.47)

5. Open Issue Status (Update)
6. 2026 Audit Plan (Approval)
7. Adoption of Global Internal Audit Standards (Approval)

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

8. Time Approval Controls – Marine Maintenance (Report) (p.75)
9. Capital Project Prioritization Process (Report) (p.86)
10. Procurement – Personal Service Agreements (Report) (p.94)

Information Technology Audits (*Glenn Fernandes, Director, Internal Audit*)

11. Data Centers Audit¹ (Report)

Concluding Business

12. Committee Comments
 13. Adjournment
-

¹ Information Technology audits are security sensitive and are not discussed in public meetings; all or part of the audit reports may be exempt from public records disclosure under RCW 42.56.420.



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.



Port of Seattle

2025 Audit Results

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Agenda

1. Auditor Reports Issued
2. Areas of Audit Emphasis
3. Matters Required to be Communicated with Those Charged with Governance
4. Upcoming New Accounting Standards
5. Your Service Team



Auditor Reports Issued



Unmodified opinion on financial statements for the Enterprise Fund and the Warehousemen's Pension Trust Fund, which are presented fairly and in accordance with US GAAP.



Auditors' reports on Internal Control Over Financial Reporting and on Compliance and Other Matters

- No control findings
- No compliance findings



Report on Compliance for the Major Federal Program and on Internal Control Over Compliance; Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance (Single Audit)

- No control findings
- No findings of noncompliance



Auditor Reports Issued *(continued)*



Audit and report on the schedules of Passenger Facility Charge (PFC) Receipts and Expenditures and related internal controls

- No internal control or compliance findings



Report on the Schedule of Net Revenues Available for Revenue Bond Debt Service

- No compliance findings noted

Agreed Upon Procedures Reports Issued

Report on Agreed Upon Procedures for Washington State Department of Ecology

- No compliance findings noted

Report on Agreed Upon Procedures for Environmental Protection Agency

- No compliance findings noted



Areas of Audit Emphasis

- **Internal control environment**

- IT General Controls, Financial Reporting, Capital Assets/Project Management, Cash Receipts/Receivables, Cash Disbursements/Payables, Payroll, Administration of Federal Awards

- **Management estimates**

- Allowance for Doubtful Accounts, Environmental Remediation Liability, Compensated Absences, Legal Contingencies and Insurance Recoveries, Leases & Subscription-Based IT Arrangements (SBITAs), Actuarial Valuations for Pension and Other Post-Employment Benefit Amounts

- **Northwest Seaport Alliance (NWSA) Joint Venture (JV)**

- Confirmed the Port of Seattle's share in operating revenue through agreement to NWSA audited financial statements – As of December 31, 2025, investment in JV was \$376.5 million and income from JV was \$117.8 million

- **Capital Assets**

- Evaluation of capitalization policies. Testing of \$126 million in additions and testing performed over retirements, overhead application, and depreciation/amortization. Testing of timely closing of capital improvement projects into capital assets.



Areas of Audit Emphasis (continued)

- **Debt Transactions**

- Tested issuance of \$747.2 million of Series 2025 ABC Intermediate Lien Revenue Bonds
- Tested issuance of \$120 million of commercial paper
- Confirmed outstanding debt balances directly with third party financial institutions

- **Fiduciary Activities**

- Consideration of investment balances, plan contributions and distributions for the Warehousemen's Pension Trust Fund

- **Single Audit (Federal Grant Awards)**

- Total federal awards reported on schedule of expenditures of federal awards - \$41.5 million
- Major program – Federal Aviation Administration (FAA) Airport Improvement Program - \$40.9 million



Matters Required to be Communicated with Those Charged with Governance

Our responsibility with regard to the financial statement audit under U.S. auditing standards:

We are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with your oversight, are prepared, in all material respects, in accordance with accounting principles generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*). Our audit of the financial statements does not relieve Port management and the Port Commission of its responsibilities.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS) and *Government Auditing Standards*. As part of an audit conducted in accordance with U.S. GAAS and Government Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit.



Matters Required to be Communicated with Those Charged with Governance

Our responsibility with regard to the financial statement audit under U.S. auditing standards:

Our audit of the financial statements included obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control or to identify deficiencies in the design or operation of internal control. Accordingly, we considered the Port's internal control solely for the purpose of determining our audit procedures and not to provide assurance concerning such internal control.

We are also responsible for communicating significant matters related to the financial statement audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.



Matters Required to be Communicated with Those Charged with Governance

Significant Accounting Practices:

Summarized in Note 1 to the financial statements

Significant Unusual Transactions:

We reviewed management's accounting treatment for the Habitat Credit Sale for \$47.9 million, noting the transaction was appropriately recorded as a gain on sale of intangible assets.

Financial Statement Disclosures:

All disclosures were consistent, clear, and understandable

Representations:

All representations were requested and received from management



Matters Required to be Communicated with Those Charged with Governance

Consultation With Other Independent Auditors:

None of which we are aware

Illegal Acts:

None noted

Going Concern

No disclosure necessary

Consideration of Fraud:

Procedures performed included journal entry testing, third-party confirmations, and interviews of personnel



Matters Required to be Communicated with Those Charged with Governance

Significant Difficulties Encountered During the Audit:

We are to inform those charged with governance of any significant difficulties encountered in performing the audit.

No significant difficulties were encountered during our audit of the entity's financial statements

Disagreements with Management:

Disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the entity's financial statements, or the auditor's report.

There were no disagreements with management.



Matters Required to be Communicated with Those Charged with Governance

Other findings or issues arising from the audit that are, in the auditor's professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process:

There were no other findings or issues arising from the audit to report.

Circumstances that affect the form and content of the auditor's report:

There were no circumstances that affected the form and content of the auditor's report.



Matters Required to be Communicated with Those Charged with Governance

Uncorrected Misstatements:

One uncorrected misstatements identified by management.

Construction in Progress	\$3,600,000
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Accounts Payable	\$3,600,000
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Other Information Included in the Annual Comprehensive Financial Report:

Management is responsible for the other information included in the Annual Report. The other information comprises the Introductory information and Statistical information. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

Our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the audited financial statements. We have read the information, and nothing came to our attention that caused us to believe that such information is materially inconsistent with the financial statements.



Upcoming New Accounting Standards

- ❖ GASB 103, *Financial Reporting Model Improvements* – effective for fiscal year 2026
- ❖ GASB 104, *Disclosure of Certain Capital Assets* – effective for fiscal year 2026
- ❖ GASB 105, *Subsequent Events* – effective for fiscal year 2027



Acknowledgements

- Regular status meetings were held between Baker Tilly and Port management and staff throughout the audit
- All Port personnel organization wide were responsive and fulfilled all requests in a timely manner
- ‘Tone at the Top’ and attitude from management was one of openness in response to audit requests and discussion points
- Ryland Consulting and Branch, Richards & Co. personnel were an integral part of our audit team.
 - Ryland Consulting: 8.7% of contract fees
 - Branch & Richards: 5.3% of contract fees
 - Total sub participation of 14% of contract fees



Your Service Team



Olga A. Darlington
Lead Client Service Principal

Olga.Darlington@bakertilly.com
(425) 551-5712



Anna Waldren
Audit Senior Manager

Anna.Waldren@bakertilly.com
(206) 302-6282



Ashley Osten
QC Principal

Ashley.Osten@bakertilly.com
(503) 478-2251



**THANK
YOU**



Monthly Payment Application Review Service (MPARs)

Port of Seattle - Baggage Optimization Project Phase 3

Firm Information

Legal Name:	Fort Hill Associates, LLC
Type of Business:	Construction Audit Consultancy
State of Formation:	South Carolina
Website:	www.forthillassociates.com
Business Organization:	Limited Liability Corporation (Partnership)
Total Employees:	Sixteen (16) with Twelve (12) Construction Auditors
Year of Formation:	2006 (20 years in Business)
Number of Years of Relevant Experience:	20 years of Relevant Experience
Principal Office Location:	Greenville, South Carolina
Location of Office Performing Services:	Greenville, South Carolina

Organizational Structure:

- 1. Engagement Manager:** A principal-level resource responsible for overseeing the entire project.
- 2. Subject Matter Expert (SME):** Another principal-level resource, dedicated full-time to the project, ensuring in-depth expertise is applied to every aspect of the work.
- 3. Audit Manager:** Manages the audit process and ensures adherence to best practices and timelines.
- 4. Senior Managers:** Oversee audit pods, which include managers, construction program consultants, and senior consultants who report directly to them.

Specializing In:

Fort Hill Associates, LLC is a full-service construction audit consultancy, specializing in pre-construction contract reviews and construction contract audits. Fort Hill assists owners of construction projects by ensuring contract compliance through the validation of up to 100% of the transaction costs passed from their Contractors/Construction Managers on their construction projects. Fort Hill’s pre-construction contract reviews identify and mitigate issues before they arise. The audits and reviews not only potentially return and save money on an Owner’s current project but also create a knowledge base within the Owner’s organization of the issues that can arise on future projects.

Fort Hill Associates’ Office that will support **POS** Projects:

**37 Villa Road, Suite 106
Greenville, South Carolina
29615**

Port of Seattle Primary Contact:

Doug Plyler
dplyler@forthillassociates.com
37 Villa Road, Suite 106 Greenville,
South Carolina 29615
864.640.2518

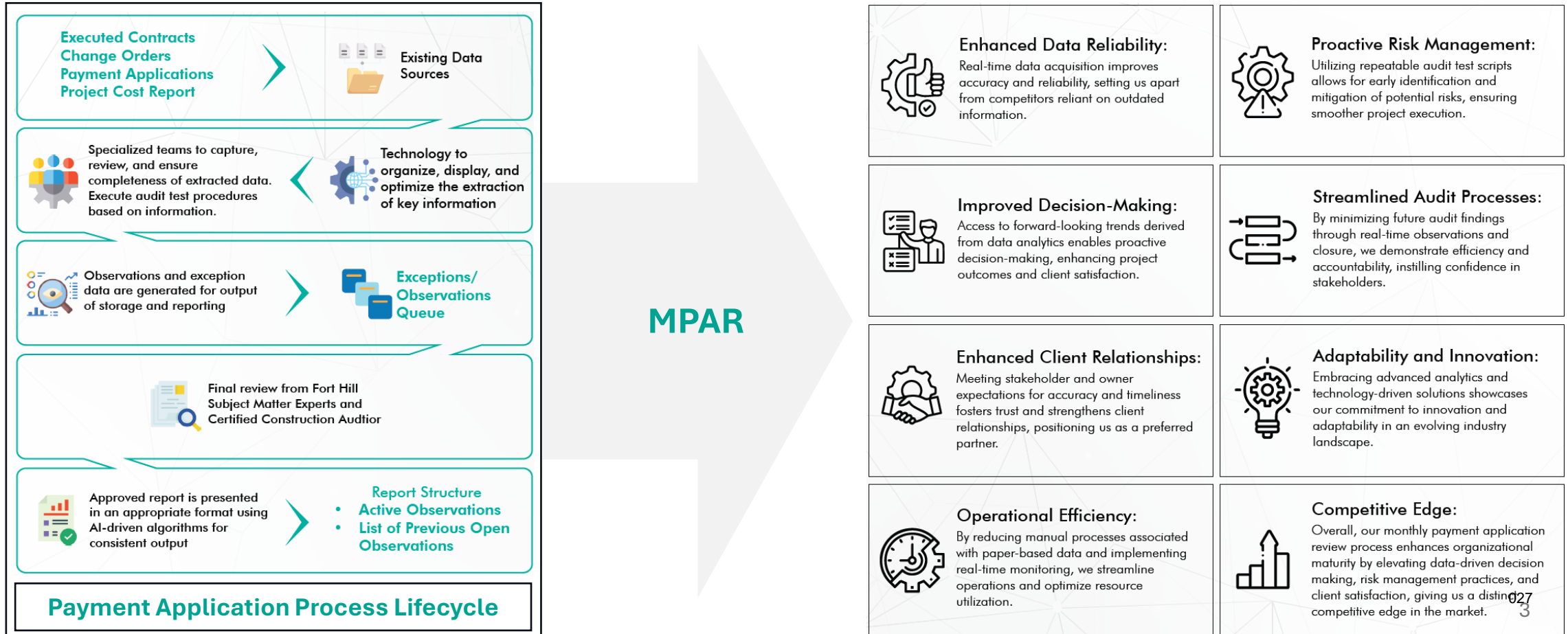
Company Principals / Years of Experience:

- 1. Curt Plyler, Principal 21 years**
- 2. Martin Howell, Principal 19 years**
- 3. Doug Plyler, Principal 19 years**

Fort Hill Scope to Port of Seattle: Monthly Payment Application Reviews (MPARs)

Fort Hill's Monthly Payment Application Reviews allow clients to review payment application reviews in real time. As a result of this initiative, the following opportunities can be realized.

- 1 Obtain reliable real-time data for enhanced decision-making**
- 2 Leverage information to identify forward-looking trends**
- 3 Minimize future audit findings by providing real-time observations for management action to enhance payment practices**
- 4 Develop and execute repeatable audit testing based on contract and project documentation**
- 5 100% validation (i.e. no sampling) of all project-related costs**



MPAR Process Flow

- **Day 1: Payment Application Delivered to Fort Hill by the Port**
- **Day 8: Fort Hill Comments Back to Port of Seattle (7 Day Turnaround)**
- **Post Audit: Fort Hill Comments Reviewed with Clarification Sent Back to Fort Hill**

Examples of Findings

- **Discrepancy in Billed Amounts Between Calculation Error in G703**
- **Discrepancy in Billed Amounts Between Payment Applications**
- **Missing Supporting Documentation**
- **Discrepancy in Employee Billing Hours**
- **Asset Tracking & Verification**
- **Insufficient Supporting Documentation**
- **Inaccurate Equipment Rates**
- **Missing Rate Support for Labor Billings**
- **Potential Non-Reimbursable Charges**

Example of Report

- **Payment Application #5**
- **Received from the Port on January 26, 2026**
- **Fort Hill Review Sent to the Port on February 2, 2026**
- **Report on Following Pages**



Monthly Payment Application Review Service (MPARs)

Port of Seattle - Baggage Optimization Project Phase 3

January 06, 2025

Payment Application #5

Payment Application Amount \$ 2.978 Million

This Month's Observations

➤ **Missing Supporting Documentation:** Construction Manager billed \$ 134,607 under Bid Subs. However, supporting documentation (invoices, receipts, Payment Application) is not available for the review. Audit requests the Construction Manager to provide the necessary supporting documentation (invoices, receipts, Payment Application) and additional information for verification.

Item No.	Subsystem	Description of Work	This Period
10	1	Fire Suppression	\$ 38,645.00
12	2.02	Beam Strengthening	\$ 31,731.00
13	2.03	Structural Steel & Misc Metals	\$ 11,106.00
17	2.08	Plumbing and Piping	\$ 35,625.00
18	2.09	HVAC	\$ 17,500.00
		Total	\$ 134,607.00

➤ **Missing Supporting Documentation:** Construction Manager billed \$ 69,932.57 in "WA #023 - Scaffold Protection" under NSS (Negotiated Support Services); however, the supporting documentation substantiates only \$ 63,932.57, resulting in a variance of \$ 6,000 . Audit requests the Construction Manager to reconcile this variance.

G703- NSS Schedule of Values "WA #023 - Scaffold Protection"	Summary Description Pg No-47 "WA #023 - Scaffold Protection"	Description
\$ 69,932.57	\$ 63,932.57	\$ 6,000.00

➤ **Discrepancy in Employee Billing Hours – Integrated Design Engineers:** Construction Manager billed hours totaling 131 as reflected in the Integrated Design Engineers invoice, however, as per the timesheets the calculated total is 123 hours, resulting in a deviation of \$1,114.50.

Description	Billed Rate	Hours Billed	Amount Billed	Hours as per Timesheets	Hours Deviation	Amount Deviation
Principal Structural Engineer: Ignasius Seilie	\$ 285.00	9	\$ 2,565.00	9	0	\$ -
Lead Structural Design Engineer: Iris Xu	\$ 150.00	67	\$ 10,050.00	62	5	\$ 750.00
Design Engineer: Derek Imperial	\$ 121.50	55	\$ 6,682.50	52	3	\$ 364.50
		Total	\$ 19,297.50			\$ 1,114.50

This Month's Observations

- **Discrepancy in Billed Amounts Between Calculation Error in G703:** Audit observed calculation errors in the below submitted G703 forms by Construction Manager.
 - 1.) MASC Schedule of Values
 - 2.) NSS Schedule of Values
 Construction Manager is requested to correct the errors.

MASC Schedule of Values							
Description of Work	Scheduled Value	Work Completed from Previous Application	Material		Total Completed & Stored to Date		
			This Period	Presently Stored	Actual	Calculated	Deviation
ECCM - VECA	\$ 96,393,670.36	\$ 6,483,918.54	\$ 1,770,751.93		\$ 8,254,634.47	\$ 8,254,670.47	\$ (36.00)
TSC	\$ 9,606,353.00	\$ 10,825,971.20	\$ 1,905,358.93	\$ -	\$ 12,731,294.13	\$ 12,731,330.13	\$ (36.00)
MACC Total	\$ 432,799,192.36	\$ 23,131,754.46	\$ 2,978,089.55	\$ -	\$ 26,109,808.01	\$ 26,109,844.01	\$ (36.00)

NSS Schedule of Values			
Description of Work	Authorized Value Actual	Authorized Value Calculated	Deviation
Temporary Utilities and Structures	\$ 51,743.00	\$ 73,215.00	\$ 21,472.00
GCCM Negotiated Support Services Total	\$ 8,836,461.38	\$ 8,857,933.38	\$ 21,472.00

- **Discrepancy in Billed Amounts Between Payment Applications:** The amount billed for the previous period in **Payment Application #5** is **\$ 23,131,754.46** and the Total Completed & Stored in **Payment Application #4** was **\$ 23,654,274.92**, resulting in a variance of **\$ 522,520.46**. This discrepancy in the reported values between the two payment applications requires additional supporting information. Audit requests the Construction Manager to submit the revised Payment Application#4 for reconciliation and record purpose.

Item No.	Subsystem	Description of Work	PA#5 Work Previously Completed	PA#4 Total Completed & Stored	Deviation
1	Hensel Phelps		\$ 4,949,161.63	\$ 5,574,160.40	\$ (624,998.77)
2		General Conditions	\$ 4,494,798.94	\$ 5,120,838.34	\$ (626,039.40)
3		GCCM NSS	\$ 368,373.15	\$ 367,821.25	\$ 551.90
6		Change Orders	\$ 488.73	\$ -	\$ 488.73
7	SC/CM - Daifuku		\$ 4,158,971.66	\$ 4,148,134.19	\$ 10,837.47
8	ECCM - VECA		\$ 6,483,918.54	\$ 6,567,400.12	\$ (83,481.58)
19	HPCC Fee (6.85%)		\$ 7,356,621.63	\$ 7,181,499.21	\$ 175,122.42
20		Fee	\$ 7,331,388.07	\$ 7,160,045.57	\$ 171,342.50
21		NSS Fee	\$ 25,233.57	\$ 21,453.64	\$ 3,779.93
		TSC	\$ 10,825,971.20	\$ 10,898,615.31	\$ (72,644.11)
		MACC Total	\$ 23,131,754.46	\$ 23,654,274.92	\$ (522,520.46)

This Month's Observations

➤ **Missing Rate Support for Labor Billing:** Construction Manager billed \$ 11,141.44 for labor under Negotiated Support Services; however, the agreed-upon hourly rates were not available for verification. Audit requests the Construction Manager to provide the applicable agreed-upon hourly rates to facilitate review and reconciliation of the billed amount.

Description	Name	Designation	Rate Type	Billed Rate	Hours	Billed Amount	Page No
WA#016-Construction Progress Cleaning	Pineiro Stephen	Washington Laborers - Group 3 General Laborer	ST	\$ 75.12	20	\$ 1,502.40	35
	Vigil, Loren	Washington Carpenters - Foreman	ST	\$ 100.56	4	\$ 402.24	36
	Fibbs, Jonathan	Washington Carpenters - Appr 7th Period 90%	ST	\$ 86.17	4	\$ 344.68	37
	Pineiro, Stephen	Washington Laborers - Group 3 General Laborer	ST	\$ 75.12	30	\$ 2,253.60	38
	McClain, Wilber	Washington Laborers - Foreman Group 3	ST	\$ 80.07	3	\$ 240.21	39
WA #023 - Scaffold Protection	Davis, James	Washington Laborers - Foreman Group 3	ST	\$ 80.07	25.00	\$ 2,001.75	48
	Pineiro, Stephen	Washington Laborers - Group 3 General Laborer	ST	\$ 75.12	30.00	\$ 2,253.60	49
	Pineiro, Stephen	Washington Laborers - Group 3 General Laborer	ST	\$ 75.12	10.00	\$ 751.20	50
	Davis, James	Washington Laborers - Foreman Group 3	ST	\$ 80.07	8.00	\$ 640.56	51
WA #038 - Break Area Relocation	Pineiro, Stephen	Washington Laborers - Foreman Group 3	ST	\$ 75.12	10	\$ 751.20	72
					Total	\$ 11,141.44	

➤ **Potential Double Billing of Tax:** Construction Manager applied Washington State Tax at 10.20%, totaling \$ 303,761.46 in this Payment Application #5. However, a separate tax amount of \$ 16,604.45 is also included within the Negotiated Support Services (NSS) and Cost of Work (COW). Audit requests the Construction Manager to provide clarification regarding the application of the 10.2% Washington State Tax on the \$ 16,604.45 (Refer Annexure-A) sales tax amount.

➤ **Potential Non-reimbursable Charges:** Construction Manager billed cumulative total of \$ 4,204.94 for IT charges. However, as per the Document 00 SO 01 Summary Matrix of Cost Allocation, IT charges are part of Specified General conditions. Audit requests the Construction Manager for clarification regarding the reimbursable nature of the items billed.

Cost Category	Page #	Vendor	Issue Amount	Description
GCCM NSS	Pg 17	CDW Direct	\$ 714.88	LOGITECH MEETUP
GCCM NSS	Pg 17	CDW Direct	\$ 2,521.03	LOGITECH RALLY PLUS SOLUTION
GCCM NSS	Pg 17	CDW Direct	\$ 969.03	LOGITECH TAP CONTROLLER W/CAT5E KIT
Total			\$ 4,204.94	

This Month's Observations

➤ **Missing Rate Support for Labor Billing:** Construction Manager billed \$ 11,141.44 for labor under Negotiated Support Services; however, the agreed-upon hourly rates were not available for verification. Audit requests the Construction Manager to provide the applicable agreed-upon hourly rates to facilitate review and reconciliation of the billed amount.

Description	Name	Designation	Rate Type	Billed Rate	Hours	Billed Amount	Page No
WA#016-Construction Progress Cleaning	Pineiro Stephen	Washington Laborers - Group 3 General Laborer	ST	\$ 75.12	20	\$ 1,502.40	35
	Vigil, Loren	Washington Carpenters - Foreman	ST	\$ 100.56	4	\$ 402.24	36
	Fibbs, Jonathan	Washington Carpenters - Appr 7th Period 90%	ST	\$ 86.17	4	\$ 344.68	37
	Pineiro, Stephen	Washington Laborers - Group 3 General Laborer	ST	\$ 75.12	30	\$ 2,253.60	38
	McClain, Wilber	Washington Laborers - Foreman Group 3	ST	\$ 80.07	3	\$ 240.21	39
WA #023 - Scaffold Protection	Davis, James	Washington Laborers - Foreman Group 3	ST	\$ 80.07	25.00	\$ 2,001.75	48
	Pineiro, Stephen	Washington Laborers - Group 3 General Laborer	ST	\$ 75.12	30.00	\$ 2,253.60	49
	Pineiro, Stephen	Washington Laborers - Group 3 General Laborer	ST	\$ 75.12	10.00	\$ 751.20	50
	Davis, James	Washington Laborers - Foreman Group 3	ST	\$ 80.07	8.00	\$ 640.56	51
WA #038 - Break Area Relocation	Pineiro, Stephen	Washington Laborers - Foreman Group 3	ST	\$ 75.12	10	\$ 751.20	72
					Total	\$ 11,141.44	

➤ **Potential Double Billing of Tax:** Construction Manager applied Washington State Tax at 10.20%, totaling \$ 303,761.46 in this Payment Application #5. However, a separate tax amount of \$ 16,604.45 is also included within the Negotiated Support Services (NSS) and Cost of Work (COW). Audit requests the Construction Manager to provide clarification regarding the application of the 10.2% Washington State Tax on the \$ 16,604.45 (Refer Annexure-A) sales tax amount.

➤ **Potential Non-reimbursable Charges:** Construction Manager billed cumulative total of \$ 4,204.94 for IT charges. However, as per the Document 00 SO 01 Summary Matrix of Cost Allocation, IT charges are part of Specified General conditions. Audit requests the Construction Manager for clarification regarding the reimbursable nature of the items billed.

Cost Category	Page #	Vendor	Issue Amount	Description
GCCM NSS	Pg 17	CDW Direct	\$ 714.88	LOGITECH MEETUP
GCCM NSS	Pg 17	CDW Direct	\$ 2,521.03	LOGITECH RALLY PLUS SOLUTION
GCCM NSS	Pg 17	CDW Direct	\$ 969.03	LOGITECH TAP CONTROLLER W/CAT5E KIT
Total			\$ 4,204.94	

This Month's Observations

➤ **Inconsistency in Hourly Billing Rates:** VECA (Electrical Contractor) billed amount totaling **\$ 16,638.36** for field employees. However, the agreed-upon hourly rate for the employee (Labor Rates For Rate Period 08/04/2025 Through 12/31/2025) do not align with the billed rates, resulting in a variance of **\$ 8,074.39**. Audit requests the Electrical Contractor to provide additional supporting information for the reconciliation.

End Date	Work Date	Phase	SOV Item	Phase Name	Employee Name	Title	Shift	Hours	Rate	Amount Billed	Page #	Agreed Rate	Rate Deviation	Amount Deviation	Remarks
11/23/25	12/04/25	000-04080	NEW CONVEYORS - LABOR	WAREHOUSE / STOCKMAN	MASON T WITKOSKI	STOCKMAN LVL 1	1	150	\$ 61.23	\$ 9,184.50	Pg 89	\$ 31.51	\$ 29.72	\$ 4,458.00	Considered Rate as per Stockman Level 1 (0-3000 hrs)
12/07/25	12/01/25	000-04080	NEW CONVEYORS - LABOR	WAREHOUSE / STOCKMAN	DREW K SHERWOOD	STOCKMAN LVL 1	1	1.00	\$ 106.26	\$ 106.26	Pg 90	\$ 56.27	\$ 49.99	\$ 49.99	Considered Rate as per Stockman Level 1 (0-3000 hrs) - DT
11/16/25	12/04/25	000-00822	Construction Dumpsters, Waste, Recycling and Debris Removal	GARBAGE DISPOSAL/REMOVAL	DREW K SHERWOOD	STOCKMAN LVL 1	1	120.00	\$ 61.23	\$ 7,347.60	Pg 132	\$ 31.51	\$ 29.72	\$ 3,566.40	Considered Rate as per Stockman Level 1 (0-3000 hrs)
													Total	\$ 8,074.39	

➤ **Missing Hourly Rates for Field Labor:** VECA (Electrical Contractor) billed a cumulative total of **\$ 19,948** for the field employee **Gordon E Allen JR**, however, the agreed upon hourly rate for the employee is not available for review. Audit requests the Electrical Contractor to submit the agreed-upon hourly rates for verification and reconciliation.

End Date	Work Date	Phase	SOV Item	Phase Name	Employee Name	Title	PT	Hours	Rate	Amount Billed	W/ SMALL TOOLS	Page #
11/16/25	12/02/25	000-00800	BIM Management, Staffing, Equipment License, Program Costs	BIM SUPPORT/COORDINATION	GORDON E ALLEN JR	ELEC FOREMAN	R	120.00	\$ 166.24	\$ 19,948.80	\$ 20,946.30	Pg 133

➤ **Clarification Required on Applicable Rate Sheet – Warehouse Stockman:** VECA (Electrical Contractor) billed **\$ 7,670.04** for the Warehouse Stockman. However, two different rate sheets have been submitted—one during the previous audit and another within Payment Application #5. Audit requests the Subcontractor to confirm which rate sheet should be used for review and reconciliation of the billed amount.

End Date	Work Date	Phase	SOV Item	Phase Name	Employee Name	Union	Title	Shift	PT	Hours	Rate	AMOUNT	Page #
11/23/25	11/21/25	000-04080	NEW CONVEYORS - LABOR	WAREHOUSE / STOCKMAN	TIMOTHY G DUCLOS	LOCAL_46	STOCKMAN FOREMAN	1	R	92.00	\$ 83.37	\$ 7,670.04	Pg 89

This Month's Observations

➤ **Inconsistency in Hourly Billing Rates - Juice Company:** VECA (Electrical Contractor) billed amount totaling **\$ 3,166.08** for field employees under Juice Company. However, the agreed-upon hourly rate for the employee (Labor Rates For Rate Period 08/04/2025 Through 12/31/2025) do not align with the billed rates, resulting in a variance of **\$ 16.15**. Audit requests the Electrical Contractor to provide additional supporting information for the reconciliation.

WORK DATE	PHASE NAME	EMPLOYEE NAME	UNION	TITLE	SHIFT	PT	HOURS	HOURLY RATE	Amount Billed	Agreed Rate	Rate Deviation	Amount Deviation	Remarks
11/10/2025	LOGISTICS	DAVE MONTENEGRO	LOCAL 46	ELEC GENERAL FOREMAN	1	R	4	\$ 142.44	\$ 569.76	\$ 141.73	\$ 0.71	\$ 2.84	Considered rate as per Electrical Wireman - General Foreman
11/13/2025	LOGISTICS	DAVE MONTENEGRO	LOCAL 46	ELEC GENERAL FOREMAN	1	R	2	\$ 142.44	\$ 284.88	\$ 141.73	\$ 0.71	\$ 1.42	Considered rate as per Electrical Wireman - General Foreman
11/14/2025	LOGISTICS	DAVE MONTENEGRO	LOCAL 46	ELEC GENERAL FOREMAN	1	R	2	\$ 142.44	\$ 284.88	\$ 141.73	\$ 0.71	\$ 1.42	Considered rate as per Electrical Wireman - General Foreman
11/24/2025	LOGISTICS	DAVE MONTENEGRO	LOCAL 46	ELEC GENERAL FOREMAN	1	R	5	\$ 142.44	\$ 712.20	\$ 141.73	\$ 0.71	\$ 3.55	Considered rate as per Electrical Wireman - General Foreman
11/26/2025	LOGISTICS	JACK OSARA	LOCAL 46	ELEC JOURNEYMAN	1	R	2	\$ 124.10	\$ 248.20	\$ 123.42	\$ 0.68	\$ 1.36	Considered rate as per Electrical Wireman - JW
12/1/2025	LOGISTICS	DAVE MONTENEGRO	LOCAL 46	ELEC GENERAL FOREMAN	1	R	4	\$ 142.44	\$ 569.76	\$ 141.73	\$ 0.71	\$ 2.84	Considered rate as per Electrical Wireman - General Foreman
12/1/2025	LOGISTICS	JEFFREY TAYLOR	LOCAL 46	ELEC JOURNEYMAN	1	R	3	\$ 124.10	\$ 372.30	\$ 123.42	\$ 0.68	\$ 2.04	Considered rate as per Electrical Wireman - JW
12/1/2025	LOGISTICS	JEFFREY TAYLOR	LOCAL 46	ELEC JOURNEYMAN	1	R	1	\$ 124.10	\$ 124.10	\$ 123.42	\$ 0.68	\$ 0.68	Considered rate as per Electrical Wireman - JW
								Total	\$ 3,166.08		Total	\$ 16.15	

➤ **Inconsistency in Equipment Rates:** VECA (Electrical Contractor) billed amount totaling **\$ 723.20** for its owned equipment. However, the agreed-upon hourly rate (Equipment Watch Rate Sheet) do not align with the billed rates, resulting in a variance of **\$ 296.20**. Audit requests the Electrical Contractor to provide additional supporting information for the reconciliation.

ID	Category	Hourly (Billed)	Mode	Description	Monthly Total (Hours)	Monthly Billed Amount	FHWA (Hourly)	Rate Deviation	Amount Deviation	Considered Rate Ref Page #
032010-007	Conduit/bunk Cart	0.44	OPERATING	2023 Sumner 783230	300	\$ 132.00	\$ 0.25	\$ 0.19	\$ 57.00	Pg 232
03210-116	Conduit/bunk Cart	0.44	OPERATING	2023 Sumner 783230	280	\$ 123.20	\$ 0.25	\$ 0.19	\$ 53.20	Pg 232
032010-124	Conduit/bunk Cart	0.44	OPERATING	2023 Sumner 783230	300	\$ 132.00	\$ 0.25	\$ 0.19	\$ 57.00	Pg 232
032010-176	Conduit/bunk Cart	0.44	OPERATING	2023 Sumner 783230	300	\$ 132.00	\$ 0.25	\$ 0.19	\$ 57.00	Pg 232
032010-092	Conduit/Bunk Cart	0.68	OPERATING	Current Tools 516	300	\$ 204.00	\$ 0.44	\$ 0.24	\$ 72.00	Pg 240
						Total	\$ 723.20	Total	\$ 296.20	

This Month's Observations

- **Inconsistency in Billing - Holmberg Mechanical:** Construction Manager billed amount totaling **\$ 3,180** for change order (HP Office Trailer Hookup - T&M work) under Holmberg Mechanical. Audit identified that subcontractor billed Pipe Fitting Foreman at the hourly rate of **\$135.51**, however, the hourly rate for employee does not match with the agreed-upon hourly rate, resulting in a deviation of **\$ 32**.

Company	Description	Billed Rate	Hours	Billed Amount	Agreed Rate	Amount Deviation
Holmberg Mechanical	Local 32 - Plumbing/Pipe Fitting Foreman	\$ 135.51	8	\$ 1,084.08	\$ 131.51	\$ 32.00

- **Inconsistency in Billing Under COP 005 – Shinn Mechanical:** Construction Manager billed **\$1,202** under change order (24-3880 – COP 005 – PH1 Temp Scaffold ROW FS Demo) for Shinn Mechanical. The audit noted the following discrepancies:

- **Labor Charges:** Subcontractor billed **\$602.24** for field employees; however, the employee designations in the Payment Application do not align with those listed in the approved rate sheet (Filename: Submittal 012000-07-0 - Labor rates - SHINN).
- **Equipment Charges:**
 - Subcontractor billed **\$ 153.16** for standard pickup trucks at the rate of **\$38.29/hour**. The hourly rate billed does not match the rate provided in the approved equipment rate sheet (File Name: Submittal 012000-08-0 – Equipment Rates – SHINN), resulting in a variance of **\$ 88.40**.
 - Subcontractor billed **\$ 5.03** for Pipe Cart, however, approved rate is not available for verification.
- **Material Charges:** A total of **\$148.61** was billed for materials; however, no supporting documentation (invoices, receipts, etc.) was available for audit review. Audit requests the Construction Manager to provide clarification and supporting documentation for reconciliation & verification.

Cost Category	Designation	Billed Rate	Hours	Billed Amount	Agreed Rate	Amount Deviation
Labor	Apprentice	\$ 86.57	4	\$ 346.28		
Labor	Design	\$ 127.98	2	\$ 255.96		
	Total			\$ 602.24		
Equipment	Standard Pickup Truck	\$ 38.29	4	\$ 153.16	\$ 16.28	\$ 88.04
	Pipe Cart	\$ 5.03	1	\$ 5.03	Missing Rate	
	Total			\$ 158.19		
Materials				\$ 148.61		

This Month's Observations

➤ **Inconsistency in Billing - Hensel Phelps:** Construction Manager billed \$ 56,696.41 under Engineered and Supplied Modular Bull Rail Members. The audit noted the following discrepancies:

- **Potential Overbilling in Markups** - Construction Manager billed amount totaling \$ 56,696.41 inclusive of \$ 9,449.40 markup at the rate of 20%, however, the as per the **Table: Cost Categories & Markups** of Contract Agreement the markup is 5% for self-performed NSS Works, resulting in a variance of \$7,087.05.
- **Potential Lump Sum** - Construction Manager billed amount totaling \$ 39,335 for Bull Rail Materials, however, the itemized breakdown of the cost was not available for review. Audit requests the Construction Manager to confirm whether this is a lump sum charge or to submit a detailed breakdown to support the billed amount.

Vendor	Base Amount	Markup Billed	Actual Markup @5%	Deviation	Page No
Hensel Phelps	\$ 47,247.01	\$ 9,449.40	\$ 2,362.35	\$ 7,087.05	60

➤ **Inadequate Supporting Documentation:** VECA (Electrical Contractor) billed \$791.93, inclusive of a 5% charge for small tools. However, the supporting documentation lacks sufficient itemized detail to determine the reimbursable nature of the expense. Audit requests the Electrical Contractor to submit the additional supporting information for the billed expenses.

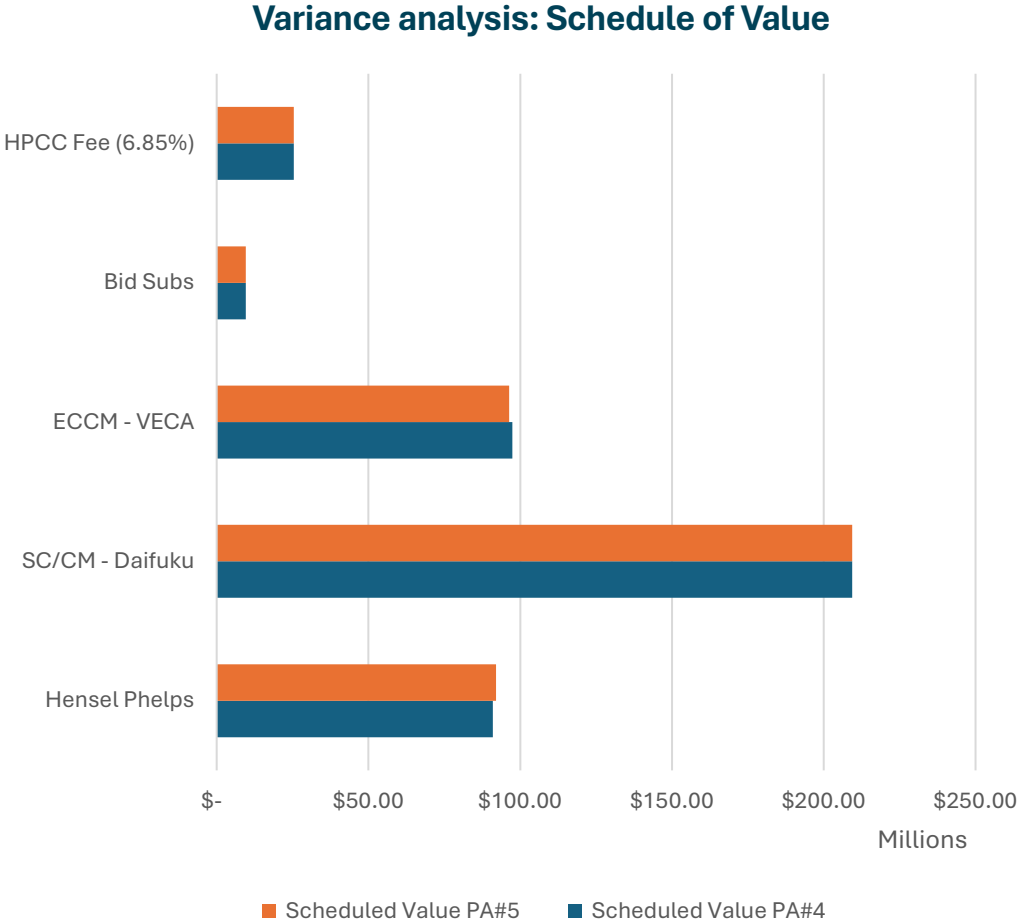
Post Date	Invoice Date	Phase	SOV Item	Phase Name	Vendor	Invoice No	Amount Billed	W/ Small Tools	Remarks	Page #
11/01/25	10/30/25	000-00818	Site Security for your work, and for your work areas	SITE SECURITY	AMAZON	1030202512	\$ 50.86	\$ 53.40	Inadequate insufficient documentation: No actual invoice	Pg 160
11/01/25	10/17/25	000-00818	Site Security for your work, and for your work areas	SITE SECURITY	AMAZON	1018202545	\$ 176.31	\$ 185.13	Inadequate insufficient documentation: No actual invoice	Pg 161
11/01/25	10/13/25	000-00818	Site Security for your work, and for your work areas	SITE SECURITY	AMAZON	1013202525	\$ 528.93	\$ 555.38	Inadequate insufficient documentation: No actual invoice	Pg 161
Total							\$ 756.10	\$ 793.91		

Annexure A:Tax Summary

CM/Subcontractor	Description	Vendor	Invoice No	Base	Tax amount	Amount Billed	Page #
Hensel Phelps	WA #002 - Construction Field Office	Willscot	9025064142	\$ 3,682.63	\$ 375.63	\$ 4,058.26	Pg 14
Hensel Phelps	WA #002 - Construction Field Office	Willscot	9025060746	\$ 4,925.32	\$ 502.38	\$ 5,427.70	Pg 15-16
Hensel Phelps	WA #002 - Construction Field Office	CDW Direct	AH1MY7N	\$ 4,272.03	\$ 435.76	\$ 4,707.79	Pg 17
Hensel Phelps	WA #002 - Construction Field Office	Best Buy	#BBY01-807108953343	\$ 3,059.89	\$ 312.11	\$ 3,372.00	Pg 18-24
Hensel Phelps	WA #002 - Construction Field Office	Ace Normandy	I87323/7	\$ 52.98	\$ 5.40	\$ 58.38	Pg 25
Hensel Phelps	WA #016 - Construction Progress Cleaning	White Cap	#50033849052	\$ 672.92	\$ 68.56	\$ 741.48	Pg 40
Hensel Phelps	WA #016 - Construction Progress Cleaning	White Cap	#50034518409	\$ 3,902.68	\$ 398.08	\$ 4,300.76	Pg 42
Hensel Phelps	WA #017 Operational Safety	Amazon Business	#19RQ-NCYM-F4R7	\$ 202.88	\$ 20.69	\$ 223.57	Pg 44
Hensel Phelps	WA #017 Operational Safety	Uline	#200822944	\$ 641.26	\$ 65.41	\$ 706.67	Pg 45
Hensel Phelps	WA #017 Operational Safety	Uline	#201268021	\$ 48.43	\$ 4.94	\$ 53.37	Pg 46
Hensel Phelps	WA #023 - Scaffold Protection	Tacoma Screw	#150169262-00	\$ 872.14	\$ 88.96	\$ 961.10	Pg 52
Hensel Phelps	WA #023 - Scaffold Protection	Amazon Business	#1L9X-C7HY-D7MQ	\$ 132.99	\$ 13.56	\$ 146.55	Pg 53
Hensel Phelps	WA #023 - Scaffold Protection	Amazon Business	#1KFF-MFC3-4X47	\$ 25.95	\$ 2.64	\$ 28.59	Pg 54-55
Hensel Phelps	WA #023 - Scaffold Protection	Amazon Business	#1XR3-F9KW-G1H6	\$ 12.34	\$ 1.26	\$ 13.60	Pg 56
Hensel Phelps	WA #023 - Scaffold Protection	Amazon Business	#14NY-Q3JQ-FVLX	\$ 23.99	\$ 2.45	\$ 26.44	Pg 57
Hensel Phelps	WA #023 - Scaffold Protection	Amazon Business	#16MQ-XDPD-MCXT	\$ 14.89	\$ 1.52	\$ 16.41	Pg 58
Hensel Phelps	WA #023 - Scaffold Protection	Amazon Business	#19TG-RCDC-F1RY	\$ 46.98	\$ 4.80	\$ 51.78	Pg 59
Hensel Phelps	WA #039 - Craft Bottled Water	Amazon Business	#1NDT-3D6M-GNRW	\$ 239.00	\$ 24.38	\$ 263.38	Pg 75
VECA	CONSUMABLES & SUPPLIES	PACIFIC INDUSTRIAL SUPPLY	1493046	\$ 71.08	\$ 7.36	\$ 78.44	Pg 117-118
VECA	CONSUMABLES & SUPPLIES	PACIFIC INDUSTRIAL SUPPLY	1493169	\$ 141.73	\$ 14.67	\$ 156.40	Pg 119-120
VECA	CONSUMABLES & SUPPLIES	PACIFIC INDUSTRIAL SUPPLY	1493370	\$ 63.97	\$ 6.62	\$ 70.59	Pg 121-122
VECA	EQUIPMENT RENTALS	BIRCH EQUIPMENT	312584-8	\$ 1,215.25	\$ 122.95	\$ 1,338.20	Pg 124
VECA	EQUIPMENT RENTALS	BIRCH EQUIPMENT	313473A-8	\$ 1,375.29	\$ 140.28	\$ 1,515.57	Pg 127
VECA	EQUIPMENT RENTALS	GEORGETOWN RENTAL EQUIPMENT	27927	\$ 3,100.00	\$ 316.20	\$ 3,416.20	Pg 128
VECA	EQUIPMENT RENTALS	BIRCH EQUIPMENT	312584A-8	\$ 848.86	\$ 85.58	\$ 934.44	Pg 129
VECA	EQUIPMENT RENTALS	GEORGETOWN RENTAL EQUIPMENT	27909	\$ 9,250.00	\$ 943.50	\$ 10,193.50	Pg 130
VECA	INSTALLED WORK PROTECTION	EDGE CONSTRUCTION SUPPLY	H27098	\$ 2,990.00	\$ 304.98	\$ 3,294.98	Pg 156
VECA	LOGISTICS TRAILER RENTAL	PACIFIC MOBILE STRUCTURES, INC	INV-00491236	\$ 4,483.00	\$ 457.29	\$ 4,940.29	Pg 157
VECA	Sales Tax on Previously Billed Amount			\$ 45,717.31	\$ 4,663.17	\$ 50,380.48	Pg 131
VECA	Sales Tax on Temporary Power				\$ 2,708.59		Pg 163
Hensel Phelps		Hensel Phelps		\$ 42,835.00	\$ 4,412.01	\$ 47,247.01	Pg 62
Hensel Phelps		Shinn Mechanical		\$ 1,109.39	\$ 92.72	\$ 1,202.11	Pg 78
			Total	\$ 136,030.18	\$ 16,604.45	\$ 149,926.04	

Project Dashboard: SOV Digitization

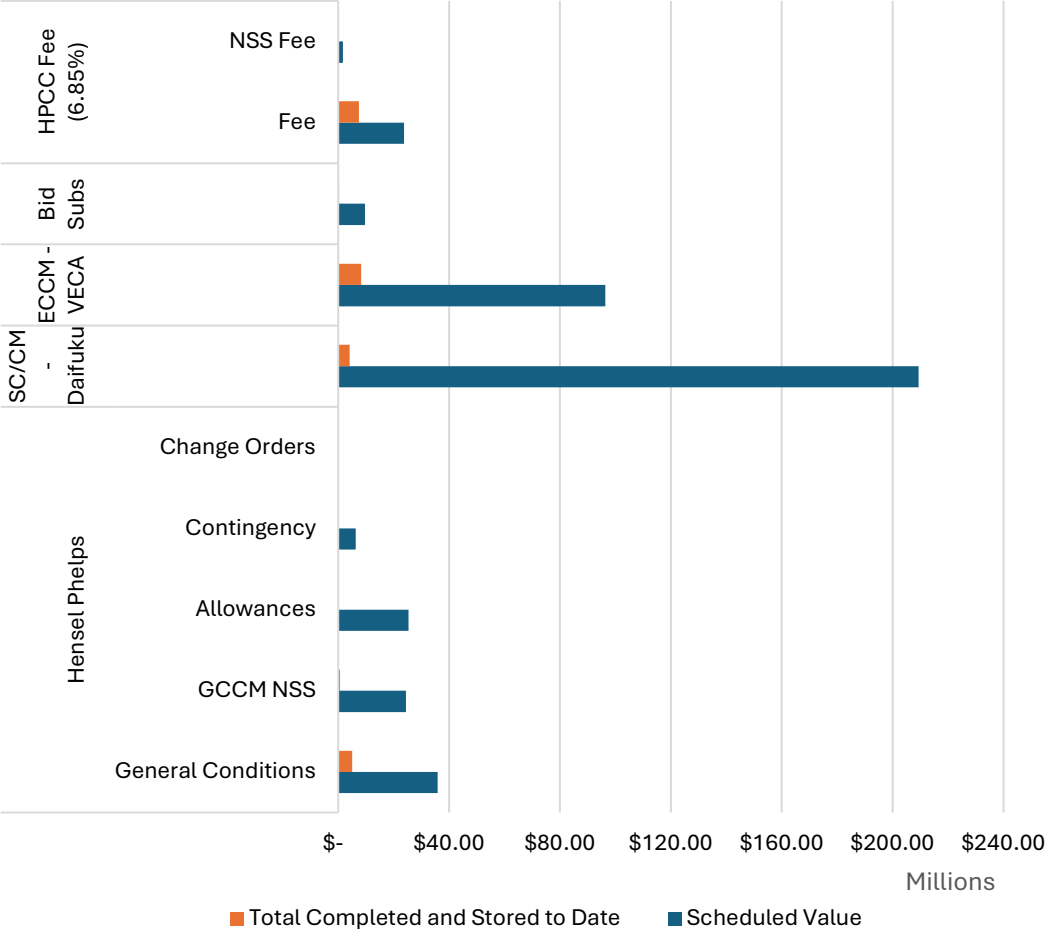
Description of Work	Scheduled Value PA#4	Scheduled Value PA#5	Deviation
Hensel Phelps	\$ 90,983,032.63	\$ 92,037,202.63	\$ 1,054,170.00
SC/CM - Daifuku	\$ 209,318,708.05	\$ 209,318,708.05	\$ -
ECCM - VECA	\$ 97,445,008.36	\$ 96,393,670.36	\$ (1,051,338.00)
Bid Subs	\$ 9,606,353.00	\$ 9,606,353.00	\$ -
HPCC Fee (6.85%)	\$ 25,446,090.32	\$ 25,443,258.32	\$ (2,832.00)
MACC Total	\$ 432,799,192.36	\$ 432,799,192.36	\$ -



Project Dashboard: Total Completed & Stored

Subsystem	Description of Work	Scheduled Value	Total Completed and Stored to Date	% Complete
Hensel Phelps	General Conditions	\$ 35,877,336.00	\$ 5,065,724.03	14.12%
	GCCM NSS	\$ 24,439,322.00	\$ 634,202.80	2.60%
	Allowances	\$ 25,370,000.00	\$ 167,156.83	0.66%
	Contingency	\$ 6,306,374.63	\$ -	0.00%
	Change Orders	\$ 44,170.00	\$ 488.73	1.11%
SC/CM - Daifuku		\$ 209,318,708.05	\$ 4,158,971.66	1.99%
ECCM - VECA		\$ 96,393,670.36	\$ 8,254,634.47	8.56%
Bid Subs		\$ 9,606,353.00	\$ 317,688.00	3.31%
HPCC Fee (6.85%)	Fee	\$ 23,769,164.76	\$ 7,467,498.59	31.42%
	NSS Fee	\$ 1,674,093.56	\$ 43,442.90	2.60%
MACC Total		\$ 432,799,192.36	\$ 26,109,808.01	6.03%

Variance analysis: SOV to Completed & Stored through (PA#5)



Value of Current Payment Application

\$ 2.978 Million

Value of Observations

\$ 0.388 Million

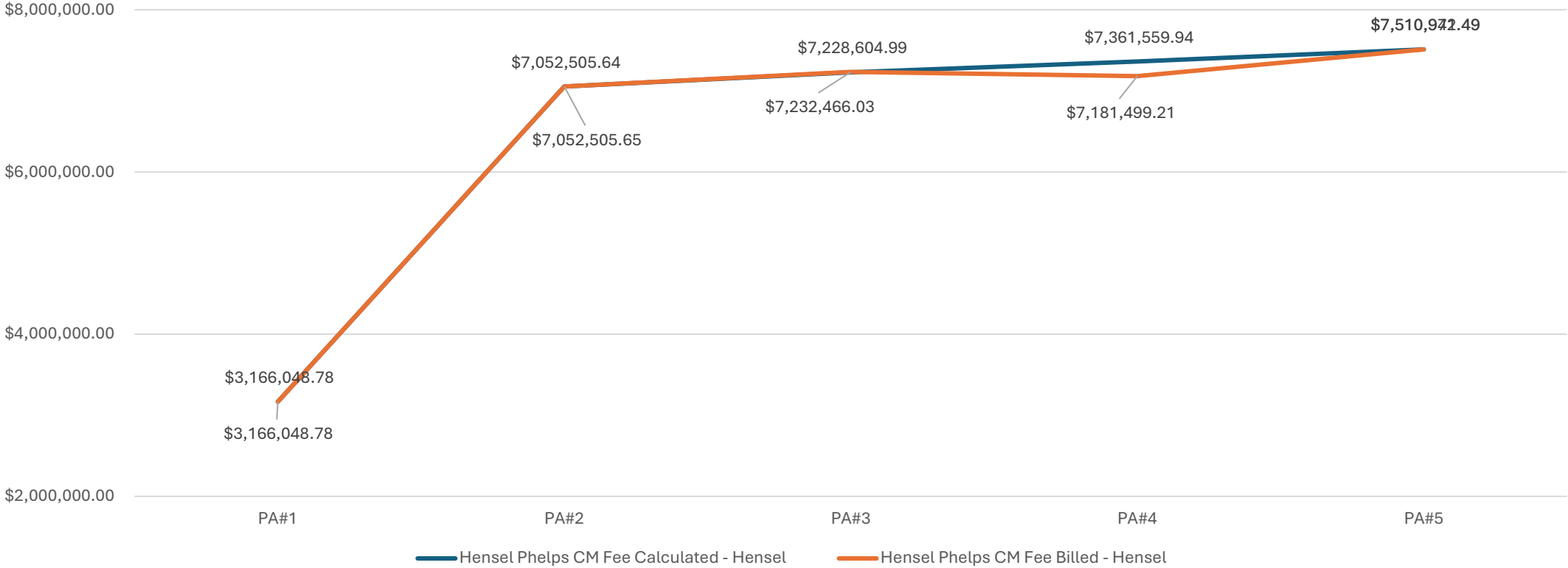
Total Value of Payment Applications Reviewed

\$ 26.109 Million

Project Dashboard : CM Fee Trend – Hensel Phelps

Pay App #	PA#1	PA#2	PA#3	PA#4	PA#5
CM Fee Calculated (Cumulative) (Incl. Insurance & Bonds)	\$ 3,166,048.78	\$ 7,052,505.64	\$ 7,228,604.99	\$ 7,361,559.94	\$ 7,510,972.49
CM Fee Billed (Cumulative)	\$ 3,166,048.78	\$ 7,052,505.65	\$ 7,232,466.03	\$ 7,181,499.21	\$ 7,510,941.49
Variance	\$ 0.00	\$ 0.01	\$ 3,861.04	\$ (180,060.73)	\$ (31.00)

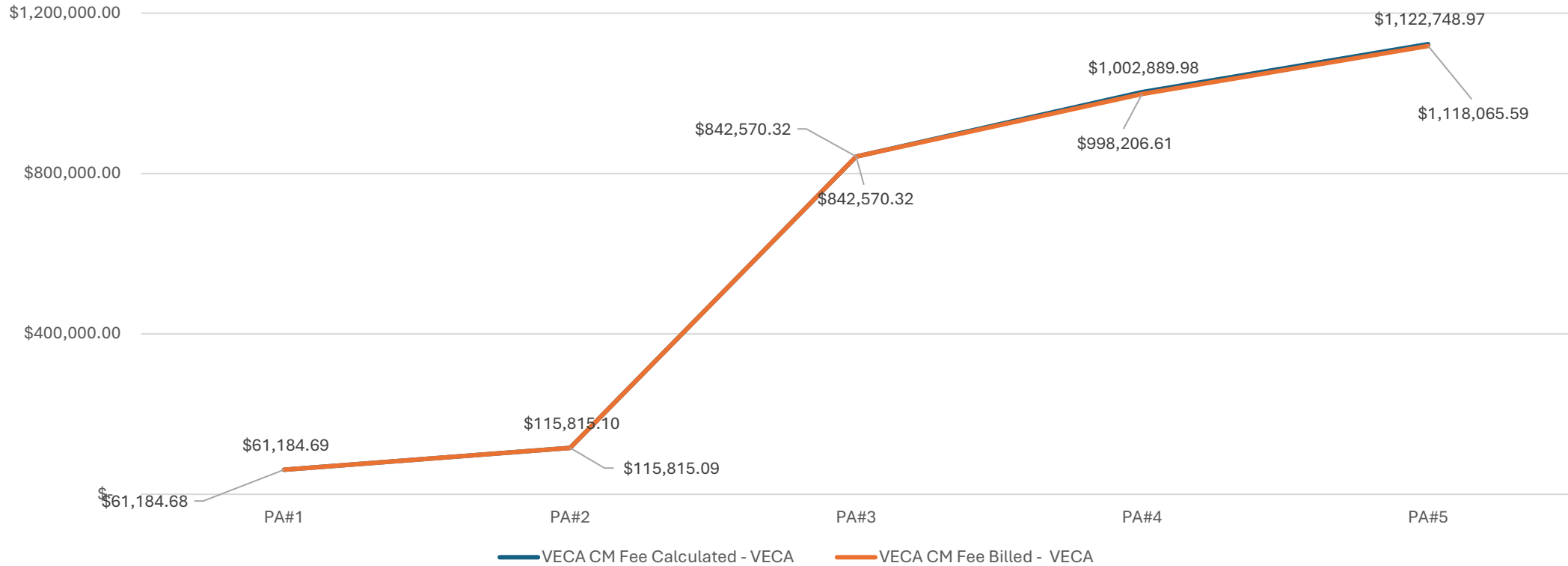
Hensel Phelps - Fee Tracker



Project Dashboard : CM Fee Trend – VECA

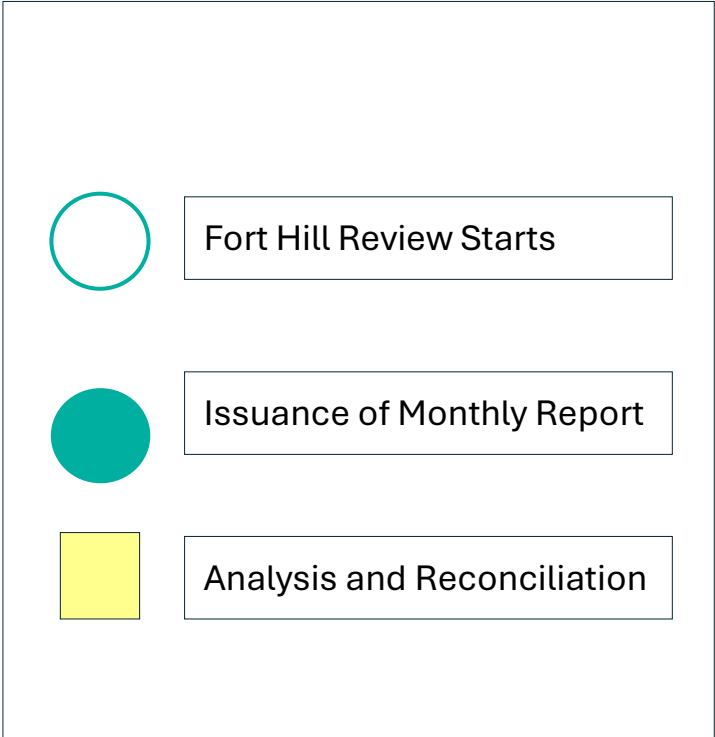
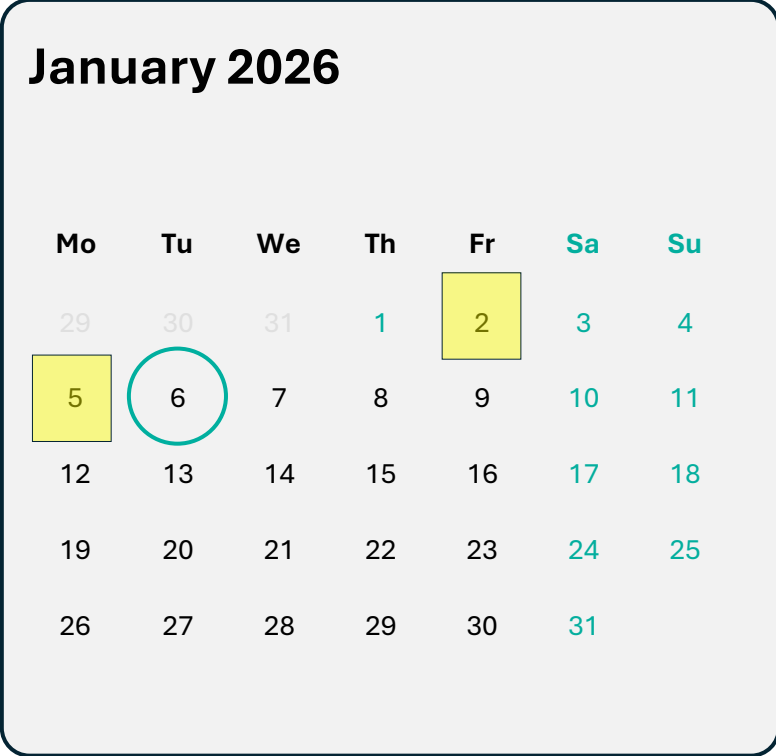
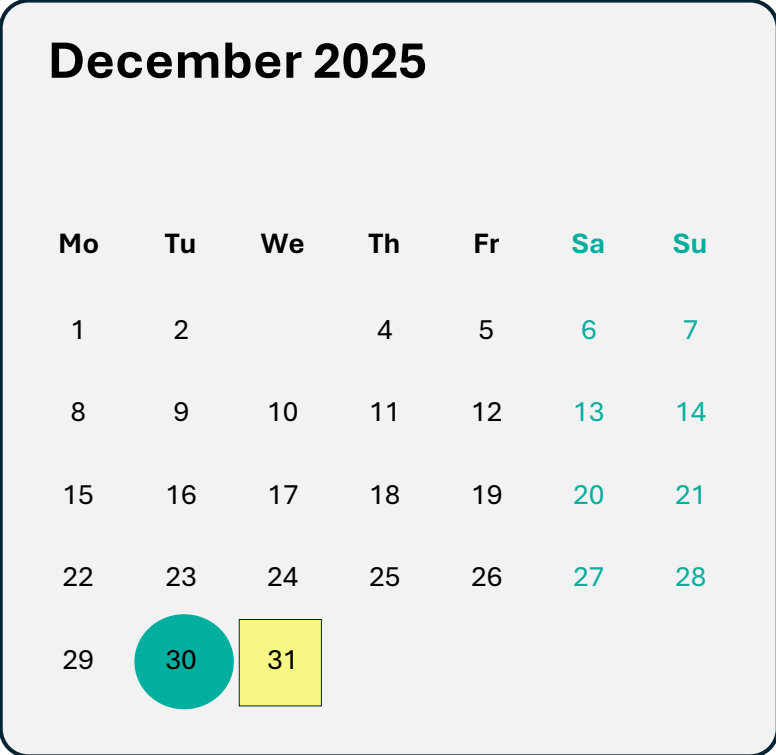
Pay App #	PA#1	PA#2	PA#3	PA#4	PA#5
CM Fee Calculated (Cumulative) (Incl. Insurance & Bonds)	\$ 61,184.69	\$ 115,815.10	\$ 842,570.32	\$ 1,002,889.98	\$ 1,122,748.97
CM Fee Billed (Cumulative)	\$ 61,184.68	\$ 115,815.09	\$ 842,570.32	\$ 998,206.61	\$ 1,118,065.59
Variance	\$ (0.00)	\$ (0.01)	\$ (0.00)	\$ (4,683.37)	\$ (4,683.38)

VECA- Fee Tracker



Our Path Forward

➤ Fort Hill will begin the Payment Application #6 in end January 2025



Note: The status of observations from previous audit (from payment application 1 to 4) will be tracked separately along with Construction Manager responses.



FORT | HILL
Associates, LLC

Port of Seattle Audit Committee

Internal Audit Update

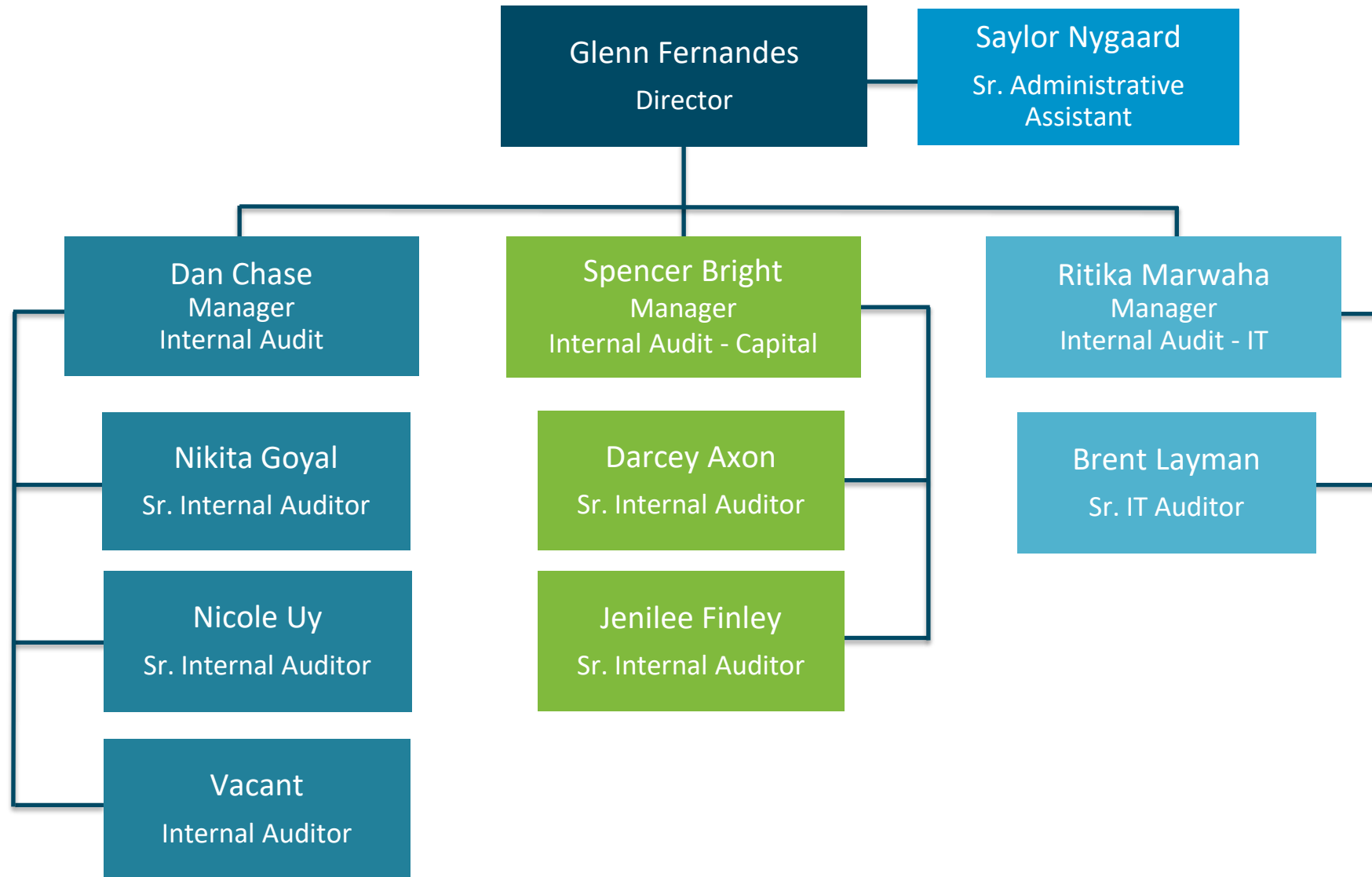
Glenn Fernandes - Director, Internal Audit

June 4, 2026

P69 Commission Chambers

10:00 AM – 12:00 PM

Internal Audit Organization Structure



Open Issue Status – Aging Report as of May 20, 2026



1. Security Sensitive issues from Technology Audits are excluded from the Public Session Open Issues Status presentation and will be discussed during the non-public session.

See **Appendix A** for a detailed listing of outstanding issues, including Report Finding, Issue Owners, and Current Status as of May 20, 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												
Airport Dining & Retail – ACDBE Program	Performance												
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 Audit	IT												
Baggage Conveyer Systems (AVM)	IT												
Payment Card Industry (PCI) Assessment	IT												
<u>EAN Holdings, LLC</u> ¹	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 has been deferred to 2027 due to staff turnover

KEY	Complete
	In Process
	Not Started

Internal Audit Capital GC/CM Continuous Audits

- RCW 39.10.385 requires an independent audit
- Auditor provides the Audit Committee with annual updates and final reports upon completion of each project

Capital GC/CM Continuous Audits	Auditor
Main Terminal Low Voltage System Upgrade	<i>R.L. Townsend</i>
Post IAF Airline Realignment	<i>R.L. Townsend</i>
C Concourse Expansion Project	<i>R.L. Townsend</i>
Primary Fire Station Continuing Operations Preservation	<i>Port Internal Audit</i>
Baggage Optimization Phase 3	<i>Fort Hill</i>
Concourse Low Voltage Upgrade	<i>Port Internal Audit</i>
South Concourse Evolution	<i>Talson</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"> • EAN Holdings, LLC¹ • Sixt Rent a Car • HIS HCL SEA FB, LLC • Marmot Mountain, LLC DBA Exofficio 	<ul style="list-style-type: none"> • Public Art Program • Timekeeping - Maritime • Accounts Receivable Management – Fishermen’s Terminal • Procurement – Personal Service Agreements • FMLA 3rd Party Administration • South King County and Port Communities Fund • Airport Dining & Retail – ACDBE Program 	<ul style="list-style-type: none"> • C Concourse Expansion • Main Terminal Low Voltage • Post IAF Airline Realignment • Planewear Tenant Reimbursement Agreement (CT-09) • Capital Project Prioritization Process 	<ul style="list-style-type: none"> • Data Centers • Baggage Conveyer Systems (AVM) • Payment Card Industry (PCI) Assessment

1. This audit has been deferred to 2027 due to staff turnover

Adoption of Global Internal Audit Standards

- Internal Audit currently uses both the Governmental Auditing Standards (Yellow Book) and the Global Internal Audit Standards (Red Book)
- The Red Book is published by the Institute of Internal Auditors (IIA)
- The Global Internal Audit Standards were added at the request of the Audit Committee external member in October 2012 and adopted in December 2012
- Since then, the department has followed both the Red and Yellow book

Adoption of Global Internal Audit Standards

The Yellow Book Recommends that Internal Audit Departments, that follow the Yellow Book and are structured similar to the Port's IA Department, use the Red Book.

Internal Auditors

- 3.57 Certain entities employ auditors to work for entity management. These auditors may be subject to administrative direction from persons involved in the entity management process. Such audit organizations are internal audit functions and are encouraged to use the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing, in conjunction with GAGAS.

Benchmarking & Efficiencies

- The majority of Airports operators in the U.S. use only the Red Book
- Those that use the Yellow Book are generally managed by cities
- Using two standards duplicate work and are overly burdensome for staff
- Staff has indicated that mixing Red and Yellow Book standards creates confusion and lacks clarity
- Three staff members have passed the IIA's CIA exam (Red Book)
- One has successfully passed parts 1 & 2 of the CIA exam

Request for Adoption of Global Internal Audit Standards

- The Port of Seattle's Internal Audit Department is requesting approval for making the Institute of Internal Auditors' Global Internal Audit Standards the primary guidelines that will be followed
- Effective for Audits beginning in the 3rd Quarter of 2026
- Updated charters will be presented to the Committee in September of 2026

Audits Completed in Second Quarter – 2026

1. Time Approval Controls – Marine Maintenance
2. Capital Project Prioritization Process
3. Procurement – Personal Service Agreements
4. Data Centers ¹

¹ Information Technology audits are security sensitive and are not discussed in public meetings; all or part of the audit reports may be exempt from public records disclosure under RCW 42.56.420.

Time Approval Controls – Marine Maintenance

- Scope: January 2025 – February 2026

- The Port of Seattle (Port) employs approximately 2,500 people, comprised of both represented and non-represented employees

- Objective:
 - Evaluate time approval process
 - Segregation of duties
 - Compliance with policies and procedures

Time Approval Controls – Marine Maintenance

- Payroll costs represent the largest operating costs - 62%
- 919 adjustments after being reviewed and approved
- Employee time entered in Maximo and then uploaded into PeopleSoft HCM
- Most common checks performed:
 - Each employee has at least 40 regular straight time hours for each week
 - Each employee has at least 8 or 10 regular straight time hours a day

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.

- 919 corrections in 14 months
- No formal review and approval of time for Crew Chiefs
- Outdated work order estimates
- SOP for pre-approved OT not consistently followed
- Employees could request changes after approval without notifying manager
- Employees are sometime allowed to work through required lunch and receive one hour of overtime instead of the 30 minutes allowed by the CBA

Recommendations

- Develop a formal process of reviewing and approving timesheets
- Implement an electronic time clocks
- Updated work order estimates
- Restrict post-approval changes without formal re-approval and implement reporting to monitor and review all adjustments
- Enforce CBA requirements (e.g., meal periods) and provide training to ensure consistent application and accountability

Management Response

- Marine Maintenance (MM) will develop and implement a standardized time review and approval process.
- Management partially concurs with recommendation. MM agrees that automation opportunities should continue to be evaluated to improve payroll accuracy and efficiency.
- MM recognizes that outdated preventative maintenance work estimates and inconsistent overtime documentation contribute to operational inefficiencies and reduce management visibility into labor utilization.
- Post-approval payroll changes should include documented justification and appropriate crew chief and management visibility.
- MM will reinforce compliance with collective bargaining agreement requirements and applicable port policies.

Management will discuss in detail. (Full response in Audit Report No. 2026-04)

2) Rating: Medium

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

- Represented employees are governed by the CBA
- IA acknowledges the critical role of represented employees but believes that non-represented managers retain responsibility for oversight

Recommendations

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

Management Response

- 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.

Management will discuss in detail. (Full response in Audit Report No. 2026-04)

Capital Project Prioritization Process

- The Port invests approximately \$1 billion in long-term infrastructure projects annually and is organized into three primary operating divisions: Aviation, Maritime, and the Economic Development Division
- Assets previously acquired by the Economic Development Division have been reassigned to Maritime for Capital Improvement Plan (CIP) purposes
- Capital projects are delivered through the Aviation and Maritime divisions who prepare a CIP on a five-year planning cycle
- Objective of audit was to evaluate how the Port prioritizes capital projects by assessing the adequacy and effectiveness of capital project evaluation and planning processes

Capital Project Prioritization Process

Aviation

- CIP 2026-2031
 - More than 81 projects
 - Estimated \$7.5 billion rough order of magnitude
- Aviation has maintained a project prioritization framework since 2016 and, in 2025, engaged external consultants to assess its capital governance processes
- Aviation's controls are operating effectively and have already implemented several of the consultant's recommended process improvements

Maritime

- CIP 2026-2030
 - More than 170 projects
 - Estimated \$610 million rough order of magnitude

1) Rating: Low

Maritime does not have a formal documented process for project intake, prioritization, or approval within the CIP. This makes it more susceptible to inconsistent decision-making, undocumented or poorly supported capital planning decisions, and misalignment with strategic priorities.

➤ Exceptions identified:

- 1) Intake Process – Maritime does not have a documented SOP governing project intake or prioritization
- 2) Scoring and Approval Process – Maritime does not have a formal scoring methodology, and approval decisions are not formally documented
- 3) Key Controls – Maritime lacks documented guidance governing the overall CIP project prioritization process

Recommendations

- To enhance transparency and accountability, Maritime should develop a formalized CIP governance framework, including:
 - A documented project intake process
 - A standardized scoring methodology
 - Formal approval requirement, and
 - End-to-end policies and SOPs outlining roles, responsibilities, scoring criteria, and documentation standards

Note: Maritime stated that they are currently developing enhancements to their overall CIP process. However, since it is a work in progress, we were unable to verify during the audit.

Management Response

- Maritime management acknowledges the low audit finding and is strengthening its CIP governance structure and documentation, including SOPs for planning and CIP development
- A formal intake process has been used for small projects since 2018 and large projects since 2022, but documentation of the process is necessary
- Prioritization processes will be improved; a scoring system may not fit the diverse Seaport needs due to multiple business lines
- Maritime will develop and implement a prioritization approach that best aligns its limited capital capacity with the highest needs

DUE DATE: 12/31/2027

Management will discuss in detail. (Full response in Audit Report No. 2026-08)

Procurement

- The Port's Central Procurement Office (CPO) is comprised of four teams: Purchasing, Public Works, Service Agreements (Personal & Professional Services), and Planning & Analytics

- IA focused on ***Personal Service Agreements***, testing overall compliance with:
 - Internal Policies and Procedures
 - State Laws and Regulations (RCW 53.19)
 - Industry's Best Practices (per the National State Auditors Association)

We did not identify any issues that warranted reporting.

(Full Audit Report No. 2026-06)

Questions/Committee Comments

Item #12



Appendix

A – Aging of Outstanding Issues as of May 20, 2026

Appendix A – Aging of Outstanding Issues as of May 20, 2026

Performance, Capital, and Limited Contract Compliance Audits

Audit Type	Audit Title	Rating	Target Date	Report Date	Days Outstanding (from Target Date)	Issue Owner	Report Finding	Current Status from Management as of 5/20/2026
Operational	Utilities Management	Medium	12/31/2025	10/16/2024	139	Managing Dir Maritime	A leak detection monitoring system to identify and/or prevent water leaks from occurring does not exist. Unique to Maritime, some infrastructure is positioned underwater, creating a greater challenge to identify and repair leaks.	5/15 - Management provided a response via email. According to the response, not much progress has been made to date. However, a leak at Terminal 102 on the waterside under the dock occurred re-emphasizing the need for a leak detection system. Management is going to engage the facilities team for further discussion. AC update: A leak estimated at approximately 2.68 million gallons occurred at Terminal 102 and has been repaired. Management is determining most appropriate strategy regarding implementation of a leak detection system. 8/25: No update required until Q4 2025. 11/17/2025: Email and management discussions were held with management who indicated the bids had been received. These bids will be used for a go/no go decision. 5/20/2026: We have requested, but management has not provided an update.
Operational	Accounts Receivable Management - Fishermen's Terminal	Medium	2/15/2027	3/4/2026	N/A	Chief Operating Officer Maritime	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.	
Operational	Accounts Receivable Management - Fishermen's Terminal	Medium	6/15/2026	3/4/2026	N/A	Chief Operating Officer Maritime	Continued weaknesses in Segregation of Duties (SOD) undermine effectiveness of key internal controls.	
Operational	Public Art Program	Medium	12/31/2026	3/3/2026	N/A	Chief Operating Officer Aviation	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.	1) Annual Workplan Update: Interim due 6/30/26; Fully finalized process due 12/31/26 2) 1% Allocation Methodology Update: Due 12/31/26 3) Program Guidelines Update: Due 6/30/26

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.

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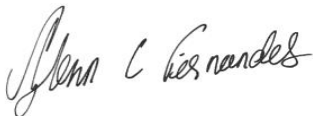
Executive Summary

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.

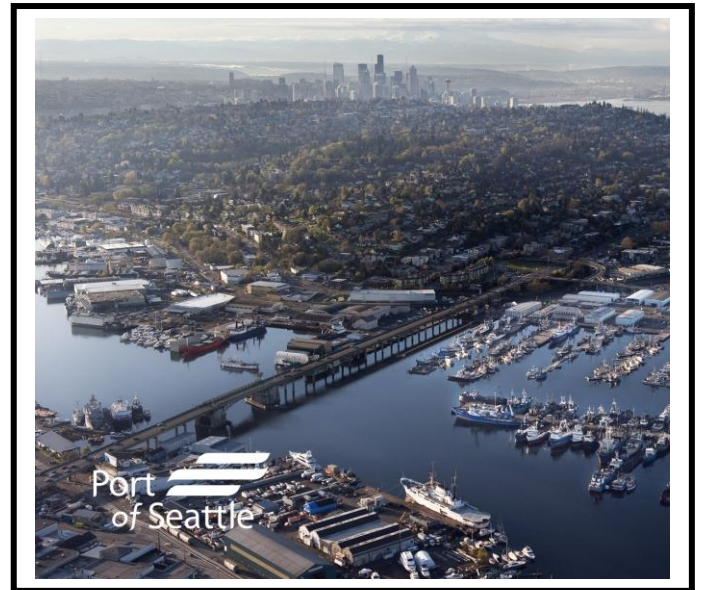
Rating	Financial/ Operational Impact	Internal Controls	Compliance	Public	Commission/ Management
High	Significant	Missing or partial controls	Non-compliance with Laws, Port Policies, Contracts	High probability for external audit issues and / or negative public perception	Requires immediate attention
Medium	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

INTERNAL AUDIT REPORT

Capital Project Audit

Capital Project Prioritization Process

April 2025-April 2026



Issue Date: May 20, 2026

Report No. 2026-08

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) Capital Project Prioritization Process for the period April 2025 through April 2026. The objective was to evaluate how the Port prioritizes capital projects by assessing the adequacy and effectiveness of capital project evaluation and planning processes within the Aviation and Waterfront Project Management (Maritime) divisions, including the identification and management of related risks. The audit also identified best practices and opportunities for improvement.

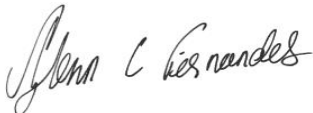
The Aviation division engaged external consultants in 2025 to assess its capital governance processes and has implemented several key process improvements, which we verified. The Maritime division stated that it is actively reviewing its procedures and developing enhancements. Both divisions should be acknowledged for their commitment to strengthening governance and for management's support of these initiatives.

Controls within the Aviation division operated effectively and aligned with established policies and procedures. However, in the Maritime division, we identified opportunities to enhance or further develop internal controls. These opportunities are summarized below and discussed in detail beginning on page six of this report.

1. **(Low)** Maritime does not have a formal documented process for project intake, prioritization, or approval within the Capital Improvement Plan. This makes it more susceptible to inconsistent decision making, undocumented or poorly supported capital planning decisions, and misalignment with strategic priorities.

It is important to formalize and document Maritime's project prioritization process. As the Port continues to grow and expand its operations, a documented process will help assure alignment with the Port's strategic priorities and will also mitigate risk.

We also identified opportunities to improve processes related to updating intake forms and explicit Capital Improvement Plan alignment with the Century Agenda Key Performance Indicators (KPIs) and Executive Director Priorities; these observations were communicated separately to Port management.



Glenn Fernandes, CPA
Director, Internal Audit

Responsible Management Team

Karen Goon, Deputy Executive Director
Wendy Reiter, Managing Director, Aviation
Eileen Francisco, Director AV Project Management Group
Stephanie Jones Stebbins, Managing Director, Maritime
Tin Nguyen, Chief Development Office, Maritime, Maritime Planning and Project Management
Janice Zahn, Chief Engineer, Engineering General Services

Background

The Port generates more than \$1 billion in annual operating revenues, incurs approximately \$700 million in operating and maintenance expenses, and invests approximately \$1 billion in long-term infrastructure projects annually. The Port is organized into three primary operating divisions: Aviation, Maritime, and the Economic Development Division. Capital projects are delivered through the Aviation and Maritime divisions. Assets previously acquired by the Economic Development Division have been reassigned to Maritime for Capital Improvement Plan (CIP) purposes, and each division prepares a CIP on a five-year planning cycle.

Aviation

The Aviation division's 2026-2031 CIP outlines planned investment at Seattle-Tacoma International Airport (SEA) and categorizes more than 81 projects into High, Medium, and Low priority levels, with an estimated project cost of approximately \$7.5 billion. Major projects include the South Concourse Evolution, Concourse A Building Expansion, SEA Gateway, C Concourse Expansion, and the SEA Underground (STS) System Replacement.

Aviation has maintained a project prioritization framework since 2016. In 2025, the division engaged external consultants to assess its capital governance structure and subsequently implemented several key process improvements, which were verified during the audit.

Maritime

The Maritime division delivers capital projects supporting multiple lines of business, including Cruise, Elliot Bay Fishing & Commercial Operations, Recreational Boating, Portfolio Management, and Marine Maintenance. Maritime's 2026-2030 CIP includes over 170 large capital projects with an estimated value of \$610 million. Major ongoing projects include T117 Restoration, T91 NW Fender Replacement, T91 Berths 6 & 8, Fishermen's Terminal Maritime Innovation Center, Terminal 91 Uplands, P66 Shore Power, and T106 Customs and Border Protection Office and Facility Renovation.

During the audit, Maritime stated that it is actively reviewing and updating its CIP procedures, with planned implementation later this year. Since the work remains in progress, we were unable to verify the revised procedures during the audit.

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 April 2025, through April 2026 and included applying the following procedures to the Aviation and Maritime operating divisions for large capital projects over \$300,000:

Evaluate the Port's intake and prioritization processes and related internal controls

- Interviewed personnel to understand the intake workflow and prioritization methodology
- Reviewed a sample of seven Aviation projects and five Maritime projects from each division's Project Intake portal
- Conducted walkthroughs of CIP development to confirm key steps and controls were in place and reviewed key documents, including:
 - Aviation's CIP 2026-2031
 - Maritime's CIP 2026-2030
 - Aviation Investment Committee agendas and minutes
 - Commission meeting agendas and minutes (2025)
- Assessed alignment of CIP submissions with the Executive Director Priorities for 2026 and the Century Agenda KPIs

Assess the accuracy, consistency, and governance of project scoring and approval

- Evaluated whether scoring assumptions were reasonable, documented, reviewed, and approved
- Reviewed a sample of seven aviation and four Maritime projects from each division's CIP
- Reperformed scoring for sampled projects to verify accuracy and consistency
- Traced sample projects from the CIP to scoring approval documentation

Evaluate internal controls supporting risk monitoring and prioritization

- Reviewed the backlog/queue and assessed how new or emerging risks influence prioritization decisions
- Identified best practices, opportunities to enhance controls, and improve overall governance

Schedule of Observations and Recommendations

Rating: Low

Maritime does not have a formal documented process for project intake, prioritization, or approval within the Capital Improvement Plan (CIP). This makes it more susceptible to inconsistent decision making, undocumented or poorly supported capital planning decisions, and misalignment with strategic priorities.

Intake Process:

Our evaluation of Maritime's intake process found that sampled projects included completed intake forms with appropriate supporting documentation and met the criteria for Large Capital Projects. Each intake also had a documented disposition, and the projects aligned with the Century Agenda KPIs, Executive Director Priorities and broader strategic plans.

Although the intake workflow is performed consistently in practice, Maritime does not have a documented Standard Operating Procedure (SOP) governing intake or prioritization process. The absence of formal procedures reduces standardization across multiple lines of business and may lead to errors, inefficiencies, or delays.

Scoring and Approval Process:

We determined that Maritime's scoring and approval process provides an informal structure for approvals; however, key governance elements are absent. The division does not have a formal scoring methodology, approval decisions are not documented in a standardized manner (relying instead on notes in the Division Review), and no written policies or procedures exist to govern scoring or approval activities.

Key controls:

We evaluated Maritime's project prioritization processes and identified several gaps related to the absence of written policies, procedures, and a formalized process framework. While an informal process exists, including risk monitoring, key process steps are not defined nor standardized. As a result, there is no documented guidance governing the overall CIP project prioritization process.

These weaknesses reduce transparency, consistency and oversight, increasing operation risk. In addition, aging infrastructure and broader economic instability heighten the need for a formalized evaluation, prioritization, and approval framework to effectively mitigate emerging risks.

Recommendations:

To enhance transparency and accountability, Maritime should develop a formalized CIP governance framework, including: a documented project intake process; a standardized scoring methodology; formal approval requirement; and end-to-end policies and SOPs outlining roles, responsibilities, scoring criteria, and documentation standards.

Management Response and Action Plan

Maritime management acknowledges this low audit finding and is in the process of strengthening our CIP governance structure and documentation with SOPs for planning and CIP development.

During our annual Maritime capital planning, we utilize a formal intake process to gather project needs across the division. This intake process has been in use for small projects (below \$300K) since 2018 and for large projects (\$300K+) since 2022. Although the intake process has been formalized over the years, we recognize the need to document the process along with our CIP development process.

We also agree with the need to strengthen our prioritization with consistent processes. Due to the multiple business lines and competing diverse needs across the Seaport, a scoring system for prioritization may not be appropriate for addressing this gap. As part of strengthening our CIP governance structure, we will evaluate and implement a prioritization process that best allocates highest needs with limited capital capacity.

DUE DATE: 12/31/2027

Appendix: 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

INTERNAL AUDIT REPORT

Operational Audit
Procurement – Personal Service Agreements

January 2023 – March 2026



Issue Date: May 20, 2026

Report No. 2026-06

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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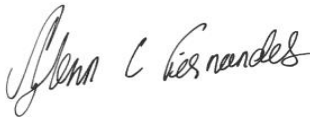
Executive Summary

We completed an audit of the Port of Seattle (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
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