

Financial Stewardship

Accountability

Transparency

Port of Seattle Audit Committee

Glenn Fernandes - Director, Internal Audit

December 9, 2019

Pier 69, Commission Chambers

10:00 AM – 12:00 PM

Revised: December 9, 2019

Operational Excellence

Governance



2019 AUDIT PLAN STATUS

Audit Title	Type	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sixt Rent A Car	Contract Compliance												
Airport Tenant Marketing Program	Contract Compliance												
Security of Personally Identifiable Information	IT												
Noise Insulation Program	Operational - Capital												
Marine Maintenance Shop	Operational												
Mad Anthony's, Inc.	Contract Compliance												
Checked Baggage Optimization Project (Phase 1)	Operational - Capital												
Anton Airfood of Seattle, Inc.	Contract Compliance												
Diversity In Contracting	Operational												
Closed Network System Security	IT												
Airport Employee Access	Operational												
Concourse D Hardstand Holdroom	Operational - Capital												
HIPAA Security Compliance	IT												
HIPAA Privacy and Breach Compliance	IT												
Payment Card Industry (PCI)	IT												
Added: Architectural and Engineering Consultant Rates	Operational												
EAN Holding, LLC	Contract Compliance												
Shilshole Bay Marina Customer Facilities Project	Operational - Capital												
Added: Inventory and Control of Hardware Assets	IT												
Deferred to 2020: T2 Airport Garage Parking System Replacement	IT												

Key:	Complete
	Deferred/Added to Audit Plan

2019 Audit Plan Update

- 19 reports; 18 audit reports and 1 summary report completed in 2019 as planned: Operational (4), Capital Projects (4), IT (6), and Limited Contract Compliance (5)
- Audits identified 13 High Risk and 29 Medium Risk issues for management action
- The Port has opportunities to strengthen internal controls and related processes
- Capital Spending – Opportunities to reduce costs / be more efficient

2019/2018 Suggested Recoveries

Lease/Concession:

2019 Audits	Amount
Sixt Rent A Car	\$43,299
EAN Holdings, LLC	6,159
Anton Airfood of Seattle, Inc.	5,420
Mad Anthony's, Inc.	15,557
Total	\$70,435

2018 Audits	Amount
Dollar Rent A Car	\$22,164
Fox Rent A Car, Inc.	98,310
Thrifty Car Rental	194,135
Total	\$314,609

Capital:

2019 Audits	Amount
Concourse D Hardstand Holdroom	\$142,654*
Checked Baggage Optimization Project – Phase 1	\$545,000 – 801,000*
Total	\$687,654 – 943,654

2018 Audits	Amount
North Satellite Renovation and Expansion Project	\$1,532,281**
Total	\$1,532,281

* Management is in process of collecting

** Management has not collected

2019/2018 Controllable Cost Over-Runs

<u>Audit</u>	<u>2018 Amount</u>	<u>2019 Amount</u>
North Satellite Renovation and Expansion Project	\$31,800,000	
Delta Lounge	190,000	
International Arrivals Facility – Labor Burden	8,200,000 – 11,000,000	
International Arrivals Facility – Insurance	2,800,000	
Noise Insulation Program*		\$660,140
Shilshole Bay Marina Customer Facilities Project**		186,400
Total	\$42,990,000 – 45,790,000	\$846,540

* Calculated assuming a 16% margin markup vs. 51%

** Calculated based on design changes and revision back to original design

Note: Does not include controllable cost over-runs from the Architectural & Engineering Consultant Rates Audit

Lease and Concession Audit Plan Approach

- Approximately 125 leases*

Agreement Year	Total Revenues	Sea-Tac	Economic Development
2017	\$117 MM	\$109 MM	\$8 MM
2018	125 MM	117 MM	8 MM
2019**	111 MM	105 MM	6 MM
Total	\$353 MM	\$331 MM	\$22 MM

- Approach

Rating	Number of Leases	2017-2019 Revenue	Percentage	Frequency
High	11	\$193 MM	55%	4 year cycle
Medium	24	126 MM	36%	8 year cycle
Low	90	34 MM	9%	As needed
Total	125	\$353 MM	100%	

* See Appendix A – Lease Concession Risk Universe

** Annualized using a simple average, based on actual data as of 8/31/2019

2020 Lease and Concession Audit Plan

[Note: Audits of all high-risk rated lease agreements were completed within the last four years.]

Name	Division	Rating	2017-2019 Revenues
LenLyn Limited	Aviation	Medium	\$4,045,676
Concourse Concessions, LLC	Aviation	Medium	2,911,734
McDonald's USA, LLC	Aviation	Medium	2,711,165
Concessions Int'l, INC	Aviation	Medium	2,389,253
Fireworks	Aviation	Medium	2,180,293
Qdoba Restaurant Corporation	Aviation	Medium	2,136,208
E-Z Rent A Car	Aviation	Low	1,219,262
		Total	\$17,593,591

Contingency Audit*

Avis Budget Car Rental	Aviation	High	\$21,629,115
		Total	\$21,629,115

* If resources exist, at Internal Audit Director's discretion, this audit will be moved to the 2020 Audit Plan.

Capital Projects Audit Approach

- 25 projects currently under contract*
- Risk rating of projects utilizing six attributes:
 - ✓ Project Size (Construction Costs)
 - ✓ Change Orders (Original Contract Sum)
 - ✓ Contract Type
 - ✓ Schedule
 - ✓ Budget
 - ✓ Known Concerns (Errors & Omissions, Potential Claims, Scope Changes, etc.)

Division	Current Contract Amount	Construction Cost to Date
Aviation	\$1,461 MM	\$890 MM
Non-Aviation	18 MM	0
Total**	\$1,479 MM	\$890 MM

* See Appendix B - Capital Risk Universe - Projects Currently Under Contract, Risk Rating Methodology.

** Contract costs as of August 2019. Does not include soft costs.

2020 Proposed Capital Audit Plan

Name	Schedule	Rating*	Budget	Contract Amount
Service Tunnel Renewal/Replace	Red		Yellow	\$25.1MM
Central Terminal Infrastructure Upgrade	Red		Red	12.3MM
North Terminals Utilities Upgrade – Phase 1	Green		Red	12.1MM
AOA Perimeter Fence Line Standards Compliance	Red		Yellow	4.4MM
			Total	\$53.9MM

Contingency Audits**	Schedule	Rating	Budget	Contract Amount
Flight Corridor Safety Program	Red		Green	\$4.3MM
Lora Lake Site Remediation	Yellow		Green	9.1MM
			Total	\$13.4MM

* Ratings generated from Internal Audit’s risk assessment, utilizing the following systems: Quarterly Capital Improvement Projects, Contractor Data system, etc.
 See Appendix B – Capital Risk Universe – Projects Currently Under Contract, Risk Rating Methodology.

** If resources exist, at Internal Audit Director’s discretion, these audits will be moved to the 2020 Audit Plan.

Information Technology Audit Plan Approach

Emerging Risks:

- Selected from the IT Audit Universe based on risk and perceived benefit to the Port*

Center for Internet Security**:

- A series of 20 foundational and advanced cybersecurity actions that collectively form a defense-in-depth set of best practices, which can eliminate the most common attacks
- Developed by a community of IT experts who apply their first-hand experience as cyber defenders
- The February 2016 “California Data Breach Report” by the CA Attorney General, recommended that “The 20 controls in the Center for Internet Security’s Critical Security Controls, define a minimum level of information security that all organizations that collect or maintain personal information should meet.”

* See Appendix C – IT Audit Universe

** <https://cybernetsecurity.com/industry-papers/CIS-Controls%20Version-7-cc-FINAL.PDF> - page 1

Information Technology Audit Plan

Proposed 2020 Audits

Name	Risk (from IT Audit Universe)	Selection Criteria
Network Password Management	High	Emerging Risk
Secure Configuration for Hardware and Software on Mobile Devices, Laptops, Workstations and Servers	High	Emerging Risk
T2 Airport Garage Parking System Replacement	High	Management Request for 2019; deferred to 2020
Inventory and Control of Software Assets	High	Emerging Risk

Proposed 2020 Status Reports

Name	
Payment Card Industry (PCI) – Qualified Security Assessor	Annual review required by banking and card-brand agreements
Criminal Justice Information Services (CJIS)	Triennial audit by Washington State Patrol

Contingency Audit*	Risk (from IT Audit Universe)	Selection Criteria
Malware Defenses	High	Center for Internet Security

* If a proposed audit cannot be performed, at the Internal Audit Director’s discretion, this audit will be moved to the 2020 Audit Plan.

Historical Reports Overview 2017 – 2020

Report Type	2017*	2018**	2019	2020 (proposed)
Limited Contract Compliance	8	6	5	7
Operational	11	8	4	4
Operational - Capital	1	5	4	4
Information Technology	2	3	6	6
	22	22	19	21

* 2017 included 9 audits carried over from the 2016 audit plan. The 1st and 2nd Quarter Audit Committee Meetings discussed 2016 Audits.

** 2018 included 6 audits carried over from the 2017 audit plan. The 1st Quarter Audit Committee Meeting discussed 2017 Audits.

Proposed 2020 Audit Plan

Limited Contract Compliance

- Lenlyn Limited
- Concourse Concessions, LLS
- McDonald's USA, LLC
- Concessions Int'l, INC
- Fireworks
- Qdoba Restaurant Corporation
- E-Z Rent A Car

Operational

- Asset Disposal Process
- Ground Transportation – Taxi Cabs
- Cash Controls
- **Professional Services**

Capital

- Service Tunnel Renewal/Replace
- Central Terminal Infrastructure Upgrade
- North Terminal Utilities Upgrade – Phase 1
- AOA Perimeter Fence Line Standards Compliance

Information Technology

- Network Password Management
 - Secure Configuration for Hardware and Software on Mobile Devices, Laptops, Workstations and Servers
 - T2 Airport Garage Parking System Replacement¹
 - Inventory and Control of Software Assets
 - **Biometrics**
-
- Payment Card Industry (PCI) - Qualified Security Assessor²
 - Criminal Justice Information Services (CJIS)³

¹ Moved to 2020 audit plan; approved at 6/28/2019 Audit Committee Meeting.

² This work will be performed by an outside firm. Internal Audit will provide a summary report to the Audit Committee.

³ This work will be performed by the Washington State Patrol. Internal Audit will provide a summary report to the Audit Committee.

Contingency Audits - if resources exist, at Internal Audit Director's discretion, these audits will be moved to the 2020 Audit Plan.

Limited Contract Compliance	Operational	Information Technology
<ul style="list-style-type: none">Avis Budget Car Rental	<ul style="list-style-type: none">Delegation of Authority ComplianceArchitectural & Engineering Consultant Rates Follow-Up Audit <p><u>Capital</u></p> <ul style="list-style-type: none">Flight Corridor Safety ProgramLora Lake Site Remediation	<ul style="list-style-type: none">Malware Defenses

Audits Completed in Fourth Quarter, 2019

- 1) Architectural & Engineering Consultant Rates
- 2) Shilshole Bay Marina Customer Facilities Project
- 3) Inventory and Control of Hardware Assets*
- 4) EAN Holdings, LLC

*Security Sensitive – Exempt from Public Disclosure per RCW 42.56.420 – Not Discussed

Architectural & Engineering Consultant Rates

- Architectural and Engineering costs account for approximately 10-20 percent of capital costs
- \$3.6 billion in capital spending over the next five years
- RCW 39.80.050 states “The agency shall negotiate a contract with the most qualified firm...at a price which the agency determines is fair and reasonable”

Results

➤ **High:** CPO had not established guidelines for what is determined fair and reasonable. Our testing of over 400 A&E consultants identified many instances where profit margins exceeded what the industry deemed reasonable.

✓ Below table reflects the profit margins of the firms tested: *[Note: Industry standard ranges between 10 – 15 percent.]*

Profit	10% and below	11-19%	20-29%	30-39%	40-49%	Above 50%
Number of Consultants	139	81	79	60	30	18

Recommendations

- The Procurement Council should determine what the Port deems a fair and reasonable rate and should document the rationale for transparency.
- CPO should engage a third party to perform an independent model validation of the rate tool, so that management can gain confidence that the model produces accurate market rates.

Results

➤ **High:** Management approval was not required when hourly rates exceeded the maximum rates produced by the service rate negotiation tool/model.

✓ Below table reflects the number of positions that exceeded the maximum and the amount that the Port agreed to pay over the maximum rate for every hour worked.

Positions	Amount over the Maximum (+2%)
31	\$51.05 - \$175.03
32	\$21.20 - \$48.05
103	\$.17 - \$19.98
166	

Recommendations

- CPO should implement a management review process when consultant rates exceed the maximum. This review should be documented and contain established criteria and approval thresholds (i.e., up to 20% over the maximum) for both the Services Agreement Manager and Planning and Analytics Manager to approve.
- If the thresholds exceed their authority or if agreement cannot be reached, approval should be escalated to the appropriate person (i.e., director, COO) for approval, as required by the authority guidelines.

Results

➤ **High:** A reconciliation between the final negotiated rates and the contract did not occur. As a result, we were unable to verify that all positions and rates reflected in the contract were accurate.

✓ Below table reflects the type and number of exceptions:

Position on contract did not exist on the rate tool	108
Rate on rate tool did not agree to the contract	40
Position on rate tool did not exist on the contract	20
<hr/>	
	168

Recommendations

- CPO should retain documentation to evidence the agreed upon rate and position.
- CPO should the use this documentation, to verify that the rates are accurately captured into the contract before it is executed.

Results

- **Medium:** The Central Procurement Office is responsible for procuring all contracts related to public works, consulting services, and goods and services. Governance meetings, for Executive Leadership Team (ELT) oversight of CPO, had not occurred since December 7, 2017.

Recommendations

- The Chief Operating Officer should lead an effort to determine the meeting frequency and information that is deemed necessary to perform effective governance.
- We also recommend that, at a minimum, the CFO and the Port's Managing Directors of Aviation and Maritime, attend these meetings.
- Finally, we recommend developing a charter that defines the purpose, objective, and voting rights (if necessary) within the Governance Committee.

Shilshole Bay Marina Customer Facilities Project

- Construction of three new buildings, including: two large, multi-use buildings (restroom, shower and laundry) located in the south and central areas of the Marina, plus a smaller restroom/shower building at the north end.
- Total project estimate: \$15 million with lump-sum design-bid-build method
- Project Timeline:
 - 2014 – Conceptual phase → January 2015 – Funding approval → May 2017 – Anticipated substantial completion of construction → September 2019 – Actual construction began → Estimated completion in Q2, 2020
- The initial bids received in 2018: 33% higher than the engineer's estimate. Rebidded in June 2018, Western Ventures Construction was awarded the contract.

Results

- **Medium:** An opportunity exists to improve internal controls by requesting that Tetra Tech provide individual names on invoices. This would provide the detail required for the Port to assure that individuals being billed for services performed have the appropriate experience, fall into the appropriate job category, and are billed at the correctly negotiated rate.

Recommendation

- Port management should request that Tetra Tech provide individual names on invoices so that the Port can monitor which consultants are working on the Project. Individual names can be compared to the Level of Effort, and if there are names that are not in line with the Level of Effort, invoice reviewers have the ability to work with the Rate Negotiations Team to assure the Port is billed a fair and reasonable rate.

Inventory and Control of Hardware Assets*

- Evaluated the adequacy of internal controls related to IT hardware asset management
- As data breaches continue to increase in severity and scale today, organizations need to ensure the basic security controls are in place to keep data safe from attack
- Focused on the first of twenty control objectives from the Center for Internet Security (CIS), which was devised for an organization to be certain of what devices are on the network and are effectively defended

*Security Sensitive – Exempt from Public Disclosure per RCW 42.56.420 – Issue Not Discussed in Public Session

EAN Holdings, LLC

- EAN Holdings (Enterprise Rent-A-Car, Alamo Rent-A-Car, and National Rent-A-Car)
- Percentage fee equal to 10% of gross revenues
- EAN generates \$12 million annually in percentage fees and \$14 million in Customer Facility Charges

Results

- **Medium:** Internal Audit identified one late payment for Percentage Fees owed for the month of October 2016. As a result, a late fee of \$6,159 is due to the Port.

Status: In process of collection

Appendix A – Lease/Concession Risk Universe

High Risk:

Name	Contract	Year Report Issued	2017	2018	2019*	Total
ENTERPRISE RENT A CAR	AIR001281	2019	\$ 11,795,625	\$ 12,428,124	\$ 10,439,761	\$ 34,663,511
AVIS BUDGET CAR RENTAL	AIR001282	2017	7,581,317	7,589,972	6,457,827	21,629,115
DUFY - SEATTLE JV	AIR001661	2017	6,948,870	6,929,809	6,590,999	20,469,678
RASIER LLC	AIR002022	2017	4,812,691	6,569,772	6,613,020	17,995,483
AIRPORT MANAGEMENT SERVICES LLC	AIR002017	2017	5,809,324	6,287,731	4,807,242	16,904,297
HERTZ CORPORATION	AIR001278	2017	5,141,903	5,311,454	5,130,177	15,583,535
IN-TER-SPACE SERVICES, INC	AIR002224	2017	2,872,851	6,324,797	4,483,914	13,681,562
EASTSIDE FOR HIRE, INC (New Contract)	AIR002100	2017	5,128,377	4,408,877	3,763,749	13,301,004
HOST INTERNATIONAL, INC	AIR000435	2017	5,819,739	4,460,347	2,827,794	13,107,880
LOUIS DREYFUS COMPANY WASHINGTON LLC	SEA002603	2017	4,727,693	4,734,772	3,639,559	13,102,024
AIRPORT MANAGEMENT SERVICES LLC	AIR002018	2017	4,460,353	4,551,881	3,640,814	12,653,048
		Total	\$ 65,098,745	\$ 69,597,535	\$ 58,394,856	\$ 193,091,136
* Annualized based on 8/31/2019 actuals						

Appendix A – Lease/Concession Risk Universe (continued)

Medium Risk:

Name	Contract	2017	2018	2019*	Grand Total
HOST INTERNATIONAL, INC	AIR002019	\$ 2,433,655	\$ 4,771,768	\$ 4,971,366	\$ 12,176,788
SKY CHEFS INC	AIR001849	3,769,424	4,353,390	3,988,427	12,111,241
LYFT	AIR002023	2,081,719	3,710,868	4,119,210	9,911,797
DOUG FOX TRAVEL/ATZ	AIR001718	3,109,296	3,238,383	3,222,648	9,570,327
GATE GOURMET INT'L	AIR000042	2,638,361	2,874,824	2,959,631	8,472,816
SEATTLE RESTAURANT ASSOCIATES	AIR000439	2,874,131	2,980,072	2,343,216	8,197,419
CMC INVESTMENTS INC	AIR001280	1,843,234	1,989,383	1,616,993	5,449,609
REPUBLIC PARKING NORTHWEST INC	SEA000425	1,795,978	1,819,256	1,372,031	4,987,264
ANTON AIRFOOD	AIR000374	1,984,773	2,151,032	826,726	4,962,531
DTAG	AIR001279	1,517,830	1,887,620	1,456,492	4,861,942
AIRPORT MANAGEMENT SERVICES LLC	AIR000437	1,567,398	1,601,369	1,595,023	4,763,789
FLYING FOOD FARE INC	AIR000086	1,419,046	1,501,111	1,232,285	4,152,442
LENLYN LIMITED	AIR001788	1,248,767	1,406,196	1,390,713	4,045,676
SIXT RENT A CAR LLC	AIR001632	1,300,372	1,627,902	1,084,721	4,012,995
FOX RENT A CAR INC	AIR001285	1,245,147	1,548,053	1,214,369	4,007,569
CLEAR CHANNEL WORLDWIDE	AIR000950	3,668,207	-	-	3,668,207
CONCOURSE CONCESSIONS LLC	AIR002055	1,012,207	1,035,852	863,675	2,911,734
MCDONALD'S USA, LLC \$	AIR001606	686,877	998,367	1,025,920	2,711,165
BEECHER'S HANDMADE CHEESE, LLC	AIR001562	850,522	932,595	912,326	2,695,443
SEATAC BAR GROUP LLC	AIR002053	915,387	927,016	842,070	2,684,474
SEATTLE TACOMA INTL LIMOUSINE ASSOC	AIR001991	857,636	852,551	786,721	2,496,908
CONCESSIONS INT'L INC.	AIR002148	1,538,273	850,980	-	2,389,253
FIREWORKS	AIR002101	167,088	1,040,112	973,093	2,180,293
QDOBA RESTAURANT CORPORATION	AIR002096	-	1,095,768	1,040,441	2,136,208
		\$ 40,525,328	\$ 45,194,467	\$ 39,838,097	\$ 125,557,892
* Annualized based on 8/31/2019 actuals					

Appendix A – Lease/Concession Risk Universe (continued)

Low Risk:

Name	Contract	2017	2018	2019*	Grand Total
SODEXO AMERICA, LLC	AIR001513	\$ 545,360	\$ 657,525	\$ 610,069	\$ 1,812,953
PAYLESS CAR RENTAL, INC	AIR001451	621,917	449,314	468,472	1,539,702
SSP AMERICA SEA, LLC	AIR002358		654,274	797,635	1,451,909
MAD ANTHONY'S INC. (Fisherman's Terminal)	SEA000043	491,070	487,492	423,101	1,401,663
EX OFFICIO LLC	AIR000580	492,375	479,082	394,493	1,365,950
E-Z RENT-A-CAR	AIR001439	443,324	426,103	349,835	1,219,262
MAD ANTHONY'S INC PIER 66	SEA000294	387,129	393,839	373,050	1,154,017
SMARTE CARTE INC	AIR000629	374,177	373,310	364,171	1,111,659
DILETTANTE CHOCOLATES INC	AIR002094	62,366	527,782	520,990	1,111,137
HOST INTERNATIONAL, INC	AIR002247	-	25,322	1,019,231	1,044,553
FRUIT & FLOWER LLC DBA FLORET AUTHORITY	AIR002063	3,099	449,369	591,529	1,043,997
TASTE INC dba VINO VOLO	AIR000839	319,112	328,398	347,103	994,613
QDOBA RESTAURANT CORPORATION	AIR000619	886,845	91,587	-	978,432
INMOTION SEA, LLC	AIR002103	37,423	427,031	473,532	937,987
ALCLEAR, LLC	AIR002048	129,735	290,121	481,588	901,444
FIREWORKS	AIR000612	614,187	193,170	7,106	814,463
PROJECT HORIZON	AIR000618	458,339	340,199	-	798,538
IVARS INC	AIR000615	721,122	66,461	-	787,583
PALLINO SEATAC LLC	AIR000613	706,807	61,720	-	768,527
FOOD SYSTEMS UNLIMITED INC	AIR000616	657,835	65,386	-	723,221
LATRELLES EXPRESS INC	AIR000614	546,481	53,959	-	600,440
HOST LPI SEA FB, LLC	AIR002361	-	-	595,049	595,049
SUB POP RECORDS	AIR001816	205,038	215,595	149,308	569,941
TERMINAL GETAWAY SPA SEATTLE, LLC	AIR002095	26,689	236,089	254,511	517,288
Suns Inc.	AIR002054	102,747	192,233	168,989	463,969
SEATTLE CHOCOLATES COMPANY LLC	AIR002093	23,517	209,306	221,002	453,824
BF FOODS LLC	AIR002375		428,084	25,673	453,757
1915 KCHOUSE CONCEPTS-SEATAC, LLC	AIR002265	-	-	404,412	404,412
CONCOURSE CONCESSIONS LLS	AIR002362	-	-	396,486	396,486
PALLINO SEATAC LLC	AIR002241	-	-	393,273	393,273

* Annualized based on 8/31/2019 actuals

Appendix A – Lease/Concession Risk Universe (continued)

Low Risk (continued):

Name	Contract	2017	2018	2019*	Grand Total
BAMBUZA SEA-TAC VENTURES	AIR002365	-	-	357,758	357,758
THE YARROW GROUP, LLC	AIR002233	-	-	357,476	357,476
SSP AMERICA SEA, LLC	AIR002238	-	-	355,020	355,020
DILETTANTE CHOCOLATES INC	AIR001657	136,680	148,050	47,104	331,835
LATRELLES EXPRESS INC	AIR002287		122,279	201,523	323,802
PLANEWEAR, LLC	AIR001971	95,907	111,510	97,649	305,065
MAREL SEATTLE INC	SEA001010	145,302	150,000	-	295,302
STELLAR BAMBUZA SEA, LLC	AIR002240	-	-	273,820	273,820
SILVERCAR, INC	AIR002203	27,537	150,177	76,702	254,416
MASSAGE BAR	AIR000933	229,227	12,912	-	242,299
SMARTE CARTE INC	AIR002097	63,859	78,819	78,369	221,047
DILETTANTE CHOCOLATES INC	AIR000621	219,481		-	219,481
LADY YUM, LLC	AIR002331		97,429	121,654	219,082
AIRPORT CHANNEL	AIR000988	102,297	110,673	4,050	217,020
GLASSYBABY LLC	AIR002123	69,566	81,974	65,330	216,870
AIRPORT MANAGEMENT SERVICES LLC	AIR001773	92,902	76,815	46,771	216,489
BILL & NICK INCORPORATED	SEA000016	63,661	70,659	60,293	194,613
FIREWORKS	AIR001644	183,979		-	183,979
SSP AMERICA SEA, LLC	AIR002237	-	-	170,867	170,867
CAFE PACIFIC CATERING, INC	AIR002124	46,297	48,089	39,403	133,665
AIRPORT MANAGEMENT SERVICES LLC	AIR002430	-	-	119,822	119,822
SHILSHOLE BAY FUEL DOCK	SEA002355	38,592	38,592	38,592	115,925
PALLINO SEATAC LLC	AIR002283		96,392	18,592	114,985
BF FOODS LLC	AIR002393	-	36,376	66,833	103,209
ME & MOM'S HATS DBA SEATTLE HAT\$	AIR002141	24,204	38,961	36,641	99,806
CERTIFIED FOLDER DISPLAY SERVICE INC	AIR001641	33,178	33,492	27,355	94,024
SECURITY POINT MEDIA, LLC	AIR002437	-	-	93,984	93,984
AIRPORT MANAGEMENT SERVICES LLC	AIR002284		82,645	9,899	92,545
WINGZ, INC	AIR002020	44,885	39,120	6,417	90,422
HAN EUN CORPORATION	SEA002621	29,311	29,479	28,508	87,298

* Annualized based on 8/31/2019 actuals

Appendix A – Lease/Concession Risk Universe (continued)

Low Risk (continued):

Name	Contract	2017	2018	2019*	Grand Total
CLIPPER FERRY SERVICES, INC	SEA003017	31,238	27,919	22,811	81,968
CHALO, LLC	AIR002270	2,404	40,795	30,107	73,306
LADY YUM, LLC	AIR002131	51,692	21,278	-	72,970
MASSAGE BAR	AIR002286		64,744	7,925	72,669
FIREHOUSE EXPRESS, LLC	AIR001565	37,112	33,366	-	70,478
SHARA, LLC DBA SHOW PONY	AIR002330		30,950	35,867	66,818
CONCOURSE CONCESSIONS LLS	AIR002374		46,962	15,104	62,066
MSM INCORPORATED	SEA002783	61,143		-	61,143
HOST INTERNATIONAL, INC	AIR002150	33,203	12,623	-	45,827
SEATTLE CHOCOLATES COMPANY LLC	AIR001970	43,002		-	43,002
SHARA, LLC DBA SHOW PONY	AIR002129	34,283	7,675	-	41,957
BUTTER LONDON INC	AIR000941	41,072		-	41,072
MAC-GRAY SERVICES	SEA002097	16,654	17,524	5,724	39,902
REPUBLIC PARKING NORTHWEST INC	SEA000424	17,271	10,267	12,101	39,639
LUCKY SHOE SHINE, LLC	AIR001888	11,934	14,176	11,651	37,761
CLEAN ENERGY FUELS CORP	AIR001655	19,107	13,528	3,984	36,618
Asanda Air II LLC	AIR002409	-	11,990	20,550	32,540
FILO FOODS LLC	AIR002151	27,839		-	27,839
PUBLICANS, INC	SEA002494	9,262	9,095	9,138	27,495
AMERICAN EXPRESS TRAVEL\$	AIR001877	6,690	7,710	7,988	22,312
DELTA AIR LINES INC	AIR001740	20,792		-	20,792
UNITED INDIANS OF ALL TRIBES FOUNDATION	AIR002387	-	-	15,922	15,922
THE WISHING STONE	AIR001670	14,436		-	14,436
SEATTLE AIR VENTURES JV	AIR002355	-	5,894	6,184	12,078
UNITED AIRLINES	AIR001725	10,000	-	-	10,000
ALASKA AIRLINES INC	AIR001720	5,660	-	-	5,660
SEATTLE RENT A WRECK	AIR001621	2,200	2,282	-	4,481
ME & MOM'S HATS DBA SEATTLE HAT\$	AIR001926	4,401		-	4,401
MAC-GRAY SERVICES	SEA001479	1,880	1,902	375	4,157
ZEEBA WA, LLC DBA ZEEBA RENT-A-VAN	AIR002226	-	1,782	1,507	3,289
		\$ 11,006,835	\$ 10,159,652	\$ 12,837,977	\$ 34,004,575
* Annualized based on 8/31/2019 actuals					

Appendix B – Capital Risk Universe (Projects Currently Under Contract)

		Attributes						Total	Prior Audit
		(A)	(B)	(C)	(D)	(E)	(F)		
	International Arrivals Facility (IAF)	5	5	3	5	5	5	28	2017; 2018
1	Central Terminal Infrastructure Upgrade	1	5	1	5	5	5	22	
	Checked Baggage Recap/Optimization Phase I	2	2	1	5	5	5	20	2019
	Highline School Noise Insulation	1	5	1	5	1	3	16	2019
2	Service Tunnel Renewal Renewal/Replace	1	1	1	5	3	5	16	
3	AOA Perimeter Fence Line Standards Compliance	1	3	1	5	3	3	16	
4	North Terminals Utilities Upgrade - Phase 1	See Description 4 for project risk indicators							
	Terminal Security Enhancements- Phase I Windows	1	4	1	5	1	1	13	
	Chiller Panel Upgrade	1	4	1	5	1	1	13	
	Airport Dining and Retail Infrastructure Modernization	1	1	1	5	3	2	13	
	Central Terminal Enhancements	1	1	1	5	3	1	12	
5	Lora Lake Site Remediation	1	1	1	3	1	4	11	
	Concourse D Hardstand Terminal	1	2	1	1	5	1	11	2019
	NorthSTAR North Satellite Lobbies	5	1	1	1	1	1	10	
	Mechanical Energy Conservation	1	1	1	5	1	1	10	Closed 2019
	Holdroom Seating For Concourses B & C	1	4	1	1	1	1	9	
6	Flight Corridor Safety Program	1	5	1	5	5	4	21	
	BHICC P66 Interior Modernization	1	1	1	1	1	2	7	
	SSAT HVAC Infrastructure Upgrade	1	1	1	1	1	1	6	
	Shilshole Bay Marina Paving- Combined with SBM Tenant Bldgs.	1	1	1	1	1	1	6	2019
	SD Pond Bird Deterrent Improvement	1	1	1	1	1	1	6	
	Condominium Sound Insulation	1	1	1	1	1	1	6	
	Restroom Renovations Phase 2 Enabling Work	1	1	1	1	1	1	6	
	Variable Frequency Drive	1	1	1	1	1	1	6	
	Fishermen's Terminal Docks 3,4,5 & 6 Fixed Pier Improvements	1	1	1	1	1	1	6	

1 \$720k designer E&O; \$500k Owner E&O; \$460k scope changes July 19, 2019 budget increased by \$2.5 MM to \$19.3 MM.

2 \$911k designer E&O
\$225k scope change

3 Bid protest; numerous change orders; scope change

4 Original project budget of \$21.3 MM for full redundant loop utility (heating/cooling). Lowest bid came in at \$33 MM. Stakeholder meeting decided to put in 2 phases. Phase 1 budgeted at \$12 MM. Will go back to commission for Phase 2 request of additional \$28 MM. Project approved for RFP in October 2019.

5 Contingency audit. Overall budget \$9.1 MM delayed due to lake fill re-design and approval time from DOE. Impact of delay was \$75k for work suspension. 15 open trends with potential cost of \$700k.

6 Contingency audit. Numerous change orders and scope changes resulting in cost escalation from original budget.

Appendix B – Capital Risk Rating Methodology

Attributes		
(A)	Project Size (construction costs)	Points
	\$1 to \$50 MM	1
	>\$50 MM to \$75 MM	2
	>75 MM to \$100 MM	3
	>\$100 MM to \$250 MM	4
	>\$250 MM	5
(B)	Change Orders (original contract sum)	Points
	0 to 5%	1
	6 to 7.5%	2
	8 to 10%	3
	10 to 15%	4
	>15%	5
(C)	Contract Type	Points
	Lump sum	1
	Unit Price or T&M	2
	GMP w/ Shared Savings	3
	GMP w/ no shared savings	4
	Cost Plus	5
(D)	Schedule	Points
	On Schedule	1
	Potential Schedule Overrun	3
	Schedule Overrun	5
(E)	Budget	Points
	Under Budget	1
	Potential Budget Overrun	3
	Over Budget	5
(F)	Known Concerns (errors & omissions, potential claims, scope change etc.)	Points
	Subjective- Audit Knowledge	1-5

Appendix C – IT Audit Universe

	IT General Controls Audits	Inherent Risk		IT General Controls Audits	Inherent Risk
1	CIS - Inventory and Control of Hardware Assets	HIGH	21	CIS - Malware Defenses	HIGH
2	CIS - Inventory and Control of Software Assets	HIGH	22	Endpoint Protection - may be a duplicate of CIS - Malware Defenses	HIGH
3	CIS - Continuous Vulnerability Management (includes patching)	HIGH	23	Portable Media Security	HIGH
4	CIS - Controlled Use of Administrative Privileges	HIGH	24	Transmission Protection	HIGH
5	CIS - Secure Configuration for Hardware and Software on Mobile Devices, Laptops, Workstations and Servers	HIGH	25	Password Management	HIGH
6	CIS - Maintenance, Monitoring and Analysis of Audit Logs	HIGH	26	Identity & Access Management	HIGH
7	CIS - Email and Web Browser Protections	HIGH	27	Disaster Recovery Program	HIGH
8	CIS - Limitation and Control of Network Ports, Protocols, and Services	HIGH	28	IT Risk Management	HIGH
9	CIS - Data Recovery Capabilities	HIGH	29	Physical & Environmental Security	HIGH
10	CIS - Secure Configuration for Network Devices (e.g., Firewalls, Routers and Switches)	HIGH	30	Change Management	HIGH
11	CIS - Boundary Defense	HIGH	31	Datacenter Ops	HIGH
12	CIS - Data Protection	HIGH	32	IT Governance	HIGH
13	CIS - Controlled Access Based on the Need to Know	HIGH	33	Periodic User Access Reviews	HIGH
14	CIS - Wireless Access Control	HIGH	35	System and Software Development	HIGH
15	CIS - Account Monitoring and Control	HIGH	36	Vendor Management	HIGH
16	CIS - Implement a Security Awareness and Training Program	HIGH	37	Security Program	HIGH
17	CIS - Application Software Security	HIGH	38	HIPAA Security Compliance	HIGH
18	CIS - Incident Response and Management	HIGH	34	Project Management	Medium
19	CIS - Penetration Tests and Red Team Exercises	HIGH	39	Triennial WA State Patrol Audit of CJIS Compliance	Medium
20	Industrial Control System Security	HIGH	40	Annual Review of PCI Compliance	Medium

Appendix D – Operations Audit Universe

Risk Assessment	
Total Score	Level
24-30	High
18-23	Medium
0-17	Low

Division	Department	Department Services	Regulatory/ Contractual Compliance (Weight = 5)	Reputation (Weight = 5)	Safety (Weight = 5)	Financial (Weight = 5)	Fraud (Weight = 5)	Strategy (Weight = 5)	Risk Score Total	Risk Assessment Level (High, Medium, Low)
Aviation	Airport Operations	Landside (Airport Transit Ops, Employee & Public Parking, Public Parking, Ground Transportation)	5	4	5	4	4	4	26	High
Corporate	Central Procurement Office	Purchasing (Goods & Services)	5	4	1	5	5	5	25	High
Corporate	Central Procurement Office	Service Agreements (Consulting)	5	4	1	5	5	5	25	High
Aviation	Security	Security Key Management	5	5	5	2	5	3	25	High
Aviation	Airport Operations	Air Cargo Operations	4	4	5	2	4	5	24	High
Corporate	Police Department	Law Enforcement Activities/Emergency Responses	5	5	5	2	4	3	24	High
Corporate	Risk Management	Incident Reporting	5	4	5	3	3	4	24	High
Marine	Seaport Security & Emergency	Non-Aviation ID Badge Credentialing	5	5	5	1	4	4	24	High
Aviation	Security	Credential Center	5	5	5	2	4	3	24	High
Aviation	Security	Physical Access	5	5	5	2	4	3	24	High
Corporate	Workplace Responsibility	Code of Conduct Guidance and Support	5	5	2	4	4	4	24	High
Marine	Environmental and Planning	Permitting & Compliance/Public Outreach/Stormwater/Habitat/Energy Sustainability	5	5	3	3	2	5	23	Medium
Corporate	Central Procurement Office	P-Card	5	4	1	4	5	4	23	Medium
Corporate	Central Procurement Office	PRMS/Roster	5	4	1	4	5	4	23	Medium
Aviation	Environmental	SEPA/NEPA	5	5	5	2	1	5	23	Medium
Aviation	Security	Security Strategy/Intelligence/Compliance	5	5	5	2	3	3	23	Medium
Aviation	Airport Operations	Air Service Development	4	4	3	4	2	5	22	Medium
Aviation	Airport Operations	Airfield Operations	5	4	5	2	2	4	22	Medium
Marine	Cruise	CTA / NCL	2	5	3	5	2	5	22	Medium
Corporate	Human Resources	Development and Diversity	5	4	1	3	4	5	22	Medium
Corporate	Financial & Budget	Treasury (Investment, Banking, Cash Management)	4	4	1	5	4	4	22	Medium
Aviation	Environmental	Water Resources and Wetlands	5	5	3	2	1	5	21	Medium
Aviation	Environmental	Air Quality and Climate	5	5	3	2	1	5	21	Medium
Aviation	Environmental	Recycling and Hazardous Waste Programs	5	5	3	2	1	5	21	Medium
Aviation	Environmental	Contaminated Soil and Groundwater	5	5	3	2	1	5	21	Medium
Economic Development	Diversity in Contracting	WMBE Utilization in Contracting/Outreach	5	5	1	2	3	5	21	Medium
Aviation	Noise Programs	Noise Programs	4	5	1	4	3	4	21	Medium
Corporate	Human Resources	Offboarding: Separation/Retiring Employees	5	3	4	2	4	3	21	Medium
Corporate	Risk Management	Enterprise Risk Management	3	3	4	3	4	4	21	Medium
Aviation	Security	Employee Security Screening Program	3	5	5	2	2	3	20	Medium

Appendix D – Operations Audit Universe (continued)

Risk Assessment	
Total Score	Level
24-30	High
18-23	Medium
0-17	Low

Division	Department	Department Services	Regulatory/ Contractual Compliance (Weight = 5)	Reputation (Weight = 5)	Safety (Weight = 5)	Financial (Weight = 5)	Fraud (Weight = 5)	Strategy (Weight = 5)	Risk Score Total	Risk Assessment Level (High, Medium, Low)
Corporate	Legal	Legal Services	5	4	2	4	2	3	20	Medium
Corporate	Human Resources	Health and Safety	3	5	5	2	1	4	20	Medium
Aviation	Airport Operations	Snow Operations	4	3	5	3	1	4	20	Medium
Aviation	Aviation Maintenance	Mechanical Systems	3	3	5	3	4	2	20	Medium
Aviation	Aviation Maintenance	Electrical, Electronics and STS	3	3	5	3	4	2	20	Medium
Aviation	Aviation Maintenance	Facilities, Fleet, Systems and Grounds	3	3	5	3	4	2	20	Medium
Aviation	Aviation Maintenance	Asset Management and Logistics	3	3	3	5	4	2	20	Medium
Corporate	Accounting & Financial Reporting	Financial Reporting & Revenue Services	4	3	1	5	4	3	20	Medium
Corporate	Health & Safety	Health and Safety Program Management	3	5	5	2	1	4	20	Medium
Corporate	Risk Management	Claims Management	5	4	1	4	3	3	20	Medium
Corporate	Human Resources	Employee Relations	5	5	1	3	1	5	20	Medium
Corporate	Risk Management	Driver Safety Program	5	3	5	3	1	3	20	Medium
Marine	Marine Maintenance		3	3	5	3	3	3	20	Medium
Economic Development	Portfolio & Asset Management	Commercial Real Estate Asset Management	3	3	1	5	3	4	19	Medium
Economic Development	Real Estate & Economic Development	Real Estate & Economic Development	3	3	1	5	3	4	19	Medium
Corporate	Human Resources	Total Rewards	3	4	1	3	3	5	19	Medium
Aviation	Commercial Management	Parking Revenue Management	4	3	1	5	3	3	19	Medium
Economic Development	P69 Facilities Management	Security	3	4	4	2	3	3	19	Medium
Corporate	Financial & Budget	Finance	4	2	1	5	4	3	19	Medium
Marine	Fishermen's Terminal		2	3	3	3	3	5	19	Medium
Corporate	Accounting & Financial Reporting	Disbursements	3	3	1	5	5	2	19	Medium
Aviation	Commercial Management	Airport Dining and Retail	4	3	1	4	3	3	18	Medium
Aviation	Commercial Management	Aviation Business Development and Analysis	4	3	1	4	3	3	18	Medium
Aviation	Commercial Management	Properties (including Airport Lease Agreements)	4	3	1	4	3	3	18	Medium
Aviation	Facilities & Infrastructure	Design Review/Standards	5	3	4	2	1	3	18	Medium
Marine	Finance		4	3	1	3	3	4	18	Medium
Aviation	Finance & Budget	Financial Reporting	5	2	1	3	4	3	18	Medium
Aviation	Finance & Budget	CIP	4	2	1	4	4	3	18	Medium
Aviation	Finance & Budget	Physical Asset	4	2	1	4	4	3	18	Medium
Aviation	Fire Department	Fire Suppression	4	4	5	1	1	3	18	Medium

Appendix D – Operations Audit Universe (continued)

Risk Assessment	
Total Score	Level
24-30	High
18-23	Medium
0-17	Low

Division	Department	Department Services	Regulatory/ Contractual Compliance (Weight = 5)	Reputation (Weight = 5)	Safety (Weight = 5)	Financial (Weight = 5)	Fraud (Weight = 5)	Strategy (Weight = 5)	Risk Score Total	Risk Assessment Level (High, Medium, Low)
Aviation	Fire Department	Fire Prevention	4	4	5	1	1	3	18	Medium
Aviation	Fire Department	Fire Training	4	4	5	1	1	3	18	Medium
Corporate	Financial & Budget	Budget	4	2	1	4	4	3	18	Medium
Corporate	Strategic Initiatives		3	4	2	2	2	5	18	Medium
Corporate	Human Resources	Careers and Talent Acquisition	3	5	1	3	1	5	18	Medium
Corporate	Human Resources	Employee Engagement	3	5	1	3	1	5	18	Medium
Aviation	Finance & Budget	Budget & Business Plan	4	2	1	5	2	4	18	Medium
Aviation	Airport Operations	Customer Service Operations	3	4	2	2	2	4	17	Low
Corporate	Labor Relations	Collective Bargaining Agreements	4	4	1	2	2	4	17	Low
Corporate	Public Affairs	Social Responsibility	5	4	1	2	1	4	17	Low
Corporate	Records Management	Public Records, Open Public Meetings	4	4	1	2	2	4	17	Low
Corporate	Public Affairs	Strategic Communications	3	5	1	2	1	5	17	Low
Corporate	Environment and Sustainability COE	No info in Compass Dept page	3	3	3	2	2	3	16	Low
Aviation	Planning	Airport Statistics	3	3	1	3	1	5	16	Low
Aviation	Planning	Surveys	3	3	1	3	1	5	16	Low
Aviation	Planning	Comprehensive Development Plan (CDP)	3	3	1	3	1	5	16	Low
Corporate	Accounting & Financial Reporting	Accounting & Business Technology	2	2	1	4	4	3	16	Low
Corporate	Commission		2	5	1	1	2	5	16	Low
Corporate	Public Affairs	Media Services	2	5	1	2	1	5	16	Low
Corporate	Risk Management	Risk Financing	3	3	1	4	1	4	16	Low
Corporate	Records Management	Records Management	5	3	1	2	2	3	16	Low
Corporate	Spirit & Wellness	Wellness Program	2	3	4	2	1	4	16	Low
Aviation	Aviation Maintenance	Custodial Services	1	5	3	2	1	4	16	Low
Corporate	Public Affairs	Government Relations	3	5	1	2	1	3	15	Low
Corporate	Records Management	Record Center - SharePoint	4	3	1	2	2	3	15	Low
Aviation	Facilities & Infrastructure	Aviation Utilities	4	2	3	2	3	1	15	Low
Corporate	Records Management	Email Management	5	2	1	2	2	3	15	Low
Aviation	Airport Operations	Operations Succession Preparation (OSP) Program	2	3	1	2	2	4	14	Low
Economic Development	Tourism Development	Tourism Development	1	4	1	3	1	4	14	Low
Corporate	Public Affairs	Community Engagement	1	5	1	1	1	5	14	Low

Appendix D – Operations Audit Universe (continued)

Risk Assessment	
Total Score	Level
24-30	High
18-23	Medium
0-17	Low

Division	Department	Department Services	Regulatory/ Contractual Compliance (Weight = 5)	Reputation (Weight = 5)	Safety (Weight = 5)	Financial (Weight = 5)	Fraud (Weight = 5)	Strategy (Weight = 5)	Risk Score Total	Risk Assessment Level (High, Medium, Low)
Corporate	Human Resources	Spirit and Wellness	2	3	2	2	1	4	14	Low
Aviation	Community Development	Community Relations	2	5	1	1	1	4	14	Low
Marine	Recreational Boating		2	2	3	2	2	2	13	Low
Aviation	Airport Training	Airport Training	2	2	3	1	1	4	13	Low
Economic Development	Workforce Development	Job Opportunities/Training for Local Communities	1	4	1	2	1	4	13	Low
Aviation	Customer Service		1	5	1	1	1	4	13	Low
Corporate	Human Resources	Job Evaluation/PerformanceLink	3	3	1	1	2	3	13	Low
Aviation	Building Department	Building/Mechanical/Plumbing/Grading Permit Issue	5	1	2	1	1	1	11	Low
Aviation	Facilities & Infrastructure	Aviation Art	1	1	1	1	3	4	11	Low
Economic Development	P69 Facilities Management	Art Collection	1	1	1	1	3	4	11	Low
Aviation	Facilities & Infrastructure	Aviation Sign Shop	3	1	3	1	1	1	10	Low
Economic Development	P69 Facilities Management	Mail/Shipping/Receiving	1	1	1	2	3	1	9	Low
Corporate	Business Intelligence	Data Doctor/Data Analytical & Training Assistance	1	1	1	1	1	2	7	Low
Economic Development	P69 Facilities Management	Event Planning	1	1	1	1	1	2	7	Low
Economic Development	Administration		1	1	1	1	1	1	6	n/a
Aviation	Airport Office Building		n/a	n/a	n/a	n/a	n/a	n/a	0	n/a
Capital Development	Capital Development	Airport PMG	n/a	n/a	n/a	n/a	n/a	n/a	0	n/a
Capital Development	Capital Development	Engineering	n/a	n/a	n/a	n/a	n/a	n/a	0	n/a
Capital Development	Capital Development	Port Construction Services	n/a	n/a	n/a	n/a	n/a	n/a	0	n/a
Capital Development	Capital Development	Seaport Project Management	n/a	n/a	n/a	n/a	n/a	n/a	0	n/a
Aviation	Community Development	Noise Programs Office	n/a	n/a	n/a	n/a	n/a	n/a	0	n/a
Corporate	Executive		n/a	n/a	n/a	n/a	n/a	n/a	0	n/a
Corporate	ICT		n/a	n/a	n/a	n/a	n/a	n/a	0	n/a
Corporate	Internal Audit		n/a	n/a	n/a	n/a	n/a	n/a	0	n/a
Economic Development	P69 Facilities Management	Amenities (Coffee Rooms, Janitorial Svcs, Privacy Rooms)	1	1	1	1	1	1	6	n/a
Economic Development	P69 Facilities Management	Clipper Café	1	1	1	1	1	1	6	n/a
Aviation	Police	Law Enforcement Activities/Emergency Responses	n/a	n/a	n/a	n/a	n/a	n/a	0	n/a
Corporate	Project Labor Agreement		n/a	n/a	n/a	n/a	n/a	n/a	0	n/a
Aviation	Public Affairs		n/a	n/a	n/a	n/a	n/a	n/a	0	n/a