

Financial Stewardship

Accountability

Transparency

Port of Seattle Audit Committee

Internal Audit Update

Glenn Fernandes - Director, Internal Audit

March 28, 2024

P69 Commission Chambers

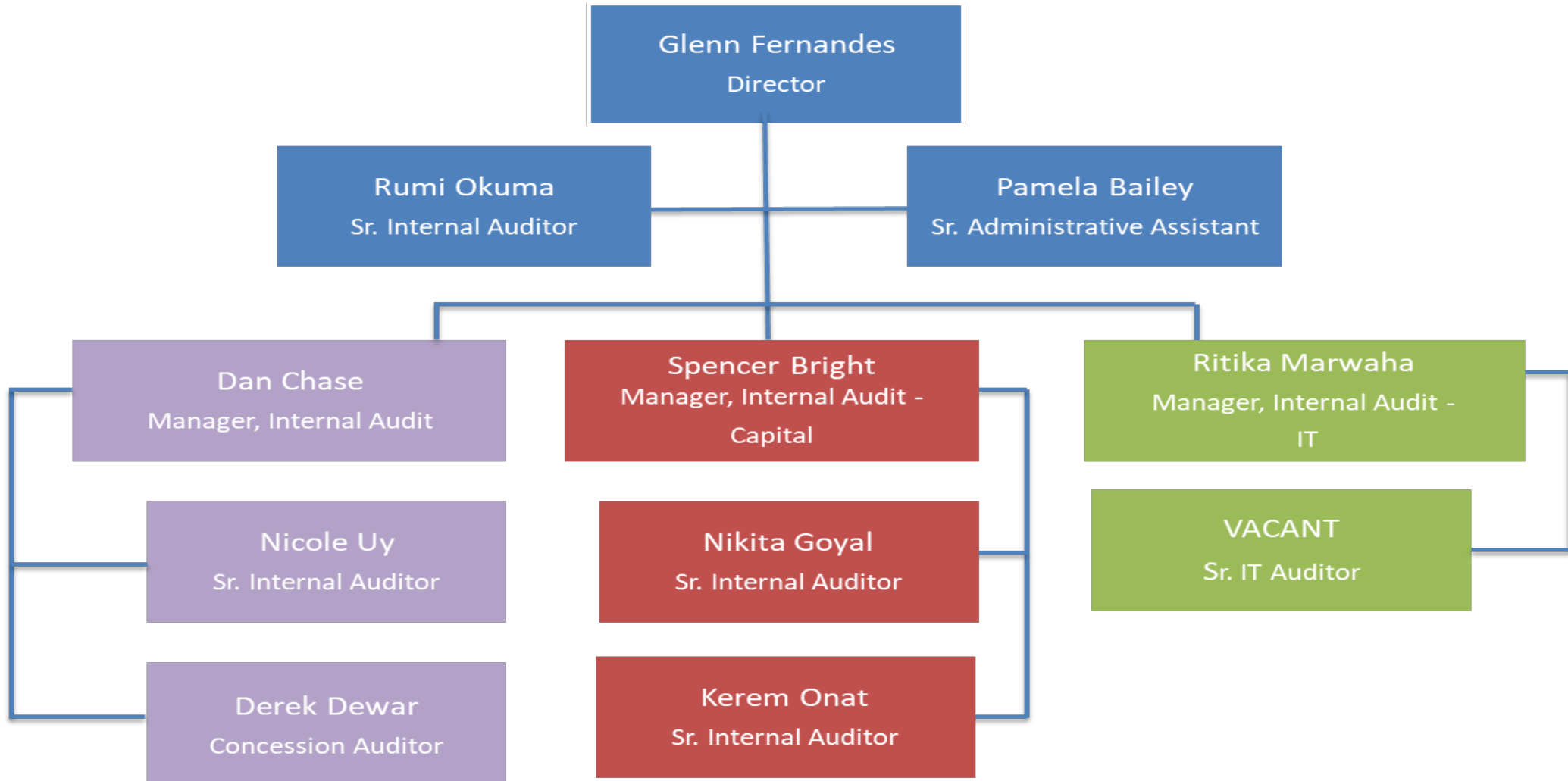
10:00 AM – 12:00 PM

Operational Excellence

Governance



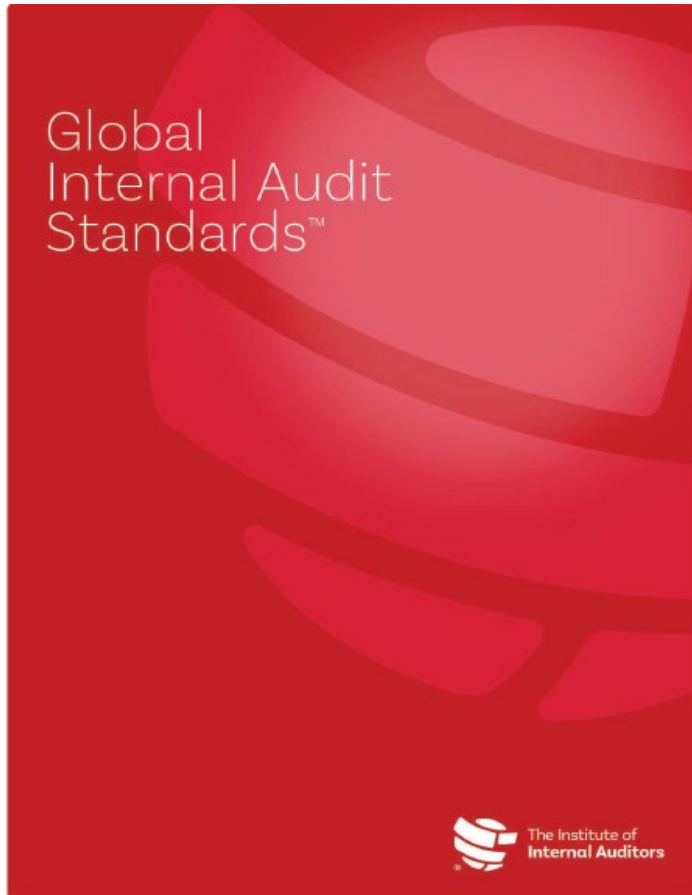
Internal Audit Organization Structure



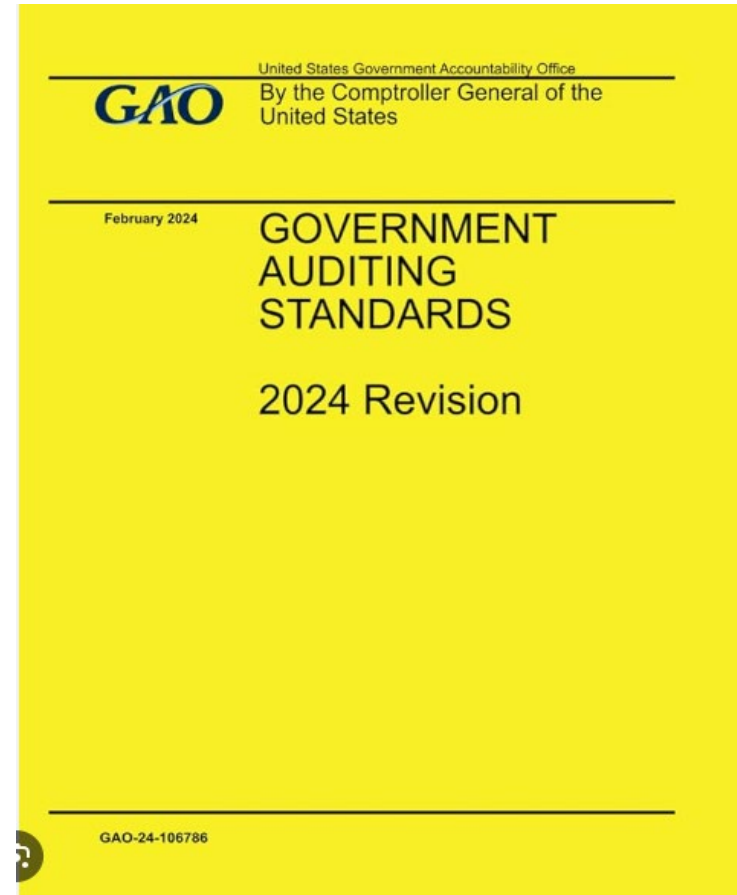
11/27/2023

Auditing Standards

New updates to Standards were released in the first quarter of this year. We'll update our Operational Policies and Procedures Handbook and train staff by effective dates, accordingly.



Newly structured, Global Internal Audit Standards, of which features include the application of standards to the Public Sector, were released on January 9, 2024, and will become effective January 9, 2025.



This 2024 Revision, released on February 1, 2024, includes a requirement for an audit organization to: 1) design and implement its system of quality management by December 15, 2025; and 2) complete an evaluation of the quality management system by December 15, 2026.

The New Structure



5 Domains

- **15 Principles**
- **52 Standards**
 - Requirements
 - Considerations for Implementation
 - Examples of Evidence of Conformance

Additional features:

- Fundamentals
- Applying the Global Internal Audit Standards in the Public Sector
- Glossary



[Source: The Institute of Internal Auditors]

Domain III: Governing the Internal Audit Function



Domain III standards include “essential conditions” for an effective internal audit function.

6. Authorized by the Board

The board establishes, approves, and supports the mandate of the internal audit function.

6.1 Internal Audit Mandate

6.2 Internal Audit Charter

6.3 Board and Senior Management Support

7. Positioned Independently

The board establishes and protects the internal audit function’s independence and qualifications.

7.1 Organizational Independence

7.2 Chief Audit Executive Qualifications

8. Overseen by the Board

The board oversees the internal audit function to ensure the function’s effectiveness.

8.1 Board Interaction

8.2 Resources

8.3 Quality

8.4 External Quality Assessment

Internal Audit Director's Annual Communication

Annual communication is required by the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing (IIA Standards) on:

- Internal Audit Charter
- Organizational Independence
- Quality Assurance and Improvement Program
- Open Issue Follow-up and Monitoring Process

Internal Audit Charter

- The Charter was most recently updated in September 2020.
- The Charter defines Internal Audit Department's:
 - Authority and Accountability
 - Mission and Scope
 - Responsibility
 - Independence and Objectivity
 - Commitment to Quality

Independence Requirement

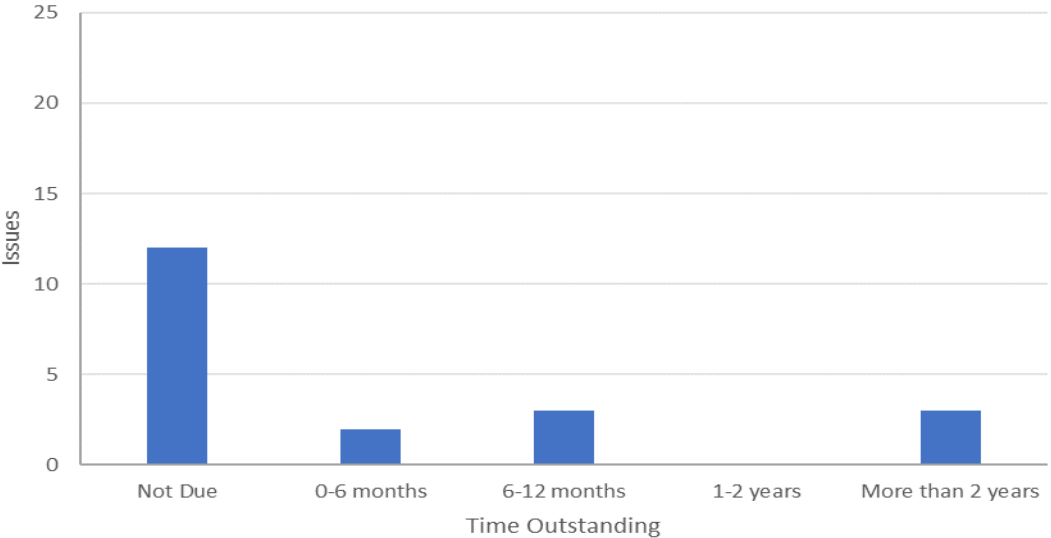
- IIA Standards require annual confirmation of organizational independence of the internal audit function.
- Internal Audit Department continues to maintain organizational independence by reporting functionally to the Audit Committee and administratively to the Executive Director.

Quality Assurance Requirement

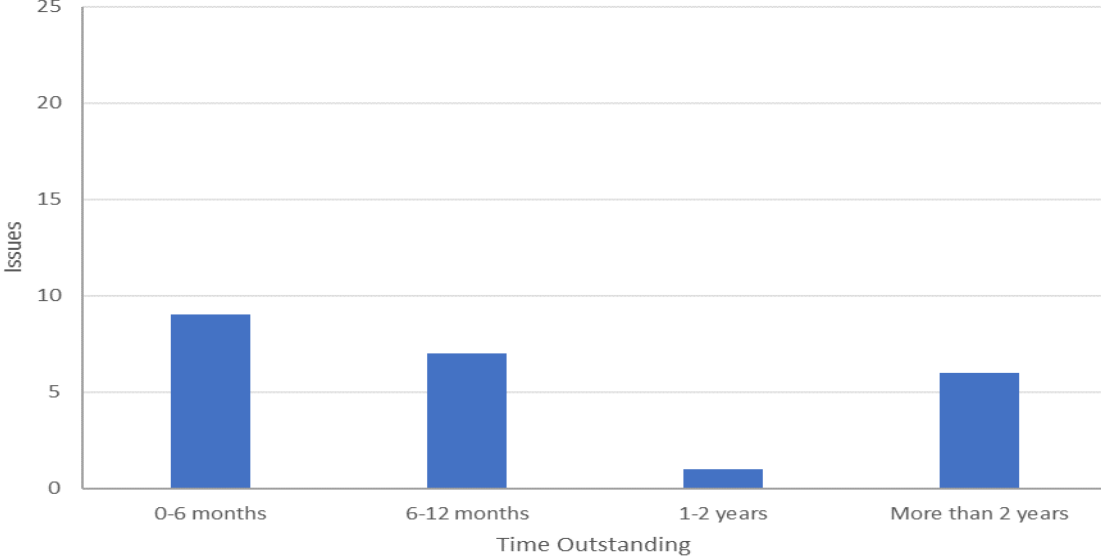
- Generally Accepted Government Auditing Standards (GAGAS)/Government Accountability Office (GAO) require an external peer review every three years.
- IIA Standards require both an internal and external quality assurance and improvement program. External assessments need to occur at least every five years.
- An external peer review was most recently conducted by the Association of Local Government Auditors (ALGA) in August of 2022.
- Internal Audit's periodic, quality self-assessment was most recently performed in the first quarter of this year.
 - Reviewed IA's written policies and procedures (IA Handbook); internal monitoring procedures; a sample of audit engagements and workpapers; and interviewed management and staff on the IA Handbook.
 - Assessment concluded that IA's internal quality control system was suitably designed and operating effectively to provide a reasonable assurance of compliance with GAGAS and IIA Standards. It offered some enhancement opportunities.

Open Issue Status – Aging Report as of March 13, 2024

20 Issues Outstanding (from Target Date)^{1,2}



23 Issues Outstanding (from Report Date)



- 1. Three issues outstanding for over one year from the Target Date are:
 - **Information Technology Audits (3) (Security Sensitive - Exempt from Public Disclosure per RCW 42.56.420 – Issues Not Discussed in Public Session.):** Closed Network System Security (1), and Secure Configuration for Hardware and Software on Mobile Devices, Laptops, Workstations and Servers (2).
- 2. Three Information Technology issues do not have Target Dates and are not included in this chart. These issues are in the process of being addressed, however, they are more than two years past the Report Date: Aviation Maintenance and Facilities & Infrastructure Data Centers (3).

See **Appendix A** for a detailed listing of outstanding issues, including: Report Finding, Issue Owners, and Current Status, as of March 13, 2024.

Approved 2024 Audit Plan

Limited Contract Compliance

- Stellar Bambuza SEA LLC
- Seattle Food Partners LLC
- 1915 KCHouse Concepts – SEATAC LLC
- Pallino SeaTac LLC

Performance

Performance

- Fire Department - PFAS Use, Storage, and Phase-out
- Time Approval Controls
- Delegation of Authority
- Equity Policy Directive
- Utility Management – Port-wide

Capital

- Concourse A Building Expansion for Lounges/Delta TRA¹
- T-117 Sites 23-25 Restoration Project GC/CM Closeout
- TSE- Phase 2 Bollards and ADA Ramps
- Parking Garage Elevator Modernization

Information Technology

- Application Software Security
- Network Infrastructure Management (ICT)
- TSA Cybersecurity²

1. This audit was started in the Fourth Quarter of 2023 and was completed in the First Quarter of 2024.
2. TSA is in the process of mandating audits. These will be required in 2024.

Internal Audit Capital GC/CM Continuous Audits

- RCW 39.10.385 requires an independent audit, paid for by the public body, to confirm the proper accrual of costs.
- We procure the independent auditor, provide oversight of work performed, and assist in fieldwork as needed.
- The independent auditor will provide the Audit Committee with annual updates and final reports upon completion of each project.

Capital GC/CM Continuous Audits

- Main Terminal Low Voltage System Upgrade
- Post IAF Airline Realignment
- C Concourse Expansion Project
- Eastside Fire Station
- Baggage Optimization Phase 3
- Concourse Low Voltage Upgrade
- South Concourse Evolution

Construction Contract Review

- Historically, missing or unclear contract language has resulted in audit findings.
- Remediation is generally deferred to future contracts.

At the direction of the Audit Committee:

- Going forward Internal Audit (IA) will review all *Alternative Works* construction contracts.
- In partnership with Port Management, IA will attend contract review meetings.
- IA will make recommendations, but will not own the process, thereby, maintaining independence.
- IA will seek outside expertise as needed.
- Proactive approach – but does not imply that we will not perform our regular construction audits on these projects.

2024 AUDIT PLAN STATUS

Audit Title	Type	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fire Department - PFAS Use, Storage, and Phase-out	Performance												
Time Approval Controls	Performance												
Delegation of Authority	Performance												
Equity Policy Directive Compliance	Performance												
Utility Management - Port-wide	Performance												
Concourse A Building Expansion for Lounges/DELTA TRA ¹	Performance - Capital												
T-117 Sites 23-25 Restoration Project GC/CM Closeout	Performance - Capital												
TSE-Phase 2 Bollards and ADA Ramps	Performance - Capital												
Parking Garage Elevator Modernization	Performance - Capital												
Application Software Security (ICT)	IT												
Network Infrastructure Management (ICT)	IT												
TSA Cybersecurity ²	IT												
Stellar Bambuza SEA LLC	Contract Compliance												
Seattle Food Partners LLC	Contract Compliance												
1915 KCHouse Concepts - SEATAC LLC	Contract Compliance												
Pallino SeaTac LLC	Contract Compliance												
KEY	Complete												
	In Process												
	Not Started												

1. This audit was started in the Fourth Quarter of 2023 and was completed in the First Quarter of 2024.

2. TSA is in the process of mandating audits. These will be required in 2024.

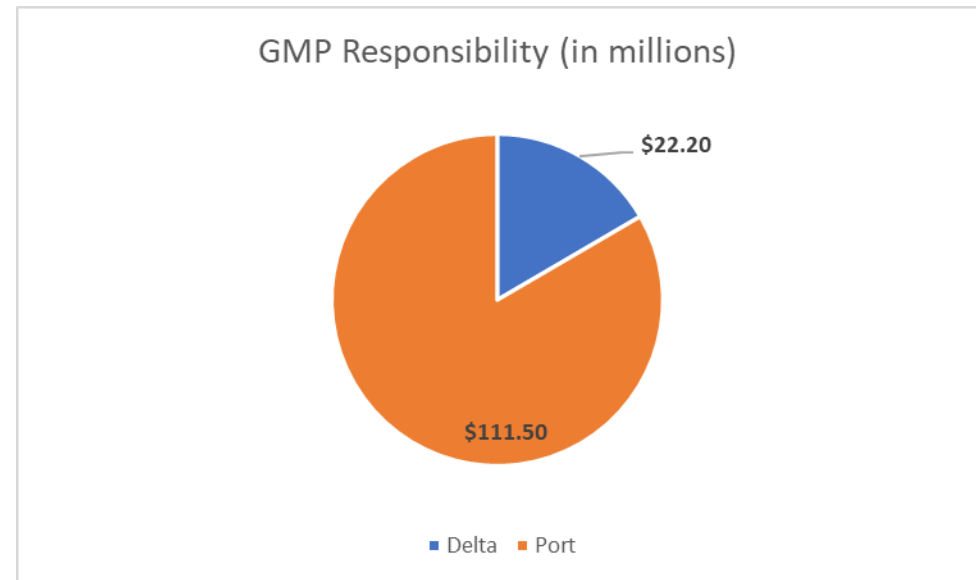
Audits Completed in First Quarter - 2024

- 1) Concourse A Building Expansion for Lounges – Delta TRA (Item #7)
- 2) Payment Card Industry (PCI) – Qualified Security Assessor (QSA) Assessment Results (Item #8)
- 3) Pallino SeaTac, LLC (Item #9)

Concourse A Expansion for Lounges- Delta TRA

- The Concourse A Expansion for Lounges Project is being conducted under a Tenant Reimbursement Agreement (TRA) between the Port and Delta Air Lines.
- Hensel Phelps was selected as the general contractor.
- The Project includes the design and construction of a 52,000 square foot building addition in Concourse A, including 36,000 square feet of new leasable space.
- Design of the base building was approved by the Port Commission in April 2021 with construction anticipated to be completed in the fall of 2024.

The TRA is being administered as a Guaranteed Maximum Price (GMP) contract in the amount of \$133.7 million.



An implicit agreement between Hensel Phelps and the Port's Risk Management Department settled on \$10 Million in Commercial General Liability Insurance (GLI) at an estimated cost of \$559,500. Hensel Phelps subsequently materially overbilled the Port for \$100 Million in GLI, at a cost of \$1,120,784.

- TRA stipulates minimum Commercial General Liability Insurance limit: \$15 million.
- Hensel requested a decrease “per occurrence limit” to \$10 million, and the Port agreed.
- Hensel billed approximately \$1.1 million in insurance invoices, which included \$100 million “per occurrence” coverage. (invoice totaling \$1.1 million, instead of estimated \$560K.)
- Using Risk Management's estimate, would also have decreased the final GMP by \$1.1 million.
- Port has deferred reimbursement until approval from the Port's Risk Management team.

Scope limitation:

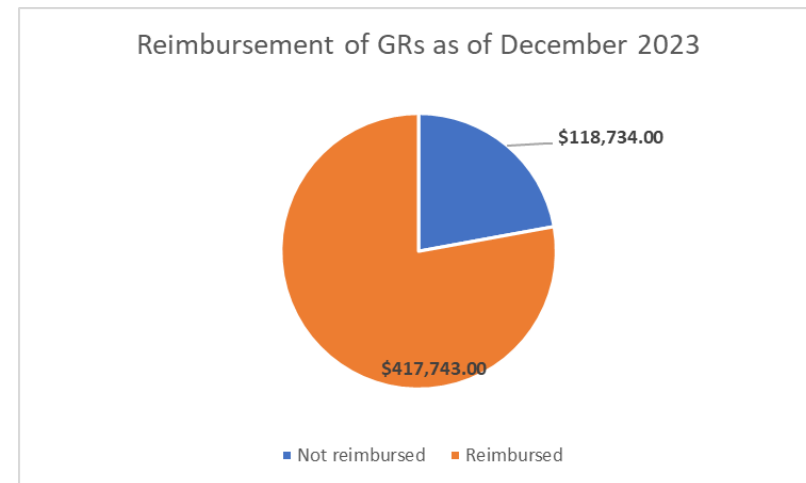
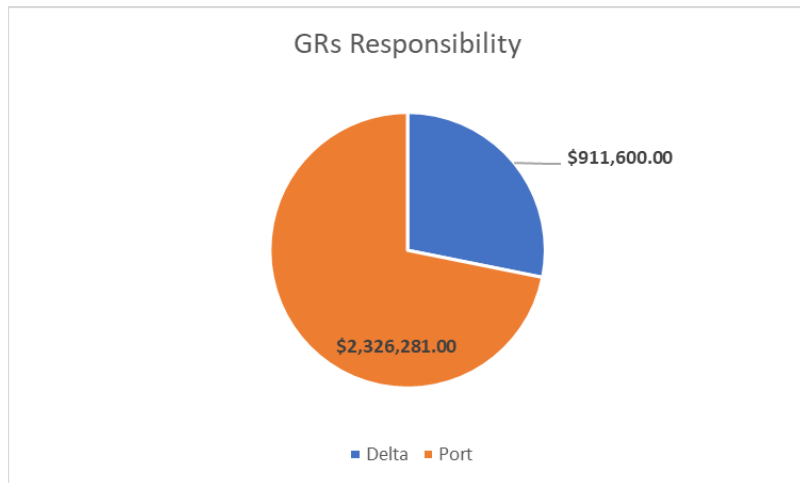
With the assistance of the Port's Project Management Group, we made multiple requests to obtain subcontractor bid documents and subcontracts for the Contractor Controlled Insurance Program. Hensel refused to provide the documents although we explained the audit reasons for the requested documents. Accordingly, our audit scope was limited, and we were unable to conclude whether subcontractor contracts included additional insurance that was being passed on to the Port, or that any insurance credits were properly passed on to the Port.

Recommendations

1. Contract insurance language should be updated to outline both minimum and maximum insurance requirements that will be reimbursed, thereby preventing the Port from incurring costs for additional insurance coverage.
2. TRA language should be updated to specifically describe the documents that are subject to audit and consequences if those documents are not provided when requested.
3. Risk Management should make the determination on what the final reimbursable insurance cost should be. Additionally, the total Guaranteed Maximum Price (GMP) should be adjusted accordingly.
4. When estimating a GMP, Port estimators should use amounts recommended by Risk Management instead of amounts proposed by contractors.

Hensel Phelps' Request for Reimbursement Submittal (RRS) for General Requirements did not include adequate supporting documentation.

- General Requirements: Direct Costs Associated with the project.
- TRA requires adequate documentation for reimbursement.
- Hensel submitted accounting system printouts, not invoices.
- Invoices are crucial for expense validation to assure expenses are project-specific and accurate.



Example of Hensel accounting system printouts used

HP - JC Detail

Jobs: 5021170 - 5021170 All Phases All Cost Types Units: Actual
 Months: First - 05/23 Dates: First - 05/15/23 All JC Transaction Types All Departments

Phase	Phase Description	Cost Type	Abbrev	Mth	Trans#	Posted Date	Actual Date	Trans Type	Co	Vend# Craft/Class Equip#/Mat#	Description	Reference	Units	Hours	Cost
5021170 Delta Sky Club - Concourse A															
0131000.	Project Supervision & Adm	2	B	05/23		05/15/23	05/15/23	PR	1		Payroll Labor Distribution		0.000	0.000	82.210
													Total For Phase: 0131000.	0.00	82.21
0132250.	True North Surveying	3	S	10/22	105083	11/07/22	11/01/22	AP	1	12942	True North Land Surveying Inc	8485	0.000	0.00	6,482.00
0132250.	True North Surveying	3	S	11/22	91792	12/13/22	12/07/22	AP	1	12942	True North Land Surveying Inc	8515	0.000	0.00	2,376.25
0132250.	True North Surveying	3	S	01/23	48138	01/19/23	01/05/23	AP	1	12942	True North Land Surveying Inc	8588	0.000	0.00	2,888.88
0132250.	True North Surveying	3	S	02/23	37294	02/15/23	02/06/23	AP	1	12942	True North Land Surveying Inc	8588	0.000	0.00	530.25
0132250.	True North Surveying	4	M	03/23	34082	03/13/23	03/02/23	AP	1	12942	True North Land Surveying Inc	8611	0.000	0.00	308.75
0132250.	True North Surveying	3	S	04/23	61959	04/18/23	04/07/23	AP	1	12942	True North Land Surveying Inc	8658	0.000	0.00	213.75
0132250.	True North Surveying	3	S	05/23	23693	05/15/23	05/03/23	AP	1	12942	True North Land Surveying Inc	8684	0.000	0.00	261.25
													Total For Phase: 0132250.	0.00	13,069.13
0143700.	Temp Partitions Concourse/f	4	M	08/22	99461	09/12/22	09/01/22	AP	1	13469	Amazon Capital Services	1PHY-JRYW-MKJH	0.000	0.00	244.35
0143700.	Temp Partitions Concourse/f	4	M	01/23	48147	01/19/23	01/17/23	AP	1	4738	White Cap L.P	10017422389	0.000	0.00	276.42
0143700.	Temp Partitions Concourse/f	4	M	02/23	37295	02/15/23	02/07/23	AP	1	6803	Abatix Environmental Corp	8367413	0.000	0.00	379.29
0143700.	Temp Partitions Concourse/f	4	M	04/23	61960	04/19/23	04/12/23	AP	1	13469	Amazon Capital Services	19LN-DDLH-4KG9	0.000	0.00	251.51
													Total For Phase: 0143700.	0.00	1,151.57
0143900.	Horizontal Open	4	M	03/23	86593	04/05/23	03/20/23	AP	1	1963	Grainger	9646199449	0.000	0.00	208.22
													Total For Phase: 0143900.	0.00	208.22
0143910.	Safety Railing Maintenance	4	M	02/23	35050	02/14/23	02/06/23	AP	1	11347	Lars F Swenson	EXP021023	0.000	0.00	176.30
0143910.	Safety Railing Maintenance	4	M	03/23	55821	03/21/23	03/14/23	AP	1	1963	Grainger	9639878326	0.000	0.00	50.41
0143910.	Safety Railing Maintenance	4	M	03/23	86596	04/05/23	03/16/23	AP	1	4478	United Rentals	215792323-002	0.000	0.00	267.24
0143910.	Safety Railing Maintenance	4	M	03/23	86597	04/05/23	03/17/23	AP	1	31020	Bigfoot Construction Supply LLC	75055-1	0.000	0.00	99.09
0143910.	Safety Railing Maintenance	4	M	03/23	86594	04/05/23	03/21/23	AP	1	31020	Bigfoot Construction Supply LLC	75055-2	0.000	0.00	66.06
0143910.	Safety Railing Maintenance	4	M	03/23	86595	04/05/23	03/21/23	AP	1	31020	Bigfoot Construction Supply LLC	74858-2	0.000	0.00	55.49
													Total For Phase: 0143910.	0.00	714.59
0153000.	Repair and Temp enclose	4	M	03/23	55822	03/21/23	03/14/23	AP	1	13469	Amazon Capital Services	16HR-KP4T-19RW	0.000	18.48	42.66
													Total For Phase: 0153000.	18.48	42.66
0162500.	Fork Lift Equipment Rent	5	E	11/22	75052	12/01/22	11/30/22	EM	1	324167	Forklift JLG 2019		0.000	0.00	3,000.00
0162500.	Fork Lift Equipment Rent	5	E	12/22	74743	01/03/23	12/31/22	EM	1	324167	Forklift JLG 2019		0.000	0.00	3,000.00
0162500.	Fork Lift Equipment Rent	5	E	01/23	91395	02/01/23	01/31/23	EM	1	324167	Forklift JLG 2019		0.000	0.00	3,000.00
0162500.	Fork Lift Equipment Rent	5	E	02/23	83753	03/01/23	02/28/23	EM	1	324167	Forklift JLG 2019		0.000	0.00	3,000.00
0162500.	Fork Lift Equipment Rent	4	M	03/23	86598	04/05/23	03/23/23	AP	1	31020	Bigfoot Construction Supply LLC	74858-3	0.000	0.00	616.84
0162500.	Fork Lift Equipment Rent	5	E	03/23	86599	04/05/23	03/21/23	AP	1	4478	United Rentals	216727076-001	0.000	0.00	311.78
0162500.	Fork Lift Equipment Rent	5	E	03/23	82708	04/03/23	03/31/23	EM	1	324167	Forklift JLG 2019		0.000	0.00	3,000.00
0162500.	Fork Lift Equipment Rent	5	E	04/23	51962	04/18/23	04/11/23	AP	1	4478	United Rentals	216727076-002	0.000	0.00	139.19
0162500.	Fork Lift Equipment Rent	5	E	04/23	83819	05/01/23	04/30/23	EM	1	324167	Forklift JLG 2019		0.000	0.00	3,000.00
													Total For Phase: 0162500.	0.00	19,067.81
0162510.	Forklift Operator	1	L	12/22		12/19/22	12/19/22	PR	1		Payroll Labor Distribution		0.000	20.000	1,086.500
0162510.	Forklift Operator	2	B	12/22		12/19/22	12/19/22	PR	1		Payroll Labor Distribution		0.000	0.000	613.900

Example of Hensel Accounting System Printouts Used

HP - JC Detail

Jobs: 5021170 - 5021170 All Phases All Cost Types Units: Actual
 Months: First - 07/23 Dates: First - 08/07/23 All JC Transaction Types All Departments

Phase	Phase Description	Cost Type	Abbrev	Mth	Trans#	Posted Date	Actual Date	Trans Type	Vend#	Craft/Class	Co	Equip#/Mat Description	Reference	Units	Hours	Cost	
5021170 Delta Sky Club - Concourse A - Continued																	
														Total For Phase: 9015000.		0.00	51.46
9022000.	General Condition	6	I	08/22	103641	09/14/22	08/01/22	JC	1			Gen. Liab. INSGLU		1.000	0.00	0.00	
9022000.	General Condition	6	I	08/22	103642	09/14/22	08/01/22	JC	1			Gen. Liab. INSGLU		1.000	0.00	127.77	
9022000.	General Condition	6	I	08/22	103643	09/14/22	08/01/22	JC	1			Gen. Liab. INSGLU		1.000	0.00	3,932.59	
9022000.	General Condition	6	I	09/22	93518	10/12/22	09/01/22	JC	1			Gen. Liab. INSGLU		1.000	0.00	2,200.76	
9022000.	General Condition	6	I	10/22	109578	11/09/22	10/01/22	JC	1			Gen. Liab. INSGLU		1.000	0.00	2,230.77	
9022000.	General Condition	6	I	09/22	83459	10/06/22	10/06/22	JC	1			Mistaken charge and code move to 90220		0.000	0.00	-4,060.33	
9022000.	General Condition	6	I	11/22	93739	12/14/22	11/01/22	JC	1			Gen. Liab. INSGLU		1.000	0.00	0.03	
9022000.	General Condition	6	I	11/22	93740	12/14/22	11/01/22	JC	1			Gen. Liab. INSGLU		1.000	0.00	0.00	
9022000.	General Condition	6	I	11/22	93741	12/14/22	11/01/22	JC	1			Gen. Liab. INSGLU		1.000	0.00	-0.03	
9022000.	General Condition	6	I	11/22	93742	12/14/22	11/01/22	JC	1			Gen. Liab. INSGLU		1.000	0.00	0.00	
9022000.	General Condition	6	I	11/22	93743	12/14/22	11/01/22	JC	1			Gen. Liab. INSGLU		1.000	0.00	4,396.30	
9022000.	General Condition	6	I	12/22	88748	01/11/23	12/01/22	JC	1			Gen. Liab. INSGLU		1.000	0.00	0.00	
9022000.	General Condition	6	I	12/22	88749	01/11/23	12/01/22	JC	1			Gen. Liab. INSGLU		1.000	0.00	291.00	
9022000.	General Condition	6	I	12/22	88750	01/11/23	12/01/22	JC	1			Gen. Liab. INSGLU		1.000	0.00	3,089.38	
9022000.	General Condition	6	I	12/22	91674	01/16/23	12/01/22	JC	1			Gen. Liab. INSGLU		1.000	0.00	0.00	
9022000.	General Condition	6	I	12/22	91675	01/16/23	12/01/22	JC	1			Gen. Liab. INSGLU		1.000	0.00	0.00	
9022000.	General Condition	6	I	12/22	91876	01/16/23	12/01/22	JC	1			Gen. Liab. INSGLU		1.000	0.00	-291.00	
9022000.	General Condition	6	I	12/22	93864	01/18/23	12/01/22	JC	1			Gen. Liab. INSGLU		1.000	0.00	-3,089.38	
9022000.	General Condition	6	I	12/22	93865	01/18/23	12/01/22	JC	1			Gen. Liab. INSGLU		1.000	0.00	0.00	
9022000.	General Condition	6	I	12/22	93866	01/18/23	12/01/22	JC	1			Gen. Liab. INSGLU		1.000	0.00	291.00	
9022000.	General Condition	6	I	12/22	93867	01/18/23	12/01/22	JC	1			Gen. Liab. INSGLU		1.000	0.00	3,089.38	
9022000.	General Condition	6	I	12/22	93868	01/18/23	12/01/22	JC	1			Gen. Liab. INSGLU		1.000	0.00	-0.52	
9022000.	General Condition	6	I	12/22	93869	01/18/23	12/01/22	JC	1			Gen. Liab. INSGLU		1.000	0.00	0.00	
9022000.	General Condition	6	I	01/23	104826	02/08/23	01/01/23	JC	1			Gen. Liab. INSGLU		1.000	0.00	-0.02	
9022000.	General Condition	6	I	01/23	104827	02/08/23	01/01/23	JC	1			Gen. Liab. INSGLU		1.000	0.00	0.00	
9022000.	General Condition	6	I	01/23	104828	02/08/23	01/01/23	JC	1			Gen. Liab. INSGLU		1.000	0.00	3,550.62	
9022000.	General Condition	6	I	02/23	94850	03/08/23	02/01/23	JC	1			Gen. Liab. INSGLU		1.000	0.00	6.46	
9022000.	General Condition	6	I	02/23	94851	03/08/23	02/01/23	JC	1			Gen. Liab. INSGLU		1.000	0.00	2,334.36	
9022000.	General Condition	6	I	03/23	98625	04/12/23	03/01/23	JC	1			Gen. Liab. INSGLU		1.000	0.00	435.71	
9022000.	General Condition	6	I	03/23	98626	04/12/23	03/01/23	JC	1			Gen. Liab. INSGLU		1.000	0.00	1,649.87	
9022000.	General Condition	6	I	04/23	111709	05/10/23	04/01/23	JC	1			Gen. Liab. INSGLU		1.000	0.00	23.67	
9022000.	General Condition	6	I	04/23	111710	05/10/23	04/01/23	JC	1			Gen. Liab. INSGLU		1.000	0.00	1,836.18	
9022000.	General Condition	6	I	05/23	103316	06/14/23	05/01/23	JC	1			Gen. Liab. INSGLU		1.000	0.00	-60.54	
9022000.	General Condition	6	I	05/23	103317	06/14/23	05/01/23	JC	1			Gen. Liab. INSGLU		1.000	0.00	0.00	
9022000.	General Condition	6	I	05/23	103318	06/14/23	05/01/23	JC	1			Gen. Liab. INSGLU		1.000	0.00	2,251.34	
9022000.	General Condition	6	I	06/23	98689	07/12/23	06/01/23	JC	1			Gen. Liab. INSGLU		1.000	0.00	0.00	
9022000.	General Condition	6	I	06/23	98690	07/12/23	06/01/23	JC	1			Gen. Liab. INSGLU		1.000	0.00	0.03	
9022000.	General Condition	6	I	06/23	98691	07/12/23	06/01/23	JC	1			Gen. Liab. INSGLU		1.000	0.00	-1.63	
9022000.	General Condition	6	I	06/23	98692	07/12/23	06/01/23	JC	1			Gen. Liab. INSGLU		1.000	0.00	0.00	
9022000.	General Condition	6	I	06/23	98693	07/12/23	06/01/23	JC	1			Gen. Liab. INSGLU		1.000	0.00	3,336.72	
														Total For Phase: 9022000.		0.00	27,780.46
9022002.	Gen Liability Insurance	6	I	06/22	99580	07/13/22	06/01/22	JC	1			Gen. Liab. INSGLU		1.000	0.00	751.99	
9022002.	Gen Liability Insurance	6	I	06/22	99581	07/13/22	06/01/22	JC	1			Gen. Liab. INSGLU		1.000	0.00	-294.26	
9022002.	Gen Liability Insurance	6	I	06/22	99582	07/13/22	06/01/22	JC	1			Gen. Liab. INSGLU		1.000	0.00	2,995.64	
9022002.	Gen Liability Insurance	6	I	07/22	108351	08/10/22	07/01/22	JC	1			Gen. Liab. INSGLU		1.000	0.00	1,051.42	
9022002.	Gen Liability Insurance	4	M	08/22	82523	08/30/22	08/12/22	AP	1	1761		Flood & Peterson Insurance Agency	408783	0.000	0.00	323,765.23	
9022002.	Gen Liability Insurance	6	I	09/22	83460	10/06/22	10/06/22	JC	1			Mistaken charge and code move to 90220		0.000	0.00	4,060.33	

Charge PA #16

Charge PA #16

8565.1000 PA

Recommendations

1. RRS approvers should obtain proper documentation in order to reconcile General Requirements costs previously reimbursed and require supporting documentation for future reimbursement requests.
2. Standard Operating Procedures should be updated to reflect the need for actual invoices as adequate support for reimbursement requests.

The Port has an opportunity to revise its procedures on future TRA projects in order to decrease the potential of reimbursing unallowable or duplicate costs within General Conditions.

- General Conditions (GCs) cover Hensel's indirect costs, such as staff salaries, safety, computers, and site management costs.
- Range of components that may be included in GCs heightens the potential that those costs may be billed elsewhere in the contract, or otherwise unallowable if not properly vetted and monitored.
- Agreement between Hensel and Delta outlined allowable and non-allowable GCs, however, the Agreement allowed Hensel to submit proposed GC costs as a lump sum amount without requiring documentation.
- Risks of allowing lump sum GCs:
 - Short-term staff reduction affecting management
 - Reluctance to spend necessary GC funds
 - Shifting GC costs to subcontractors
 - Moving costs into GCs to avoid scrutiny
 - Early billing of GCs

Recommendations

1. Although we suggest GCs to be reimbursed on a cost basis, if the Port continues to allow TRAs to use lump sum GCs, Port management should, at a minimum, require a detailed expected scope of work in the GC costs prior to agreeing to a GMP.
2. Port management should reimburse no more than the approved GC line item agreed in the GMP (plus any GC increase that may occur from Change Orders). If the General Conditions line item is increased on the Schedule of Values, the Port should require justification prior to approving the change.

Management Response – Issue 1

- The following is a general portion of the response to all recommendations.
- The project team includes: AV Project Management Group, AV Project Controls, Port Risk Management, Port Engineering - Construction Management, AV Business & Properties, and AV Commercial Management. Other necessary departments may be added to this team as the process proceeds.
- A multi-year initiative to reevaluate and change the aspects of the TRA process is underway with Port stakeholders. Some of the measurable improvements are expected to be implemented in 2024 and others in 2025. The recommendations of this internal audit will be incorporated into this effort.
- Management Response to Item #1: The project team agrees with the recommendation in improving future TRA contract language and will work with other project delivery groups and Risk Management to establish clear guidelines as they relate to acceptable insurance requirements and thresholds.

DUE DATE: 12/18/2024

Management will discuss in detail. (Full response in Audit Report No. 2024-01)

Management Response – Issue 2

- The Project Team will work with Aviation Departments that generate TRAs to determine the required documentation for reimbursement for General Requirements. Standard Operating Procedures will be updated to require adequate backup documentation to support reimbursement requests.

DUE DATE: 09/04/2025

Management will discuss in detail. (Full response in Audit Report No. 2024-01)

Management Response – Issue 3

- The project team agrees with the recommendations. TRA contract language will be modified to require, at minimum, a detailed scope of work in General Conditions costs, prior to agreeing to Final GMP. Standard Operating Procedures will be updated to require justification of an increase in General Conditions prior to approving the change.

DUE DATE: 12/18/2024

Management will discuss in detail. (Full response in Audit Report No. 2024-01)

Payment Card Industry (PCI) – Qualified Security Assessor (QSA) Assessment Results

- The 2023 PCI assessment was completed on December 14, 2023, by Secured Net Solutions Inc., an external party, and a Qualified Security Assessor (QSA). The work was performed to assure the Port's compliance with the Payment Card Industry Data Security Standard (PCI DSS) version 3.2.1.
- Organizations that store, process, or transmit credit card data must comply with relevant PCI DSS requirements, and compliance must be attested on an annual basis.
- PCI requires merchants to complete an annual Self-Assessment Questionnaire (SAQ) to verify to their acquirer (merchant bank) that their security controls over credit card data handling meet the PCI requirements.

Payment Card Industry (PCI) – Qualified Security Assessor (QSA) Assessment Results

Item #8

- The Port accepts credit card payments for taxi driver usage fees, moorage services at its marina facilities, and parking at the Seattle-Tacoma International Airport.
- The Port received an overall “**Compliant**” rating, demonstrating full compliance with the PCI DSS.

Pallino SeaTac, LLC

- Internal Audit performed an attestation engagement to assess compliance with the Lease and Concession Agreement.
- We performed specific, agreed-upon procedures to review concession fees for completeness, accuracy, and timeliness.
- Period Reviewed: January 2023 – June 2023.
- **We identified no exceptions.**

Appendix

A – Aging of Outstanding Issues as of March 13, 2024

Appendix A – Aging of Outstanding Issues as of March 13, 2024

Performance, Capital, Information Technology, and Limited Contract Compliance Audits

Audit Type	Audit Title	Rating	Target Date	Report Date	Days Outstanding (from Report Date)	Days Outstanding (from Target Date)	Issue Owner	Report Finding	Current Status from Management as of 3/13/2024
IT	AVM/Facility & Infrastructure Data Centers	High	No date supplied	12/4/2018	1926	N/A	Director, Aviation Facilities and Capital Program	Physical Access to Facilities All rooms in our sample were protected with varying levels of restricted access. Some were well protected, allowing few individuals access, while others allowed access to hundreds of people with no legitimate business need.	Project PM Response: Access control in communication rooms project just completed 90% Design review. We are scheduled for Commission Authorization for Construction in May 2024. Upcoming Target Milestones: Advertisement in June 2024; Issue NTP (Notice to Proceed) for Construction late September 2024, and Substantial Completion Q4 2025.
IT	AVM/Facility & Infrastructure Data Centers	High	No date supplied	12/4/2018	1926	N/A	Director, Aviation Facilities and Capital Program	Protection Against Environmental Factors Facilities should be protected against fire and water damage. In our sample of 31 rooms, 35% of the rooms did not have fire suppression capability and 55% did not have fire extinguishers. Four rooms had Halon fire extinguishers which are ozone-depleting and do not support the Port's value for being a responsible steward of the environment.	F&I Response: Project U00494 to add clean agent fire suppression in six rooms has been placed on hold since the evaluation of the clean agent product requires a feasibility study on the impact of the product on the user, equipment, environment, and space for installation. There is no timeframe for the feasibility study. The study's scope and work needs to be discussed. Once the fire extinguishers are replaced, the Fire Department will take over inspection and maintenance.
Performance	Port-wide Payroll Controls	High	12/31/2023	6/14/2023	273	73	Director, Aviation Maintenance	The Maximo System used by the Aviation Maintenance Department (AVM) had generated semi-annual, preventive maintenance work orders for certain retired assets, requiring maintenance staff to spend up to 3 hours for each unnecessary work order over 10 years.	AVM is deleting/or changing the work tasks associated with disposed of or replaced maintenance items in its Computerized Maintenance Management System (CMMS), to eliminate the misreporting or duplication of work required. This will be part of AVM's preventative maintenance optimization (PMO) project that will begin in AVM in 2024.
Performance	Airport Parking Garage	High	12/31/2024	11/30/2023	104	-293	Director, Airport Operations	Complimentary Parking – We identified 603 instances of misuse of complimentary parking cards issued to organizations that have business at the Airport. The cards, and the associated Port policy, allowed their staff to park at the Airport Parking Garage for 24 hours or less. This amounted to approximately \$74,000 in unbilled parking revenue, during our 18-month test period.	The Transportation Access Program Manager is project managing each recommendation to ensure the right staff are working on the appropriate issue in a timely fashion and documenting progress for management. All four recommended items are being worked on towards individual, target completion dates. One item related to card reissue is no longer relevant as a result of the discontinued practice.
Performance	Airport Parking Garage	High	12/31/2024	11/30/2023	104	-293	Director, Airport Operations	Complimentary Parking – The Port needed to enhance controls relating to retrieving and shutting off complimentary parking cards for employees who leave the Port. By looking at the 1,397 active employee parking cards, we identified 99 active cards that were assigned to employees who were no longer employed by the Port, 16 of which continued to use their cards after separation from the Port.	The Transportation Access Program Manager is project managing each recommendation to ensure the right staff are working on the appropriate issue in a timely fashion and documenting progress for management. All three recommended items are being worked on towards individual, target completion dates. One item related to Employee ID number in the parking system is complete as the data field's existence.

Appendix A – Aging of Outstanding Issues as of March 13, 2024

Performance, Capital, Information Technology, and Limited Contract Compliance Audits

Audit Type	Audit Title	Rating	Target Date	Report Date	Days Outstanding (from Report Date)	Days Outstanding (from Target Date)	Issue Owner	Report Finding	Current Status from Management as of 3/13/2024
Capital	Concourse A Building Expansion for Lounges - Delta TRA	High	12/18/2024	3/13/2024	0	-280	Chief Engineer/Director, Engineering Services Director Aviation Project Management Director Risk Management Director Aviation & Business Properties	An implicit agreement between Hensel Phelps and the Port's Risk Management Department settled on \$10 Million in Commercial General Liability Insurance (GLI) at an estimated cost of \$559,500. Hensel Phelps subsequently materially overbilled the Port for \$100 Million in GLI, at a cost of \$1,120,784.	Report was just issued.
IT	AVM/Facility & Infrastructure Data Centers	Medium	No date supplied	12/4/2018	1926	N/A	Director, Aviation Facilities and Capital Program	Physical Facilities Management In our sample of 31 rooms, we noted that 52% of the rooms had equipment on the racks that was not properly secured, and that 16% of equipment racks (while securely bolted to the floors) lacked seismic bracing.	F&I Response: F&I is working on an engineering contract with Engineering to provide an assessment for seismic, (2-hour) fire rating, and any additional fire suppression for their communication rooms. The goal is to get as many rooms evaluated as possible. The contract is for work this year.
IT	Closed Network Systems Security	Medium	6/30/2020	9/5/2019	1651	1352	Chief Information Security Officer		Security Sensitive – Exempt from Public Disclosure per RCW 42.56.420 – Issues Not Discussed in Public Session
IT	Secure Configuration for Hardware and Software on Mobile Devices, Laptops, Workstations and Servers	Medium	12/31/2021	8/21/2020	1300	803	Chief Information Security Officer		Security Sensitive – Exempt from Public Disclosure per RCW 42.56.420 – Issues Not Discussed in Public Session
IT	Secure Configuration for Hardware and Software on Mobile Devices, Laptops, Workstations and Servers	Medium	12/31/2021	8/21/2020	1300	803	Chief Information Security Officer Director, Aviation Maintenance		Security Sensitive – Exempt from Public Disclosure per RCW 42.56.420 – Issues Not Discussed in Public Session
IT	Account Management - ICT	Medium	6/1/2023	3/15/2022	729	286	Chief Information Officer		Security Sensitive – Exempt from Public Disclosure per RCW 42.56.420 – Issues Not Discussed in Public Session
IT	Security Awareness and Skills Training	Medium	6/1/2023	3/23/2023	356	286	Chief Information Security Officer		Security Sensitive – Exempt from Public Disclosure per RCW 42.56.420 – Issues Not Discussed in Public Session
IT	Security Awareness and Skills Training	Medium	6/1/2023	3/23/2023	356	286	Chief Information Security Officer		Security Sensitive – Exempt from Public Disclosure per RCW 42.56.420 – Issues Not Discussed in Public Session
Performance	Port-wide Payroll Controls	Medium	1/31/2024	6/14/2023	273	42	Chief Information Officer		Security Sensitive – Exempt from Public Disclosure per RCW 42.56.420 – Issues Not Discussed in Public Session
IT	Email and Web Browser Protections (ICT and AVM)	Medium	3/31/2024	8/29/2023	197	-18	Chief Information Officer		Security Sensitive – Exempt from Public Disclosure per RCW 42.56.420 – Issues Not Discussed in Public Session
IT	Email and Web Browser Protections (ICT and AVM)	Medium	3/31/2024	8/29/2023	197	-18	Chief Information Officer Director, Aviation Maintenance		Security Sensitive – Exempt from Public Disclosure per RCW 42.56.420 – Issues Not Discussed in Public Session
IT	Email and Web Browser Protections (ICT and AVM)	Medium	3/31/2024	8/29/2023	197	-18	Chief Information Officer Chief Information Security Officer		Security Sensitive – Exempt from Public Disclosure per RCW 42.56.420 – Issues Not Discussed in Public Session

Appendix A – Aging of Outstanding Issues as of March 13, 2024

Performance, Capital, Information Technology, and Limited Contract Compliance Audits

Audit Type	Audit Title	Rating	Target Date	Report Date	Days Outstanding (from Report Date)	Days Outstanding (from Target Date)	Issue Owner	Report Finding	Current Status from Management as of 3/13/2024
Limited Contract Compliance	Seattle Air Ventures	Medium	6/30/2024	11/29/2023	105	-109	Director, Aviation Commercial Management	In 2021, a variance of \$142,500 in gross sales was reported between the externally audited financial statements and the amount previously reported to the Port. We also identified differences between point-of-sale revenue and the general ledger.	No update requested for this audit period. Follow up will be performed prior to June 30, 2024.
Performance	Airport Parking Garage	Medium	6/1/2024	11/30/2023	104	-80	Director, Airport Operations	Complimentary Parking – Controls to deactivate complimentary parking cards at the end of lease agreements, were not functioning as intended. From a sample of ten, we identified one terminated lessee whose parking card was still active and continued to be used.	The Transportation Access Program Manager is project managing each recommendation to ensure the right staff are working on the appropriate issue in a timely fashion and documenting progress for management. All four recommended items are being worked on towards individual, target completion dates.
Performance	Airport Parking Garage	Medium	11/30/2024	11/30/2023	104	-262	Director, Airport Operations	Complimentary Parking – Controls to deactivate complimentary parking cards at the end of a 12-month duration (unless reapplied and renewed), for contractors, consultants, and airline workers, were not functioning as intended. Online request forms were not used or, if used, some were incomplete or inaccurately reflected in the parking system.	The Transport Access Program Manager is project managing each recommendation to ensure the right staff are working on the appropriate issue in a timely fashion and documenting progress for management. All four recommended items are being worked on towards individual, target completion dates.
IT	Network Infrastructure Management (AVM)	Medium	12/31/2026	12/8/2023	96	-1023	Director, Aviation Maintenance	Security Sensitive – Exempt from Public Disclosure per RCW 42.56.420 – Issues Not Discussed in Public Session	
Capital	Concourse A Building Expansion for Lounges - Delta TRA	Medium	9/24/2025	3/13/2024	0	-560	Chief Engineer/Director, Engineering Services Director Aviation Project Management Director Aviation & Business Properties	Hensel Phelps' request for Reimbursement Submittal (RSS) for General Requirements did not include adequate supporting documentation.	Report was just issued.
Capital	Concourse A Building Expansion for Lounges - Delta TRA	Medium	12/18/2024	3/13/2024	0	-280	Chief Engineer/Director, Engineering Services Director Aviation Project Management Director Aviation & Business Properties	The Port has an opportunity to revise its procedures on future TRA projects in order to decrease the potential of reimbursing unallowable or duplicate costs within General Conditions.	Report was just issued.