

START OF TRANSCRIPT

[00:00:27] I'M GOING TO KICK US OFF. THIS IS COMMISSIONER CALKINS
[00:00:31] CALLING TO ORDER THE PORT OF SEATTLE AUDIT COMMITTEE MEETING. TODAY IS THURSDAY,
[00:00:35] DECEMBER 10, 2020 AND THE TIME IS 1:31
[00:00:40] P.M. WE ARE MEETING REMOTELY TODAY VIA
[00:00:44] THE TEAM'S PLATFORM TO COMPLY WITH THE GOVERNOR'S SAFE START STAY HEALTHY
[00:00:48] ORDER AND IN ACCORDANCE WITH PROCLAMATION 2028. PRESENT
[00:00:52] WITH ME TODAY ARE COMMITTEE MEMBERS COMMISSIONER STEPHANIE BOWMAN AND PUBLIC MEMBER
[00:00:56] CHRIS GERKE. WILL THE CLERK PLEASE CALL THE ROLE TO ENSURE
[00:01:00] ALL COMMITTEE MEMBERS ARE ON THE LINE? I WILL DO. I'M BEGINNING
[00:01:04] WITH COMMISSIONER BOWMAN. PRESENT. THANK YOU.
[00:01:07] PUBLIC MEMBER CHRISTINA GORKY.
[00:01:12] HELLO I'M HERE. THANK YOU. AND THEN OF COURSE, WE HAVE COMMISSIONER
[00:01:17] CALKINS. WE DO HAVE A FULL QUORUM. THANK YOU, CLERK
[00:01:20] HART. AS THIS IS A VIRTUAL MEETING WE HAVE MADE SPECIAL ARRANGEMENTS TO PROVIDE FOR
[00:01:24] REMOTE PARTICIPATION FOR ALL OF OUR STAFF, OUTSIDE, PRESENTERS, AND COMMITTEE MEMBERS.
[00:01:29] ALSO PLEASE NOTE THAT ALL VOTES, COMMENTS AND QUESTIONS TODAY
[00:01:33] WILL BE TAKEN BY A ROLL CALL METHOD AS A RESULT OF OUR VIRTUAL ENVIRONMENT.
[00:01:37] TO BE EQUITABLE WE'LL ASK ALL COMMITTEE MEMBERS TO SPEAK IN TURN AND
[00:01:40] WAIT TO BE RECOGNIZED BEFORE SPEAKING AS MUCH AS POSSIBLE. TO
[00:01:45] MAKE THIS MEETING MORE ACCESSIBLE TO THE PUBLIC THIS MEETING IS BEING LIVE STREAMED AND
[00:01:49] DIGITALLY RECORDED AND MAY BE VIEWED OR HEARD AT ANY TIME ON THE PORT'S
[00:01:53] WEBSITE. THE FIRST ORDER OF BUSINESS IS APPROVAL OF THE MINUTES FROM THE
[00:01:58] SEPTEMBER 24, 2020 AUDIT COMMITTEE MEETING. ARE THERE ANY CORRECTIONS
[00:02:02] TO THE MINUTES?
[00:02:07] ALL RIGHT, IS THERE A MOTION AND A SECOND TO APPROVE
[00:02:11] THE MINUTES? SO MOVED. AND I'LL SECOND,
[00:02:16] THAT COMMITTEE MEMBERS. THE QUESTION IS ON APPROVAL OF
[00:02:19] THE MINUTES. PLEASE SAY YES OR NO WHEN YOUR NAME IS CALLED. BEGINNING
[00:02:24] WITH COMMISSIONER BOWMAN. AYE. THANK YOU. COMMISSIONER
[00:02:27] CALKINS. AYE. THANK YOU. YOU HAVE TWO YESES AND ZERO NOES. ALRIGHT,
[00:02:32] THE MINUTES ARE APPROVED AS PRESENTED. OUR NEXT
[00:02:37] ITEM OF BUSINESS IS EXTERNAL AUDITS AND THE TOPIC IS 2020 AUDIT ENGAGEMENT
[00:02:41] SERVICE PLAN FROM MOSS ADAMS. PRESENTERS, PLEASE UNMUTE YOURSELVES.
[00:02:46] COMMITTEE MEMBERS WILL REMAIN MUTED UNTIL THE PRESENTATION IS COMPLETE. AT
[00:02:50] THAT TIME, I WILL CALL ON EACH OF YOU TO ASK QUESTIONS OR MAKE COMMENTS.
[00:02:53] GLENN FERNANDEZ, WILL YOU PLEASE INTRODUCE THIS ITEM AND OUR PRESENTERS.
[00:02:57] YES, OUR SPEAKERS TODAY ARE OLGA DARLINGTON,
[00:03:01] THE AUDIT PARTNER AT MOSS ADAMS AND ANNA WALDRON, THE AUDIT MANAGER.
[00:03:05] THEY'LL BE PRESENTING THE 2020 AUDIT ENTRANCE PRESENTATION
[00:03:10] WHICH IS ESSENTIALLY THE OPENING MEETING. AND WITH
[00:03:14] THAT, OLGA AND ANNA I'LL HAND IT TO YOU. AND AS YOU
[00:03:18] NEED LAWRENCE TO SWITCH SLIDES, JUST SAY NEXT SLIDE, PLEASE.
[00:03:22] THANK YOU, GLENN. GOOD AFTERNOON COMMISSIONERS.
[00:03:26] IF WE COULD PLEASE GO AHEAD AND ADVANCE TO
[00:03:30] THE NEXT SLIDE. SO IT'S THAT TIME OF THE YEAR AGAIN. WE'RE BACK
[00:03:34] FOR ANNUAL AUDIT. WE STARTED OUR PLANNING PROCESS AND PERFORMANCE
[00:03:39] PROCEDURES A LITTLE BIT EARLIER LAST MONTH.
[00:03:43] SO I'M HERE TO ONCE AGAIN, PRESENT YOU WITH THE AUDIT SERVICE PLAN.
[00:03:48] THIS IS A SHORT PRESENTATION AND IS A SUMMARY OF A LENGTHIER
[00:03:53] DOCUMENT THAT PROBABLY IS INCLUDED IN YOUR AUDIT PACKETS THAT'S
[00:03:57] IN MUCH MORE DETAIL DESCRIBING THE PROCEDURES THAT WE'RE PLANNING
[00:04:01] TO PERFORM DURING THIS YEAR'S AUDIT. SO I'LL TALK REALLY
[00:04:05] QUICKLY ABOUT THE MOSS ADAMS TEAM, REINTRODUCE IT TO YOU IF YOU WILL.
[00:04:09] WE'LL TALK ABOUT THE SERVICES THAT WE WILL PROVIDE AND DELIVERABLES
[00:04:13] THAT WE'RE PLANNING ON PROVIDING AT THE END OF THE AUDIT, WE'LL TALK
[00:04:17] ABOUT RESPONSIBILITIES, DISCUSS THE TIMELINE, AND THE AUDIT
[00:04:21] PROCESS, AND TALK ABOUT SOME OF THE AREAS OF THE AUDIT FOR
[00:04:25] FOCUS FOR THIS PARTICULAR YEAR CONSIDERING HOW DIFFERENT
[00:04:29] IT IS. SO IF WE GO TO THE NEXT SLIDE WE'LL TALK ABOUT AS
[00:04:34] I MENTIONED REINTRODUCING THE CLIENT SERVICE TEAM TO YOU.
[00:04:37] MOST OF THESE FACES ARE FAMILIAR WITH MYSELF BEING THE

[00:04:41] LEAD PARTNER AND TAMMY ERICSON BEING THE PC PARTNER AND OF COURSE,
[00:04:45] ANNA WALDRON IS OUR MANAGER WHO IS REALLY THE
[00:04:49] STAR OF THE TEAM MAKING SURE THAT THINGS GO SMOOTHLY AS WE PERFORM
[00:04:53] THE AUDIT. THE NEW TEAM MEMBER THIS YEAR IS MAX JASPER. HE IS
[00:04:57] JOINING US ON THE IT TEAM. EVERY YEAR WE BRING NEW PEOPLE TO OUR TEAM
[00:05:01] JUST TO MAKE SURE WE KEEP THAT FRESH PERSPECTIVE FROM THE STANDPOINT OF
[00:05:05] AUDITING AND JUST COMMUNICATING WITH THE CLIENTS AND PERFORMING PROCEDURES.
[00:05:09] SO THIS YEAR ON THE IT TEAM, OUR LEADER HAS CHANGED AND IT'S
[00:05:13] NOW MAX. IF WE GO TO THE NEXT SLIDE, WE DIDN'T
[00:05:17] WANT TO STOP JUST SHOWING YOU THE LEADERSHIP. WE DO HAVE A MUCH BIGGER
[00:05:21] TEAM THAT MAKES THINGS HAPPEN AND REALLY DOES ALL OF THE HEAVY LIFTING WITH
[00:05:25] RESPECT TO THE AUDIT BUT THERE'S A PARTICULAR COUPLE OF PEOPLE ON THIS SLIDE THAT
[00:05:29] I WANTED TO HIGHLIGHT TO THE MEMBERS OF THE COMMITTEE
[00:05:33] AND THAT'S FIONA DANG WHO IS WITH BRANCH
[00:05:37] RICHARDSON COMPANY AND CARMELLE MARESCOT PALOMINO
[00:05:40] WHO IS WITH MARCO PALOMINO AND ASSOCIATES.
[00:05:44] THE REASON I WANT TO HIGHLIGHT THESE TWO INDIVIDUALS IS THAT WE ARE
[00:05:49] KEEPING OUR PROMISE TO THE PORT, TO MANAGEMENT, AND THE COMMISSIONERS
[00:05:54] WITH RESPECT TO PARTNERING WITH SMALLER BUSINESSES AND PROVIDE
[00:05:58] OPPORTUNITIES TO SMALLER BUSINESS INDIVIDUALS TO JOIN
[00:06:02] OUR AUDIT TEAM AND BE PART OF THE AUDIT AND PROVIDING SERVICES TO THE PORT.
[00:06:06] SO, FIONA DAN WITH BRANCH RICHARD HAS BEEN OUR
[00:06:10] PARTNER FOR ABOUT SEVEN YEARS. CARMELLE JOINED
[00:06:15] OUR TEAM LAST YEAR AND ONCE AGAIN, BOTH OF THEM WILL BE RETURNING
[00:06:19] TO BE PART OF OUR AUDIT TEAM THIS COMING YEAR.
[00:06:22] IF WE GO TO THE NEXT SLIDE.
[00:06:26] OKAY. THERE IS A WHOLE LOT,
[00:06:30] A LARGE NUMBER OF DELIVERABLES THAT WE PROVIDE AS A RESULT OF THE AUDIT.
[00:06:33] THE FIRST ONE OF COURSE IS THE REPORT ON THE FINANCIAL STATEMENTS
[00:06:37] OF THE PORT WHICH INCLUDES ENTERPRISE
[00:06:42] FUND AND FIDUCIARY FUNDS. FIDUCIARY FUND BEING JUST THE WAREHOUSEMEN'S
[00:06:46] PENSION TRUST FUND. IN ADDITION TO THAT, THERE ARE SEVERAL COMPLIANCE
[00:06:51] REPORTS AND ONE ON INTERNAL CONTROLS WHICH IS ISSUED UNDER
[00:06:55] GOVERNMENT AUDITING STANDARDS. ONE ON SCHEDULE OF
[00:06:59] EXPENDITURES OF FEDERAL AWARDS. THIS ONE IS FOR ALL OF THE GRANTS
[00:07:03] THE PORT RECEIVES FROM FEDERAL GOVERNMENT AND IT'S REPORTED
[00:07:08] UNDER UNIFORM AND GUIDANCE. THE BIGGER
[00:07:12] PART OF THE AUDIT THIS YEAR IN PARTICULAR UNDER UNIFORM
[00:07:16] GRANT GUIDANCE WILL BE WITH RESPECT TO THE CARES ACT FUNDING
[00:07:20] THAT THE PORT HAS RECEIVED EARLIER THIS YEAR.
[00:07:24] ADDITIONAL COMPLIANCE REPORT ON SCHEDULED PASSENGER
[00:07:28] FACILITY CHARGE PROGRAM RECEIVED AND EXPENDITURE. AND THERE'S
[00:07:31] TWO SEPARATES AGREED UPON PROCEDURES ENGAGEMENTS THAT
[00:07:35] WE PERFORM WITH RESPECT TO DEPARTMENT OF ECOLOGY AND
[00:07:39] ENVIRONMENTAL PROTECTION AGENCY. SO QUITE A FEW THINGS
[00:07:43] GOING ON.
[00:07:47] AS I MENTIONED, WE STARTED OUR AUDIT IN SEPTEMBER
[00:07:51] AND ALL OF THESE WILL BE COMPLETED AND DELIVERED BY THE END OF MAY.
[00:07:54] IF WE GO TO THE NEXT SLIDE.
[00:07:58] JUST A QUICK HIGHLIGHT ABOUT THE
[00:08:02] RESPONSIBILITIES OF THE AUDITOR AND MANAGEMENT. OF COURSE WE AS AUDITORS
[00:08:07] ARE REQUIRED TO ISSUE AN OPINION ON THE FINANCIAL STATEMENTS WHICH ARE
[00:08:12] MANAGEMENT'S RESPONSIBILITY. AS ALWAYS, MANAGEMENT HAS TAKEN
[00:08:16] THE RESPONSIBILITY VERY SERIOUSLY. SO WE REALLY JUST
[00:08:19] REALLY FOCUS ON PROVIDING THE AUDIT SERVICES RATHER THAN TAKING
[00:08:24] RESPONSIBILITY FOR ANY OF THE NUMBERS OR ANY OF THE REPORTING. WE WILL
[00:08:30] BE LOOKING AT INTERNAL CONTROLS AS PART OF OUR AUDIT, OF COURSE, AND PROVIDING
[00:08:34] ANY RECOMMENDATIONS OR ANY COMMENTS ON INTERNAL CONTROLS
[00:08:38] IF WE IDENTIFY ANYTHING. AND OF COURSE, AT THE END OF OUR AUDIT, WE WILL
[00:08:43] COME BACK TO YOU AND REPORT ON RESULTS OF THE AUDIT AND ANY FINDINGS
[00:08:47] IF WE HAVE ANY AT THAT TIME. IF WE ADVANCE TO
[00:08:51] THE NEXT SLIDE. I'M GOING TO PASS THE
[00:08:56] MICROPHONE IF YOU WILL TO ANNA WOLDEN, WHO WALK US THROUGH THE NEXT COUPLE OF

[00:08:59] SLIDES FOCUSING REALLY ON THE AUDIT EFFORT ITSELF. ANNA?
[00:09:05] THANKS OLGA SO, NEXT, WE HAVE A BRIEF OVERVIEW OF OUR TIMELINE
[00:09:08] FOR THE 2020 AUDIT. TIMING IS CONSISTENT WITH PRIOR
[00:09:12] YEAR. THE MAIN CHANGE IS REALLY THAT WE'LL BE PERFORMING OUR FIELD
[00:09:16] WORK, THE EXPECTATION IS 100% REMOTE THIS YEAR. DURING
[00:09:22] SEPTEMBER AND OCTOBER WE DID WORK WITH MANAGEMENT TO COMPLETE OUR AUDIT
[00:09:26] PLANNING AS WELL AS OUR INTERIM TESTING PROCEDURES WHICH
[00:09:30] MAINLY HAD TO FOCUS ON OUR ASSESSMENT OF INTERNAL CONTROLS.
[00:09:33] THEN DURING MARCH AND APRIL, WE'LL BE COMPLETING OUR FINAL AUDIT
[00:09:38] FIELD WORK FOR THE FINANCIAL STATEMENTS, THE SINGLE AUDIT TESTING, AS
[00:09:43] WELL AS THE PASSENGER FACILITY CHARGE AUDIT AND WE'LL BE ISSUING
[00:09:47] OUR OPINIONS FOR THOSE REPORTS NO LATER THAN APRIL 30TH. SUBSEQUENTLY
[00:09:53] IN MAY AND JUNE WE'LL BE COMPLETING OUR TWO AGREED UPON PROCEDURE
[00:09:58] ENGAGEMENTS REGARDING THE EPA AND DEPARTMENT OF ECOLOGY AND WE'LL
[00:10:02] REPORT BACK TO YOU A SUMMARY OF OUR AUDIT RESULTS. AND IF
[00:10:06] WE CAN GO TO THE NEXT SLIDE, PLEASE.
[00:10:10] SO, PRIOR TO THE START OF OUR AUDIT, WE ALWAYS PERFORM OUR
[00:10:14] PLANNING AND RISK ASSESSMENT PROCEDURES. WHEN ASSESSING FOR AUDIT
[00:10:18] RISK OUR MAIN FOCUS IS ON THE RISK OF MATERIAL MISSTATEMENT IN
[00:10:22] THE FINANCIAL STATEMENTS AND THIS INVOLVES AN ASSESSMENT OF INHERENT
[00:10:27] RISK, CONTROL RISK, AND DETECTION RISK, AS
[00:10:31] WELL AS A CONSIDERATION OF AREAS THAT COULD BE SUSCEPTIBLE TO FRAUD.
[00:10:36] OUR AUDIT IS DESIGNED TO PROVIDE REASONABLE RATHER THAN ABSOLUTE ASSURANCE
[00:10:41] THAT THE CONSOLIDATED FINANCIAL STATEMENTS ARE FREE FROM MATERIAL MISSTATEMENT
[00:10:45] THAT'S BECAUSE OUR PROCEDURES ARE PERFORMED ON A SAMPLE BASIS AND WE AREN'T
[00:10:50] TESTING 100% OF ACTIVITY FOR THE PORT.
[00:10:53] AND BASED ON THE RESULTS OF OUR RISK ASSESSMENT THAT'S REALLY HOW WE
[00:10:57] SET OUR AUDIT SCOPE AND APPROACH FOR THE YEAR.
[00:11:00] NEXT SLIDE, PLEASE.
[00:11:05] SO ONCE OUR PLANNING PROCESS IS COMPLETE, REALLY,
[00:11:09] THE BULK OF OUR TIME IS SPENT ON PERFORMING OUR TESTING PROCEDURES WHICH
[00:11:14] INVOLVES TESTING INTERNAL CONTROLS AS WELL AS PERFORMING BOTH ANALYTICAL
[00:11:19] AND SUBSTANTIVE TESTING PROCEDURES. SO OUR FOCUS ON
[00:11:24] INTERNAL CONTROLS IS REALLY AROUND THE BUSINESS PROCESS CYCLES
[00:11:27] THAT CARRY MORE INHERENT RISK. SO FOR
[00:11:31] THE PORT, OUR FOCUS IS ON IT GENERAL AND APPLICATION CONTROLS, REVENUE, DISBURSEMENTS,
[00:11:37] PAYROLL, FINANCIAL CLOSING REPORTING AND THEN OF COURSE
[00:11:40] COMPLIANCE WITH FEDERAL AWARDS AND THE PFC AUDIT GUIDE.
[00:11:45] OUR ANALYTICAL TESTING PROCEDURES INVOLVED THE USE
[00:11:49] OF HISTORICAL TRENDS, BUDGETS, OTHER PERTINENT INFORMATION
[00:11:53] WE CAN USE TO FORM IN AN INDEPENDENT EXPECTATION AND COMPARE THAT TO
[00:11:57] ACTUAL RESULTS.
[00:12:01] THE MAIN TESTING AREAS WHERE WE UTILIZE ANALYTICAL PROCEDURES
[00:12:05] ARE GOING TO BE IN REVENUE AND EXPENSES. HOWEVER, WE ALSO USE THEM TO GIVE
[00:12:09] A HOLISTIC LOOK AT OVERALL FINANCIAL ACTIVITY FOR THE YEAR. AND
[00:12:14] THEN OUR THIRD TESTING BUCKET IS SUBSTANTIVE TESTING
[00:12:17] PROCEDURES. THIS INCLUDES THINGS LIKE CONFIRMING ACCOUNT BALANCES WITH
[00:12:22] THIRD PARTIES, VOUCHING INFORMATION TO SUPPORTING
[00:12:26] DOCUMENTATION OR EXAMINING OBJECTIVE EVIDENCE, AS
[00:12:30] WELL AS OBTAINING REPRESENTATIONS FROM ATTORNEYS AND MANAGEMENT. AND
[00:12:34] OUR TEST OF DETAILS INVOLVE BOTH RANDOM AND JUDGMENTAL SAMPLING METHODOLOGIES.
[00:12:40] NEXT SLIDE, PLEASE.
[00:12:44] OKAY,
[00:12:48] DID YOU GO TO THE NEXT SLIDE. SORRY, IT MIGHT BE FROZEN FOR ME.
[00:12:52] BUT ON SLIDE 10 WE'VE CALLED OUT OUR MAIN AREAS
[00:12:56] OF EMPHASIS FOR OUR 2020 AUDIT.
[00:12:59] INTERNAL CONTROL TESTING IS GOING TO BE A CONTINUED AREA OF EMPHASIS FOR
[00:13:03] US EACH YEAR AS IT HELPS TO INFORM OUR OVERALL RISK ASSESSMENT OF
[00:13:08] THE ENTITY. AND THEN ADDITIONALLY JUST GIVEN THE ORGANIZATION
[00:13:12] TRANSITION TO A MOSTLY REMOTE WORK ENVIRONMENT DURING THE
[00:13:16] YEAR, AN IMPORTANT ASPECT OF OUR INTERNAL CONTROL ASSESSMENT
[00:13:20] THIS YEAR IS JUST DETERMINING IF THERE WAS ANY SIGNIFICANT DISRUPTION TO THE
[00:13:24] INTERNAL CONTROL ENVIRONMENT AS A RESULT OF THAT. AND

[00:13:28] THEN ADDITIONALLY NEW THIS YEAR WE'LL BE TESTING THE PORT'S
[00:13:32] COMPLIANCE WITH THE GRANT REQUIREMENTS OF THE CARES ACT FUNDS THAT WERE RECEIVED
[00:13:37] DURING THE YEAR. THIS WILL ROLL INTO OUR SINGLE AUDIT COMPLIANCE TESTING
[00:13:41] OF THE AIRPORT IMPROVEMENT FEDERAL PROGRAM WHICH
[00:13:45] WAS SELECTED AS A MAJOR PROGRAM THIS YEAR. AND NOW I'LL
[00:13:49] TURN IT BACK OVER TO OLGA.
[00:13:53] THANK YOU, ANNA. ONE ITEM I WANTED
[00:13:57] TO HIGHLIGHT WHEN WE ARE TALKING ABOUT FIELD WORK AND HOW WE WOULD BE PERFORMING
[00:14:00] AUDIT PROCEDURES IS WE HAVE STARTED AND
[00:14:04] PERFORMED OUR INTERIM WORK LAST MONTH
[00:14:06] ENTIRELY REMOTELY. THAT IS MOST LIKELY GOING TO BE
[00:14:10] PLANNED FOR FINAL FIELD WORK AS WELL.
[00:14:13] WE HAVE BEEN PERFORMING AUDITS REMOTELY FOR THE PAST 8 OR 9 MONTHS.
[00:14:17] SO IT'S WORKING OUT QUITE
[00:14:20] WELL WITH MANY OF OUR CLIENTS BUT NOT WITHOUT IT'S CHALLENGES CERTAINLY
[00:14:25] BUT WE'RE CONFIDENT THAT EVERYTHING IS GOING TO GO ACCORDING TO PLAN.
[00:14:29] DURING INTERIM WORK THE PORT STAFF WAS VERY HELPFUL AND VERY RESPONSIVE
[00:14:33] TO ANY AND ALL OF OUR QUESTIONS AND REQUESTS. SO WE DON'T ANTICIPATE
[00:14:37] TO HAVE ANY DELAYS AS A RESULT OF THIS NEW AND DIFFERENT
[00:14:41] WAY OF AUDITING. SO IF WE GO TO THE NEXT SLIDE,
[00:14:45] I THINK I JUST HAVE A LAST COUPLE OF REMINDERS THAT
[00:14:51] OUR RELATIONSHIP WITH THE AUDIT COMMITTEE IS THAT WE SEE
[00:14:55] YOU AS THOSE CHARGED WITH GOVERNANCE. AS I MENTIONED, WE WILL COME BACK
[00:14:58] AT THE END OF THE AUDIT TO REPORT THE FINDINGS OR ANY RESULTS
[00:15:02] OF THE AUDIT, WE DO HOPE THAT THIS COULD BE A TWO WAY
[00:15:06] COMMUNICATION SO IF YOU HAVE QUESTIONS OR CONCERNS OR ANYTHING ELSE BETWEEN NOW AND
[00:15:11] THE TIME THAT WE COME BACK TO REPORT ON THE AUDIT, YOU CAN FEEL FREE
[00:15:14] TO REACH OUT TO ANY ONE OF US ON THE AUDIT
[00:15:18] LEADERSHIP TEAM AND WE CAN ADDRESS THOSE CONCERNS
[00:15:23] OR QUESTIONS AS PART OF THE AUDIT.
[00:15:27] ALL RIGHT, SO IF WE GO TO THE NEXT SLIDE, I
[00:15:30] THINK THAT'S WHERE WE HAVE THE AUDIT LEADERS TEAM
[00:15:34] CONTACT INFORMATION SHOULD YOU REACH OUT OR
[00:15:38] DECIDE TO REACH OUT OR HAVE ANY QUESTIONS AFTER TODAY'S PRESENTATION. BUT AT THIS
[00:15:42] POINT I'M HAPPY TO TAKE ANY OTHER QUESTIONS FROM THE AUDIT
[00:15:46] COMMITTEE. THANK YOU, OLGA AND ANNA
[00:15:50] FOR YOUR. PRESENTATION COMMITTEE MEMBERS, CAN YOU PLEASE UNMUTE YOURSELVES
[00:15:54] FOR QUESTIONS AND COMMENTS, AND CLERK HART YOU PLEASE CALL
[00:15:59] THE ROLE? THANK YOU, AND WE ARE BEGINNING
[00:16:03] WITH COMMISSIONER BOWMAN. HI, I DON'T HAVE ANY
[00:16:07] QUESTIONS. I THINK YOU DID A REALLY EXCELLENT JOB OF SPECIFICALLY
[00:16:11] DESCRIBING THE AUDIT PROCESS AND WHAT YOU LOOK AT. OBVIOUSLY THOSE
[00:16:14] OF US ON THE COMMITTEE ARE FAMILIAR WITH THIS, BUT I THINK IT'S VERY HELPFUL
[00:16:17] FOR THE PUBLIC TO UNDERSTAND WHAT YOUR ROLE IS. SO LOOK FORWARD
[00:16:21] TO WORKING WITH YOU ALL. THANK YOU, COMMISSIONER BOWMAN.
[00:16:25] CHRISTINE GERKE. I JUST HAD A COUPLE OF
[00:16:29] QUESTIONS ON THE RISK ASSESSMENT. THE FIRST
[00:16:34] PART IS WITH 2020 IT SEEMS LIKE A MAJORITY OF THE
[00:16:38] YEAR IS GOING TO BE UNDER THIS NEW REMOTE ENVIRONMENT. DID THAT CHANGE
[00:16:42] THE INHERENT RISK ASSESSMENT ON THE PORT COMPARED TO
[00:16:45] PREVIOUS YEARS?
[00:16:49] IT DID. ANNA ALLUDED
[00:16:54] TO THE CHANGE IN OUR PROCESSES A LITTLE BIT IN A SENSE THAT WE'RE
[00:16:58] LOOKING A LOT MORE CLOSELY INTO INTERNAL CONTROLS AND PROCESSES IN
[00:17:02] GENERAL OF THE ORGANIZATION GIVEN THE FACT
[00:17:07] THAT A LOT OF EMPLOYEES ARE WORKING FROM HOME OR THERE'S JUST A DIFFERENT
[00:17:10] ENVIRONMENT. WE'RE LOOKING CLOSELY INTO THOSE INTERNAL CONTROLS TO
[00:17:15] MAKE SURE THAT THERE'S NO BREAKDOWN, AND THEN ON THE AUDIT SIDE,
[00:17:18] OF COURSE, WE WILL BE INTRODUCING ADDITIONAL SURPRISE
[00:17:23] PROCEDURES AND JUST ADDITIONAL TESTS JUST TO ADDRESS
[00:17:27] THAT RISK. SO IN YOUR INTERIM WORK, DID YOU SEE,
[00:17:32] I'M SURE YOU PROBABLY ALREADY STARTED LOOKING AT THE DIFFERENT
[00:17:35] CONTROLS THAT WERE PUT IN PLACE TO ADDRESS THE NEW ENVIRONMENT. I GUESS I

[00:17:39] JUST, WAS THERE A LOT THAT WOULD CHANGE OR WERE DIFFERENT
[00:17:43] FROM PREVIOUS YEARS? WE FOUND
[00:17:47] THAT CERTAINLY THERE WERE SOME CHANGES BUT NOTHING TO CHANGE THE STRUCTURE AND
[00:17:51] THE PROCESS IN A WAY THAT WOULD COMPROMISE THE
[00:17:55] CONTROL ITSELF OR CONTROL STRUCTURE. SO THERE'S
[00:18:00] A LOT OF ELECTRONIC CONTROLS THAT HAVE BEEN IMPLEMENTED AND JUST ARE COMPLEMENTARY,
[00:18:05] IF YOU WILL, CONTROLS. WE DID NOT
[00:18:09] IDENTIFY ANY, LIKE I SAID, ANY BREAKDOWN IN CONTROLS OR ANYTHING SIGNIFICANT
[00:18:14] TO REPORT TO YOU AS OF THE INTERIM WORK. AS OF NOW THERE'S A FEW
[00:18:18] RECOMMENDATIONS THAT WE HAD DISCUSSED WITH MANAGEMENT AND ARE FOLLOWING UP ON.
[00:18:22] THANK YOU. THANK YOU. MOVING
[00:18:26] TO COMMISSIONER CALKINS. JUST A COMMENT TO SAY OLGA
[00:18:31] I APPRECIATE YOUR MENTIONING THAT MAX IS NEW TO THE
[00:18:35] TEAM AND A FRESH SET OF EYES FOR IT. AND AT THE SAME TIME,
[00:18:39] I FEEL COMFORTED BY THE FACT THAT YOU AND ANNA ARE FAMILIAR
[00:18:43] FACES TO ME FROM PREVIOUS REPORTS AND HAVING THAT CONTINUITY UNDERSTANDING THE
[00:18:49] IDIOSYNCRASIES OF THE PORT, I THINK IS BENEFICIAL TOO. SO THAT'S A NICE BALANCE
[00:18:52] BETWEEN FRESH EYES AND FOLKS WHO HAVE BEEN AROUND THE BLOCK
[00:18:56] WITH US BEFORE. ANY FURTHER QUESTIONS OR COMMENTS BEFORE
[00:19:00] WE MOVE ON? THANK YOU SO MUCH,
[00:19:04] TEAM FROM MOSS ADAMS, FOR YOUR UPDATES AND WE LOOK FORWARD
[00:19:09] TO FUTURE COMMUNICATIONS. THANK YOU
[00:19:12] AND HAPPY HOLIDAYS TO ALL. YOU, TOO. MOVING
[00:19:18] TO UPDATES AND APPROVALS. OUR NEXT ITEM IS THE EXTERNAL AUDIT
[00:19:22] SERVICES CONTRACT EXTENSION FOR 2021. COMMITTEE MEMBERS WILL
[00:19:26] REMAIN MUTED UNTIL THE PRESENTATION IS COMPLETE. AT THAT TIME I WILL CALL ON EACH
[00:19:30] OF YOU TO ASK QUESTIONS OR OFFER COMMENTS. ACTION IS REQUESTED
[00:19:35] TODAY ON THIS ITEM. MR RUDY KALUZA I SEE YOU THERE.
[00:19:38] DIRECTOR OF ACCOUNTING AND FINANCIAL REPORTING IS PRESENTING. MR. KALUZA
[00:19:42] YOU HAVE THE FLOOR. THANK YOU. I'M
[00:19:46] RUDY KALUZA, DIRECTOR OF ACCOUNTING AND FINANCIAL REPORTING. AND THANK YOU TO
[00:19:50] OUR AUDIT COMMITTEE FOR THE OPPORTUNITY TO PRESENT TO YOU THIS AFTERNOON.
[00:19:54] WE RESPECTFULLY REQUEST AUTHORIZATION FOR THE EXECUTIVE DIRECTOR
[00:19:58] TO EXTEND THE CURRENT EXTERNAL AUDIT SERVICE CONTRACT WITH
[00:20:01] MOSS ADAMS FOR ONE ADDITIONAL YEAR THROUGH MAY 2022.
[00:20:05] THIS WILL COVER THE AUDIT OF THE PORTS 2021 FINANCIAL
[00:20:10] PERIOD. THE CURRENT EXTERNAL AUDIT SERVICES CONTRACT COVERS FINANCIAL
[00:20:14] PERIODS 2016 THROUGH THIS YEAR, 2020. EXTENDING
[00:20:19] THE CONTRACT WILL ENABLE DEFERRING FOR ONE YEAR ISSUANCE OF A REQUEST FOR PROPOSAL TO
[00:20:23] ESTABLISH A NEW FIVE YEAR AUDITORS CONTRACT. AND THE REASON BEING IS THAT WE
[00:20:27] ARE IN A PANDEMIC SITUATION. WE EXPECT THE PANDEMIC AND ASSOCIATED CHALLENGES
[00:20:31] TO EXTEND WELL INTO 2021. THEN THIS ACTION SUPPORTS TO
[00:20:36] ENSURE WE HAVE A WELL VETTED DECISION PROCESS TO SELECT THE PORT'S INDEPENDENT EXTERNAL
[00:20:40] AUDITOR FOR THE NEXT FIVE YEAR CONTRACT. CHALLENGES, FOR EXAMPLE,
[00:20:44] WE'RE TRYING TO MITIGATE INCLUDE ONBOARDING NEW AUDITORS, ADMINISTERING
[00:20:49] THE SUBSTANTIAL FOCUS DURING THE INITIAL YEAR RAMP UP AND COORDINATION BETWEEN
[00:20:53] THE PORT AND THE AUDITORS, AND SUPPORTING THE DEPTH AND BREADTH OF
[00:20:57] THE AUDIT DURING THE COURSE OF THEIR FIELD WORK ALL IN A REMOTE ENVIRONMENT
[00:21:01] SHOULD A NEW CERTIFIED ACCOUNTING FIRM BE SELECTED.
[00:21:07] MOSS ADAMS. WE WILL HAVE DEVELOPED A TRIED
[00:21:10] AND TRUE METHOD IN TERMS OF REMOTE WORK IN TERMS OF THE EXTERNAL AUDITOR
[00:21:15] AND PORT COLLABORATION. THAT WILL CONTINUE INTO THE EXTENDED
[00:21:18] PERIOD SHOULD BE AUDIT COMMITTEE SO APPROVE. THE PORT OF SEATTLE IS
[00:21:23] MULTIFACETED. WE HAVE A DIVERSE BUSINESS FOCUS.
[00:21:26] THIS ADDS COMPLEXITY TO OUR AUDITS AND IT IS IMPORTANT
[00:21:29] TO ENSURE THAT WE HAVE A WELL INFORMED INDEPENDENT AUDIT. AND
[00:21:33] I ALSO LIKE TO NOTE THAT TO SUPPORT THE PORT'S CURRENT FINANCIAL CHALLENGES
[00:21:37] EARLIER THIS YEAR FOR THE 2020 AUDIT, MOSS ADAMS OFFERED
[00:21:41] TO AND THE PORT GLADLY ACCEPTED NOT EXERCISING THEIR ANNUAL COST ESCALATION
[00:21:45] CLAUSE THAT THEY ARE ENTITLED TO PER THE CURRENT CONTRACT. IN ADDITION,
[00:21:49] THEY PROACTIVELY FOUND WAYS TO REDUCE CHARGES FOR VARIOUS AUDIT COMPONENTS.
[00:21:53] ALSO FOR THE EXTENSION, I PROPOSE FOR CONSIDERATION BY THE
[00:21:57] AUDIT COMMITTEE, MOSS ADAMS WILL AGREE TO KEEP THE AUDIT COST AS REDUCED

[00:22:01] FOR THIS YEAR FLAT FOR GOING INTO THE EXTENSION PERIOD. SO THEREFORE NO INCREASE. AND
[00:22:06] ALSO MOSS ADAMS COMMITTED TO CONTINUE THE WMBE WOMEN MINORITY
[00:22:10] BUSINESS ENTERPRISE PARTICIPATION IN AUDIT SERVICES CONTRACT THROUGH WHICH MUTUAL
[00:22:14] AGREEMENT WE RECENTLY UPPED TO 15%.
[00:22:19] THIS ENABLED ADDING THE OTHER WMBE
[00:22:22] FIRM AS WE SECURED THROUGH OUR PORT GEN PROGRAM, A PRIORITY
[00:22:27] OF THE PORT OF SEATTLE COMMISSION. IF THIS EXTENSION IS APPROVED BY
[00:22:30] THE AUDIT COMMITTEE, WE'LL PROCEED TO SEEK FOR COMMISSION APPROVAL OF THE CONTRACT EXTENSION
[00:22:35] IF THE CONTRACT EXTENSION VALUE REQUIRES COMMISSION ACTION.
[00:22:38] THANK YOU SO MUCH. RESPECTFULLY REQUEST YOUR FAVORABLE CONSIDERATION.
[00:22:43] THANK YOU FOR THE REPORT, RUDY. COMMITTEE MEMBERS,
[00:22:47] PLEASE UNMUTE YOURSELF FOR QUESTIONS AND COMMENTS. PRESENTERS,
[00:22:50] RUDY, YOU CAN REMAIN AUDIBLE. ANY ADDITIONAL QUESTIONS
[00:22:54] FROM COMMISSIONERS? I'LL LET CLERK HART GO THROUGH THE ROLE.
[00:22:58] THANK YOU. COMMISSIONER. BOWMAN,
[00:23:02] NO ADDITIONAL QUESTIONS. I SUPPORT THE
[00:23:06] STAFF'S RECOMMENDATION. IT SEEMS VERY REASONABLE. ONE YEAR
[00:23:09] EXTENSION SEEMS TO BE IN THE PORT'S BEST INTEREST, QUITE FRANKLY.
[00:23:13] AND I JUST WANT TO GIVE MY COMMENDATION TO THE STAFF AND
[00:23:16] OUR AUDITORS OF ALL OF THE WORK TO PERFORM AN
[00:23:21] AUDIT OFFSITE OR VIRTUALLY AS WE LIKE TO SAY THESE DAYS.
[00:23:25] VERY, VERY CHALLENGING. SO IT SEEMS LIKE THE MOST REASONABLE PATH FORWARD AND
[00:23:29] ABSOLUTELY SUPPORT IT. THANK YOU, RUDY. THANK YOU, COMMISSIONER.
[00:23:33] THANK YOU, COMMISSIONER. BOWMAN. MOVING TO MEMBER GERKE.
[00:23:40] WELL, I AGREE WITH THE MANAGEMENT'S RECOMMENDATION, I JUST WANT TO
[00:23:44] VERIFY, IS THERE ANY REGULATORY GUIDANCE THAT
[00:23:47] THIS EXTENSION COULD RESULT IN THE REGULATOR CRITICIZING
[00:23:52] THIS DECISION? THIS IS RUDY KALUZA, ACCOUNTING
[00:23:56] DIRECTOR, NO. THERE IS NO KNOWN. WE ARE FOLLOWING BEST PRACTICES
[00:23:59] WITH REGARDS TO CONTRACT WITH MOSS ADAMS AS IT IS WITH REGARD
[00:24:03] TO A ROTATION OF A PARTNER, MANAGING PARTNER, AS WELL AS NOW ROTATION
[00:24:07] OF THE IT MANAGER AS WELL. SO WITH REGARD
[00:24:11] TO INDEPENDENCE AND INFUSING THAT, AS EMPHASIZED BY COMMISSIONER
[00:24:15] CALKINS, WE ARE EXPERIENCING THAT. THERE'S NOTHING THAT WILL PRECLUDE
[00:24:19] THE ONE YEAR EXTENSION THAT WE'RE ASKING FOR CONSIDERATION AT THIS
[00:24:23] POINT. AND THEN CAN YOU JUST REMIND ME HOW LONG MOSS ADAMS
[00:24:27] HAS BEEN THE AUDITOR OF THE PORT? THIS IS ABOUT THE THIRD FIVE YEAR
[00:24:31] CONTRACT TERM THAT THEY'RE FINALIZING. BUT AGAIN THERE'S
[00:24:35] BEEN AUDIT PARTNER ROTATION. FOR EXAMPLE EVEN
[00:24:39] THE STAR BEINGS OXLEY ACT AS RELATES TO PUBLIC HEALTH COMPANIES DOES NOT REQUIRE ROTATION
[00:24:44] OF AUDIT FIRMS. BASICALLY REQUIRES INDEPENDENCE, DUE
[00:24:49] DILIGENCE AND THAT'S HOW IT'S IMPLEMENTED WITH REGARD TO THE ROTATION OF MANAGING
[00:24:54] PARTNER AS WELL AS OTHER KEY MEMBERS AND MANAGEMENT TO ENSURE THAT THERE'S
[00:24:58] A FRESH SET OF EYES AS REFERENCED BY COMMISSIONER CALKINS. THANK
[00:25:03] YOU, RUDY. THANK YOU. THANK YOU. AND MOVING
[00:25:07] TO COMMISSIONER CALKINS. TWO THINGS. THE FIRST IS
[00:25:11] TO SAY I APPRECIATE THE UNILATERAL
[00:25:16] OFFER TO KEEP COSTS IN CONTROL
[00:25:20] BY OFFERING A CONTINUED RATE FOR 2021
[00:25:24] AND THE DECREASED RATE IN 2020. IT'S MUCH APPRECIATED.
[00:25:28] AS WE DID A SOUP TO NUTS EXAMINATION OF OUR BUDGET THIS YEAR
[00:25:32] TO MAKE SURE WE LIMITED EXPENSES AS MUCH AS POSSIBLE IN A VERY CONSTRAINED
[00:25:36] REVENUE ENVIRONMENT. AND THEN SECOND TO JUST ASK OF
[00:25:41] RUDY AND GLENN TO HAVE A CONVERSATION WITH YOUR PEERS AT
[00:25:45] THE NORTHWEST SEAPORT ALLIANCE. COMMISSIONER BOWMAN AND I JUST JUST
[00:25:49] HAD OUR FINAL MEETING OF THE YEAR WITH THAT COMMITTEE AND THEY'RE CONSIDERING
[00:25:53] A SIMILAR ACTION AND I THINK THEY WOULD BENEFIT FROM THE EXPERIENCE YOU
[00:25:58] GUYS HAVE IN CONSIDERING THIS OPTION OF EXTENDING A CONTRACT
[00:26:02] FOR A YEAR. I THINK TO GET US THROUGH THE PANDEMIC.
[00:26:06] I CAN ANSWER THAT.
[00:26:09] THANK YOU, RUDY. GO AHEAD. IF I CAN BE RECOGNIZED PLEASE.
[00:26:13] THANK YOU. GO AHEAD. SO I HAVE BEEN IN DISCUSSION WITH THE ACCOUNTING DIRECTOR AT NORTHWEST
[00:26:17] SEAPORT ALLIANCE, PORT OF TACOMA AND I HAVE PROVIDED INSIGHT AS TO WHERE THE PORT

[00:26:21] OF SEATTLE IS LANDING. AND THEY ACKNOWLEDGE THE SAME RISK THAT
[00:26:26] THEY ARE TRYING TO MITIGATE. AND WHAT WE'RE TRYING TO DO IS BASICALLY ENSURE IN
[00:26:29] THIS SITUATION THAT'S VERY EXTREME TO US THAT WE'RE
[00:26:33] HAVING TO RELATE WITH EACH OTHER IN A REMOTE ENVIRONMENT. IT'S BETTER TO HAVE A WELL SEASONED
[00:26:37] KNOWLEDGEABLE TEAM OF OUR INSTITUTION THAT THEY WILL BE
[00:26:40] ABLE TO APPLY THIS YEAR SO THEY CAN GO INTO THE DEPTH AND BREADTH
[00:26:45] THAT'S NECESSARY AND EXPECTED OF OUR ELECTED OFFICIALS REGARDING THE SCRUTINY WE PROVIDE
[00:26:49] OVER OUR FINANCIAL AND ACCOUNTING OPERATIONS VERSUS SPENDING
[00:26:53] THAT EFFORT TRYING TO RAMP UP A GREEN SET OF EYES. WE'RE NOT GOING
[00:26:57] TO GET THE DEPTH THAT WE NEED. AND THAT'S THE BASIS ON WHICH I SUPPORTED
[00:27:00] AND RECOMMEND THAT THE ALLIANCE WOULD CONSIDER FOR
[00:27:04] THE COMMISSION AUDIT COMMITTEE, COMBINED MANAGING PARTNERS,
[00:27:09] COMBINED AUDIT COMMITTEE TO CONSIDER AS WELL. SO I HAVE BEEN IN DISCUSSION.
[00:27:13] I DEFINITELY VALUE GLEN'S VIEWPOINTS AND I DEFINITELY
[00:27:17] WILL FOLLOW YOUR ORDER TO PARTNER WITH GLEN TO HAVE THE DISCUSSION
[00:27:21] WITH THE ALLIANCE. THANK YOU. GREAT.
[00:27:24] IT DOES NOT SURPRISE ME AT ALL THAT YOU GUYS ARE OUT AHEAD OF US
[00:27:27] ON THIS. SO THAT'S GREAT.
[00:27:30] AND I SEE A QUESTION FROM DAN THOMAS ASKING
[00:27:34] HAVE WE CLARIFIED WHETHER THIS WILL REQUIRE COMMISSION ACTION. RUDY DO YOU WANT TO
[00:27:38] ANSWER THAT? MY UNDERSTANDING IS IT
[00:27:41] WOULD, BUT WE WOULD REFER TO THE JUDGMENT OF THE AUDIT COMMITTEE.
[00:27:46] ONLY BECAUSE THE DOLLAR VALUE IS 450,000 AND IT'S
[00:27:49] A CONTRACT EXTENSION. SO WE WOULD ASSESS THAT AND VALIDATE
[00:27:53] BACK TO THE AUDIT COMMITTEE. BUT IT WAS OUR INITIAL UNDERSTANDING THROUGH PROCUREMENT THAT
[00:27:57] IT WOULD REQUIRE THAT. AND HOW SOON WOULD
[00:28:02] THE COMMITTEE OR THE COMMISSION NEED TO PROVIDE A [INAUDIBLE]
[00:28:06] WELL AS TIMELY AS POSSIBLE OVER THE NEXT MONTH OR
[00:28:10] SO. WE RESPECT THAT DECEMBER AND JANUARY IS GOING TO BE A TOUGH MONTH BECAUSE
[00:28:14] WE ARE ASKING FOR YOUR CONSIDERATION OF MANY IMPORTANT ACTIONS.
[00:28:18] BUT DEFINITELY WE CAN PRIORITIZE ACCORDING TO YOUR GUIDANCE ON THIS.
[00:28:21] WELL, IF IT'S DEEMED, OBVIOUSLY WE HAVE OUR FINAL
[00:28:25] MEETING OF THE YEAR NEXT TUESDAY, THAT'S PROBABLY TOO QUICK TO TURN AROUND.
[00:28:30] [LAUGHTER]
[00:28:34] MAYBE IT COULD APPEAR ON THE CONSENT AGENDA IN JANUARY FOR
[00:28:38] CONSIDERATION, THE FIRST MEETING. IF IT'S NOT NEEDED SO WE WOULD NOTIFY
[00:28:43] YOU ACCORDINGLY, BUT WE WOULD VET IT FURTHER WITH THE PROCUREMENT IN THERE.
[00:28:50] COMMISSIONER CALKINS? YES.
[00:28:53] THERE MIGHT BE A POSSIBILITY YOU WOULD HAVE TO TELL US THAT
[00:28:57] IF YOU COULD JUST GET A MEMO IF WE COULD JUST
[00:29:01] PROVIDE AUTHORIZATION. I THINK THAT MIGHT GIVE YOU WHAT YOU NEED TO PROCEED,
[00:29:05] RIGHT? THAT WE MIGHT BE ABLE TO DO IT IN THE MEETING ON THE 15TH?
[00:29:08] UP TO YOU. OKAY, THANK YOU. THE MORE EXPEDITIOUS,
[00:29:13] MANNER AND LEAST IMPACTING TO THE COMMISSION, I THINK THAT WOULD BE THE BEST SOLUTION.
[00:29:17] THANK YOU FOR OFFERING THAT AS AN OPTION, COMMISSIONER BOWMAN.
[00:29:21] OKAY, AT THIS TIME, THE CHAIR WILL ENTERTAIN A MOTION TO APPROVE
[00:29:25] ITEM FOUR, THE EXTERNAL AUDIT SERVICES CONTRACT EXTENSION FOR 2021. SO
[00:29:29] MOVED. AND SECONDED. MEMBERS,
[00:29:34] PLEASE SAY YES OR NO WHEN YOUR NAME IS CALLED. THANK YOU. BEGINNING WITH COMMISSIONER
[00:29:39] BOWMAN. YES. THANK YOU. MEMBER GERKE.
[00:29:45] YES. THANK YOU.
[00:29:48] COMMISSIONER CALKINS. YES.
[00:29:51] THANK YOU. OH I'M SORRY,
[00:29:54] THERE ARE TWO YESES 0 NOES. I THINK
[00:29:58] THAT'S WHY THERE WAS A PAUSE. APOLOGIES I'M SO USED TO OUR NORMAL. [LAUGHTER]
[00:30:04] WITH THAT THE MOTION PASSES. TWO YESES. THANK YOU SO MUCH.
[00:30:08] THANK YOU, RUDY, THANK YOU.
[00:30:11] NEXT ON OUR AGENDA IS ITEM NUMBER 5-2020, AUDIT
[00:30:15] PLAN UPDATE, MR FERNANDEZ, YOU HAVE A REPORT? YES, WE DO.
[00:30:19] LAUREN IF YOU COULD PULL UP THE DECK. PERFECT,
[00:30:23] AND PERHAPS MOVE TO THE NEXT SLIDE. COMMISSIONERS,
[00:30:28] ON OUR 2020 AUDIT PLAN, HAPPY REPORT THAT EVERYTHING IN GREEN THAT
[00:30:33] YOU SEE OVER HERE IS COMPLETED. SO WE DID DEFER SEVERAL

[00:30:37] AUDITS THAT ARE IN RED TO 2021 AND WE WILL BE DOING
[00:30:41] THOSE AUDITS. WE DID JUST MOVE THEM OUT DUE TO THE PANDEMIC.
[00:30:46] I WILL NOTE THAT ALTHOUGH WE DID MOVE SOME OUT, WE DID PICK
[00:30:50] UP A FEW ADDITIONAL THINGS ALONG THE WAY THAT
[00:30:54] ARE REFLECTED IN THE GREEN. SO ALL IN ALL WE DID COVER
[00:30:58] A PRETTY COMPREHENSIVE AUDIT PLAN. NEXT SLIDE.
[00:31:04] OUR 2020 AUDIT PLAN, WE ISSUED
[00:31:08] 17 REPORTS, ONE ANALYSIS MEMO AND
[00:31:12] TWO SUMMARY REPORTS SHOWN HERE FOR
[00:31:16] A TOTAL OF 20 REPORTS. I THINK WE DID
[00:31:21] QUITE A FEW ON THE OPERATIONAL SIDE THIS YEAR PRIMARILY BECAUSE
[00:31:24] OF ALL THE CHANGES THAT ARE GOING ON THROUGH THE PANDEMIC
[00:31:29] I'LL TALK ABOUT PHEL IN A LITTLE BIT. AND THE FEMA WORK.
[00:31:34] CAPITAL SIDE, QE TRIMMED DOWN. WE NORMALLY TRY ABOUT FOUR PER YEAR THERE.
[00:31:38] JUST BECAUSE IT SLOWED DOWN TREMENDOUSLY
[00:31:42] WE EASED OFF THERE A BIT AND MOVED OUR RESOURCES TO OPERATION.
[00:31:45] AND ON THE IT SIDE, WE WERE NORMAL
[00:31:51] BUSINESS AS USUAL. WE WERE ABLE TO COMPLETE WHAT WE COMMITTED TO DOING. NOW
[00:31:56] THROUGH THE COURSE OF THESE AUDITS I WANT TO HIGHLIGHT
[00:32:00] THE BULK OF THE ISSUES ARE MEDIUM RISK. WE DID HAVE SOME HIGH RISK ISSUES
[00:32:03] THAT WE'LL TALK ABOUT TODAY. BUT FOR THE MOST PART,
[00:32:07] THEY WERE BASIC BLOCKING AND TACKLING ISSUES ON THE
[00:32:11] MEDIUM RISK SIDE WHICH WE NEED TO ADDRESS AND CONTINUE
[00:32:15] TO MAKE THE BUSINESS BETTER. ON AUDITS
[00:32:19] THAT WERE ADDED AND WORK THAT WAS ADDED, AT THE HUMAN RESOURCES DIRECTORS
[00:32:24] REQUEST, WE DID DO A TIME SENSITIVE PHEL AUDIT, AND THE PUBLIC HEALTH
[00:32:28] EMERGENCY LEAVE, THAT THE PORT OFFERED. ALSO
[00:32:33] AT THE TIME OF THE PANDEMIC WE TOOK ON SOME FEMA WORK,
[00:32:37] WHICH WE TALKED ABOUT AN EARLIER AUDIT COMMITTEE MEETING AND WE
[00:32:43] HELPED THE PORT IN CAPITALIZATION OF
[00:32:47] ASSETS. IT'S CALLED CONSTRUCTION WORKING PROCESS. BUT WHEN THESE AREN'T CAPITALIZED ON
[00:32:51] A TIMELY BASIS, THE ACCURACY
[00:32:55] OF THE FINANCIAL STATEMENTS CAN BE IMPACTED AND ACCORDINGLY THAT
[00:32:59] WOULD AFFECT WHAT MOSS ADAMS DOES AND IT COULD POTENTIALLY
[00:33:04] CREATE AN ISSUE THERE, SO VERY IMPORTANT TO HAVE ASSETS.
[00:33:08] ESPECIALLY BECAUSE OF THE SIZE AND SCALE OF THE ASSETS AND OUR CAPITAL
[00:33:13] PROGRAM, IT'S VERY IMPORTANT THAT WHEN THERE'S COMPLETE THAT WE CAPITALIZE THAT
[00:33:17] IN A TIMELY MANNER. WE WILL TALK MORE ABOUT THAT WHEN WE GO TO
[00:33:21] THE PLAN, OUR PROPOSED PLAN. AS
[00:33:26] ALWAYS, AS WITH ANY COMPANY OUT THERE,
[00:33:30] THE PORT CONTINUES TO HAVE OPPORTUNITIES TO STRENGTHEN INTERNAL
[00:33:33] CONTROLS AND ON THE CAPITAL FRONT IT'S
[00:33:37] CONTINUING JUST BECAUSE OF THE SCALE OF OUR PROGRAM THE OPPORTUNITY
[00:33:42] TO REDUCE COSTS TO CHANGE ORDERS AND SCHEDULE DELAYS.
[00:33:46] I THINK THE DESIGN WORK IN THE UPFRONT WORK LAYS THE FOUNDATION
[00:33:51] FOR A CAPITAL PROJECT AND OUR 2020
[00:33:55] AUDIT PLAN CONTINUES TO SEE THAT. HOPEFULLY AS YEARS
[00:33:59] GO BY THESE WILL BE CHIPPED AT, REDUCED. NEXT SLIDE, PLEASE.
[00:34:03] A VERY
[00:34:07] QUICK HIGHLIGHT OF OUR SUGGESTED RECOVERIES FROM
[00:34:11] 2020 WHEN COMPARED TO 2019. ON THE CONCESSION
[00:34:15] FRONT, THESE ARE THE CONCESSION AREAS AT THE AIRPORT AND OCCASIONALLY
[00:34:19] IN THE SEAPORT AS WELL, WE IDENTIFIED UNDERREPORTED
[00:34:24] REVENUE, RELATIVELY SMALL BUT IT'S STILL 27,000
[00:34:28] DOLLARS THAT WAS UNDERPAID TO THE PORT THAT WE RECOUPED.
[00:34:32] AND 2019 IT WAS A LITTLE BIT LARGER, PRIMARILY BECAUSE
[00:34:36] THE RENTAL CAR COMPANIES, SIXT BEING ONE OF
[00:34:40] THE LARGER ONES. AND WHEN WE FIND SOMETHING THERE, THE DOLLAR AMOUNTS ARE GENERALLY
[00:34:43] LARGER. SO WE WILL CYCLE THROUGH
[00:34:47] SOME LARGER ONES THIS COMING YEAR BUT THIS YEAR THEY WERE RELATIVELY
[00:34:51] SMALL. ON THE CAPITAL FRONT, YOU KNOW THERE'S ALWAYS
[00:34:55] MONEY LEFT ON THE TABLE AND SOMETIMES WE HIGHLIGHT
[00:35:00] THINGS THAT SUGGEST RECOVERIES ON THEM. MOSTLY BECAUSE DESIGN ISSUES

[00:35:04] AND YOU KNOW, SCHEDULE, NOT MEETING SCHEDULE
[00:35:08] WHICH RESULTS IN LIQUIDATED DAMAGES. SO ON
[00:35:12] 2020, WE RECOMMENDED RECOUPING
[00:35:16] 232,000 DOLLARS. AND IN 2019 QUITE
[00:35:20] A LARGER SUM BECAUSE OF THE THE CHECK BAGGAGE OPTIMIZATION. NEXT
[00:35:25] SLIDE, PLEASE. NOW,
[00:35:29] CONTROLLABLE COST OVERRUNS ON THE CAPITAL SIDE. IF THERE'S
[00:35:34] A MISTAKE MADE AND WE THINK BY DOING
[00:35:38] THINGS DIFFERENTLY THE PORT COULD HAVE AVOIDED SOME COSTS. WE HIGHLIGHT
[00:35:43] THOSE AS WELL. CLEARLY IN 2019 THE NOISE INSULATION
[00:35:47] PROGRAM IS SOMETHING WE HIGHLIGHTED. THAT MADE THE NUMBER HIGH. IN 2020
[00:35:53] WE HIGHLIGHTED TWO ITEMS,
[00:35:56] THE SERVICE TUNNEL RENEWAL REPLACEMENT
[00:36:00] PRIMARILY BECAUSE OF THE TURN AROUND, BUS TURN
[00:36:03] AROUND THAT HAD TO BE BUILT BECAUSE CLARK WAS
[00:36:07] BEHIND ON THE IAF AND THE BUSES WEREN'T ABLE TO
[00:36:11] TURN AROUND SO THAT WAS AN ADDITIONAL COST NEEDED TO INCUR. AND THE
[00:36:16] A PERIMETER FENCE PROJECT THAT JUST HAD
[00:36:20] SOME
[00:36:23] DESIGN ISSUES THAT CAUSED IT TO BE
[00:36:28] OVER BUDGET. SO THAT'S SOMETHING I HIGHLIGHT THERE AS WELL.
[00:36:32] NEXT SLIDE, PLEASE. AND BEFORE
[00:36:36] I GO INTO OUR AUDIT UNIVERSE THIS IS THE FOUNDATION FOR
[00:36:41] OUR PLAN FOR 2021
[00:36:45] I'LL STOP PAUSE AND COMMISSION CALKINS, COMMISSIONER BOWMAN, CHRIS
[00:36:49] GERKE, I'LL TAKE ANY QUESTIONS IF THERE ARE ANY. OTHERWISE I'M GONNA
[00:36:53] KEEP MOVING. WOULD YOU LIKE ME TO RUN THROUGH THE ROLE
[00:36:56] COMMISSIONER CALKINS? YES, PLEASE. BEGINNING WITH COMMISSIONER BOWMAN.
[00:37:01] NO QUESTIONS. THANK YOU, MEMBER GERKE. NO QUESTIONS, THANK YOU. COMMISSIONER CALKINS. NONE
[00:37:09] FOR ME AT THIS TIME. THANK YOU. VERY GOOD. I'LL CONTINUE. WHEN
[00:37:14] WE BUILD OUR AUDIT PLAN THE FIRST THING WE DO IS WE LOOK AT OUR
[00:37:19] AUDIT UNIVERSE, EVERYTHING AT THE PORT THAT WE AUDIT. WE TRY TO COMPREHENSIVELY CATCH
[00:37:24] EVERYTHING. ON THE OPERATIONAL SIDE WE LOOK AT ALL THE FUNCTIONAL
[00:37:28] DEPARTMENTS, WE LOOK AT STEVE, ALL HIS DIRECT REPORTS AND THE AREAS
[00:37:31] THAT THEY MANAGE AND THE SUB AREAS WITHIN THAT.
[00:37:35] AND WE COVER EVERYTHING. THEN WE,
[00:37:39] THIS IS MORE JUDGMENTAL, BUT THE COMPLIANCE REPUTATIONAL SAFETY
[00:37:43] FINANCIAL FRAUD RISK IS SOMETHING THAT WE BRAINSTORM ON
[00:37:47] IN HOUSE AND WE ASSIGN A SCORE TO THOSE. THOSE
[00:37:51] ARE ALSO INFLUENCED BY OUR RISK ASSESSMENT MEETINGS THAT WE HAVE.
[00:37:55] WE TALKED TO SENIOR STAFF, ALL OF STEVE'S DIRECT REPORTS, AND
[00:38:00] GET THEIR THOUGHTS AND THEIR CONCERNS AS WELL. AND
[00:38:04] THOSE PLAY INTO THESE NUMBERS A LITTLE BIT. ON THE SUBJECTIVE
[00:38:08] SIDE, THOSE MEETINGS REALLY AFFECT THE SUBJECTIVE
[00:38:12] SIDE MORE THAN THE OTHER ITEMS. BUT ON
[00:38:16] THE SUBJECTIVE SIDE, WE ALSO TAKE WHAT WE'RE HEARING FROM COMMISSIONERS,
[00:38:20] WHAT WE'RE HEARING FROM OTHER SENIOR STAFF AND
[00:38:23] LINE STAFF, AND WE JUST LOOK AT PREVIOUS
[00:38:27] AUDITS AS WELL, AND INTEGRATE THAT INTO THIS.
[00:38:30] SO THIS BECOMES A FOUNDATION OF OUR PLAN.
[00:38:33] SOME OF THESE, YOU KNOW, THAT GET PICKED
[00:38:37] UP AND MOVED TO THE TOP ARE ALSO DRIVEN BY THE COMMISSION AND
[00:38:41] COMMISSION REQUESTS. WE'LL GET A LITTLE BIT MORE INTO THAT. NEXT
[00:38:46] SLIDE, PLEASE. ON THE
[00:38:51] CAPITAL FRONT. WE USE A VERY TEXTBOOK APPROACH
[00:38:55] WHERE WE LOOK AT SOME CRITERIA AND I'M GOING TO ASK SPENCER BRIGHT OUR CAPITAL
[00:39:00] AUDIT MANAGER ON MUTE. HE DID A BUNCH OF WORK HERE.
[00:39:03] THE BULK OF THE WORK AND HE'LL TALK A LITTLE BIT ABOUT THIS, ABOUT WHAT
[00:39:07] HE LOOKS AT. SPENCER, IF YOU COULD UNMUTE INTRODUCE
[00:39:11] YOURSELF FOR THE RECORD.
[00:39:16] THANK YOU, GLENN. GOOD AFTERNOON COMMITTEE
[00:39:20] MEMBERS. I'M SPENCER BRIGHT, THE CAPITAL PROJECTS
[00:39:24] AUDIT MANAGER FOR THE TEAM. FOR THE

[00:39:29] RISK ASSESSMENT APPROACH FOR CAPITAL PROJECTS.
[00:39:33] THERE ARE CURRENTLY MORE THAN 100 ACTIVE
[00:39:37] PROJECTS THROUGHOUT THE PORT. THE VALUE
[00:39:41] OF THESE PROJECTS RANGE BETWEEN 300,000 TO NEARLY
[00:39:46] 1,000,000,000 DOLLARS TOTALING IN TOTAL.
[00:39:50] 1.7 BILLION IN AVIATION AND NON
[00:39:53] AVIATION CONTRACTS. FOR MY RISK
[00:39:57] ASSESSMENT APPROACH CONSIDERING THE COST OF STAFF TIME TO
[00:40:01] PERFORM AN AUDIT COMPARED TO THE POTENTIAL
[00:40:05] BENEFITS THAT WOULD RESULT FROM THAT AUDIT, I DETERMINED
[00:40:10] THE PROJECTS OF 1,000,000 DOLLARS OR MORE
[00:40:13] IS A REASONABLE BASELINE TO START
[00:40:17] MY RISK ASSESSMENT. I USE
[00:40:20] A NUMERICAL RATING METHODOLOGY OF ONE
[00:40:24] TO 5 FOR ATTRIBUTES THE COMMONLY POSE
[00:40:28] THE HIGHEST RISK IN CAPITAL PROJECTS.
[00:40:32] THESE ATTRIBUTES INCLUDED THE CONSTRUCTION COSTS,
[00:40:36] THE TOTAL DOLLAR VALUE OF CHANGE ORDERS COMPARED
[00:40:40] TO THE ORIGINAL CONTRACT, THE CONTRACT TYPE
[00:40:44] ASSOCIATED WITH THE PROJECT DELIVERY METHOD, AND
[00:40:49] THE STATUS OF WHETHER A PROJECT IS ON SCHEDULE AND
[00:40:53] WITHIN BUDGET. BECAUSE THE FIRST FIVE ATTRIBUTES
[00:40:58] I USE ARE OBJECTIVE, I ALSO USE A
[00:41:02] SUBJECTIVE ATTRIBUTE, JUST BASED ON MY OWN
[00:41:05] KNOWLEDGE OF HOW A PROJECT IS GOING. BY UTILIZING
[00:41:10] THAT PARTICULAR SUBJECTIVE ATTRIBUTE THAT HELPS IDENTIFY
[00:41:14] SMALLER PROJECTS OR LESS COMPLICATED PROJECTS
[00:41:18] THAT MAY NOT OTHERWISE SHOW UP AS RISKY.
[00:41:22] NEXT SLIDE, PLEASE, LAUREN. SO,
[00:41:31] BASED ON MY ASSESSMENT, I IDENTIFIED FOUR
[00:41:34] PROJECTS AND TWO CONTINGENCY PROJECTS THAT
[00:41:39] I'M RECOMMENDING FOR THE 21 AUDIT PLAN.
[00:41:43] THE CENTRAL TERMINAL INFRASTRUCTURE UPGRADE
[00:41:47] PROJECT IS GOING TO BE SEPARATED INTO TWO AUDITS
[00:41:51] SO THAT THE ENTIRE LIFE CYCLE OF THIS PROJECT WILL BE REVIEWED.
[00:41:56] THE FIRST AUDIT COVERED THE PRECONSTRUCTION PHASES,
[00:42:00] WHICH IS THE BIDDING AND DESIGN AND
[00:42:04] THE RESULTS OF THAT AUDIT WILL BE DISCUSSED TODAY.
[00:42:07] THE SECOND AUDIT WHICH I'M RECOMMENDING FOR 2021
[00:42:11] WILL COVER THE CONSTRUCTION AND CLOSE OUT PHASES.
[00:42:15] THE REMAINING THREE PROJECTS ARE THE NORTH TERMINAL
[00:42:19] UTILITIES UPGRADE, CHECKED BAGGAGE OPTIMIZATION AND THE
[00:42:24] RESTROOM RENOVATIONS PROJECT. IN
[00:42:28] CONSIDERATION OF THE TWO CONTINGENCY PROJECTS
[00:42:33] THAT I HAVE LISTED NORTH SATELLITE RENOVATIONS
[00:42:36] BOTH THESE PROJECTS ARE DEFINITELY THE LARGEST
[00:42:40] CURRENTLY. THE NORTH
[00:42:44] SATELLITE RENOVATIONS THAT IS NEARING
[00:42:48] COMPLETION. DURING THE PROJECT, THE PORT'S PROJECT
[00:42:54] MANAGEMENT TEAM UTILIZED A THIRD PARTY CONSTRUCTION AUDIT
[00:42:57] CONSULTING FIRM TO ASSIST. THAT FIRM
[00:43:01] REVIEWED THE REASONABLENESS OF CHANGE ORDERS AND PERFORMED
[00:43:05] LIMITED REVIEWS OF THE MONTHLY PAY APPLICATIONS THROUGHOUT THE
[00:43:09] PROJECT. SO THAT GAVE ME SOME COMFORT
[00:43:13] IN HOW THAT PROJECT WENT. FOR
[00:43:18] THE IAF, THERE ARE A CONSIDERABLE
[00:43:22] NUMBER OF AREAS TO REVIEW. IT WAS DEFINITELY A MULTI YEAR.
[00:43:26] COMPLICATED PROJECT. WITH MY
[00:43:30] TEAM BEING DOWN ONE POSITION THAT WON'T
[00:43:34] BE FILLED UNTIL AT LEAST 2022, I DO FEEL
[00:43:38] MY RESOURCES ARE LIMITED. IN ORDER
[00:43:44] TO REVIEW THE ENTIRETY OF THE IAF PROJECT,
[00:43:48] CONTRACTING WITH A THIRD PARTY FIRM TO ASSIST WOULD

[00:43:52] BE THE BEST ROUTE TO GO. HOWEVER, GIVEN THE FINANCIAL
[00:43:56] CONSTRAINTS IN 2021 RECRUITING AN OUTSIDE
[00:44:00] FIRM JUST MAY NOT BE FEASIBLE.
[00:44:03] AND GLENN, BEFORE I
[00:44:07] I OPEN IT UP, DO YOU HAVE ANYTHING TO ADD? YES, THIS SHOULD PROBABLY
[00:44:11] BE. I KNOW COMMISSIONER BOWMAN AND I TALKED
[00:44:16] ABOUT THIS ON THE IAF MAYBE IN 2022
[00:44:20] SO THE NEXT YEAR'S PLAN WHEN WE DO BUILD IT, A
[00:44:24] THOROUGH LOOK BACK AT THE IAF AND THERE'S PROBABLY GOING TO BE MONEY
[00:44:28] LEFT ON THE TABLE. COMMISSIONER BOWMAN, PLEASE. OH,
[00:44:31] THANK YOU. I WOULD AGREE, SPENCER IT'S GOING TO
[00:44:36] BE AN ENORMOUS UNDERTAKING. AND IN FACT, WHILE THE
[00:44:41] FIRST OPENING OF THE IAF WILL OCCUR THIS SPRING IN 2021
[00:44:46] THERE'S OTHER PHASES OF THE PROJECT THAT ARE PART OF THE OVERALL PROGRAM
[00:44:50] THAT WON'T BE COMPLETED. SO I WOULD ABSOLUTELY SUPPORT WAITING UNTIL 2022
[00:44:56] FOR THAT MORE COMPLETE AUDIT AND WE HAVE THE RESOURCES AVAILABLE BUT MOSTLY
[00:45:00] JUST TO LET THE PROJECT HOPEFULLY COME TO MORE COMPLETION.
[00:45:07] THANK YOU ANY OTHER
[00:45:11] QUESTIONS FROM COMMISSIONER CALKINS OR CHRISTINA GERKE
[00:45:15] FOR SPENCER?
[00:45:18] NO QUESTIONS. THANK YOU, SPENCER. THANK YOU,
[00:45:22] NONE FROM ME EITHER. I ALSO WOULD
[00:45:25] LIKE TO POINT OUT THAT IN ALL OF THESE SLIDES THAT
[00:45:30] IN THE APPENDIX OF THIS DECK IS OUR AUDIT UNIVERSE AND IT LISTS
[00:45:34] OUT ALL OF THE AUDITABLE PROJECTS FOR THE OPERATIONAL
[00:45:39] SIDE, THE OPERATIONAL ENTITIES AND THE
[00:45:42] DETAILS OF OUR SCORING. SO THERE'S A LOT OF DETAILS FOR THE PUBLIC IN THE
[00:45:46] APPENDIX ON THIS. MICHELLE NEXT SLIDE PLEASE. OR
[00:45:50] LAUREN. COMMISSIONERS,
[00:45:56] THE NEXT IMPORTANT ELEMENT OF OUR AUDIT PLAN IS
[00:46:00] THE IT AUDIT PLAN. I'M GOING TO
[00:46:04] ASK THE IT MANAGER TO UNMUTE AND
[00:46:08] TALK A LITTLE BIT ABOUT THIS SLIDE. HE'S THE SUBJECT
[00:46:12] MATTER EXPERT AND HE'LL TALK MORE SPECIFICALLY ABOUT THE CIS
[00:46:16] IN THAT SECURITY TOP 20 AND EVERYTHING ELSE HERE. BRUCE.
[00:46:20] GOOD AFTERNOON, EVERYONE. I'M BRUCE CLAUSE, THE IT AUDIT
[00:46:25] MANAGER FOR THE PORT. GLENN HIRED ME IN 2018 SPECIFICALLY TO
[00:46:29] DEVELOP AN IT AUDIT PROGRAM AND TO PERFORM IT AUDITS AND
[00:46:33] SINCE THE PORT HAS NOT HAD A COMPREHENSIVE IT AUDIT PROGRAM PRIOR TO THIS, WE DECIDED
[00:46:38] TO GO WITH AN OUTSIDE AGENCY CALLED THE CENTER FOR INTERNET
[00:46:42] SECURITY BECAUSE THEY HAVE SPENT A FAIR AMOUNT OF TIME OVER THE LAST DECADE
[00:46:46] DEVELOPING A SERIES OF 20 AUDITS THAT SPECIFICALLY LOOK AT HIGH
[00:46:50] RISK HIGH VALUE IT CONTROLS. AND SO IT'S OUR
[00:46:54] INTENTION IN THE FIRST TWO YEARS OF OUR PROGRAM TO EXECUTE THESE 20 AUDITS
[00:46:58] WHICH WILL GIVE US A GOOD BASELINE OF THE EFFECTIVENESS OF OUR HIGH
[00:47:03] RISK IT CONTROLS. IN ADDITION TO THESE 20 AUDITS
[00:47:08] WE'LL ALSO LOOK AT RECOMMENDATIONS BY MANAGEMENT OR THE
[00:47:12] COMMISSION IN AREAS THEY WANT US TO LOOK AT AND WE ALSO LOOK AT ANY
[00:47:16] KIND OF EMERGING THREAT THAT MIGHT POP UP, SOMETHING ON THE FRONT OF THE WALL
[00:47:19] STREET JOURNAL OR SOMETHING. ONCE WE CYCLE
[00:47:23] THROUGH THOSE 20 AUDIT IN THE FIRST TWO YEARS OF THE PROGRAM
[00:47:27] WE'LL THEN MOVE TO A MORE CLASSIC APPROACH
[00:47:31] OF LOOKING AT IT RISKS. ON
[00:47:35] THE NEXT SLIDE PLEASE.
[00:47:40] SO FOR 2021
[00:47:44] OUR PROPOSED IT AUDIT SCHEDULE. WE HAVE TWO AUDITS
[00:47:48] AT THE VERY BEGINNING WHICH ARE BOTH MANAGEMENT REQUESTS. ONE IS THE T2 AIRPORT
[00:47:53] PARKING REVENUE SYSTEM REPLACEMENT THAT'S BEEN ON OUR SCHEDULE FOR LIKE THE
[00:47:57] LAST TWO YEARS. THE PROJECT HAS TAKEN A LITTLE BIT LONGER TO COMPLETE.
[00:48:02] SO WE'VE PUSHED IT OFF UNTIL THEY'VE COMPLETED IT. ANTICIPATE COMPLETING
[00:48:07] IT BY THE MIDDLE OF THIS YEAR. THE SECOND ONE IS SOMETHING
[00:48:11] THAT WAS REQUESTED LAST YEAR BY THE COMMISSION WAS TO HAVE US LOOK AT
[00:48:14] ANY IT CONTROL AREAS AROUND BIOMETRICS AND

[00:48:19] SPECIFICALLY IT LOOKS LIKE WE'RE PROBABLY GOING TO LOOK AT THE BIOMETRIC AIR EXIT PROGRAM.
[00:48:23] AS FAR AS I CAN TELL THAT STARTED TO GO INTO EFFECT IN
[00:48:27] DECEMBER. SO THERE'LL BE SOMETHING FOR US TO LOOK AT NEXT YEAR.
[00:48:30] IN ADDITION TO THAT, WE HAVE TWO CENTER
[00:48:34] FOR INTERNET SECURITY AUDITS. MALWARE DEFENSES AND CONTINUOUS
[00:48:39] VULNERABILITY MANAGEMENT. AND WE'LL ALSO BE DOING THE
[00:48:43] ANNUAL REVIEW THAT WE'RE REQUIRED TO DO CONTRACTUALLY ON OUR CREDIT CARD PROCESSING
[00:48:47] CALLED THE PAYMENT CARD INDUSTRY AUDIT. AND
[00:48:52] THIS YEAR AS A MATTER OF FACT, NEXT YEAR IN 2021, WE NOW HAVE
[00:48:56] ONE OF OUR STAFF MEMBERS WHO IS CERTIFIED TO BE ABLE TO PERFORM THAT AUDIT
[00:48:59] SO WE'LL BE DOING IT INTERNALLY INSTEAD OF HIRING AN OUTSIDE ASSESSOR
[00:49:03] TO PERFORM THAT FOR US. IN ADDITION WE'VE ADDED TWO CONTINGENCY AUDITS
[00:49:07] SO THAT IF SOMETHING HAPPENS LIKE THIS YEAR, WHEN THERE ARE SOME AUDITS THAT WE
[00:49:11] CAN'T PERFORM BECAUSE DIFFERENT DEPARTMENTS GET IMPACTED AND CAN'T CAN'T
[00:49:16] HELP US WITH THE AUDIT, WE'LL HAVE OTHER AUDITS THAT WILL BE APPROVED THAT WE
[00:49:19] CAN GO TO. THAT SHOULD BE IT GLEN.
[00:49:23] OKAY, THANK YOU. COMMISSIONERS, ANY QUESTIONS FOR
[00:49:27] BRUCE? COMMISSIONER CALKINS WOULD YOU LIKE ME TO
[00:49:31] RUN THROUGH THE ROLE? YES, PLEASE, THANK YOU. BEGINNING WITH COMMISSIONER
[00:49:35] BOWMAN. NO QUESTIONS RIGHT NOW. THANK YOU. THANK YOU.
[00:49:39] MEMBER GERKE. NO QUESTIONS. THANK YOU VERY MUCH.
[00:49:42] THANK YOU, AND THEN COMMISSIONER CALKINS. NONE AT THIS TIME.
[00:49:46] THANK YOU VERY GOOD. THE MOVING ALONG. NEXT SLIDE,
[00:49:50] PLEASE. SO WE
[00:49:54] HAVE ABOUT 129 LEASES IN OUR RISK
[00:49:57] UNIVERSE AND OUR LEASE POPULATION. THESE ARE CONCESSIONAIRES
[00:50:01] THAT PAY US PERCENTAGE REVENUE. IT IS AN HONOR SYSTEM
[00:50:05] TO SOME EXTENT WHERE THEY PROVIDE US THEIR FINANCIAL STATEMENTS AND
[00:50:10] SAY THIS IS WHAT WE OWE YOU AND THEY PAY BASED ON
[00:50:14] THAT. SO PERIODICALLY AS WITH MANY OTHER AIRPORTS IN
[00:50:19] THE UNITED STATES, MOST OF THEM HAVE PROGRAMS THAT GO LOOK AT THE
[00:50:22] CONCESSION REVENUE JUST TO MAKE SURE THAT WHAT'S BEING RECEIVED
[00:50:26] IS ACCURATE. SO WE WE CYCLE THROUGH THOSE, WE'VE
[00:50:30] BROKEN THEM OUT INTO HIGH, MEDIUM, AND LOW RISK. WELL RATINGS,
[00:50:34] NOT RISK. IT'S JUST RATING BASED ON REVENUE. AND THE
[00:50:38] HIGH REVENUE CONCESSIONAIRES GET LOOKED AT EVERY FIVE YEARS.
[00:50:43] THE MEDIUM, EVERY 10, AND THE SMALLER ONES AS NEEDED. WE'VE
[00:50:48] CREATED, BASED ON THIS POPULATION,
[00:50:52] WHICH CONCESSIONAIRES WE'RE GOING TO LOOK AT NEXT YEAR. NEXT SLIDE.
[00:50:59] THIS SLIDE ESSENTIALLY HIGHLIGHTS WHAT WE'LL BE LOOKING
[00:51:03] AT. SOME OF THESE ARE CARRY OVER, SOME THIS
[00:51:07] YEAR. PRIMARILY LENLYN WAS A BIG ONE THAT WE MOVED INTO
[00:51:13] 2021 FROM 2020 BUT
[00:51:18] THE KEY ITEM HERE IS UBER
[00:51:22] AND WE GOT A NEW CONTRACT WITH THEM. IT'S A LOT OF
[00:51:26] REVENUE AND THEY ARE GROWING SO IT'S SOMETHING THAT WE LOOK
[00:51:30] AT WHILE WE'RE DOING THAT. [INAUDIBLE]
[00:51:33] WE'LL REQUEST AND RECOMMEND WE PICK UP LYFT AS WELL. AND THEN
[00:51:38] THE SEATTLE TACOMA INTERNATIONAL LIMO ASSOCIATION.
[00:51:42] THE DILETTANTE CHOCLATE
[00:51:47] AND FRUIT AND FLOWER. THE CONTINGENCY AUDIT
[00:51:50] IS IN CASE SOMETHING CHANGES AND,
[00:51:53] YOU KNOW, WE CAN'T DO ONE FROM ABOVE OR WE JUST
[00:51:57] HAVE EXTRA TIME BECAUSE WE COVERED OUR AUDIT PLAN
[00:52:00] [INAUDIBLE] SOMETHING WE PICK UP AS A CONTINGENCY
[00:52:05] AUDIT. NEXT SLIDE, PLEASE. SO THIS
[00:52:11] SLIDE ESSENTIALLY SHOWS OUR TRENDING.
[00:52:15] IN 2020 WE DID ABOUT 20 AUDITS
[00:52:19] AND WE'RE PROPOSING 20 AUDITS IN
[00:52:22] 2021 AS WELL. THE DOWNTICK
[00:52:26] IN 2019 IT WAS PRIMARILY BECAUSE WE HAD
[00:52:31] SOME PRETTY BIG AUDITS IN 2019 THAT TOOK A LOT OF TIME. SO IT'S NOT
[00:52:34] ALWAYS ABOUT THE NUMBERS IT'S ABOUT THE LEVEL OF EFFORT THAT

[00:52:38] GOES INTO THE AUDITS. IN 2019 WE DID HAVE THE AD AUDIT,
[00:52:42] THE NOISE INSTALLATION PROGRAM THAT TOOK QUITE A BIT OF TIME.
[00:52:45] NEXT SLIDE, PLEASE. SO,
[00:52:49] COMMISSIONERS, THIS IS A SUMMARY OF OUR AUDIT PLAN.
[00:52:53] THERE IS AN ADDITIONAL SLIDE THAT TALKS ABOUT THE CONTINGENCY AUDITS
[00:52:57] THAT I TALKED ABOUT EARLIER. BUT THIS IS THE
[00:53:01] KEY AUDIT PLAN. THE LIMITED CONTRACT [INAUDIBLE] ON THAT I TALKED ABOUT,
[00:53:04] THE OPERATIONAL THAT ON THE
[00:53:09] FIRST SLIDE I TALKED ABOUT. IN THIS I WANT TO HIGHLIGHT
[00:53:13] THAT JUST THE NOISE MONITOR DATA ACCURACY
[00:53:18] WAS SOMETHING THAT COMMISSIONER BOWMAN REQUESTED AT ONE OF THE COMMISSION
[00:53:21] MEETINGS. WE CAPTURED THOSE AND [INAUDIBLE]
[00:53:25] IF WE HAVE THE RESOURCES. THE ART PROGRAM, PRIMARILY
[00:53:31] BECAUSE THIS IS A REQUEST FROM COMMISSIONER STEINBREUCK AND THE
[00:53:36] BIG ISSUE OR CONCERN HERE IS ARE WE FUNDING THE RIGHT
[00:53:40] PERCENTAGE TO THE ART PROGRAM? AND ARE WE MANAGING
[00:53:44] THE ASSETS? BECAUSE THERE'S QUITE A SIGNIFICANT CHUNK OF PARK
[00:53:49] OUT THERE THAT'S WORTH QUITE A BIT SO HOW ARE WE MANAGING THOSE AND TRACKING THOSE?
[00:53:54] CAPITAL SIDE, SPENCER TALKED ABOUT THAT.
[00:53:57] AND ON THE INFORMATION TECHNOLOGY SIDE, BRUCE TALKED ABOUT
[00:54:02] THOSE. THE NEXT SLIDE. LAUREN, COULD YOU
[00:54:06] JUMP TO THE NEXT SLIDE BEFORE? THESE ARE THE CONTINGENCY AUDITS THAT I
[00:54:09] TALKED ABOUT. AND I'LL PAUSE THERE. AND LAUREN IF YOU CAN GO BACK ONE SLIDE,
[00:54:14] I WILL PAUSE THERE AND ASK AND ENTERTAIN
[00:54:18] ANY QUESTIONS AT THIS POINT ON OUR 2021 AUDIT PLAN.
[00:54:24] BEGINNING WITH COMMISSIONER BOWMAN. I DON'T
[00:54:28] HAVE ANY QUESTIONS, ALTHOUGH I'M GLAD TO SEE. I JUST WANTED
[00:54:32] TO COMMENT I'M GLAD TO SEE THIS LIST PUT TOGETHER AND
[00:54:36] ESPECIALLY THE SOUTH KING COUNTY FUND JUST TO MAKE SURE THAT.
[00:54:40] I REALLY APPRECIATE A GOOD LOOK AT THAT PROGRAM AND IF THERE'S ANY
[00:54:44] IMPROVEMENTS THAT NEED TO BE MADE. IT'S A NEWER FUND FOR
[00:54:48] US. WE WANT TO MAKE SURE THAT WE ARE FOLLOWING THE LETTER OF THE LAW.
[00:54:51] SO THANK YOU FOR INCLUDING THAT.
[00:54:54] THANK YOU COMMISSIONER BOWMAN. MEMBER GERKE.
[00:54:59] YEAH, I JUST WANT TO MAKE SURE I UNDERSTOOD BECAUSE
[00:55:02] THERE WAS TWO AUDITS FROM 2020 THAT WAS APPROVED
[00:55:06] TO CARRY INTO 2021 BUT YOU DON'T HAVE THEM ON YOUR PROPOSED 2021
[00:55:11] AUDIT PLAN. AND WHICH AUDITS?
[00:55:16] I THINK ONE IS THE OUTSIDE SERVICES PROFESSIONAL. YOU HAVE IT ON
[00:55:19] YOUR CONTINGENCY LIST. I THINK THE OTHER ONE IS CONCESSIONS
[00:55:25] INTERNATIONAL LLC. SO I JUST WANTED TO KIND OF CLOSE THE LOOP
[00:55:28] ON THAT. ON THE
[00:55:32] OUTSIDE SERVICES, THE REASON WE PUT IT ON THE CONTINGENCY
[00:55:38] WAS PRIMARILY BECAUSE WE DON'T
[00:55:42] HAVE THE RESOURCES TO DO IT RIGHT NOW. WE HAD IT ON THE
[00:55:46] PLAN. IF WE HAVE THE RESOURCES, WE WILL
[00:55:50] DO IT. THIS IS A REQUEST TO FOCUS. WE DID AN OUTSIDE
[00:55:54] SERVICES AUDIT IN 2019 LOOKING AT [INAUDIBLE]
[00:55:58] AND THEN WE WERE ASKED TO
[00:56:02] CAN LOOK AT LEGAL FEES AS A SEPARATE
[00:56:06] SUBSET OF OUTSIDE SERVICES. WE'VE GOT IT ON THE
[00:56:11] 2021 CONTINGENCY AUDITS
[00:56:15] RIGHT NOW. AND THE
[00:56:20] ONLY REASON I MOVED IT THERE IS BECAUSE WE FELT SOME OF
[00:56:24] THESE OTHER ITEMS WERE MORE CRITICAL BASED ON OUR RESOURCES
[00:56:28] AND WE'VE JUST GOT TO MANAGE THAT. SO WHEN IT CAME OUT ON
[00:56:32] THE RISK ASSESSMENT, DID THE RISK DECREASE FROM PRIOR ASSESSMENTS.
[00:56:38] IT'S PART OF CPO
[00:56:43] AND CPO IS ALWAYS AT THE TOP. SO IT'S ALWAYS GOT A HIGH
[00:56:47] RISK DEPARTMENT. AND ALL THESE CONTRACTS THAT
[00:56:50] FALL IN THERE ARE IMPORTANT. SO IT IS
[00:56:54] JUST AS IMPORTANT AS EVERYTHING ELSE, I DON'T DISAGREE. I JUST
[00:56:58] WANT TO KNOW IF WE'VE IDENTIFIED IT AS HIGH RISK AND WE SAID WE

[00:57:02] WERE GOING TO DO IT IN 2021, I JUST KIND OF WANT TO BE REALLY
[00:57:06] CLEAR ON WHY WE DECIDED IT'S NOT A PRIORITY TO BE DONE NOW IN
[00:57:10] 2021. AND I WANT TO
[00:57:14] ECHO THAT IT IS IMPORTANT. WE'RE NOT TAKING IT DOWN ON RISK IT'S
[00:57:18] JUST THAT WE DON'T HAVE THE RESOURCES TO DO IT. OKAY, SO IS THAT RESOURCES
[00:57:23] ON INTERNAL AUDIT SIDE OR MANAGEMENT RESOURCE
[00:57:27] SIDE? INTERNAL AUDIT SIDE RIGHT NOW. OKAY.
[00:57:30] WHAT ABOUT THE CONCESSION INTERNATIONAL LLC? THAT
[00:57:36] I AM GOING TO ASK DAN CHASE, IF YOU'RE ON THE LINE. IF YOU COULD
[00:57:39] UNMUTE AND GIVE
[00:57:43] SOME GUIDANCE ON THAT AND WHAT WE DID THERE. YEAH,
[00:57:46] CAN EVERYBODY HEAR ME? OKAY, YES,
[00:57:50] OKAY. I'M BROUGHT IN FOR
[00:57:54] THE TOUGH QUESTIONS RIGHT? CHRISTINA I'LL HAVE TO
[00:57:58] GO BACK AND LOOK. THERE WAS SOMETHING AROUND THAT
[00:58:02] CONTRACT ENDING AND IT MAY HAVE ENDED IN 2018
[00:58:07] AND SO IT MIGHT HAVE PRECLUDED US FROM ACTUALLY
[00:58:12] PERFORMING AN AUDIT AT THIS POINT. THAT'S MY RECOLLECTION,
[00:58:16] BUT I'LL HAVE TO GO BACK AND DOUBLE CHECK TO MAKE SURE. SO
[00:58:20] IN THE CONTRACT IT USUALLY HAS LANGUAGE THAT SAYS THAT
[00:58:25] YOU CAN GO BACK THREE YEARS. AND SO IF THE CONTRACT,
[00:58:28] THESE CONTRACTS ARE STOPPING
[00:58:32] AND STARTING THROUGHOUT THE COURSE OF THE YEAR AND IF THE
[00:58:36] CONTRACT HAD ENDED IN EARLY 2018 THEN
[00:58:41] I THINK WE WOULD HAVE BEEN OUTSIDE OF THE ABILITY TO GO BACK
[00:58:45] AND AUDIT FOR THE PERIOD THAT WE WANTED
[00:58:49] TO AUDIT. I
[00:58:54] JUST WANT TO BE CLEAR BECAUSE EARLIER IN THE PRESENTATION WE SAY WE DEFERRED THESE
[00:58:58] TWO TO 2021 AND THEN WE GET TO THE 2021 AUDIT PLAN AND
[00:59:02] THEY'RE NOT ON THE PLAN. AND I JUST FEEL LIKE THAT NEEDS
[00:59:06] TO BE CLEAR. I AGREE AND WILL NOTE THAT. I
[00:59:11] WILL HIGHLIGHT THAT AND CORRECT THAT. I WILL ALSO
[00:59:16] VERIFY WITH DAN OFFLINE THAT WHAT HE SAID
[00:59:20] IS ACCURATE. BELIEVE IT IS. AND WE'LL SEND
[00:59:25] YOU A NOTE ON THAT AND WE'LL POST THAT AS WELL. OKAY,
[00:59:31] THANK YOU. MOVING TO COMMISSIONER CALKINS. NO FURTHER
[00:59:37] QUESTIONS FOR ME. I BELIEVE AT THIS TIME I WILL
[00:59:42] ENTERTAIN A MOTION TO APPROVE ITEM SIX, THE PROPOSED 2021
[00:59:46] INTERNAL AUDIT PLAN. SO MOVED. AND SECONDED.
[00:59:51] THE MOTION WAS MADE AND SECONDED. MEMBERS
[00:59:56] PLEASE SAY YES OR NO WHEN YOUR NAME IS CALLED. COMMISSIONER BOWMAN.
[01:00:01] YES. THANK YOU. COMMISSIONER CALKINS. YES.
[01:00:05] THANK YOU. YOU HAVE TWO YESES AND ZERO NOES. ALRIGHT, THE MOTION PASSES.
[01:00:10] MOVING ON TO ITEM SEVEN, OPEN ISSUE FOLLOW UP UPDATE.
[01:00:13] MR FERNANDEZ. OKAY, NEXT.
[01:00:18] MORE SLIDE, PLEASE. SO, THIS IS A
[01:00:22] PROCESS WE INSTITUTED A COUPLE OF YEARS AGO ON FOLLOW
[01:00:27] UP. ESSENTIALLY FOLLOWING UP AT ALL OUR AUDITS AND GIVING TRANSPARENCY
[01:00:32] TO THE PUBLIC AND TO THE COMMISSION AND THE AUDIT COMMITTEE THAT THE
[01:00:37] ISSUES THAT WE IDENTIFY ARE BEING ADDRESSED. THIS PARTICULAR CHART
[01:00:41] AND REQUEST WAS FROM CHRISTINA GERKE THAT
[01:00:45] WE AGE THEM AND SHOW ALL THE OUTSTANDING ISSUES
[01:00:49] BOTH FROM THE DUE DATE AND FROM THE TIME OF THE
[01:00:53] REPORT ISSUANCE FROM THE TARGET DATE.
[01:00:57] THE STORY THAT THIS TELLS YOU HERE IS THAT
[01:01:02] THERE ARE SOME ISSUES THAT ARE OUTSTANDING.
[01:01:04] THE ONE ON THE OPERATIONAL
[01:01:09] SIDE IS THE FISHING AND COMMERCIAL OPERATIONS NEEDED TO
[01:01:13] BASICALLY BUILD A SYSTEM VESSEL MANAGEMENT SYSTEM AND
[01:01:18] PURCHASE ONE. AND THEY HAVE GONE PRETTY FAR IN PURCHASING THAT
[01:01:21] WHEN THEY HAD SOME ISSUES, THEY RAN TO SOME ISSUES. SO
[01:01:25] THEY DID GO BACK TO COMMISSION, THEY GOT APPROVAL TO DO IT IN HOUSE AND
[01:01:30] THAT SLOWED THE PROCESS A LITTLE BIT. SO THEY

[01:01:35] ARE ACTIVELY ADDRESSING THAT. THEY WILL BUILD THE SYSTEM IN
[01:01:39] HOUSE, IT'LL JUST TAKE A LITTLE BIT LONGER THAN GOING OUT AND PURCHASING IT,
[01:01:44] THE COVID PANDEMIC HAS MOVED THE BIG
[01:01:49] KIND OF BUBBLE YOU SEE IN THE ZERO TO 6 MONTHS. AND THE CHART
[01:01:53] TO THE RIGHT IS PRIMARILY FROM THE
[01:01:58] COVID PANDEMIC, A LOT OF THINGS ARE SLIPPING A LITTLE BIT. NOT TREMENDOUSLY,
[01:02:02] BUT IT'S JUST SOMETHING THAT WE'LL HAVE TO KEEP AN EYE ON. AND THEN
[01:02:06] FINALLY, THERE ARE SOME IT ISSUES THAT JUST BECAUSE PRIORITIES
[01:02:10] AND ALSO PARTIALLY THE COVID
[01:02:13] PANDEMIC HAVE SLIPPED A LITTLE BIT AND THOSE
[01:02:17] CAN BE DISCUSSED MORE AS NEEDING IN THE NON PUBLIC SESSION.
[01:02:21] THEY ARE SECURITY SENSITIVE. .
[01:02:25] IF THERE ARE ANY QUESTIONS ON THIS I'LL ENTERTAIN THEM, OTHERWISE I'M
[01:02:29] GOING TO MOVE ON TO THE AUDIT. ALRIGHT LET'S QUICKLY GO THROUGH ROLL.
[01:02:34] OKAY, BEGINNING WITH COMMISSIONER BOWMAN. NO QUESTIONS, THANK YOU.
[01:02:38] THANK YOU, MEMBER GERKE, NO QUESTIONS AT THIS
[01:02:41] TIME. THANKS, THANK YOU, COMMISSIONER CALKINS. NONE FOR ME.
[01:02:47] NEXT SLIDE, PLEASE. SO,
[01:02:52] COMMISSIONERS WE'VE GOT FIVE AUDITS WE'VE COMPLETED FOR
[01:02:56] THIS QUARTER FOUR OF WHICH WE'RE GOING TO TALK ABOUT TODAY
[01:03:00] IN THE PUBLIC SESSION. THE LAST ONE INVENTORY CONTROL AS SOFTWARE
[01:03:05] ASSETS WE'LL TALK ABOUT LATER THIS AFTERNOON IN THE NON PUBLIC
[01:03:09] SESSION. NEXT SLIDE, PLEASE.
[01:03:12] THE FIRST AUDIT IS GROUND
[01:03:15] TRANSPORTATION TAXI CABS AND THIS AUDIT
[01:03:20] ESSENTIALLY IT WAS A NEW PILOT PROGRAM
[01:03:23] THAT THE PORT HAD IMPLEMENTED. THIS WAS
[01:03:27] FOR THE PREVIOUS EASTSIDE FOR HIRE PROGRAM AND AS
[01:03:31] THAT ENDED THE NEW PROGRAM WAS CREATED WITH
[01:03:36] THOSE DRIVERS AND SOME HIGHLIGHTS OF THAT PROGRAM
[01:03:40] ON THE SLIDE FEES OF SIX DOLLARS PER
[01:03:44] TRIP, THE 409 VEHICLES THAT ARE IN THE PROGRAM, AND
[01:03:49] THE PERIOD OF WHICH
[01:03:53] THEY WERE RETAINED. NOW ANOTHER THING IS DURING THE PANDEMIC
[01:03:58] ALSO FOR A BRIEF PERIOD OF TIME AND DURING THE PERIOD OF OUR AUDIT FOR
[01:04:02] A LITTLE WHILE, THE FEES
[01:04:05] FROM THE TRIPS WE DEFERRED. NOW, OUR AUDIT I ALSO WANT TO POINT OUT LOOKED
[01:04:10] AT 2019 FROM THE INCEPTION PROGRAM TO CURRENT
[01:04:14] PERIODS. ALTHOUGH THE PERIOD OF DEFERRAL WAS LOOKED AT TO
[01:04:18] THE COURSE OF THE AUDIT, THE ENTIRE
[01:04:22] TIME OF THE PROGRAM WAS WITHIN SCOPE. NEXT SLIDE, PLEASE. COMMISSIONERS.
[01:04:31] THE FIRST ISSUE IS WHEN DRIVERS INITIATE
[01:04:37] A TRIP OR HAVE A TRIP THERE'S AN APP THAT WAS DESIGNED AND THE APP BILLS
[01:04:41] THE DRIVERS FOR THE
[01:04:45] TRIPS. THE FIRM ABM
[01:04:50] THAT'S CONTRACTED WITH THE PORT SCANS THE CABS AS THEY COME THROUGH
[01:04:54] AND THAT INITIATES A RECORD ON THE
[01:04:58] APP THAT THEN ENDS UP BILLING THE DRIVER FOR THAT TRIP.
[01:05:02] NOW THERE'S ALSO AN AVI SYSTEM THAT WHEN
[01:05:05] THE CABS LEAVE THROUGH THE AIRPORT THERE'S A LITTLE SCANNER UP ON THE CEILING AND
[01:05:10] THERE'S A LITTLE CARD IN THE CAB AND THE ABI SYSTEM
[01:05:13] RECORDS THE TRAFFIC OF THE TAXIS AS THEY MOVE
[01:05:18] THROUGH. SO THERE'S TWO SYSTEMS. NOW A VERY IMPORTANT CONCEPT
[01:05:22] IN ANY ACCOUNTING SYSTEM OR ANY PROCESS LIKE SO
[01:05:27] IS A RECONCILIATION. AND ON THIS, YOU KNOW,
[01:05:31] WE FOUND THAT RECONCILIATIONS WEREN'T BEING DONE IN A TIMELY MANNER.
[01:05:34] WE DID A COUPLE MONTHS AS A TEST AND WE FOUND SOME VARIANCES
[01:05:39] WHICH I THINK NEED TO BE RECONCILED AND UNDERSTOOD.
[01:05:43] AND NOT ONLY THAT, WE THINK THESE RECONCILIATIONS NEED TO BE DONE CONSISTENTLY
[01:05:48] ON A TIMELY BASIS AND EVERY MONTH NEEDS TO BE DONE.
[01:05:51] AND THAT ENSURES FAIRNESS BETWEEN THE PORT AND THE CAB DRIVERS.
[01:05:56] SO ALL PARTIES ARE. AND EITHER WAY, ONE SYSTEM IS
[01:06:00] DOWN, YOU NOTE THAT AND YOU CAN ADJUST FOR IT.

[01:06:03] THERE SHOULD BE RECONCILED. IT IS VERY IMPORTANT.
[01:06:07] WE DID FIND SOME VARIANCES EARLY ON WHEN WE
[01:06:11] WERE WRAPPING UP OUR AUDIT, THE APP WAS JUST TURNED BACK ON, I WANT
[01:06:16] TO POINT OUT THAT THE APP WAS TURNED OFF DURING THE DEFERRMENT PERIOD BECAUSE OF COVID
[01:06:20] FROM THE PERIOD OF MARCH THROUGH
[01:06:25] EARLY AUGUST OR JULY. AND
[01:06:29] IN AUGUST WHEN THE APP WAS GOING BACK ON, WE DID NOTICE SOME IMPROVEMENTS.
[01:06:33] BUT THE VOLUMES ARE SO LOW THAT IT WASN'T REPRESENTATIVE. IT DOESN'T TAKE
[01:06:38] AWAY THE NEED TO DO THESE RECONCILIATIONS ON A TIMELY BASED AND ACCURATELY.
[01:06:42] SO I'M GOING TO GO THROUGH THE FIRST THREE ISSUES. AND THEN I'LL OPEN
[01:06:46] IT UP FOR QUESTIONS AND FOR MANAGEMENT RESPONSE. THE OTHER TWO ARE RELATIVELY MINOR.
[01:06:50] NEXT SLIDE, PLEASE. THAT WAS THE HIGH RATING ONE.
[01:06:54] THIS WAS JUST ON THE FIRST ISSUE JUST
[01:06:58] CONTINUING EVEN WHEN DURING
[01:07:03] THE DEFERRAL PERIOD WHEN THE
[01:07:10] APP WAS SHUT DOWN AND ABM WAS MANUALLY COUNTING THE CABS THERE WAS A
[01:07:14] DIFFERENCE. IN THIS CASE WHEN THE APP WAS
[01:07:18] SHUT DOWN THE DRIVERS WOULD BILL THE LOWER OF THE TWO, THE API OR THE
[01:07:22] AVM MANUAL COUNT.
[01:07:25] YOU KNOW THE MANUAL COUNT AS YOU CAN SEE HERE IN THIS CASE IS LOWER.
[01:07:28] SO THE DRIVERS WOULD BILL THE LOWER FROM THAT, WHICH IS FINE. BUT THE
[01:07:33] RECONCILIATION STILL NEEDS TO BE DONE AND THE DIFFERENCE EVEN ON THIS DEFERRAL
[01:07:37] PERIOD NEEDS TO BE UNDERSTOOD. NEXT SLIDE, PLEASE. I'M
[01:07:45] GOING TO JUMP BACK TO THIS. SO I'LL GO TO THE NEXT SLIDE.
[01:07:49] THE NEXT ISSUE WAS AN IT ISSUE.
[01:07:54] IT WAS IMPORTANT AND I WANT
[01:07:58] TO KIND OF HIGHLIGHT THE SKILL SET OF OUR IT
[01:08:02] TEAM THAT HELPED OUT THIS AUDIT. THEY JUST NOTICED A SMALL FLAW
[01:08:06] A BUG IN THE APP WHERE EVERYONE IN THE PORT HAD ACCESS, LIMITED ACCESS,
[01:08:10] TO THE APP. AND THE DAY WE IDENTIFIED THE ISSUE ICT FIXED IT. SO
[01:08:14] IT'S GOOD TO SOMETIMES HAVE A SECOND SET OF EYES AND WE
[01:08:19] CATCH THE IT ISSUES BEFORE THEY BECOME PROBLEMS. THE
[01:08:24] THE CODING ERROR WASN'T EXPLOITED BUT
[01:08:29] WE NOTED IT AND DID GET IT ADDRESSED. NEXT SLIDE, PLEASE.
[01:08:35] AND THE LAST SLIDE TALKS ABOUT ESSENTIALLY
[01:08:42] IT'S A LOWER RISK ITEM BUT JUST HAVING A COMPREHENSIVE WAY
[01:08:47] TO REVIEW ALL THE TAXI CABS AS THEY
[01:08:51] COME THROUGH. IT'S JUST A QUALITY REVIEW PROGRAM.
[01:08:55] THIS ENSURES THAT THEY
[01:08:59] HAVE THE APPROPRIATE DETAILS AND SAFETY INSPECTIONS FOR KING COUNTY,
[01:09:02] WHICH I KNOW KING COUNTY DOES. BUT SINCE THEY
[01:09:06] COME THROUGH THE AIRPORT AND IT'S OUR PROGRAM MAKING SURE THAT THEY DO HAVE THOSE, THAT
[01:09:10] THEY HAVE THE CORRECT LICENSES, THAT THE CABS
[01:09:14] ARE RESPECTABLE AND CLEAN FOR A QUALITY PROGRAM. AND WE WERE DOING THIS,
[01:09:18] I WANT TO EMPHASIZE THAT WE WEREN'T JUST IN A RANDOM BASIS AND IN
[01:09:22] A STRUCTURED BASIS IS A SMALL IMPROVEMENT. SO IT'S A LOW RISK ISSUE.
[01:09:26] NEXT SLIDE, PLEASE. BEFORE I
[01:09:30] JUMP TO THE MANAGEMENT RESPONSE ON THIS, COMMISSIONERS DO
[01:09:34] YOU WANT TO COMMENT OR ASK QUESTIONS NOW? COMMISSIONER
[01:09:39] CALKINS? WHY DON'T WE RUN THROUGH THE MANAGEMENT RESPONSE THEN WE'LL RETURN TO QUESTIONS.
[01:09:43] SO WITH THIS, JEFF OBET OR
[01:09:48] LAUREL IF YOU GUYS WANT TO JUMP ON AND TALK ABOUT YOUR MANAGEMENT RESPONSE.
[01:09:53] SURE. THANK YOU, GLENN. AND GOOD AFTERNOON COMMISSIONERS
[01:09:57] BOWMAN AND CALKINS AND COMMITTEE MEMBER GERKE. JEFF JOVE, SENIOR MANAGER REPORT LANDSIDE
[01:10:01] OPERATIONS AND I WOULD LIKE TO THANK THE AUDIT COMMITTEE LED BY GLENN IN HELPING
[01:10:06] US LEARN MORE ABOUT THE PILOT PROGRAM AND THE PROCESSES
[01:10:10] IN PLACE TO BOTH CHARGE OF VEHICLES TO COME THROUGH
[01:10:14] AND THEN FOR THE QUALITY ASSURANCE MEASURES THEY'VE SUGGESTED. SO THE
[01:10:18] ISSUE THAT GLENN HAS UP ON THE SCREEN NOW AND ISSUE NUMBER ONE RELATED
[01:10:23] TO THE ACTIVITY AND THE DESIRE AND CERTAINLY THE NEED FOR US TO RECONCILE.
[01:10:27] THESE WERE KNOWN GAPS IN THE PROCESS
[01:10:31] FOR US AND THERE WERE A COUPLE OF THINGS THAT WE IDENTIFIED AND HAD BEEN
[01:10:34] WORKING ON AND THEN WITH THE ASSISTANCE OF THE AUDIT TEAM WERE ABLE TO PROGRESS

[01:10:38] EVEN FURTHER. THE CURRENT SYSTEM THAT WE HAVE IN THE PILOT PROGRAM
[01:10:42] ALLOWS FOR A DIRECT CONTRACTED METHODOLOGY WITH EACH
[01:10:46] ONE OF THE INDEPENDENT OWNER OPERATORS AND THE PORT OF SEATTLE AND THEY EFFECTIVELY
[01:10:50] PAY AS YOU GO PROGRAM FOR THEM TO OPERATE AT THE AIRPORT. THEY HAVE
[01:10:55] A SIX DOLLARS REVENUE PICKUP FEE AT THE AIRPORT AND
[01:10:59] WE USE A SYSTEM THAT WAS DEVELOPED BY OUR OWN ICT GROUP WHEREIN
[01:11:03] OUR CONTRACTED CURBSIDE MANAGEMENT TEAM AMERICAN
[01:11:07] BUILDING MAINTENANCE. THEY HAVE A SCAN THAT THEY DO OF
[01:11:12] EACH DRIVER THAT'S COMING INTO THE GARAGE. FIRST SCAN IS TO INDICATE
[01:11:16] WHETHER OR NOT THEY HAVE AN ACTIVE ACCOUNT AND THE SECOND
[01:11:20] SCAN IS THE ACTUAL DEBIT FROM THE ACCOUNT FOR THE SIX DOLLARS FEE.
[01:11:24] SO AS WE LEARNED DURING THE PILOT
[01:11:28] PROGRAM AT THE INCEPTION OF OCTOBER, 1, 2019
[01:11:33] THAT WE WERE LOSING SOME SIGNAL OCCASIONALLY WITH THE SCANNERS WHICH WAS
[01:11:38] RECTIFIED AND ALSO WE'RE WORKING TO MATCH THOSE NUMBERS UP THE ACTIVITY
[01:11:42] NUMBERS WITH THE AUTOMATED VEHICLE IDENTIFICATION SYSTEM AND TRENDING THAT
[01:11:46] WAY. SO LEARNING AS WE GO AND STILL DOING THAT MANUALLY. AS GLENN
[01:11:51] MENTIONED, WE DID HAVE A DEFERMENT PERIOD. THE DEFERMENT PERIOD LEFT
[01:11:56] US A LITTLE BIT FLAT FOOTED, FRANKLY, BECAUSE WE WEREN'T PREPARED FOR IT BECAUSE
[01:11:59] WE DID HAVE ONLY ONE CHARGE MECHANISM. SO WE HAD TO PIVOT TO HAVE OUR
[01:12:03] CURBSIDE MANAGEMENT TEAM DO MANUAL COUNTS
[01:12:07] OF THE VEHICLES REVENUE TRIPS LEAVING THE GARAGE AND THEN MATCH THAT WITH
[01:12:11] OUR AVI SYSTEM, WHICH WE'VE BEEN DOING FOR SOME TIME. BECAUSE ABM
[01:12:16] IS A CONTRACTOR TO THE PORT AND EFFECTIVELY AN AGENT OF A PORT
[01:12:19] WHEN WE DID OUR RECONCILIATION, WE MADE THE DECISION TO
[01:12:23] CHARGE THE DRIVERS THE LOWER OF THOSE FIGURES WHETHER IT'S THE AVI
[01:12:28] AS COMPARED TO THE MANUAL PROCESS.
[01:12:31] SO WE ARE WORKING WITH OUR BUSINESS INTELLIGENCE GROUP.
[01:12:36] RIGHT NOW WE HAVE A SYSTEM WHERE WE USE EXCEL BASED ACCOUNTING.
[01:12:41] AND WE HAVE PIVOT TABLES THAT COMPARE THE ACTIVITY AND WE'RE VERY HOPEFUL THAT
[01:12:45] OUR BUSINESS INTELLIGENCE GROUP CAN HELP US BECOME A LITTLE MORE AUTOMATED WITH IT.
[01:12:49] AND AS YOU SAW FROM GLENN'S FIGURES IT'S RELATIVELY LOW IMPACT
[01:12:53] IN TERMS OF THE NUMBER OF TRIPS THAT THERE ARE DIFFERENCES HERE IN
[01:12:57] TERMS OF THE ACTUAL FINANCIAL IMPACT TO THE SYSTEM, BUT WE WANT TO MAKE IT
[01:13:01] RIGHT. SO WE REALLY ASPIRE TO BE 100% RECONCILIATION. HAPPY
[01:13:06] TO ANSWER ANY QUESTIONS.
[01:13:10] COMMISSIONER CALKINS WOULD YOU LIKE ME TO RUN TO THE ROLE?
[01:13:13] THAT WOULD BE GREAT. THANK YOU. BEGINNING WITH COMMISSIONER BOWMAN.
[01:13:18] THANK YOU FOR MORE DETAIL ON THIS.
[01:13:22] I GOT A LITTLE ADDITIONAL INFORMATION. I JUST
[01:13:26] WANTED TO VERIFY HOWEVER, THAT IS IT YOUR
[01:13:30] UNDERSTANDING, GLENN AND THE TEAM THAT THIS IS BASICALLY
[01:13:34] TWO COMPUTER SYSTEMS NOT QUITE TALKING TO EACH OTHER. THAT THERE'S NOT
[01:13:38] AS WE HAD BACK A FEW YEARS AGO AN ISSUE WITH
[01:13:41] THE DRIVERS UNDER REPORTING. IS THAT CORRECT? YES,
[01:13:46] IN THIS CASE THERE ARE
[01:13:49] INDEPENDENT SYSTEMS, RIGHT, SO THAT ONE IS THE APP, WHICH IS A NEW SYSTEM
[01:13:53] THAT'S BUILT THAT CHARGES THE DRIVER AND AND
[01:13:58] IT'S BASED ON IBM OR A BIT OF AMERICAN BUILDING MAINTENANCE, SCANNING AND
[01:14:02] CAB, A PROCESS THROUGH. IT'S A TOTALLY NEW PROCESS.
[01:14:05] AND THEN WHEN THE VEHICLES EXIT THERE'S
[01:14:10] A SCANNER THAT SCANS A CAB AND THAT'S AN ESTABLISHED
[01:14:16] OLDER PROCESS THAT TELLS YOU OKAY A TAXI CAB JUST
[01:14:20] WENT THROUGH, THIS CAB NUMBER. AND JUST CORRECT ME IF I'M WRONG.
[01:14:24] EXACTLY RIGHT, YEAH. SO THOSE ARE THE
[01:14:27] TWO DIFFERENT SYSTEMS. NOW, WHAT WE FOUND THROUGH
[01:14:31] TESTING IS THAT THERE WAS A DIFFERENCE BETWEEN
[01:14:35] THE SYSTEM, ALTHOUGH, FINANCIALLY SMALL IN NOVEMBER,
[01:14:39] IT WAS STILL THE 3100 TRIPS THAT THE APP WAS
[01:14:43] HIGHER THAN THE ABM COUNTER. SO THE APP
[01:14:47] SAID THERE WERE 3100
[01:14:52] TRIPS MORE OUT OF 40,000 SOMETHING TRIPS THAN WHAT
[01:14:55] THE ABM SYSTEM SAID. SO, OUR RECOMMENDATION

[01:15:00] IS WE NEED TO RECONCILE THAT EVERY MONTH AND UNDERSTAND WHAT THAT DIFFERENCE
[01:15:04] IS AND FIX THAT.
[01:15:08] MAKE THAT ADJUSTMENT AS NEEDED. OKAY, THANK YOU FOR
[01:15:11] THE ADDITIONAL INFORMATION. I JUST WANT TO CONFIRM THAT AGAIN IN THE PAST,
[01:15:15] WE HAD SEVERAL YEARS AGO, AN ISSUE WITH DRIVERS UNDER REPORTING.
[01:15:19] BUT TO CLARIFY AGAIN, THIS IS NOT A DRIVER ISSUE.
[01:15:23] THIS IS A SYSTEMS ISSUE. YES, THANK YOU.
[01:15:27] THANK YOU, COMMISSIONER BOWMAN. AND MOVING TO MEMBER GERKE.
[01:15:32] THAT ANSWERED MY QUESTION TOO SO I HAVE NO ADDITIONAL QUESTION.
[01:15:35] THANKS. THANK YOU. AND THEN COMMISSIONER CALKINS.
[01:15:39] YEAH, JUST A COMMENT TO SAY, AND CORRECT
[01:15:43] ME IF I'M WRONG, BUT WHAT I'M HEARING IS CURRENTLY
[01:15:49] IF THERE IS A DISCREPANCY, WE ERR ON THE SIDE OF CAUTION AND DO NOT
[01:15:52] CHARGE THE DRIVER, IS THAT ACCURATE GLENN.
[01:15:57] IT WAS ONLY DURING THE DEFERMENT PERIOD THAT THE DRIVER
[01:16:01] WAS CHARGED. THE LOWER OF THE TWO SYSTEMS, THE MANUAL COUNT OR THE
[01:16:06] ABM SYSTEM. OUTSIDE OF THE DEFERMENT PERIOD
[01:16:10] THE DRIVER IS CHARGED BASED ON THE APP. THE
[01:16:15] APP AND THE SCANNING. SO WE'RE BACK TO SCANNING,
[01:16:19] BILLING THE DRIVERS BASED ON THE APP, BUT WE
[01:16:24] HAVE THIS REDUNDANT SYSTEM, THE AVM. NOW NOW
[01:16:27] I DO WANT TO POINT OUT A COMMISSIONER AND THAT WE HAVE
[01:16:31] NOT SEEN THE RECONCILIATIONS THAT HAVE BEEN PERFORMED. I BELIEVE
[01:16:36] GROUND TRANSPORTATION HAS INDICATED THAT THOSE ARE BEING PERFORMED.
[01:16:39] WE HAVE NOT SEEN THOSE FOR THE MOST RECENT MONTHS. WE HAVE
[01:16:44] DONE TWO OURSELVES WHERE WE FOUND DISCREPANCIES,
[01:16:48] BUT WE DO NEED TO SEE ALL MONTHS
[01:16:50] AND ALL OF THE DIFFERENCES. AND WHAT ARE WE
[01:16:54] DOING TO ADDRESS THOSE AND WE HAVE NOT SEEN THOSE YET.
[01:16:57] OKAY, AND THE OTHER THING I WAS GOING TO SAY IS BASED
[01:17:02] ON THE TIMELINESS OF THIS AND THE
[01:17:05] GOAL TO HAVE
[01:17:10] COMPLETED THIS BY THE END OF THE YEAR. I THINK IT WOULD BE WORTHWHILE TO
[01:17:13] GET A MEMO TO THE COMMITTEE SHORTLY THEREAFTER WITH ANY CONCLUSIONS AS A RESULT
[01:17:17] OF THAT. YES. SO I WILL ASK
[01:17:21] JACK AND LAUREL FOR THAT.
[01:17:26] WE WE WILL BE WORKING WITH YOU IN
[01:17:30] THE NEXT COUPLE FEW WEEKS.
[01:17:32] PERHAPS A BETTER DAY, COMMISSIONER CALKINS WOULD BE GIVEN
[01:17:36] THE HOLIDAYS AND ALL IT WOULD BE MID JANUARY, BY THE END OF JANUARY
[01:17:39] TO GET ALL THE
[01:17:43] THE RECONCILIATIONS THAT ARE BEING DONE AND MAKE SURE THAT THOSE ARE
[01:17:47] BEING DONE COMPREHENSIVELY, IN FACT, ACCURATE AND THEN REPORT BACK TO THE COMMISSION.
[01:17:52] PERFECT, THAT SOUNDS GREAT. JEFF WOULD
[01:17:56] THAT BE OKAY? I COULD HARDLY SAY NO.
[01:18:06] SO GIVE US AN UPDATE BY MID JANUARY.
[01:18:10] THAT WOULD BE GREAT. WONDERFUL. WE HAVE ALL THOSE RECORDS AVAILABLE
[01:18:15] FOR AUDIT TEAM, SO IT SHOULD BE SOMETHING WE CAN MOVE AHEAD PRETTY QUICKLY WITH
[01:18:18] EVEN WITH THE HOLIDAYS AHEAD. GREAT,
[01:18:22] THANKS, OKAY. ON TO ITEM NUMBER NINE. YEAH,
[01:18:26] KEEP MOVING NEXT SLIDE, PLEASE.
[01:18:29] AND ONE MORE AND
[01:18:34] KEEP GOING THIS. OKAY. THE NEXT ON ITEM NUMBER IS
[01:18:39] THE PUBLIC HEALTH EMERGENCY LEAD PROGRAM. SO, COMMISSIONER,
[01:18:43] THIS WAS REQUESTED BY OUR DIRECTOR OF HUMAN RESOURCES
[01:18:49] TO POINT OUT THAT THE NEW PROGRAM THAT WAS LAUNCHED BECAUSE OF THE PANDEMIC
[01:18:53] INTERNAL OP WAS ASKED TO HELP OUT. WE WERE HAPPY TO STEP IN AND
[01:18:57] USE OUR EXPERTISE TO IDENTIFY SOME
[01:19:00] POTENTIAL RISKS AND FLAWS AND MAKE RECOMMENDATIONS APPROPRIATELY.
[01:19:05] JUST SOME HIGHLIGHTS THE PUBLIC HEALTH EMERGENCY
[01:19:09] LEAVE PROGRAM AUTHORIZED UP TO 240
[01:19:13] HOURS FOR COVID RELATED CIRCUMSTANCES. AT
[01:19:20] THE TIME OF THE AUDIT WE SPENT ABOUT 7.7 MILLION DOLLARS

[01:19:24] ON THIS AND OUR WORK YOU
[01:19:28] KNOW, WE DID A LOT OF FIELD WORK BY LOOKING AT RAW DATA,
[01:19:32] INTERVIEWING STAFF AND AND
[01:19:37] JUST BUILDING AND TALKED TO OUTSIDE ESD AS WELL.
[01:19:40] OUTSIDE THE EMPLOYMENT SERVICES DIVISION
[01:19:44] OR THE ESD AS PART OF THE STATE OF WASHINGTON THAT HANDLES
[01:19:48] UNEMPLOYMENT. WE DID QUITE A LITTLE BIT OF WORK ON THIS. NEXT SLIDE,
[01:19:52] PLEASE. WE HAVE TWO ISSUES IN THIS. ONE
[01:19:57] WAS AN OPPORTUNITY BECAUSE IT WAS SO DECENTRALIZED
[01:20:02] AND A NEW PROGRAM THE POLICY WAS PUT TOGETHER
[01:20:06] RELATIVELY QUICKLY. JUST BECAUSE THE
[01:20:10] SITUATION, JUST DROVE
[01:20:14] THAT AND BECAUSE IT WAS PUT TOGETHER
[01:20:18] QUICKLY AND CERTAIN CONTROLS WERE MORE DIFFICULT TO PUT IN PLACE.
[01:20:21] IN A VERY RAPID TIME, THERE WERE SERIOUS RISKS
[01:20:25] THAT CAME OUT. ESSENTIALLY,
[01:20:28] BECAUSE MULTIPLE DEPARTMENTS WERE INVOLVED
[01:20:32] SO DATA DIDN'T GET TO THE RIGHT PEOPLE. AND,
[01:20:35] YOU KNOW, THE NEXT SLIDE WOULD AS WE GO TO THAT,
[01:20:39] LAUREN, THE NEXT LINE, PLEASE WE'LL SHOW THAT,
[01:20:42] YOU KNOW, IT WAS REALLY USED IN
[01:20:46] MANY CASES FOR WHAT IT WASN'T INTENDED TO
[01:20:50] BE USED FOR. SO FOR INSTANCE, IN SOME CASES, A POLICY SPECIFICALLY
[01:20:55] SAID A CERTAIN THING. AND PEOPLE JUST DIDN'T UNDERSTAND IT. DIDN'T FOLLOW IT IN
[01:20:59] THE SITUATION OF TAKING CARE OF EXTENDED FAMILY MEMBERS. IN THE
[01:21:04] POLICY THAT WASN'T ALLOWED BUT THE PEOPLE DID IT ANYWAY JUST BECAUSE DECENTRALIZED.
[01:21:08] CERTAIN EMPLOYEES DIDN'T NOTIFY
[01:21:12] HEALTH AND SAFETY WHEN THEY WERE SUPPOSED TO ALSO, WHEN THEY QUARANTINED
[01:21:17] AND THAT AGAIN WAS AN ISSUE DURING
[01:21:23] INTERVIEWS. AS EXPECTED WHEN YOU
[01:21:27] HAVE SUCH A DECENTRALIZED PROGRAM, PEOPLE SAID AND MANAGERS AS WELL
[01:21:32] OCCASIONALLY BE USED FOR SOMETHING THAT'S NOT SUPPOSED
[01:21:36] TO SUCH AS VACATIONS AND OTHER THINGS THAT IT'S REALLY HARD TO MANAGE.
[01:21:40] AND I'M SORT
[01:21:45] OF GOING THROUGH ALL THE BULLETS.
[01:21:51] YOU'RE ALLOWED US 240 HOURS AND THERE AREN'T ANY SYSTEM
[01:21:55] CONTROLS. IT NEEDS TO BE MANAGED BY
[01:21:59] PEOPLE AND SUPERVISORS. AND
[01:22:03] IT'S HARD TO TRACK WHEN SOMEONE'S EXHAUSTED
[01:22:08] THEIR 240 HOURS. SO THEY KEEP PUTTING PHEL AND THEY
[01:22:11] CAN EXCEED THE 240 HOURS SO LACK OF SYSTEM CONTROL THERE CAN
[01:22:15] CAUSE SOME ISSUES OF PEOPLE GOING OVER. THAT WAS THE
[01:22:20] FIRST ISSUE. THE SECOND ISSUE. NEXT SLIDE PLEASE LAUREN.
[01:22:25] ANOTHER HIGH RISK ISSUE IS A SMALL GROUP ON THIS ONE.
[01:22:29] BUT BECAUSE
[01:22:33] LOT OF RULES WERE CHANGED BECAUSE OF THIS AND THAT KIND
[01:22:37] OF CREATED A GAP AND SECONDLY, MOST EVERYONE'S
[01:22:42] FAMILIAR OR MANY SHOULD BE FAMILIAR WITH THE
[01:22:46] UNEMPLOYMENT FRAUD THAT HAPPENED AT THE STATE OF WASHINGTON. AND YOU KNOW,
[01:22:50] IT AFFECTED THE PORT AS WELL. WE HAD A LOT OF FALSE
[01:22:54] CLAIMS COME IN BUT, YEAH, MANY OF THOSE WERE CAUGHT.
[01:22:58] THERE WERE SOME WITH EMPLOYEES. IN THIS
[01:23:02] CASE WE HAD THREE EMPLOYEES THAT FILED
[01:23:07] FOR UNEMPLOYMENT AND COLLECTIVE PHEL AT THE SAME
[01:23:11] TIME, WHICH ISN'T ALLOWABLE AND THAT
[01:23:16] WOULD BE THAT WAS HANDED BACK TO THE ESD. AND KATIE AND HER STAFF ARE
[01:23:20] GOING TO TALK A LITTLE BIT MORE ABOUT THAT AND THE RESPONSE. SO, THE NEXT
[01:23:24] SLIDE, PLEASE. BELIEVE IT SHOULD BE THE MANAGEMENT RESPONSE. SO, WITH THAT I'LL
[01:23:28] ASK KATIE GERARD TO UNMUTE AND HER STAFF
[01:23:33] TO RESPOND AND TALK A LITTLE BIT ABOUT WHAT THEY'VE DONE.
[01:23:39] GREAT. THANK YOU, GLENN. YES, THIS IS KATIE,
[01:23:42] SENIOR DIRECTOR OF HUMAN RESOURCES. CERTAINLY THE PANDEMIC THIS
[01:23:46] YEAR CREATED ALL SORTS OF NEW THINGS FOR THE HUMAN RESOURCES TEAM TO DEAL

[01:23:51] WITH AS IT RELATED TO THE MANAGEMENT OF OUR WORKFORCE AND ONE OF THE THINGS
[01:23:54] WE VERY QUICKLY RECOGNIZED WAS THE NEED TO COME UP WITH AN ADDITIONAL
[01:23:58] LEAVE BENEFIT. AND SO WE CREATED THE PUBLIC HEALTH EMERGENCY LEAVE
[01:24:02] BENEFIT TO OFFER THAT TO OUR STAFF. CERTAINLY IT STARTED AS
[01:24:06] ONE THING AND THEN CHANGED SEVERAL TIMES OVER THE PRECEDING
[01:24:10] MONTHS. AND SO IT REALLY WAS SOMETHING THAT WE WERE TRACKING THE PUBLIC HEALTH
[01:24:14] GUIDANCE AS WELL AS TRYING TO FIGURE OUT WHAT WAS THE RIGHT THING TO DO
[01:24:17] TO KEEP OUR EMPLOYEES SAFE AS WELL AS CONTRIBUTE TO KEEPING THE COMMUNITY SAFE
[01:24:21] AS WELL. SO THIS WAS OUR PLAN THAT WE DEVELOPED. WE DID START WITH
[01:24:25] 80 HOURS AND GROW THAT TO UP TO 240
[01:24:29] HOURS. AND I WILL SAY THROUGHOUT THE WHOLE TIME WE HAVE HAD A MEMBER
[01:24:33] OF THE TOTAL REWARDS TEAM REVIEWING EVERY PAYROLL
[01:24:37] RECORDS IN TERMS OF OF THOSE EMPLOYEES THAT WERE UTILIZING THIS BENEFIT. WE
[01:24:41] DID SET UP SEPARATE LEAD CODES SO THAT WE COULD TRACK IT AND HAVE GOOD
[01:24:45] INFORMATION TO BE ABLE TO DO SOME MONITORING. BUT CERTAINLY BECAUSE THERE
[01:24:49] WERE DIFFERENT CRITERIA AVAILABLE SOME OF THAT MONITORING
[01:24:54] WAS LEFT TO SUPERVISORS TO INTERPRET THAT INFORMATION. NOW
[01:24:58] GOING FORWARD WE'VE TIGHTENED UP THOSE CONTROLS AND DO
[01:25:02] HAVE A CENTRAL POINT OF CONTACT IN THE HR DEPARTMENT THAT IS RESPONSIBLE FOR
[01:25:06] MONITORING ANY NEW REQUESTS THAT COME THROUGH
[01:25:10] THE PAYROLL SYSTEM AND OUR TIME REPORTING AND SO THAT IS IN PLACE AT
[01:25:14] THIS TIME. WE DID QUITE A BIT OF OUTREACH BUT
[01:25:18] REALIZE THAT ADDITIONAL OUTREACH IS GOING TO BE NECESSARY SPECIFICALLY FOR OUR
[01:25:23] OFF SHIFT WORKERS AND THOSE THAT ARE ABLE TO PARTICIPATE
[01:25:28] IN SOME OF OUR REGULAR OUTREACH ACTIVITIES.
[01:25:30] WE DID RECORD A LEAVE
[01:25:34] HR BROADCAST SESSION TO EDUCATE PEOPLE. THE BEST THAT WE COULD
[01:25:38] BUT DO REALIZE THAT SEVERAL CHANGES HAPPENED AND SO I THINK
[01:25:41] WE'VE TAKEN THE APPROPRIATE STEPS TO DO WHAT WE CAN TO BETTER MONITOR
[01:25:47] AND MAKE SURE THAT THE USE IS BEING DONE IN THE APPROPRIATE
[01:25:50] WAYS. I WILL SAY CERTAINLY BACK IN MARCH AND APRIL, WE HAD A HIGH USAGE
[01:25:54] OF OVER 69,000 HOURS IN THE MONTH OF
[01:25:58] APRIL. AS OF THE LAST PAYROLL IN NOVEMBER WE'RE DOWN TO
[01:26:02] ABOUT 5,000 HOURS USED IN THAT MONTH TOTAL.
[01:26:07] SO CERTAINLY THE USE HAS COME DOWN, BUT WE CERTAINLY FEEL
[01:26:11] LIKE WE MADE THE RIGHT DECISION IN TERMS OF PROVIDING THIS BENEFIT TO OUR STAFF
[01:26:14] TO KEEP THEM EARNING THEIR PAYCHECKS. I WANT
[01:26:21] TO GO TO THE NEXT TWO AND THEN DO QUESTIONS.
[01:26:24] OKAY, THE SECOND ISSUE HAD TO DO WITH OUR
[01:26:29] UNEMPLOYMENT BENEFITS AND WE DO USE A THIRD PARTY ADMINISTRATOR TO MONITOR
[01:26:33] OUR UNEMPLOYMENT CLAIMS AND AS GLENN SAID, THERE WAS SUBSTANTIAL FRAUD
[01:26:37] AND OVER 100 OF OUR EMPLOYEES WERE IMPACTED WITH FRAUDULENT CLAIMS. THERE'S ALSO
[01:26:41] JUST BEEN A REAL DRAIN ON THE EMPLOYMENT SECURITY DEPARTMENT, IN TERMS OF ALL
[01:26:46] THE INDIVIDUALS THAT WERE ABLE TO APPLY FOR UNEMPLOYMENT.
[01:26:49] AND IN THIS CASE IT'S BEEN A REALLY DIFFERENT YEAR. YOU COULD APPLY FOR
[01:26:53] UNEMPLOYMENT AND STILL BE EMPLOYED. SO THAT CREATED A NEW
[01:26:57] NUANCE THAT WE NEEDED TO DEAL WITH. AND CERTAINLY THOSE
[01:27:01] EMPLOYEES ARE IDENTIFIED AS HIGH RISK AND UNABLE TO
[01:27:05] WORK AS A RESULT WERE ELIGIBLE FOR UNEMPLOYMENT BENEFITS. SO THEY
[01:27:09] COULD BE ON OUR PAYROLL AND STILL CLAIM UNEMPLOYMENT. AND UNFORTUNATELY
[01:27:14] WE HAD A COUPLE OF EMPLOYEES THAT WERE ABLE TO PUT LEAVE IN AS WELL
[01:27:18] AS CLAIM UNEMPLOYMENT. AND CYNTHIA ALVAREZ OR SENIOR
[01:27:22] MANAGER OF EMPLOYEE RELATIONS OVERSEES THAT PROGRAM AND CAN
[01:27:27] ANSWER ANY ADDITIONAL QUESTIONS THAT YOU MIGHT HAVE ABOUT THAT PROGRAM. BUT CERTAINLY THERE'S
[01:27:32] CHALLENGES IN TERMS OF GETTING THE DATA THAT WE NEED FROM EMPLOYMENT SECURITY
[01:27:35] DURING THIS TIME BUT WE ARE ACTIVELY MONITORING THOSE MUCH MORE
[01:27:39] CLOSELY. AND I'M HAPPY TO TAKE ANY QUESTIONS YOU MIGHT HAVE.
[01:27:45] THANK YOU, KATIE. CLERK HART WILL YOU GO THROUGH THE ROLE?
[01:27:56] COMMISSIONER BOWMAN. THERE WE GO, SORRY ABOUT THAT. I THOUGHT
[01:28:00] I WAS. I THOUGHT IT WAS NOT MUTED APOLOGIES.
[01:28:06] NUMBER ONE. I REALLY APPRECIATE THE FACT THAT AN AUDIT WAS DONE
[01:28:10] ON THIS PROGRAM. LET ME START WITH THAT. AND KATIE,
[01:28:15] I REALIZED THAT YOU AND YOUR TEAM HAD AN ENORMOUS CHALLENGE IN

[01:28:19] A VERY SHORT AMOUNT OF TIME TO PULL TOGETHER THIS PROGRAM AND TRY
[01:28:23] AND UNDERSTAND WHAT IT MEANT. I GUESS AT THE END OF THE DAY,
[01:28:27] I FEEL BETTER THAT THERE IS NOW A
[01:28:31] MORE CONSOLIDATED PROGRAM THAT DEPARTMENT BY DEPARTMENT
[01:28:35] I THINK IT SEEMS OBVIOUS LOOKING BACK THAT THAT WAS NOT THE RIGHT THING TO
[01:28:39] DO OR THE MOST EFFICIENT WAY AND IT WOULD RESULT IN
[01:28:43] EXACTLY THE FINDINGS THAT WE'VE HAD. BUT THAT SAID I
[01:28:47] FEEL MORE CONFIDENT WITH YOUR RESPONSE TO THIS
[01:28:51] AND THAT THERE'S BETTER CONTROLS MOVING FORWARD.
[01:28:55] THANK YOU. THANK YOU, COMMISSIONER.
[01:28:59] THANK YOU COMMISSIONER. MOVING TO MEMBER GERKE. I DON'T HAVE ANY QUESTIONS. I TOTALLY AGREE
[01:29:03] WITH WHAT COMMISSIONER BOWMAN SAID. THANK YOU. AND
[01:29:07] COMMISSIONER CALKINS. NO MORE QUESTIONS FOR ME,
[01:29:10] THANK YOU.
[01:29:13] ALRIGHT. THANK YOU.
[01:29:16] OUR NEXT OPERATIONAL AUDIT
[01:29:20] IS ITEM NUMBER 10 WHICH IS CENTRAL
[01:29:24] TERMINAL INFRASTRUCTURE UPGRADE.
[01:29:29] I JUST WANT A SHOUT OUT OR SAY THANK YOU TO KATIE AND HER
[01:29:34] TEAM ON THAT ONE FOR, LOT OF PEOPLE WON'T ASK
[01:29:38] YOU FOR AN AUDIT ESPECIALLY WHEN THINGS ARE NOT GOING WELL.
[01:29:42] SO THE PARTNERSHIP IS IMPORTANT. AND I APPRECIATE HER FOR
[01:29:47] REACHING OUT TO US AND SAYING, HEY, CAN YOU HELP US REVIEW THIS? NEXT
[01:29:53] ON TO CENTRAL TERMINAL INFRASTRUCTURE UPGRADE.
[01:29:55] ESSENTIALLY, THIS SLIDE TALKS A LITTLE
[01:29:59] BIT ABOUT WHAT THE INFRASTRUCTURE UPGRADE
[01:30:03] PROJECT WAS. AND A
[01:30:07] BIG PART OF THIS WAS WE DECIDED TO BREAK THIS PROJECT INTO TWO
[01:30:11] PIECES PRIMARILY BECAUSE IT IS BEHIND SCHEDULE.
[01:30:15] WE WANTED TO LOOK
[01:30:19] AT THE DESIGN PHASE WHERE THERE WERE A LOT OF ISSUES AND
[01:30:22] THEN NEXT YEAR WE'LL LOOK AT THE CONSTRUCTION CLOSE OUT
[01:30:26] PHASES. OSBORN CONSTRUCTION WAS
[01:30:31] AWARD THE CONTRACT AND BEEN DOING THIS AUDIT AND I
[01:30:35] WANT TO HIGHLIGHT THAT KEY THEME HERE WAS CHANGE ORDERS.
[01:30:39] SO I'M GOING TO GO TO THE NEXT SLIDE.
[01:30:43] WE HAVE
[01:30:47] ONE MEDIUM RISK ISSUE HERE AND IT WAS IMPORTANT
[01:30:51] IN THAT WHEN WE DO THESE IT'S
[01:30:55] IMPORTANT THAT ALL STAKEHOLDERS COME TO THE TABLE AND PROVIDE THEIR FEEDBACK
[01:31:00] AT THE LAUNCH TIME. BECAUSE IF YOU DON'T DO THAT UPFRONT
[01:31:05] THEN YOU END UP WITH CHANGE ORDERS IN THE BACK END. YOU KNOW, CLEARLY,
[01:31:09] SOME CHANGE ORDERS ARE MANAGEMENT DECISIONS TO
[01:31:13] INCREASE REVENUE OR THIS WALL
[01:31:17] IS BUILT FOR INSTANCE.
[01:31:20] WE WON'T BE ABLE TO GET THIS REVENUE FROM THIS TENANT BUT
[01:31:24] THOSE THINGS CAN ALSO BE THOUGHT ABOUT UPFRONT IN THE DESIGN PHASE.
[01:31:28] SO THE BIGGEST ISSUE HERE
[01:31:33] THAT WE HAVE, THE BIGGEST RECOMMENDATION IS IT NEEDS TO BE IMPORTANT
[01:31:37] AND REQUIRES FOR EVERYBODY, ALL KEY STAKEHOLDERS IN THE
[01:31:41] DESIGN PHASE, UPFRONT TO PROVIDE THEIR FEEDBACK AND THEIR GUIDANCE AND
[01:31:45] THEIR REQUIREMENTS AND THEN PENCILS DOWN TO THE
[01:31:49] BEST EXTENT POSSIBLE. IT WON'T BE 100% POSSIBLE
[01:31:53] BUT WHERE POSSIBLE AND THAT WILL HELP REDUCE
[01:31:57] CHANGE ORDERS, PROJECT DELAYS, AND,
[01:32:01] YEAH, COST. SO, THE NEXT
[01:32:05] SLIDE, PLEASE. OUR RECOMMENDATION
[01:32:10] IS PRETTY MUCH WHAT MANAGEMENT RESPONSE IS SO I'M GOING TO ASK WAYNE
[01:32:14] HERE TO UNMUTE AND TO TALK A LITTLE BIT ABOUT HIS MANAGEMENT
[01:32:19] RESPONSE AND WHAT AVIATION HAS BEEN DOING? ARE YOU ON THE
[01:32:23] LINE BY ANY CHANCE? YES, I AM. THANK YOU, GLENN AND
[01:32:28] THANK YOU COMMISSIONERS AND COMMITTEE MEMBER GERKE. I'M WAYNE GROWTH HERE, I'M A DIRECTOR OF
[01:32:32] AVIATION PROJECT MANAGEMENT. AS GLENN NOTED, THE PROJECT HAD

[01:32:36] SIGNIFICANT CHALLENGES RESOLVING COMPETING CONSTRUCTION, OPERATIONAL,
[01:32:41] TENANT IMPACT, CUSTOMER SERVICE, AND FINANCIAL
[01:32:45] CONSIDERATIONS. THIS WAS A VERY DISRUPTIVE PROJECT IN THE VERY
[01:32:49] HEART OF THE AIRPORT. BASED ON THESE CHALLENGES, WE DID
[01:32:53] AN EXTENSIVE LESSONS LEARNED REVIEW OF THIS PROJECT NEARLY 18 MONTHS AGO
[01:32:57] AS NOTED BY INTERNAL AUDIT. AND SOME OF THE CHANGES I'LL TALK ABOUT ARE CHANGES
[01:33:02] MADE DIRECTLY AS A RESULT OF THAT LESSONS LEARNED PROCESS.
[01:33:06] FIRST, WE MADE PROCESS CHANGES EARLIER THIS YEAR THAT DIRECTLY ADDRESS
[01:33:10] SOME OF THESE PROBLEMS. STRENGTHENING OUR PROJECT DEFINITION
[01:33:14] PROCESS, WHICH IS BEFORE WE GET INTO DO SOMETHING TO PUT
[01:33:18] ADDITIONAL FOCUS ON OPERATIONAL IMPACTS LIKE MAINTAINING
[01:33:22] PASSENGER FLOW, TEMPORARY FACILITIES. LIKE THE HOT FOOD LOCATIONS THAT
[01:33:27] WERE ADDED HERE, POST DESIGN, AND
[01:33:31] CUSTOMER SERVICE OPPORTUNITIES LIKE THE PROJECT
[01:33:35] COMMUNICATIONS THAT WERE ADDED TO THE MUCH LARGER WALL
[01:33:39] BUILT IN FRONT OF A CONSTRUCTION SITE
[01:33:43] BECAUSE OF ITS LOCATION. SECOND, AVIATION
[01:33:48] DIVISIONS INVOKED A CHANGE MANAGEMENT PROCESS.
[01:33:52] THIS BEGAN IN APRIL THIS YEAR TO PUT A MUCH STRONGER FOCUS ON PROJECT
[01:33:56] SCOPE CHANGES THAT REQUIRES A REVIEW BY PROJECT
[01:34:01] REVIEW BOARD OF THREE DIRECTORS: FINANCE AND BUDGET, CAPITAL
[01:34:05] PROGRAMS, AND PROJECT MANAGEMENT.
[01:34:08] AND IF
[01:34:13] IT'S ABOVE 500,000 DOLLARS TO THE CHIEF OPERATING OFFICER OF THE AIRPORT IF
[01:34:17] IT'S ABOVE A BILLION DOLLARS TO THE MANAGING DIRECTOR OF THE AIRPORT, THAT'S
[01:34:23] NOT WITHSTANDING THE PROCESSES FOR BUDGET INCREASES.
[01:34:26] BUT THIS IS IF WE ARE ADDING TO THE PROJECT YET STAYING
[01:34:31] WITHIN BUDGET, WE WANT TO PUT A STRONG FOCUS ON THAT. SO THAT WOULD HAVE
[01:34:34] CAUGHT SOME OF THESE ISSUES AS WELL. AS GLENN
[01:34:38] NOTED AND IT'S IN A SECOND BULLET HERE, THERE WERE SOME SIGNIFICANT CHANGES
[01:34:42] MADE AS CONSCIOUS BUSINESS DECISIONS AT THE HIGHEST LEVELS OF THE AIRPORT
[01:34:46] TO MEET CUSTOMER SERVICE NEEDS AND GAIN REVENUE. AND THAT
[01:34:50] WAS BOTH DELAYING THE CLOSURE OF THE ANTHONY'S RESTAURANT AND ADDING
[01:34:55] TEMPORARY HOT FOOD LOCATIONS. THOSE WERE EXPENSIVE BUT THE REVENUE
[01:34:59] OF IT WAS NEARLY TWICE THE COST OF MAKING THOSE CHANGES.
[01:35:03] AND FINALLY THE ADDITIONAL PROCESS CHANGES
[01:35:07] THAT WE HAVE UNDERWAY NOW WHICH WE TOUCHED ON WHICH IS MANDATORY
[01:35:11] PARTICIPATION OF KEY DESIGN REVIEWS. THESE DESIGN
[01:35:15] REVIEWERS ARE IN OTHER DEPARTMENTS. THESE ARE SPONSORS, OUR OWNERS,
[01:35:19] THOSE AFFECTED BY THE PROJECTS THAT WE'RE CONSTRUCTING. THESE
[01:35:23] STEPS REQUIRE RESOURCES, REQUIRE PRIORITY, AND THAT'S PARTICULARLY
[01:35:27] CHALLENGING IN COVID TIMES AND FINANCIAL CONSTRAINTS THERE.
[01:35:31] BUT THE INTENT HERE IS THAT PROJECTS WILL WAIT IF NEED
[01:35:35] BE FOR CRITICAL DESIGN REVIEW INPUT SO THAT WE CAN RESOLVE AS MANY
[01:35:40] ISSUES AS WE POSSIBLY CAN BEFORE WE GET INTO CONSTRUCTION WHERE IT GETS MUCH
[01:35:44] MORE EXPENSIVE TO RESOLVE THOSE ISSUES. WITH THAT IT'D BE
[01:35:48] GOOD TO ANSWER ANY QUESTIONS.
[01:35:54] YES, THANK YOU BEGINNING WITH COMMISSIONER BOWMAN.
[01:35:59] THANK YOU AGAIN.
[01:36:03] I DISCUSSED THIS BRIEFLY. WELL, ACTUALLY MORE IN DEPTH I SHOULD SAY,
[01:36:07] BUT ALSO BRIEFLY WITH GLENN AND I GUESS MY GREATEST
[01:36:11] CONCERN AND WAYNE THANK YOU VERY MUCH FOR YOUR RESPONSE.
[01:36:16] I THINK IT'S MORE OF JUST TAKING A BIG BACK STEP
[01:36:19] AND LOOKING AT THIS ISSUE OF NOT
[01:36:23] JUST ON THIS PROJECT BUT CHANGE ORDERS IN GENERAL.
[01:36:27] YOU KNOW, WE SEEM TO HAVE QUITE A FEW OF THEM, PARTICULARLY IN
[01:36:31] THE AVIATION DIVISION, BUT CERTAINLY NOT EXCLUSIVELY. AND SO ALL
[01:36:35] OF THE RECOMMENDATIONS MOVING FORWARD ARE GOOD,
[01:36:39] BUT THEY'RE NOT JUST ON THIS PROJECT. AND SO I WOULD JUST URGE MANAGEMENT
[01:36:43] TO CONSIDER WHAT CAN WE DO TO
[01:36:47] ENSURE THAT THESE PROBLEMS DON'T CONTINUE AND
[01:36:50] BY THAT, I MEAN, SPECIFICALLY WITH AN AUDIT WE'RE
[01:36:54] JUST LOOKING AT A PARTICULAR PROJECT LIKE THIS ONE. BUT OVER MY YEARS AT

[01:36:58] THE PORT I'VE SEEN THESE SAME ISSUES OVER AND OVER AND OVER AGAIN,
[01:37:02] WHERE WE DIDN'T GET EVERYBODY AT THE TABLE THE WAY
[01:37:06] WE SHOULD HAVE IN THE BEGINNING THAT RESULTED IN CHANGE ORDERS.
[01:37:10] WHAT GLENN SAID EARLIER ABOUT YOU KNOW, AT SOME POINT THERE'S A PENCILS DOWN
[01:37:13] THIS IS PROBABLY THE VERY BEST EXAMPLE
[01:37:18] OF HOW THAT PROJECT GREW IN SCOPE. AND WE REALLY, WE HAD TO BRING
[01:37:21] OUTSIDE EXPERTS TO GET TO PUT PENCILS DOWN ON THAT ONE.
[01:37:25] ALL THAT TO SAY THAT I'M URGING I GUESS OUR
[01:37:29] LEADERSHIP AT THE TOP OF THE ORGANIZATION TO EXPLORE
[01:37:33] WHAT WE CAN DO ON THE STAFF SIDE TO IMPLEMENT
[01:37:39] THESE RECOMMENDATIONS. BRINGING EVERYBODY TO THE TABLE. REALLY DEFINING
[01:37:43] THE PROJECT SCOPE. THINKING THROUGH AND SO THAT WE'RE NOT CONTINUING
[01:37:47] TO HAVE THESE ISSUES ON INDIVIDUAL PROJECTS.
[01:37:52] THANK YOU, COMMISSIONER BOWMAN. MOVING TO MEMBER GERKE.
[01:37:55] I DON'T HAVE ANY ADDITIONAL QUESTIONS.
[01:37:59] THANK YOU. COMMISSIONER CALKINS.
[01:38:04] I APPRECIATE BOTH THE FINDINGS AND THE MANAGEMENT RESPONSE. WHEN
[01:38:10] GLENN FIRST BRIEFED ME ON THIS IT CAUSED ME TO REFLECT ON THE PROCESS THAT
[01:38:14] I THINK WE'VE BEEN UNDERTAKING FOR THE LAST THREE YEARS. IN
[01:38:19] PART I THINK THAT STEMMED OUT OF TWO THINGS. ONE WAS
[01:38:23] THE HIRING OF A NEW EXECUTIVE DIRECTOR WHO HAD
[01:38:27] A DIFFERENT AND I THINK IN SOME WAYS, BENEFICIAL EXPERIENCE
[01:38:32] IN MANAGING BIG ORGANIZATIONAL BUDGETS.
[01:38:36] AND ALSO THE DECISION
[01:38:41] BY THE PROCEEDING COMMISSION THAT COMMISSIONER
[01:38:45] BOWMAN SERVED ON TO WHEN SOME
[01:38:49] CONCERNS AROUND SCHEDULING BUDGET ON THE IAF PROJECT FIRST CAME
[01:38:54] UP TO INITIATE AN OUTSIDE THIRD PARTY GROUP
[01:38:58] THAT WE REFER TO AS THE ERP TO EXAMINE SOME OF THAT
[01:39:02] FAIRLY UNIQUE BID PROCESS FOR US AND THAT
[01:39:07] OUTSIDE EXPERTISE AND THE OUTSIDE PERSPECTIVE
[01:39:11] THAT EXECUTIVE DIRECTOR METRUCK BROUGHT IN ALONG WITH,
[01:39:15] I THINK, FOR THE FIRST TIME, A WILLINGNESS
[01:39:21] TO REALLY LISTEN TO THE CONCERNS THAT PROFESSIONAL
[01:39:25] STAFF HAD BEEN MENTIONING FOR A LONG TIME ABOUT SOME OF THE SILOED NATURE OF
[01:39:30] OUR DIVISIONS HAS RESULTED
[01:39:33] IN REFORMS TOWARD WHAT
[01:39:37] I BELIEVE, GLENN, YOU ARE HOPING WILL BE THE OUTCOME OF THIS,
[01:39:41] WHICH IS TO SAY A MUCH
[01:39:45] CLEARER SENSE OF THE SCOPE AND
[01:39:49] SCALE OF A PROJECT AT THE OUTSET AND
[01:39:55] LESS OF A CHANCE OF THE
[01:40:00] SILO DEPARTMENTS COMING TO
[01:40:04] THE PLANNING PROCESS TOO LATE TO PROVIDE INSIGHT THAT WOULD HAVE AVOIDED
[01:40:08] CHANGE ORDERS OR IS FOR EXAMPLE,
[01:40:12] MISSED PERMITS, OTHER THINGS. AND I HAVE
[01:40:15] HAD THE OPPORTUNITY TO SEE HOW SOME OF THAT'S BEEN INSTITUTED. AND SO I THINK
[01:40:19] SOME OF THIS IS ALREADY HAPPENING ON AN INSTITUTIONAL SCALE.
[01:40:23] AND SO I DON'T
[01:40:27] FEEL LIKE WE'RE STARTING FROM SCRATCH HERE ON THIS ONE. I FEEL LIKE THIS REPRESENTS
[01:40:30] A REAL IMPROVEMENT. AND THIS
[01:40:34] IS THE NEXT STEP. AND THANK YOU TO WAYNE FOR THE PRESENTATION AS WELL.
[01:40:39] ANY FURTHER COMMENTS OR QUESTIONS ON THIS OR RESPONSE
[01:40:44] FROM EITHER WAYNE OR GLENN? COMMISSIONER BOWMAN,
[01:40:48] YOU ALSO WANTED DAVE SWANKY ON THE LINE. HE IS ON THE LINE. HE DID
[01:40:52] HEAR YOU. AND I BELIEVE AS FAR AS INSTITUTING
[01:40:56] THIS ACROSS THE ORGANIZATION OUTSIDE AVIATION.
[01:40:59] YUP,
[01:41:03] COMMISSIONER I THINK YOUR COMMENTS ARE WELL
[01:41:09] RECEIVED AND THOUGHTFUL. COMMISSION
[01:41:13] CALKINS I ALSO AGREE. I WILL SAY THAT WE DID BEGIN SOME EFFORTS
[01:41:17] THIS YEAR. I WILL ALSO SAY THAT COVID CHANGED
[01:41:21] OUR FOCUS ON MANY ISSUES AND WE PLAN TO GET RIGHT BACK TO IT IN

[01:41:26] OUR UPCOMING RETREAT. I THINK, STEVE, I NOTICE PERHAPS STARTED
[01:41:30] AND AS I PRESENTED TO YOU LAST JANUARY,
[01:41:34] TWO MONTHS BEFORE COVID REALLY GOT SERIOUS HERE,
[01:41:37] WE DO HAVE A PLAN MOVING FORWARD WHERE WE WORK WITH THE DIVISIONS
[01:41:42] WHO NOW HAVE RESPONSIBILITY FOR THE CAPITAL
[01:41:46] SCOPING AND PROJECT MANAGEMENT. AND THEREFORE
[01:41:50] THEY ARE ALL HANDS ON ABOUT HOW PROJECTS MAY
[01:41:54] CHANGE AND HOW THAT MIGHT AFFECT THEIR OPERATIONS. IT GIVES
[01:41:58] THEM A FULL CHANCE TO THINK AHEAD ABOUT
[01:42:03] PROJECT IMPLEMENTATION VERSUS THEIR OPERATIONS AND
[01:42:08] CONSIDERING AIRLINE CHANGES ET CETERA. SO THANK
[01:42:12] YOU FOR YOUR COMMENTS. THEY WERE RECEIVED. WE'LL CONSIDER THEM. WE'RE STILL MOVING
[01:42:16] AHEAD. THANK YOU,
[01:42:20] THANK YOU ALL LET'S MOVE ON TO ITEM
[01:42:23] 11. GO AHEAD, GO AHEAD. THE NEXT AUDIT
[01:42:27] IS THE DELEGATION AUTHORITY AUDIT AND THIS IS THE FINAL AUDIT
[01:42:30] WE ARE DISCUSSING TODAY HERE IN PUBLIC SESSION.
[01:42:34] THIS AUDIT WAS ON THE PLAN AND ESSENTIALLY FOCUSED ON
[01:42:38] BOTH DELEGATION FROM THE COMMISSION DOWN TO THE EXECUTIVE DIRECTOR
[01:42:43] AND FROM THE EXECUTIVE DIRECTOR DOWN TO STAFF.
[01:42:46] SO BOTH ELEMENTS WOULD TEST IT RIGOROUSLY TO ENSURE
[01:42:50] THAT WE WERE IN COMPLIANCE FROM THE COMMISSION DOWN
[01:42:54] TO STAFF. THE LIMIT IS 300,000 DOLLARS, LIMIT OF THE EXECUTIVE DIRECTOR IS
[01:43:02] 300,000 DOLLARS. ANYTHING ABOVE HAS TO GO TO COMMISSION FOR AUTHORIZATION.
[01:43:06] AND EVERYTHING ELSE FROM THE EXECUTIVE DIRECTOR DOWNWARDS
[01:43:10] CAPTURED IN POLICY EX TWO WHICH WE DID TEST
[01:43:14] IN THE COURSE OF THIS AUDIT. NEXT SLIDE, PLEASE.
[01:43:19] THIS WAS UNIQUE IN NATURE BECAUSE THERE
[01:43:23] WERE A LOT OF PROCESSES MOVING AND REVIEWS GOING ON WHEN WE INITIATED
[01:43:27] THIS PROJECT. ALSO, BECAUSE WE WORK WITH A PROCUREMENT
[01:43:32] DEPARTMENT EXTENSIVELY ON THE ED
[01:43:36] AUDIT AND WHEN WE WERE DONE, WE MOVE ON, WE STEP
[01:43:40] OUT. THEY ASKED IF STRATEGIC INITIATIVES COULD BE
[01:43:43] INVOLVED AND COULD PARTNER WITH US,
[01:43:47] SIT IN ON SOME OF THE MEETINGS SO IF THERE WERE RECOMMENDATIONS
[01:43:51] THEY COULD TAKE THEM FORWARD AND HELP THEM IMPLEMENT THE RECOMMENDATIONS.
[01:43:56] SO WE HAD A UNIQUE TEAM WITH THAT. WE HAD THE AUDIT
[01:44:00] TEAM. PRETTY COMPREHENSIVE AUDIT TEAM. WE HAD A REPRESENTATIVE OF STRATEGIC
[01:44:05] INITIATIVES. AND THEN WE ALSO HAVE MR. OKAMOTO WHO'S ON THE EXPERT REVIEW
[01:44:09] PANEL WHO COULD TAKE ANY RECOMMENDATIONS AND
[01:44:13] ALSO HELP STRATEGIC INITIATIVES DRIVE THOSE FORWARD AND
[01:44:17] TAKE THOSE FORWARD. SO WITH THIS,
[01:44:21] WE HAD EXTENSIVE WEEKLY MEETINGS WHERE
[01:44:25] WE TALKED ABOUT THE WORK THAT WE WERE DOING AND WHAT WE WERE FINDING, WHAT
[01:44:29] WE'VE SEEN. I WANT TO HIGHLIGHT THAT THROUGH OUR TESTING
[01:44:33] NO INTERNAL CONTROL DEFICIENCIES WERE NOTED. SO IT WAS A CLEAN AUDIT.
[01:44:36] NEXT SLIDE, PLEASE.
[01:44:39] WE DID HOWEVER, NOTE AN OPPORTUNITY FOR IMPROVEMENT
[01:44:43] AND WE THOUGHT THIS WOULD BE A GOOD FOR HIM TO BRING IT OUT
[01:44:46] AND PLEASE PRESENT TO THE COMMISSION
[01:44:50] OUR THOUGHTS AND WHAT WE SAW. THE DELEGATION
[01:44:54] LIMIT IS 300,000 DOLLARS. AND WHAT WE
[01:44:58] SAW IS THAT ITEMS THAT WERE BELOW 300,000 DOLLARS WERE HIGH VISIBILITY
[01:45:02] SO MOST LIKELY SHOULD HAVE GONE TO COMMISSION OR COMMISSION
[01:45:06] SHOULD BE AWARE OF. AND THEN THERE'S SOME ITEMS THAT ARE, YOU KNOW, HIGHER THAN
[01:45:10] 300,000 DOLLARS THAT MAYBE
[01:45:15] THE EXECUTIVE DIRECTOR SHOULD HAVE THE ABILITY
[01:45:19] FOR STANDARD ITEMS TO PERHAPS FOR THE SAKE OF EFFICIENCY
[01:45:23] APPROVE OF. SO WE DIDN'T REALLY
[01:45:27] CONCLUDE ON ANYTHING SPECIFICALLY, BUT WE SAID THAT THIS SHOULD BE
[01:45:31] REVISITED. AND AND THE NEXT FEW SLIDES WILL
[01:45:35] SHOW YOU SOME DATA THAT WE GATHER THROUGH THE COURSE OF THIS. NEXT
[01:45:39] SLIDE, PLEASE. WE LOOKED

[01:45:44] AT THE CONTRACTS OVER THE 19 MONTH PERIOD AND WE FOUND THAT,
[01:45:49] YOU KNOW, 98% OF THEM ESPECIALLY IN THE MAJOR CONSTRUCTION
[01:45:53] SERVICE AGREEMENTS WILL GO INTO THE COMMISSION. SO PRETTY MUCH THE
[01:45:58] BULK OF THE DOLLAR SPEND AS FAR AS SPENDING GOES
[01:46:02] THROUGH THE COMMISSION. THERE ARE SOME THAT ARE SMALL THAT
[01:46:06] ARE UNDER 300,000 DOLLARS, BUT THEY'RE VERY
[01:46:12] SMALL PERCENTAGE. ALSO,
[01:46:14] WHAT WE DID WAS WE REBALANCED THAT. SAID WHAT
[01:46:18] IF YOU KNOW THINGS WERE CHANGED AND
[01:46:22] ANYTHING A MILLION DOLLARS OR ABOVE WENT TO THE
[01:46:26] COMMISSION. WE FOUND THAT STILL QUITE A SIGNIFICANT AMOUNT
[01:46:31] WOULD STILL BE GOING TO COMMISSION. ABOUT 480,000,000
[01:46:34] AFTER 608. YEAH,
[01:46:37] THERE ARE SOME BALANCING OPPORTUNITIES THERE. NEXT SLIDE,
[01:46:42] PLEASE. WE LOOKED AT WE ALSO
[01:46:46] BENCHMARKED ACROSS DIFFERENT ORGANIZATIONS.
[01:46:50] WE WENT TO KING COUNTY, SOUND TRANSIT,
[01:46:54] THE CITY OF SEATTLE, AND WE LOOKED AT WHAT THEY
[01:46:58] WERE DOING YOU KNOW, JUST FOR MANAGEMENT BENEFIT.
[01:47:02] WE SAID OKAY IN KING COUNTY AND CITY OF SEATTLE THE COMMISSION
[01:47:06] OR THEIR COUNCIL APPROVES THE CIP
[01:47:10] OF CAPITAL IMPROVEMENT PLAN AND THEREAFTER
[01:47:14] AFTER THAT PLAN'S APPROVED, THE EXECUTIVE OR THE MAYOR THEN
[01:47:19] APPROVE ANYTHING THEREAFTER. SO CAPITAL
[01:47:23] PROJECTS DON'T HAVE TO GO UP. IT'S A DIFFERENT APPROACH. SO TRANSIT,
[01:47:27] WHICH IS PROBABLY A LITTLE BIT MORE SIMILAR TO US REVISITED THEIRS IN 2018
[01:47:31] AND RAISE THEIR LIMIT TO 5,000,000 FOR CAPITAL
[01:47:36] PROJECTS AS A MARKED ON THEIR NEW CAPITAL
[01:47:41] GROWTH AND ANYTHING THAT'S NON CAPITAL
[01:47:45] I THINK THEY SAID IT ABOUT 2,000,000. SO THEY MADE SOME CHANGES.
[01:47:50] BUT IF IT'S NOT CAPITAL, IT'S 2,000,000; CAPITAL 5,000,000
[01:47:53] THAT THE CHIEF EXECUTIVE APPROVES. AND THEN THE
[01:47:57] NORTHWEST SEAPORT ALLINCE, PORT OF TACOMA. VERY MUCH LIKE US. WE ALSO LOOKED
[01:48:01] AT CALIFORNIA AND SOME OTHER JURISDICTIONS
[01:48:05] BASED ON DATA THAT JOHN OKAMOTO PROVIDED
[01:48:09] US AND WE THOUGHT THERE MIGHT BE AN OPPORTUNITY
[01:48:13] FOR STEVE AND HIS TEAM TO LOOK AND BENCHMARK
[01:48:17] AND GO BACK TO THE COMMISSION AND AND PERHAPS
[01:48:21] WORK WITH THEM ON SOMETHING THAT MIGHT HELP SPEED UP WITH THE
[01:48:24] CAPITAL PLAN. OUR BIG GOAL HERE WAS TO SAY WE WANT TO BE ABLE TO
[01:48:28] HELP STEVEN'S TEAM ACCELERATE THEIR
[01:48:32] CAPITAL PLAN. WE'VE GOT 3.7 BILLION DOLLARS THAT WE NEED TO
[01:48:37] SPEND. AND WE WANT TO SPEND IT EFFICIENTLY IN THE RIGHT WAY BUT WE
[01:48:41] CAN LEVERAGE OFF A VARIETY OF THINGS. NEXT SLIDE, PLEASE. SO RECOMMENDATIONS
[01:48:48] WHICH ARE ON THIS SLIDE TALK ABOUT THAT.
[01:48:51] STEVE SHOULD WORK WITH THE COMMISSION TO ASSESS IF
[01:48:55] ANYTHING CAN BE CHANGED AND TO INCREASE TRANSPARENCY WHERE NEEDED. ONE OF
[01:48:59] THE THING SOUND TRANSIT DID IS THEY IMPROVED THEIR TRANSPARENCY
[01:49:03] AND THEIR REPORTING AND WE MIGHT HAVE AN OPTION TO DO
[01:49:07] THAT. AND JUST TO MAKE SURE THAT THE COMMISSION IS AWARE OF EVERYTHING THAT'S HAPPENING,
[01:49:11] NOT JUST AT THE 300,000 DOLLARS LIMIT.
[01:49:15] NOW, ONE OF THE THINGS SOUND TRANSIT WAS LEVERAGE
[01:49:20] THE STANDING COMMITTEES WHERE POSSIBLE. AND I THINK
[01:49:24] WE MIGHT HAVE AN OPTION TO DO THAT BECAUSE WE HAVE A LOT OF COMMITTEES.
[01:49:27] WE ALSO HAVE THIS THE AUDIT COMMITTEE WHICH HAS THE ABILITY TO
[01:49:31] LOOK AT A LOT OF THINGS THAT ESPECIALLY IN THE CAPITAL FRONT THAT
[01:49:34] MIGHT BE CONCERN TO THE COMMISSION AND REPORT BACK
[01:49:38] THERE. ALWAYS A RISK BASED APPROACH
[01:49:42] AND
[01:49:47] THERE ARE MANY RISK FACTORS AND
[01:49:51] THE COMMISSION SHOULD IF THEY DECIDE TO GO THAT ROUTE IS
[01:49:55] LOOK AT THE NON FINANCIAL FACTORS AS WELL SUCH AS ENVIRONMENTAL,
[01:49:59] IS IF THERE'S A LEGAL ISSUE, OBVIOUSLY IF THERE'S ENVIRONMENTAL

[01:50:04] ISSUES OR SOCIAL ISSUES. EVEN IF UNDER 300,000
[01:50:08] DOLLARS, THOUGH, SHOULD PROBABLY BE REPORTED TO THE COMMISSION. SO WITH
[01:50:12] THAT I'LL GO TO THE NEXT SLIDE, WHICH IS DAVE SWANKY AND JOHN OKAMOTO'S
[01:50:16] RESPONSE AND I'LL ASK DAVE AND JOHN OKAMOTO TO
[01:50:19] UNMUTE AND USE THE NEXT 10 MINUTES TO
[01:50:23] PRESENT THIS TO THE COMMITTEE. I THANK
[01:50:28] YOU VERY MUCH AUDIT DIRECTOR FERNANDEZ, COMMITTEE
[01:50:32] MEMBERS, COMMISSIONERS. MY NAME IS JOHN OKAMOTO
[01:50:37] FOR THE RECORD. I WAS BROUGHT IN AS A MANAGEMENT
[01:50:41] CONSULTANT AND I REALLY TOOK A
[01:50:45] VIEW OF THIS EFFORT AS AN
[01:50:49] INDEPENDENT PERSON FROM
[01:50:52] MULTIPLE LENSES AS A FORMER ELECTED OFFICIAL.
[01:50:56] SO FOR A SHORT TIME AS A SENIOR EXECUTIVE RESPONSIBLE FOR
[01:51:01] THE DELIVERY OF MEGA PROJECTS WITH THE WASHINGTON STATE DEPARTMENT OF TRANSPORTATION
[01:51:06] AND MORE RECENTLY WORKING WITH THE
[01:51:10] PORT THROUGH THE ERP LOOKING AT THE INTERNATIONAL
[01:51:15] ARRIVALS FACILITY AS WELL AS ASSISTING THE EXECUTIVE
[01:51:19] DIRECTOR TO LOOK AT THE CAPITAL PROGRAM CAPACITY
[01:51:25] AND OTHER ISSUES. I THINK THE BIG NEWS
[01:51:28] THAT I WOULD HIGHLIGHT OUT OF THIS AUDIT THAT
[01:51:33] IT IS A CLEAN AUDIT AND THAT THE PORT WITH THE COMMISSIONS
[01:51:38] LEADERSHIP HAS CREATED REALLY A CULTURE OF COMPLIANCE
[01:51:42] SINCE 2007. BUT THE SECOND
[01:51:46] I THINK IMPORTANT MESSAGE OUT OF THIS IS THAT COMPLIANCE
[01:51:51] AND POLICIES AND PROCEDURES,
[01:51:54] ESPECIALLY THE LIMITATION OF THE 300,000
[01:51:59] DOLLARS DELEGATION OF AUTHORITY HAS COME WITH
[01:52:02] SIGNIFICANT ADMINISTRATIVE INEFFICIENCIES AND
[01:52:07] I WOULD ALSO ADD AN OPPORTUNITY COST BORN
[01:52:11] BY THE COMMISSION BY FOCUSING IN AT A LEVEL
[01:52:15] THAT PROBABLY NEEDS TO BE
[01:52:19] REEXAMINED AND TO SEE IF
[01:52:23] THAT COULD BE LIFTED AND THE COMMISSION COULD FOCUS ON OTHER
[01:52:27] BIG ISSUES FACING THE PORT.
[01:52:31] THE AUDIT DOES HIGHLIGHT AS AUDIT
[01:52:37] DIRECTOR FERNANDEZ INDICATED THERE ARE EFFICIENCIES THAT COULD
[01:52:41] BE GAINED WHEN YOU COMPARE THE PORT TO OTHER PUBLIC
[01:52:45] AGENCIES. THAT IS A FINDING THAT'S
[01:52:50] CONSISTENT WITH THE AIRPORT PEER REVIEW WHEN
[01:52:53] THEY BROUGHT IN SEVERAL AIRPORTS AROUND THE COUNTRY AND IT'S
[01:52:57] ALSO CONSISTENT WITH A PERSPECTIVE OF THE ERP.
[01:53:01] WHEN THE EXECUTIVE DIRECTOR ASSETS TO
[01:53:05] EXAMINE ALL SYSTEMS AND PROCEDURES AND
[01:53:09] STRUCTURES TO ALLOW FOR THE PORT
[01:53:13] TO TAKE ON A MORE COMPLEX BIGGER CAPITAL PROGRAM.
[01:53:17] IN ANY CHANGE IN
[01:53:21] DELEGATION OF AUTHORITY I THINK IT COULD IMPOSE
[01:53:25] GREATER RISKS AND TRANSPARENCY
[01:53:29] ISSUES. BUT IT'S MY BELIEF THAT THOSE RISKS CAN BE
[01:53:33] MANAGED BY AFFIRMING EXISTING POLICY
[01:53:36] CONTROLS ADOPTED BY THE COMMISSION. AND LET ME JUST
[01:53:41] TAKE A LITTLE DETOUR TO EXPLAIN WHAT THAT REALLY
[01:53:45] MEANS. THE COMMISSION IN ITS NORMAL
[01:53:50] BUSINESS ACTIONS SETS SEVERAL
[01:53:55] BIG POLICY WHAT I CALL POLICY CONTROLS
[01:53:59] OR ENVELOPES THAT CREATES SIDE BOARDS
[01:54:03] FOR THE ORGANIZATION LIKE
[01:54:07] THE ADOPTION OF LONG RANGE PLANS, ADOPTION
[01:54:12] OF MASTER PLANS, STRATEGIC PLAN ADOPTIONS.
[01:54:16] YOU GO FURTHER THAN THAT. YOU ADOPT SEVERAL DIFFERENT FINANCIAL
[01:54:21] CONTROLS AND THINGS LIKE
[01:54:26] THE LEVY AMOUNTS, RATES AND FEES,

[01:54:29] YOU GO FURTHER THAN THAT YOU ADOPT MULTI
[01:54:32] YEAR CAPITAL PROGRAMS. YOU ADOPT ANNUAL
[01:54:38] BUDGETS ANNUALLY.
[01:54:40] YOU ADOPT CAPITAL PROGRAMS.
[01:54:45] ALL OF THE WHAT I CALL POLICY ENVELOPES
[01:54:50] OR UMBRELLAS OVER ACTUAL ADOPTION
[01:54:55] OF ANY KIND OF PROJECT ACTIONS WHETHER IT BE EXPENDITURE
[01:55:00] CONTROLS OR PROCUREMENT CONTROLS. SO I THINK IT'S
[01:55:04] IMPORTANT FOR THE PUBLIC AND THE COMMISSION TO UNDERSTAND THAT
[01:55:10] ONE DOES NOT CONTROL PROJECT EXPENDITURES
[01:55:14] MERELY BY THE DELEGATION AUTHORITY AMOUNTS.
[01:55:18] I ALSO THINK THAT RISK
[01:55:23] CAN BE MITIGATED BY ENHANCING YOUR
[01:55:28] PROJECT REPORTING AND
[01:55:32] THE COMMISSION'S OWN ACTIONS IN TERMS OF
[01:55:36] HOW THIS CAPITAL PROGRAM MONITORING IS
[01:55:41] ASSIGNED TO SUBCOMMITTEES AND EVEN GOING FURTHER
[01:55:45] AS IN THE CITY OF SEATTLE, THEY IDENTIFY
[01:55:49] WHICH ARE HIGH PRIORITY PROJECTS THAT THEY
[01:55:52] WOULD LIKE TO SEE ENHANCED PUBLIC
[01:55:56] REPORTING ON. SO THAT CONCLUDES
[01:55:59] MY OBSERVATIONS AND I'LL TURN IT OVER TO OTHERS FOR
[01:56:04] THE REST OF THE PRESENTATION.
[01:56:10] GOOD AFTERNOON COMMISSIONERS AND MEMBER
[01:56:14] GERKE. NEXT SLIDE IF WE COULD.
[01:56:22] THANK YOU COMMISSIONERS.
[01:56:25] THE AUDIT TEAM LOOKED AT DATA OVER A YEAR AND A HALF,
[01:56:30] WHICH IS A GOOD LONG TIME BECAUSE THERE HAVE BEEN
[01:56:34] MANY DELEGATED ITEMS MOVING THROUGH THE WHOLE PORT SYSTEM DURING THAT
[01:56:38] TIME AND DELEGATIONS CAN BE COMPLEX IT'S NOT JUST A SINGLE DOLLAR
[01:56:43] LEVEL PER PERSON BUT THE DELEGATIONS ARE MULTIFACETED FROM
[01:56:46] REAL ESTATE THROUGH SEVERAL TYPES OF CAPITAL PROJECTS. AND
[01:56:52] ACTUALLY I WANT TO THANK THE AUDIT TEAM. THEY WERE RECEPTIVE TO
[01:56:56] TRYING TO DO THIS NOT JUST AS THEIR OWN LOOK BUT AS A TEAM.
[01:57:00] THEY INVITED IN PROCUREMENT WHO MANAGES THE
[01:57:04] DELEGATIONS AND HAS SET THEM IN PAST YEARS.
[01:57:07] THEY INVITED IN MYSELF WHICH I VERY
[01:57:11] MUCH APPRECIATE. THEY INVITED IN STRATEGIC INITIATIVES, THE LEAN
[01:57:15] TEAM. IN OTHER WORDS WHEN WE HAVE AN OPPORTUNITY FOR A CHANGE
[01:57:19] IF NECESSARY AS A RESULT AT THE END OF THE AUDIT, THAT LEAN TEAM
[01:57:24] MEMBER'S ALREADY GOT HIS OR HER HANDS AND MIND
[01:57:27] ON THE SITUATION AND WE CAN GET STARTED RATHER QUICKLY.
[01:57:31] AND IT WAS ALSO GOOD FOR WE
[01:57:34] MULTIPLE DEPARTMENT MEMBERS TO SEE HOW THE
[01:57:38] AUDIT TEAM GOES ABOUT ITS WORK. IT TAKES AWAY SOME OF
[01:57:42] THE MYSTERY. YOU COULD SEE THE LOGIC TO WHAT THEY'RE THINKING AND
[01:57:46] IT GAVE A BUNCH OF DIALOGUE AND QUESTIONS WHERE WE WOULD PROVIDE INFORMATION.
[01:57:50] AND THEN WE'D BE ABLE TO COMMENT ON IT AND ANSWER QUESTIONS BACK AND FORTH.
[01:57:54] IT REALLY DEMYSTIFIED AND MADE
[01:57:57] THE VALUABLE FUNCTION OF AN INTERNAL AUDIT REALLY CLEAR
[01:58:02] TO US. IT WAS VERY POSITIVE. THANK YOU, GLENN AND TEAM.
[01:58:05] YES, AN EFFICIENCY WAS IDENTIFIED EVEN THOUGH
[01:58:09] THERE WERE NO, IT WAS A POSITIVE AUDIT. SO WE
[01:58:14] STARTED THINKING ABOUT HOW COULD WE ANALYZE HOW
[01:58:19] TO FIND THE BEST EFFICIENCY. NEXT SLIDE. THESE
[01:58:25] NEXT TWO SLIDES ARE JUST EXAMPLE OR ILLUSTRATIVE.
[01:58:31] WE TOOK SOME OF GLENN'S DATA A 300,000 DOLLAR LEVEL
[01:58:36] HE IDENTIFIED EARLIER AND THEN THE MILLION DOLLAR LEVEL.
[01:58:39] AND THEN WE JUST TOOK A SKY HIGH MAGNITUDE NUMBER
[01:58:43] DIFFERENCE ALL THE WAY TO 10,000,000 AND WE TOOK A LOOK AT FROM
[01:58:48] THE COMMISSION SEEING ALL THE ACTIONS WITH 300,000 THEY SEE 98%,
[01:58:51] A MILLION, THEY SEE 95%
[01:58:55] AND IF IT WAS AS HIGH AS 10,000,000 THEY WOULD SEE 69%

[01:59:00] ALMOST 70% BUT WE WONDERED ABOUT WHAT THE EFFICIENCY MIGHT
[01:59:04] BE FOR THE COMMISSION STANDPOINT, CERTAINLY THERE WOULD BE EFFICIENCIES FOR STAFF,
[01:59:08] ET CETERA, BUT WE'RE WONDERING MORE ABOUT THE ULTIMATE CUSTOMER WHICH
[01:59:12] IS YOU, AS REPRESENTATIVES THAT LEAD
[01:59:16] OUR AGENCY REPRESENTATIVES OF THE PUBLIC. AND IF YOU LOOK ALL THE WAY
[01:59:20] DOWN AT 10,000,000 IT MIGHT SAVE 68 ACTIONS A YEAR.
[01:59:24] AND IF AN ACTION TYPICALLY TAKES 20 MINUTES FOR PRESENTATION,
[01:59:29] Q&A ETC. AT A COMMISSION
[01:59:33] MEETING YOU MIGHT SAVE AN HOUR OUT OF EVERY
[01:59:36] COMMISSION MEETING THROUGH THE YEAR. COULD THAT HOUR BE BETTER
[01:59:41] POSITIVELY UTILIZED BY THE COMMISSION FOR A HIGHER LEVEL POLICY
[01:59:45] ITEMS MANY OF WHICH JOHN MENTIONED JUST NOW?
[01:59:48] POSSIBLY, BUT THAT'S NOT THE SINGLE
[01:59:52] ANSWER. NEXT SLIDE.
[01:59:57] GLENN ALSO IDENTIFIED SOME AGENCIES
[02:00:00] THAT HE LOOKED AT AND WE HAVE A SMALL TEAM SO FAR
[02:00:04] THAT WILL GROW. I'LL EXPLAIN THAT IN A MINUTE. BUT WE HAVE ALSO STARTED LOOKING
[02:00:09] A LITTLE FARTHER AND ADDED A COUPLE MORE. THE UNIVERSITY
[02:00:13] OF WASHINGTON. YOU CAN SEE THEIR DELEGATION LIMIT IS SURPRISINGLY HIGH
[02:00:17] IT'S EVEN OVER THE 10,000,000 THAT WE JUST MAGNITUDE GUESSED EARLIER.
[02:00:22] ALSO WE TALKED TO SAN FRANCISCO AND
[02:00:26] THEY DO MANY PROGRESSIVE DESIGN PROJECTS
[02:00:31] AND THEY HAVE BEEN TRAINING ON IT AND BIGGER AND
[02:00:35] BIGGER PROJECTS OVER TIME AND YOU CAN SEE THAT THEIR DELEGATION IS QUITE HIGH
[02:00:40] WHAT'S INTERESTING HERE AS I LOOK AT THE WHOLE PICTURE, YOU'LL
[02:00:45] SEE THE DELEGATION LEVELS FOR NWSA THAT IS OUR PARTNER AND THE PORT
[02:00:49] IS RELATIVELY LOW COMPARED TO THE CAPITAL BUDGETS
[02:00:54] THAT WE SEE ACROSS THE BOARD THESE ORGANIZATIONS. AND
[02:00:58] WHAT WE WILL BE DOING IS REACHING WITH AVIATION TO
[02:01:02] THE REST OF AVIATION'S PEER REVIEW, THAT WAS ACCOMPLISHED
[02:01:06] A LITTLE OVER A YEAR AGO OF ABOUT 10 AIRPORTS
[02:01:10] THEY INVITED INTO SEATTLE FOR A THREE DAY EFFORT TO TALK ABOUT CAPITAL
[02:01:15] AND HOW IT COULD BE RUN TO THE BEST POSSIBLE WAY. SO WE'LL
[02:01:19] BE REACHING TO SOME OF THOSE PEER AIRPORTS IN THE US AND ASKING ABOUT THEIR
[02:01:23] DELEGATIONS BUT WHAT'S DIFFERENT AND WHAT I FOUND IN SPEAKING TO SAN FRANCISCO
[02:01:27] IS THEIR DELEGATION MAY BE A DIFFERENT BUT
[02:01:31] THEIR REPORTING SYSTEM IS A DIFFERENT LEVEL. AND WHAT THEY'VE DONE WITH THEIR REPORTING SYSTEM
[02:01:34] IS HAVE AUTOMATED IT TO A CERTAIN SOFTWARE AND
[02:01:38] THEY HAVE TRAINED THEIR COMMISSIONER BOARD MEMBERS HOW TO READ
[02:01:42] THAT. BUT THE REAL QUESTION ISN'T WHAT'S THE DELEGATION
[02:01:47] LEVEL, WHAT'S THE TOTAL CAPITAL BUDGET. I THINK WE NEED TO TAKE A
[02:01:50] CLEAN SHEET OF PAPER TO THIS. NEXT SLIDE. FIRST,
[02:01:57] WE WANTED TO BE CLEAR WITH YOU AND WE WANTED TO ENGENDER SOME DISCUSSION
[02:02:01] ON THESE NEXT TWO SLIDES. FIRST WE WANTED TO
[02:02:05] CLARIFY OUR OBJECTIVE AND OUR VALUES.
[02:02:08] COMMISSIONER BOWMAN I'D BE HAPPY TO TAKE YOUR QUESTION NOW. NO,
[02:02:13] DAVE, I REALLY APOLOGIZE. BUT THE MEETING WAS SUPPOSED TO END AT
[02:02:16] 3:30 AND WE'RE GONNA HAVE TO. I'M GONNA HAVE TO LEAVE FOR A FEW
[02:02:20] MINUTES UNTIL WE GO INTO THE NON PUBLIC SESSION AT 3:45
[02:02:24] SO I APOLOGIZE. I'M GOING TO HAVE TO JUMP OFF. SO I'M
[02:02:29] HOPING THAT I CAN MAYBE FIND ANOTHER OPPORTUNITY TO HEAR THE REST OF THE PRESENTATION.
[02:02:32] YOU BET AND I'LL SPEED UP WHAT I'M DOING NOW, THANK YOU.
[02:02:36] THANK YOU, COMMISSIONER CALKINS. I HATE TO JUMP IN. BEFORE COMMISSIONER
[02:02:40] BOWMAN LEAVES I'VE JUST PULLED UP IN THE CHARTER, THE QUORUM FOR
[02:02:44] THIS COMMITTEE IS THE VOTING MEMBERS.
[02:02:49] AND GLENN AND I DISCUSSED THIS BEFORE AND TOO.
[02:02:53] THIS IS AN EXTRAORDINARILY IMPORTANT TOPIC FOR US AND SO
[02:02:58] I WOULD BE HAPPY TO CONVENE A SPECIAL MEETING OF THE AUDIT COMMITTEE
[02:03:04] FOR THIS TOPIC IN PARTICULAR AS I THINK IT'S KICKING OFF A CONVERSATION.
[02:03:09] THAT IS GOING TO RUN OVER THE NEXT YEAR OR SO AND THAT IT IS
[02:03:12] VERY IMPORTANT FOR THE EFFICIENCY OF OUR ORGANIZATION. SO I WOULD
[02:03:16] PROPOSE THAT WE I GUESS THE TERM IS TABLE IT FOR AND
[02:03:20] TAKE THIS MATTER UP AGAIN IN A MEETING AS

[02:03:24] SOON AS POSSIBLE, RECOGNIZING WE'RE COMING UP ON THE END OF THE YEAR THAT
[02:03:28] MAY BE IN JANUARY, BUT ONE IN WHICH WE COULD FOCUS SPECIFICALLY ON THIS
[02:03:32] ISSUE AND DEVOTE SOME TIME TO IT. GLENN, WHAT ARE YOUR THOUGHTS ON THAT?
[02:03:35] I THINK THAT THAT WOULD BE FINE. YOU KNOW, I THINK
[02:03:39] WE CAN CONVENE JUST LIKE WE DID LAST YEAR WITH THE AD MEETING,
[02:03:44] AN AUDIT COMMITTEE MEETING THEN. WE WILL ALSO HAVE THE STATE
[02:03:48] AUDITORS WITH THEIR READOUT IN EARLY JANUARY SO WE CAN LEVERAGE OFF THAT
[02:03:52] AND PERHAPS LUMP THOSE TOGETHER. I THINK THAT'S A GREAT IDEA.
[02:03:55] COMMISSIONER CALKINS, WOULD YOU LIKE TO SET THIS FOR A TIME CERTAIN
[02:03:59] TO BRING IT BACK OR DO YOU JUST WANT TO TABLE IT FOR A FUTURE
[02:04:03] MEETING? LET'S AGREE
[02:04:07] ON THE JANUARY MEETING IN WHICH WILL GET THE REPORT BACK
[02:04:11] FROM THE STATE AUDIT AND ON THIS ONE. AND SO THAT WE HAVE IT ON
[02:04:15] THE AGENDA? OKAY, YOU WANT
[02:04:20] TO MAKE THAT A FORMAL MOTION? DO WE STILL HAVE
[02:04:23] COMMISSIONER BOWMAN? I STILL SEE HER IN THE MEETING. I'M NOT SURE.
[02:04:31] I THINK WE LOST HER. OKAY, ALRIGHT WE'LL JUST PLAN TO COORDINATE
[02:04:35] WITH STAFF FOR SCHEDULING OF A JANUARY MEETING,
[02:04:38] OKAY? AND WE WILL. THAT'S UNFORTUNATELY
[02:04:44] GOING TO CONCLUDE TODAY'S PUBLIC AGENDA. WE WILL RECESS INTO THE NON PUBLIC
[02:04:48] PORTION OF THE MEETING TO ADDRESS ITEM NUMBER 12 WHICH IS AN INFORMATION TECHNOLOGY.
[02:04:52] AN ITEM FOR INVENTORY AND CONTROL OF SOFTWARE ASSETS. ARE THERE ANY
[02:04:56] CLOSING COMMENTS FROM CHRISTINA GERKE?
[02:05:00] I WAS JUST GOING TO SAY THAT I LOVE THIS WORK
[02:05:04] ON THE DELEGATION OF AUTHORITY AND MANAGEMENT REALLY PARTNERING
[02:05:08] WITH THE INTERNAL AUDIT GROUP LOOKING AT THIS. I THINK IT SHOWS
[02:05:12] THE VALUE OF WORKING TOGETHER TO COME UP WITH WHAT'S
[02:05:16] BEST FOR THE ORGANIZATION. GREAT. I COULDN'T
[02:05:21] AGREE MORE. THIS IS JUST THE KIND OF THING THAT I
[02:05:25] THINK IS APPROPRIATE FOR THE AUDIT COMMITTEE AND THE COMMISSION TO
[02:05:29] GENERALLY TO BE THINKING ABOUT LARGE QUESTIONS OF GOVERNANCE
[02:05:33] AND HOW WE MAKE OUR ORGANIZATION MORE EFFICIENT
[02:05:37] WITHOUT TOO MUCH RISK. AND IT'S VERY TIMELY AND
[02:05:41] I'VE LEARNED A TON ALREADY FROM THE BRIEFINGS AND REPORTS LEADING
[02:05:45] UP TO THIS MEETING. OKAY, WE WILL ADJOURN AND THEN RECONVENE.
[02:05:54] SORRY, NOT ADJOURN, WE WILL GO INTO RECESS.
[02:05:57] SO HEARING NO FURTHER COMMENTS, WE WILL TAKE A BREAK AND RECESS INTO
[02:06:01] THE NON PUBLIC PORTION OF OUR MEETING AT 3:45 P M TO DISCUSS
[02:06:06] ONE MATTER RELATED TO SECURITY SENSITIVE INFORMATION. THE NON PUBLIC
[02:06:10] PORTION OF THE MEETING WILL LAST APPROXIMATELY 25 MINUTES AND WE'LL ADJOURN WITH
[02:06:14] NO FURTHER BUSINESS AFTER THAT TIME. PARTICIPANTS JOINING THE NON
[02:06:17] PUBLIC PORTION OF THE MEETING. PLEASE CLOSE OUT OF THIS MEETING LINK AND JOIN 3:45
[02:06:21] TEAMS MEETING INVITATION, THE CURRENT TIME
[02:06:25] IS 3:37 P M. THANK YOU,
[02:06:33] THANKS, THANKS.

END OF TRANSCRIPT