

Financial Stewardship

Accountability

Transparency

# Port of Seattle Audit Committee

## Internal Audit Update

Glenn Fernandes - Director, Internal Audit

December 9, 2021

Remote Meeting

2:30 PM – 4:00 PM

Operational Excellence

Governance



## 2021 AUDIT PLAN STATUS

Audit Title	Type	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Noise Monitor Data Accuracy	Operational	Complete	Complete	Complete									
South King County Fund	Operational	Complete	Complete	Complete									
Central Terminal Infrastructure Upgrade (Construction and Closeout Phases)	Operational - Capital	Complete	Complete	Complete									
Malware Defenses - Aviation Maintenance	IT	Complete	Complete	Complete									
Seattle-Tacoma International Limousine Association (STILA)	Contract Compliance	Complete	Complete	Complete									
Biometrics	IT	Complete	Complete	Complete	Complete	Complete	Complete						
Art Program	Operational				Complete	Complete	Complete						
Restroom Renovations Phase 3 Prototype	Operational - Capital				Complete	Complete	Complete						
Lenlyn Limited	Contract Compliance				Complete	Complete	Complete						
Rasier, LLC <sup>1</sup>	Operational				Complete	Complete	Complete	Complete	Complete				
Lyft, Inc. <sup>1</sup>	Operational				Complete	Complete	Complete	Complete	Complete				
Fruit & Flower, LLC d/b/a Floret	Contract Compliance						Complete	Complete	Complete				
Baggage Optimization - Phase 2	Operational - Capital						Complete	Complete	Complete				
Payment Card Industry (PCI) Compliance	IT			Complete	Complete	Complete	Complete	Complete	Complete	Complete	Complete		
Rent and Concession Deferral Recovery	Operational								Complete	Complete	Complete	Complete	
Continuous Vulnerability Management	IT								Complete	Complete	Complete	Complete	Complete
Data Recovery <sup>2</sup>	IT								Complete	Complete	Complete	Complete	Complete
North Terminals Utilities Upgrade - Phase 1	Operational - Capital									Complete	Complete	Complete	Complete
Capitalization of Assets	Operational									Complete	Complete	Complete	Complete
Dilettante Chocolate, Inc.	Contract Compliance									Complete	Complete	Complete	Complete
T2 Airport Garage Parking System Replacement <sup>3</sup>	IT	Deferred to 2022	Deferred to 2022	Deferred to 2022	Deferred to 2022	Deferred to 2022	Deferred to 2022	Deferred to 2022	Deferred to 2022	Deferred to 2022	Deferred to 2022	Deferred to 2022	Deferred to 2022

**KEY**

Complete

Deferred to 2022

1. Reclassified from Limited Contract Compliance to Operational and consolidated into one report.
2. This is a contingency audit that was approved by the Audit Committee in December 2020.
3. Due to implementation delays, this audit will be deferred to the 2022 Audit Plan.

# 2021 Audit Plan Update

- 19 audit reports were completed in 2021 as planned: Operational (6), Capital Projects (4), IT (5), and Limited Contract Compliance (4).
- Audits identified 4 High Risk, 12 Medium Risk, and 5 Low Risk rated issues for management action.
- Internal Audit's 2021 value proposition to respond to COVID-19 impact and associated business risks:
  - ✓ Audit of Rent and Concession Deferral Recovery - Direct relevance of the Port's financial relief to tenants and repayment activities
  - ✓ Capital Project Audits – Incorporated COVID-19 related expenses and change orders into audits
  - ✓ Cruise Terminals of America – 2020 Cruise Season Rent Credit Review
- The Port has opportunities to reduce change orders, schedule delays and design issues.

# 2021/2020 Suggested Recoveries

## Lease/Concession:

2021 Audits	Amount
Seattle-Tacoma International Limousine Association	\$157,284
Lenlyn Limited	12,023
Total	\$169,307

2020 Audits	Amount
Concourse Concessions, LLC	\$1,527
McDonald's USA, LLC	10,265
E-Z Rent A Car, Incorporated	16,201
Total	\$27,993

## Capital<sup>1</sup>:

2021 Audits	Amount
Central Terminal Infrastructure Upgrade Project (Construction and Closeout Phases)	\$18,200
Restroom Renovations Phase 3 Prototype	12,314
Total	\$30,514

2020 Audits	Amount
AOA Perimeter Fence Line Standards Project	\$232,000
Total	\$232,000

1. Since 2018, Internal Audit has recommended \$2.5 MM in capital project recoveries, of which \$850,000 has been recovered.

## 2021/2020 Controllable Cost Over-Runs<sup>1</sup>

Audit	2020 Amount	2021 Amount
Service Tunnel Renewal/Replacement Project	\$160,000	0
AOA Perimeter Fence Line Standards Project	106,000	0
Baggage Optimization Project - Phase 2	0	\$29,000
Total	\$266,000	\$29,000

1. Since 2018, Internal Audit has identified \$46 MM in capital project controllable costs.

## Operational Audit Approach

- Risk interviews held with a sample of Port leaders, including:
  - ✓ Airport Operations
  - ✓ Environment and Sustainability
  - ✓ Government Relations
  - ✓ Health and Safety
  - ✓ Aviation Commercial Management
  - ✓ Finance
  - ✓ Human Resources
  - ✓ Aviation Security
  
- Common Risk Themes identified from interview data:
  - ✓ Resources – COVID mandate, aging workforce, tight labor market
  - ✓ Payroll – Administrative Professionals approving time, accuracy of vacation/sick accruals, PHEL misuse
  - ✓ Grants – FAA compliance, pass-through entity
  - ✓ Construction – Impact to operations and need for improved communication
  - ✓ Governance – New commissioners, changing priorities
  
- Input from Commissioners and Executive Director

# Proposed 2022 Operational Audits

Audit	Risk Input	Purpose
Payroll Controls	Risk interviews	Evaluate current processes/controls to assure proper time approval, vacation/sick accruals, and PHEL use.
Emergency Procurement	Commissioner Request	Evaluate current processes/controls to assure emergency procurement compliance with applicable laws and Port policies.
Federal Grant Administration (CRRSA & ARP)	Risk interviews	Evaluate current processes/controls to assure compliance with applicable federal grant requirements (e.g., eligibility, allocation methodology, agreements, etc.).
Community & Sustainability Initiatives	Risk interviews	Evaluate governance and current processes/controls to assure compliance with applicable laws and Port policies, and safeguarding Port assets.

## Contingency Audit<sup>1</sup>

### Contractor – COVID-19 Vaccination Compliance<sup>2</sup>

1. If resources exist, at Internal Audit Director’s discretion, this audit will be moved to the 2022 Audit Plan.
2. This audit was requested by the Executive Director to assure mandated COVID-19 vaccination compliance by contractors, pending an updated Port policy.

## Capital Projects Audit Approach

- 19 projects currently under contract >\$5MM<sup>1, 2</sup>
- Risk rating of projects utilizing six attributes:
  - ✓ Project Size (Construction Costs)
  - ✓ Change Orders (Original Contract Sum)
  - ✓ Contract Type
  - ✓ Schedule
  - ✓ Budget
  - ✓ Known Concerns (Errors & Omissions, Potential Claims, Scope Changes, etc.)

1. Contract costs as of November 2021. Does not include total project cost (Port's internal/soft cost).

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



# Proposed 2022 Capital Audit Plan

Project	Rating <sup>1</sup>		Contract Amount
	Schedule	Budget	
International Arrivals Facility (IAF)	Red	Red	\$798.7MM
Interim Westside Fire Station	Red	Red	5.6MM
North Satellite (NSAT) Renovation & Expansion (Closeout)	Green	Red	500.1MM
South Satellite (SSAT) High Voltage AC Infrastructure Upgrade	Yellow	Yellow	31.2MM
Post IAF Airline Realignment <sup>2</sup>	Required by RCW 39.10.385		Not Yet Under Contract
C-1 Building Expansion <sup>2</sup>	Required by RCW 39.10.385		Not Yet Under Contract
Main Terminal Low Voltage <sup>2</sup>	Required by RCW 39.10.385		Not Yet Under Contract
			Total \$1,335.6MM

## Contingency Audit<sup>3</sup>

### Capital Project Management<sup>4</sup>

1. Ratings generated from Internal Audit’s risk assessment, utilizing the following systems: Quarterly Capital Improvement Projects, Contractor Data system, etc. See **Appendix A – Capital Risk Universe – Projects Currently Under Contract, Risk Rating Methodology.**
2. RCW 39.10.385 requires an independent auditor perform an audit of subcontractor changes to the Port on GCCM projects, where the subcontractor was selected through an alternative selection process. This audit work will be performed by external, contractor auditors under Internal Audit’s supervision.
3. If resources exist, at Internal Audit Director’s discretion, this audit will be moved to the 2022 Audit Plan.
4. Purpose: Operational audit of overall project management, including: project prioritization, prevention of schedule delays and budget over-runs, and best practices related to the Majority-In-Interest (MII) approach.

# Information Technology Audit Plan Approach

## Seven Year Plan:

- Since the Port had not had a comprehensive Information Technology Audit program prior to 2018, we decided in 2019, that our new Information Technology Audit Program<sup>1</sup> would focus on those high risk, high value controls, identified by the Center for Internet Security<sup>2</sup> (CIS, 18 control areas, 153 controls).
- We are using risk input from Information Security to assist us in determining the order in which to perform the CIS audits.
- Additionally, we will add audits based on executive management concerns or on the basis of emerging threats.
- Once we cycle through those 18 high risk areas (we have completed six as of date), we will branch out into looking at other Information Technology General Controls, and we will move to a more classic risk assessment process of assessing risk, likelihood and impact, to determine what will be on our annual Information Technology audit plan.

1. See **Appendix B** – Information Technology Audit Universe.

2. <https://www.cisecurity.org/controls/cis-controls-list/>

# Information Technology Audit Plan

## Proposed 2022 Audits/Assessments

Name	Risk <sup>1</sup>	Selection Criteria
T2 Airport Garage Parking System Replacement <sup>2</sup>	N/A	Management Request
Account Management (ICT)	High	Center for Internet Security
Account Management (Aviation Maintenance)	High	Center for Internet Security
Audit Log Management (ICT)	High	Center for Internet Security
Audit Log Management (Aviation Maintenance)	High	Center for Internet Security
Incident Response Management (ICT)	High	Center for Internet Security
Incident Response Management (Aviation Maintenance)	High	Center for Internet Security

## Contingency Audits<sup>3</sup>

Name	Risk <sup>1</sup>	Selection Criteria
Network Infrastructure Management (ICT)	High	Center for Internet Security
Network Infrastructure Management (Aviation Maintenance)	High	Center for Internet Security
Email and Web Browser Protections (ICT)	High	Center for Internet Security

1. See **Appendix B** – Information Technology Audit Universe.
2. Deferred from the 2020 Audit Plan.
3. If a proposed audit cannot be performed, at the Internal Audit Director’s discretion, this audit will be moved to the 2022 Audit Plan.

# Lease and Concession Audit Plan Approach

- 126 leases in the risk universe<sup>1</sup>
- Risk rating of leases primarily based on:
  - ✓ Three-year revenues
  - ✓ Prior audit history
  - ✓ Cycle frequency

Agreement Year	Total Revenues	Aviation	Economic Development	Maritime
2019	\$128 MM	\$122 MM	\$2 MM	\$4 MM
2020	40 MM	34 MM	1 MM	5 MM
2021 <sup>2</sup>	33 MM	28 MM	1 MM	4 MM
Total	\$201 MM	\$184 MM	\$4 MM	\$13 MM

Rating	Number of Leases	2019-2021 Revenue	Percentage	Frequency
High	11	\$109 MM	54%	5-7 year cycle <sup>3</sup>
Medium	24	63 MM	31%	10-year cycle
Low	91	29 MM	15%	As needed
Total	126	\$201 MM	100%	

1. See **Appendix C** – Lease/Concession Risk Universe.
2. Actuals through 8/31/2021.
3. Updated for 2022 due to COVID-19 pandemic impact on tenants.

## Proposed 2022 Lease and Concession Audits

Name	Division	Rating	2019-2021 Revenues
In-Ter-Space Services, Inc. DBA Clear Channel Airports	Aviation	High	\$11.3 MM
Avis Budget Car Rental	Aviation	High	9.4 MM
Hertz Corporation	Aviation	High	6.1 MM
		Total	\$26.8 MM

### Contingency Audit<sup>1</sup>

Host International, Inc.	Aviation	High	\$10.2 MM
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1. If resources exist, at Internal Audit Director's discretion, this audit will be moved to the 2022 Audit Plan.

# Historical Reports Overview 2018 – 2022

Report Type	2018 <sup>1</sup>	2019	2020	2021	2022 (Proposed)
Operational	8	4	6	6	4
Operational - Capital	5	4	3	4	7 <sup>2</sup>
Information Technology	3	6	6	5	7 <sup>3</sup>
Limited Contract Compliance	6	5	5	4	3
Total	22	19	20	19	21

1. 2018 included six audits carried over from the 2017 audit plan. The First Quarter Audit Committee Meeting discussed 2017 Audits.
2. Includes three audits required by RCW 39.10.385; State Law requires an independent auditor perform an audit of subcontractor changes to the Port on GCCM projects, where the subcontractor was selected through an alternative selection process. This audit work will be performed by external, contractor auditors under Internal Audit's supervision.
3. Includes six audits that reflect a separation of three audits (Account Management, Account Log Management, and Incident Response Management) for two respective departments; ICT and Aviation Maintenance.

# Proposed 2022 Audit Plan

## Limited Contract Compliance

- In-Ter-Space Services, Inc. DBA Clear Channel Airports
- Avis Budget Car Rental
- Hertz Corporation

## Operational

- Payroll Controls
- Emergency Procurement
- Federal Grant Administration (CRRSA & ARP)
- Community & Sustainability Initiatives

### Capital

- International Arrivals Facility (IAF)
- Interim Westside Fire Station
- North Satellite (NSAT) Renovation & Expansion Closeout
- South Satellite (SSAT) High Voltage AC Infrastructure Upgrade
- Post IAF Airline Realignment<sup>2</sup>
- C-1 Building Expansion Construction Phase<sup>2</sup>
- Main Terminal Low Voltage<sup>2</sup>

## Information Technology

- T2 Airport Garage Parking System Replacement<sup>1</sup>
- Account Management (ICT)
- Account Management (Aviation Maintenance)
- Audit Log Management (ICT)
- Audit Log Management (Aviation Maintenance)
- Incident Response Management (ICT)
- Incident Response Management (Aviation Maintenance)

1. Moved to 2022 audit plan; approved at 6/28/2019 Audit Committee meeting.

2. RCW 39.10.385 requires an independent auditor perform an audit of subcontractor changes to the Port on GCCM projects, where the subcontractor was selected through an alternative selection process. This audit work will be performed by external, contractor auditors under Internal Audit's supervision.

# Contingency Audits - If resources exist, at Internal Audit Director's discretion, these audits will be moved to the 2022 Audit Plan.

## Limited Contract Compliance

- Host International, Inc.

## Operational

- Contractor – COVID-19 Vaccination Compliance

### Capital

- Capital Project Management

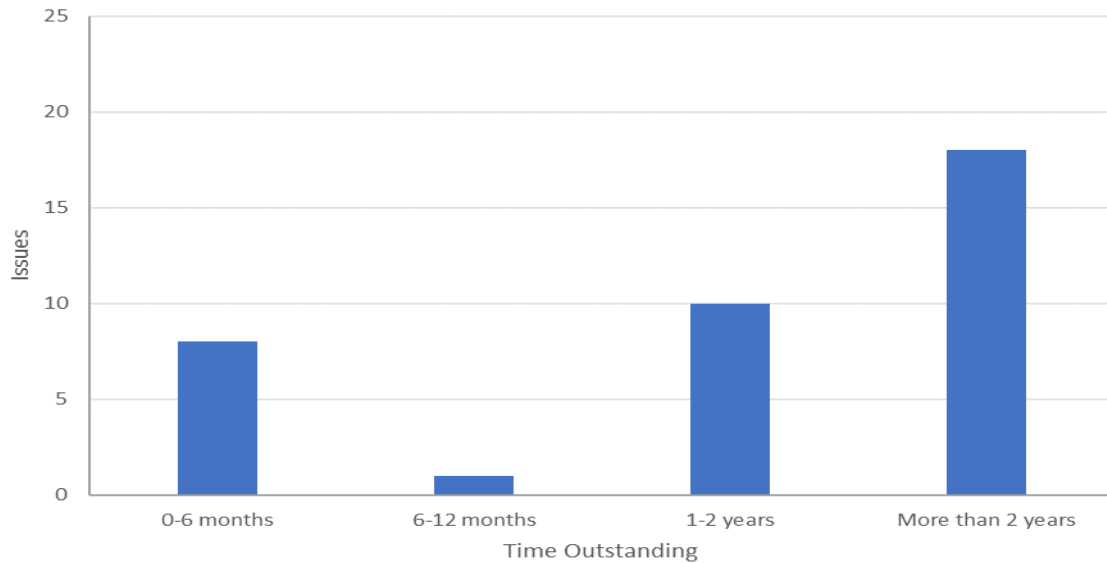
## Information Technology

- Network Infrastructure Management (ICT)
- Network Infrastructure Management (Aviation Maintenance)
- Email and Web Browser Protections (ICT)

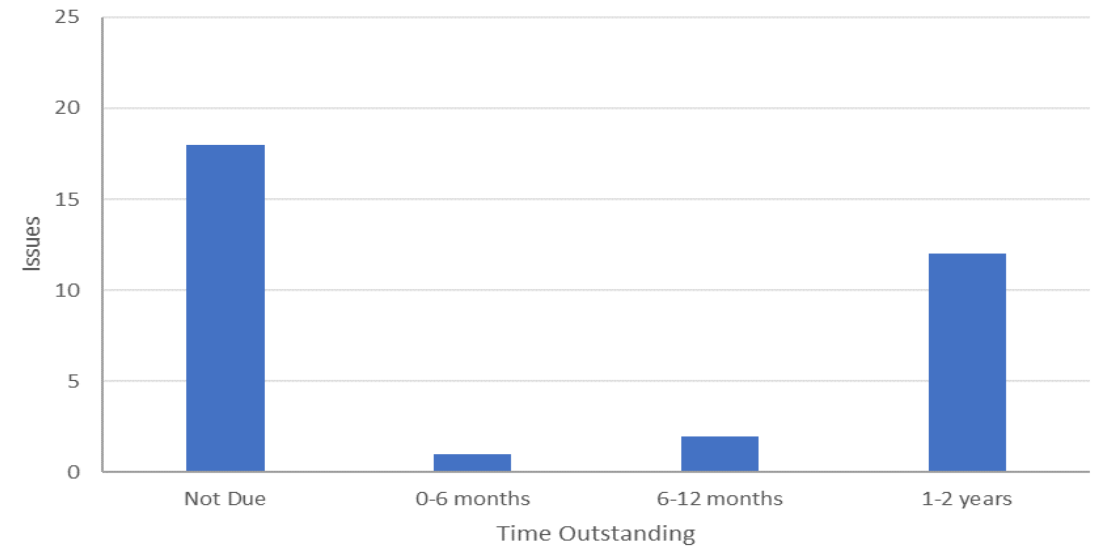


# Open Issue Follow-Up Status – Aging Report as of December 9, 2021

37 Issues Outstanding (from Report Date)



33 Issues Outstanding (from Target Date)<sup>1,2</sup>



1. Twelve issues outstanding for one to two years from the Target Date consist of:

- **Architecture & Engineering (4) - Fair and Reasonable Rate Determination; Management Review Over Max Rates; Contract Rate Accuracy; and Governance:** A lean project to evaluate the rate negotiation process is scheduled for Q1, 2022. Resource constraints has made it challenging to resolve the audit issues. A Governance team has been selected; meetings to begin in 2022.
- **Information Technology Audits (8) (Security Sensitive) - Exempt from Public Disclosure per RCW 42.56.420 – Issues Not Discussed in Public Session.** They are: Security of Personal Identifiable Information (2), HIPAA Security (4), Closed Network System Security (1), and Network Password Management (1).

2. Four Information Technology issues do not have Target Dates and are not included in this chart. These issues are in the process of being addressed, however, they are more than two years past the Report Date: Disaster Recovery Capability (1), and AV/M Facilities & Infrastructure Data Centers (3).

See **Appendix D** for a detailed listing of outstanding issues aging as of December 9, 2021.

# Audits Completed in Fourth Quarter, 2021

- 1) Capitalization of Assets
- 2) North Terminals Utilities Upgrade – Phase 1
- 3) Rent and Concession Deferral Recovery
- 4) **Payment Card Industry (PCI) Compliance\***
- 5) **Continuous Vulnerability Management\***
- 6) **Data Recovery\***
- 7) Dilettante Chocolate, Inc.

*[Note: Slide 31 contains only the non-security sensitive contents from the audit report for discussion purposes.]*

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

## Capitalization of Assets

- Port Accounting Policy AC-8b establishes standards for capitalization of major expenses.
- Construction Costs recorded against Construction Work-in-Process (CWIP) when:
  - The asset has a useful life of three years or more
  - The Port has ownership and control
  - Total costs of at least \$20,000
- As of December 31, 2020:
  - CWIP: \$1.347 billion
  - Capital Assets: \$8.164 billion

## #1) Rating: Low

- A Standard Operating Procedure was documented and adopted in February 2021. However, internal controls need to be enhanced whereby project leads review and approve their work, a year end re-confirmation is performed, and a final notification is sent out to all stakeholders. Doing so will reduce the likelihood that assets are not transferred from Construction Work-in-Process to Capital Assets in the correct period.

# Recommendations

- **Annual Review Process** - Program Leads should formally review and approve information before it is submitted to Capital Services.
- **Facility Asset Review Meeting (FARM)** – The year-end FARM should include a final opportunity for stakeholders to re-confirm the accuracy of project status.
- **Notification** - After asset transfers have been recorded, Capital Services should provide a notification to key stakeholders so that they can validate the accuracy of what was recorded.

# Management Response

- **Annual Review Process** – Management agrees that all projects reviewed will include a review and sign-off from the appropriate Program Leads.
- **Facility Asset Review Meeting (FARM)** - Management disagrees with recommendation that a FARM should be scheduled at the end of the year to reconfirm assets for every project. Instead, Management will evaluate making a FARM required for qualifying projects in the design phase, where preliminary asset plans are developed, and again during construction, prior to asset plan submission, to ensure a timely, coordinated asset plan final submission.
- **Notification** - Management agrees with this recommendation and will implement this process for year-end reporting.

**DUE DATE: 3/31/2022**

Management will discuss in detail. (Full response in Audit Report No. 2021-12)

# North Terminal Utilities Upgrade – Phase 1

The North Terminal Utilities Upgrade – Phase 1 replaced the existing 45-year-old undersized steam, condensate, and chilled water supply, return piping from the Central Mechanical Plant, and created a redundant interconnected piping loop in two phases.

## Key Elements of Phase 1:

- Upsized piping from the Central Mechanical Plant to points of connection for the Concourse D Annex and North Satellite.
- Provided critical improvements for the planned 2021 opening of the newly renovated North Satellite.

## North Terminal Utilities Upgrade – Phase 1

- Project approved by Commission in June 2016 for \$21.3 MM.
- The Engineer's Estimate for Phase 1 was \$11,653,000.
- Four bids were received; three bids exceeded the estimate by at least 15%.
- Winning bidder, James W. Fowler Co., submitted a bid for \$12,184,750; 4.5% over the Engineer's Estimate.
- Final construction cost is \$13.36 MM, including \$1.17 MM in change orders.



## 1) Rating: Medium

- Internal Audit noted instances where the Port's Standard Operating Procedures were not followed for Change Orders.
- Instances included:
  - Contractor submitting inadequate documentation to justify change orders
  - Failure to complete a required estimate
  - Inadequate review of contractor timesheets

## Recommendations

- Management should strengthen the control over documentation, approval, and compliance with Standard Operating Procedures.
- Although the Port is not responsible for the contractor, or their subcontractors, to submit accurate certified payroll reports to the Washington Department of Labor and Industries (L&I).

# Management Response

The Engineering Construction Management and Central Procurement Office (CPO) Construction Contracting teams agree with the findings.

Key areas of focus for Construction Management to address these issues will be on training and oversight of staff who are less experienced with Port processes, both FTEs and Consultants. In addition to referencing published Standard Operating Procedures, we will continue to reinforce our processes through regular meetings with staff, with an expanded attendee list to include Consultants, to increase overall understanding of these processes and best practices for enforcement of the contract and management of changes.

We will continue to coordinate with our CPO Construction Contracting partners to strengthen controls and ensure all required elements are in place before executing changes to the Contract.

**DUE DATE: 12/31/2021**

**Management will discuss in detail. (Full response in Audit Report No. 2021-20)**

# Rent and Concession Deferral Recovery (“Program”)

- Since April 2020, the Port Commission has authorized short-term economic relief to customers, airlines, concessionaires, and tenants to address impacts of the economic crisis resulting from the COVID-19 pandemic.
- Based on approvals by the Port Commission via Motions 2020-07 and 2020-13, the Port created and implemented the Program.
- The Port and the tenants or concessionaires entered into deferral agreements detailing the arrangement that included a repayment plan.
- As of December 31, 2020, the deferred charges were \$61.1 MM, including \$4.1 MM of Norwegian Cruise Line Holdings (NCL).
- As of October 27, 2021, the outstanding deferred charges were \$2.7 MM, of which NCL had the largest balance of \$2 MM.

# Rent and Concession Deferral Recovery (“Program”)

- Internal Audit identified monitoring controls that are significant to the current processes, including:
  - ✓ The Executive Director’s quarterly recovery status/action reporting to the Port Commission
  - ✓ Legal department’s involvement/oversight
  - ✓ Executive oversight meetings
  - ✓ Business leaders’ ongoing monitoring engagement
  - ✓ Centralized function’s use of a tracking tool, and an associated quality review by Accounting and Financial Reporting (AFR)
- A sample of business leaders interviewed expressed concern about the uncertainty of the COVID-19 pandemic, new requirements, and related impact on the Port and tenants.
- Detail testing for a sample of six deferral agreements noted participating tenants’ compliance with Program requirements.

## No Issues

- Based on the work we performed, Internal Audit concluded that the current processes and related internal controls are operating as intended, to assure Program compliance with applicable laws and Port policies.

# Payment Card Industry (PCI) Compliance

- Internal Audit completed an Information Technology audit of the Port of Seattle's (Port's) compliance with the Payment Card Industry Data Security Standard (PCI DSS) version 3.2.1, dated, June 2018 for the period August 2020 through September 2021.
- Organizations that store, process, or transmit credit card data must comply with relevant PCI DSS requirements, and compliance must be attested on an annual basis.
- The Port accepts credit card payments for parking and moorage services at its facilities, including Seattle-Tacoma International Airport and various Marinas in Seattle.
- Based on the work we performed, and the information gathered, Internal Audit concluded that the Port has achieved reasonable compliance with the PCI DSS requirements for Merchants.
- There were a small number of non-compliant requirements at the initial point of review in the audit that were corrected during the audit.

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

## Dilettante Chocolate, Inc.

- Lease Agreement established in 2016
- Gross revenues about \$3.85 MM annually (prior to COVID-19)
- Concession fees paid about \$593,000 annually (prior to COVID-19)



## No Issues

- Internal Audit concluded that Dilettante Chocolate, Inc. materially complied with the significant terms of the Agreement.

# Appendix

- A – Capital Risk Universe & Risk Rating Methodology
- B – Information Technology Audit Universe
- C – Lease/Concession Risk Universe
- D – Aging of Outstanding Issues as of December 9, 2021

# Appendix A – Capital Risk Rating Methodology

Attributes		
<b>(A)</b>	<b>Project Size (Construction Costs)</b>	<b>Points</b>
	\$5MM to \$10MM	1
	>\$10MM to \$15MM	2
	>15MM to \$25MM	3
	>\$25MM to \$50MM	4
	>\$50MM	5
<b>(B)</b>	<b>Change Orders (original contract sum)</b>	<b>Points</b>
	0 to 5%	1
	5.1% to 7.5%	2
	7.6% to 10%	3
	10.1% to 15%	4
	>15%	5
<b>(C)</b>	<b>Contract Type</b>	<b>Points</b>
	Lump sum	1
	Unit Price or T&M	2
	GMP w/ Shared Savings or TRA	3
	GMP w/ no shared savings	4
	Cost Plus no GMP	5
<b>(D)</b>	<b>Schedule</b>	<b>Points</b>
	On Schedule	1
	Potential Schedule Overrun	3
	Schedule Overrun	5
<b>(E)</b>	<b>Budget</b>	<b>Points</b>
	On Budget	1
	Potential Budget Overrun	3
	Over Budget	5
<b>(F)</b>	<b>Known Concerns (E&amp;O, claims, scope change, complexity)</b>	<b>Points</b>
	Subjective- Audit Knowledge	1-5

T&M: Time and Materials  
GMP: Guaranteed Maximum Price  
TRA: Tenant Reimbursement Agreement  
E&O: Errors and Omissions

# Appendix A – Capital Risk Universe (Projects >\$5MM)

	Attributes						Total	Prior Audit
	(A)	(B)	(C)	(D)	(E)	(F)		
<b>1</b> International Arrivals Facility (IAF)	5	5	4	5	5	5	29	2017; 2018
<b>2</b> Interim Westside Fire Station	2	5	4	5	5	5	26	2018
<b>3</b> North Satellite (NSAT) Renovation & Expansion (Closeout)	5	3	3	1	5	4	21	2018
<b>4</b> South Satellite (SSAT) High Voltage AC Infrastructure Upgrade	4	4	1	1	5	4	19	
Safedock Upgrade and Expansion	1	3	1	5	5	4	19	
North Terminal Utilities Upgrade - Phase 1	2	2	1	5	5	2	17	2021
P66 Interior Modernization	1	5	1	4	5	1	17	
Checked Baggage Recap/Optimization Phase II	5	1	1	1	1	5	14	2021
Sites 23-25 Restoration	3	1	4	1	3	2	14	
Electrical Ground Support Equip. Charge Stations (Ph 2A & 2B)	4	1	1	3	1	3	13	
Concourse C New Power Center	1	4	1	1	3	2	12	
Parking Garage Elevators Modernization (Phase I & II)	3	1	1	3	1	2	11	
Air Cargo Road Safety Improvements	2	1	1	3	1	2	10	
2021 Airfield Improvement	3	1	1	1	1	2	9	
Concourse C New Power Center	2	2	1	1	1	2	9	
Electric Utility Supervisory Controls & Data Acquisition (SCADA)	1	1	1	1	1	1	6	
Parking Revenue Infrastructure	1	1	1	1	1	1	6	
T91 Northwest Fender Replacement	1	1	1	1	1	1	6	
Dining, Retail & Infrastructure Modernization							-	

- 1** IAF nearing completion. Unknown Change Order (CO) coding changes in Trend Log. Project has encountered numerous issues. Over budget and schedule. Delays have caused other Projects to fall behind schedule. Commission request to review project. Consultant will assist Internal Audit during the audit.
- 2** Overbudget. Schedule approximately one year behind. Multiple difficulties encountered during the Project.
- 3** NSAT- Second largest project. Substantial completion in 2021. \$31MM in COs. Suggest a closeout audit.
- 4** Potential for budget and schedule overruns. \$2.9MM in COs, including \$674K in scope changes, \$529K Errors & Omissions (E&O) Designer, \$385K COVID-19 reimbursements. Has not been previously audited.

# Appendix B – Information Technology Audit Universe

#	IT General Controls Audits	Inherent Risk
1	CIS - Inventory and Control of Enterprise Assets - V8	HIGH
2	CIS - Inventory and Control of Software Assets - V8	HIGH
3	CIS - Data Protection - V8	HIGH
4	CIS - Secure Configuration of Enterprise Assets and Software - V8	HIGH
5	CIS - Account Management - V8	HIGH
6	CIS - Access Control Management - V8	HIGH
7	CIS - Continuous Vulnerability Management - V8	HIGH
8	CIS - Audit Log Management - V8	HIGH
9	CIS - Email and Web Browser Protections - V8	HIGH
10	CIS - Malware Defenses - V8	HIGH
11	CIS - Data Recovery - V8	HIGH
12	CIS - Network Infrastructure Management - V8	HIGH
13	CIS - Network Monitoring and Defense - V8	HIGH
14	CIS - Security Awareness and Skills Training - V8	HIGH
15	CIS - Service Provider Management - V8	HIGH
16	CIS - Application Software Security - V8	HIGH
17	CIS - Incident Response Management - V8	HIGH
18	CIS - Penetration Testing - V8	HIGH
19	Annual Review of Payment Card Industry (PCI) Compliance	HIGH
20	Password Management	HIGH

#	IT General Controls Audits	Inherent Risk
21	Parking Revenue Control System (T2 ParkingSoft)	HIGH
22	Change Management	HIGH
23	Datacenter Operations	HIGH
24	Disaster Recovery Program	HIGH
25	HIPAA Privacy Compliance	HIGH
26	HIPAA Security Compliance	HIGH
27	Industrial Control System Security	HIGH
28	IT Governance	HIGH
29	IT Risk Management	HIGH
30	Periodic User Access Reviews	HIGH
31	Physical & Environmental Security	HIGH
32	Portable Media Security	HIGH
33	Project Management	HIGH
34	Security Program	HIGH
35	System and Software Development	HIGH
36	Transmission Protection	HIGH
37	Triennial WA State Patrol Audit of CJIS Compliance	HIGH
38	Vendor Management	HIGH

Completed Audits

On the 2022 Audit Plan

# Appendix C – Lease/Concession Risk Universe

## High Risk:

Name	Contract	2019	2020	2021*	Total
EAN HOLDINGS LLC	AIR001281	\$ 12,283,311	\$ 1,968,842	\$ 1,055,696	\$ 15,307,849
AIRPORT MANAGEMENT SERVICES LLC	AIR002018	6,461,469	2,596,134	2,877,387	11,934,990
IN-TER-SPACE SERVICES, INC	AIR002224	7,106,850	3,758,091	476,229	11,341,170
LOUIS DREYFUS COMPANY WASHINGTON LLC	SEA002603	3,414,447	4,428,624	3,395,266	11,238,337
RASIER LLC	AIR002022	8,020,014	2,465,688	-	10,485,702
HOST INTERNATIONAL, INC	AIR002019	6,191,054	2,008,238	1,987,837	10,187,129
AIRPORT MANAGEMENT SERVICES LLC	AIR002017	5,984,582	1,683,344	2,007,993	9,675,920
AVIS BUDGET CAR RENTAL	AIR001282	7,643,276	1,063,457	677,206	9,383,939
DUFREY - SEATTLE JV	AIR001661	6,343,533	1,234,549	-	7,578,082
LYFT	AIR002023	4,953,342	1,564,344	-	6,517,686
HERTZ CORPORATION	AIR001278	5,277,443	388,300	451,355	6,117,098
		\$ 73,679,321	\$ 23,159,611	\$ 12,928,970	\$ 109,767,903

\*Actuals through 8/31/2021

# Appendix C – Lease/Concession Risk Universe (continued)

## Medium Risk:

Name	Contract	2019	2020	2021*	Total
SKY CHEFS INC	AIR002512	\$ 2,083,334	\$ 1,954,910	\$ 1,733,860	\$ 5,772,104
GATE GOURMET INT'L	AIR000042	3,478,670	1,366,033	895,591	5,740,294
DOUG FOX TRAVEL/ATZ	AIR001718	3,292,322	685,911	1,480,890	5,459,123
REPUBLIC PARKING NORTHWEST INC	SEA000425	1,663,944	942,091	524,858	3,130,893
EASTSIDE FOR HIRE, INC	AIR002100	2,842,695	-	-	2,842,695
HOST INTERNATIONAL, INC	AIR000435	2,597,830	(8,866)	149,283	2,738,247
FLYING FOOD FARE INC	AIR000086	1,761,803	700,578	272,080	2,734,462
SKY CHEFS INC	AIR001849	2,679,284	-	-	2,679,284
HOST INTERNATIONAL, INC	AIR002247	1,412,532	635,557	540,294	2,588,384
DTG OPERATIONS INC	AIR001279	1,920,146	218,557	180,525	2,319,228
RASIER LLC	AIR002579	-	-	2,110,532	2,110,532
SIXT RENT A CAR LLC	AIR001632	1,597,449	377,404	101,768	2,076,621
CMC INVESTMENTS INC	AIR001280	1,688,013	199,510	154,657	2,042,180
FOX RENT A CAR INC	AIR001285	1,470,104	412,400	152,523	2,035,026
ALCLEAR, LLC	AIR002048	1,504,597	440,790	76,523	2,021,910
QDOBA RESTAURANT CORPORATION	AIR002096	1,247,335	554,298	160,208	1,961,842
SSP AMERICA SEA LLC	AIR002237	955,140	432,579	536,224	1,923,944
CONCOURSE CONCESSIONS LLC	AIR002055	1,105,501	410,875	398,404	1,914,780
MCDONALD'S USA LLC	AIR001606	1,213,833	526,217	160,774	1,900,824
STELLAR BAMBUZA SEA LLC	AIR002240	585,553	492,431	804,127	1,882,111
SEATTLE RESTAURANT ASSOCIATES	AIR000439	1,815,188	-	-	1,815,188
FIREWORKS	AIR002101	1,095,226	319,362	380,979	1,795,566
BEECHER'S HANDMADE CHEESE, LLC	AIR001562	978,751	344,064	449,098	1,771,912
SEATAC BAR GROUP LLC	AIR002053	1,159,507	262,464	287,395	1,709,366
		\$ 40,148,757	\$ 11,267,164	\$ 11,550,592	\$ 62,966,514

\*Actuals through 8/31/2021

# Appendix C – Lease/Concession Risk Universe (continued)

## Low Risk:

Name	Contract	2019	2020	2021*	Total
HOST LPI SEA FB LLC	AIR002361	\$ 933,168	\$ 348,589	\$ 417,872	\$ 1,699,629
CONCOURSE CONCESSIONS LLC	AIR002362	560,520	455,518	569,107	1,585,145
SSP AMERICA SEA LLC	AIR002238	613,177	439,960	529,013	1,582,150
LENLYN LIMITED	AIR001788	1,309,915	191,423	-	1,501,338
LYFT	AIR002578	-	-	1,491,683	1,491,683
SSP AMERICA SEA LLC	AIR002358	973,521	238,623	207,587	1,419,731
BAMBUZA SEA-TAC VENTURES	AIR002365	518,543	343,255	456,928	1,318,726
PALLINO SEATAC LLC	AIR002241	561,190	275,294	337,653	1,174,136
SODEXO AMERICA, LLC	AIR001513	710,436	295,492	92,316	1,098,244
1915 KCHOUSE CONCEPTS-SEATAC LLC	AIR002265	563,846	233,102	295,526	1,092,474
MAD ANTHONY'S INC CHINOOK	SEA000043	460,825	373,214	258,349	1,092,388
DILETTANTE CHOCOLATES INC	AIR002094	558,368	247,005	255,881	1,061,253
SEATTLE TACOMA INTL LIMOUSINE ASSOC*	AIR001991	836,843	188,272	-	1,025,115
FRUIT & FLOWER LLC DBA FLORET AUTHORITY	AIR002063	650,709	122,942	139,359	913,011
THE YARROW GROUP LLC	AIR002233	501,082	305,327	87,880	894,289
INMOTION SEA LLC	AIR002103	498,982	102,181	108,229	709,393
MAD ANTHONY'S INC PIER 66	SEA000294	379,625	198,552	80,632	658,810
PAYLESS CAR RENTAL, INC	AIR001451	505,845	43,023	39,428	588,296
SMARTE CARTE INC	AIR000629	375,755	144,442	41,409	561,606
ANTON AIRFOOD	AIR000374	551,170	-	-	551,170
BF FOODS LLC	AIR002232	37,710	243,552	262,691	543,953
SEATTLE CHOCOLATES COMPANY LLC	AIR002093	248,752	84,713	110,046	443,512
E-Z RENT-A-CAR	AIR001439	360,823	25,798	-	386,621
SEATTLE AIR VENTURES JV	AIR002355	207,880	97,552	69,364	374,796
ALCLEAR, LLC	AIR002634	-	-	374,453	374,453
TERMINAL GETAWAY SPA SEATTLE, LLC	AIR002095	272,051	38,309	47,894	358,255
SUNS INC	AIR002054	197,069	45,359	55,260	297,689
WBB C.I. CREWS, LLC	AIR002468	-	118,791	178,273	297,064
SUB POP RECORDS	AIR001816	188,922	58,637	45,773	293,332
EX OFFICIO LLC	AIR000580	274,446	-	-	274,446
AIRPORT MANAGEMENT SERVICES LLC	AIR002430	179,625	62,912	25,017	267,553

\*Actuals through 8/31/2021



# Appendix C – Lease/Concession Risk Universe (continued)

## Low Risk (continued):

Name	Contract	2019	2020	2021*	Total
TASTE INC dba VINO VOLO	AIR000839	248,894	-	-	248,894
MAREL SEATTLE INC	SEA001010	150,000	93,852	-	243,852
LADY YUM LLC	AIR002331	156,109	35,826	-	191,936
SILVERCAR, INC	AIR002203	145,626	36,691	-	182,316
MSM CORPORATION	SEA002783	64,765	66,425	39,366	170,557
BILL & NICK INCORPORATED	SEA000016	72,879	55,253	37,312	165,444
PUBLICANS, INC	SEA002494	63,880	56,967	39,598	160,445
PLANEWEAR LLC	AIR001971	115,744	38,404	-	154,148
LATRELLES EXPRESS INC	AIR002287	134,348	-	-	134,348
SECURITY POINT MEDIA, LLC	AIR002437	125,312	-	-	125,312
BF FOODS LLC	AIR002491	44,210	80,738	-	124,949
LADY YUM LLC	AIR002467	-	40,993	80,320	121,312
AIRPORT MANAGEMENT SERVICES LLC	AIR000437	93,229	9,955	-	103,184
SHILSHOLE BAY FUEL DOCK	SEA002355	38,617	38,592	25,728	102,936
PLANEWEAR LLC	AIR002372	-	14,213	74,901	89,114
SMARTE CARTE INC	AIR002097	72,748	8,643	2,631	84,022
AIRPORT MANAGEMENT SERVICES LLC	AIR001773	73,470	6,914	-	80,384
CHALO LLC	AIR002270	45,707	18,749	14,642	79,098
SMARTE CARTE INC	AIR002588	-	-	77,294	77,294
GLASSYBABY LLC	AIR002123	71,905	-	-	71,905
GUNWOO & JINAH INC	SEA003337	-	37,868	32,767	70,634
UNITED INDIANS OF ALL TRIBES FOUNDATION	AIR002387	30,962	18,086	19,292	68,341
SHARA LLC DBA SHOW PONY	AIR002330	42,027	10,296	6,348	58,670
CAFE PACIFIC CATERING, INC	AIR002124	50,537	7,011	205	57,753
CERTIFIED FOLDER DISPLAY SERVICE INC	AIR001641	31,854	17,462	1,000	50,315
CONCOURSE CONCESSIONS LLC	AIR002545	-	2,361	46,353	48,715
BF FOODS LLC	AIR002393	46,038	-	-	46,038
ME & MOM'S HATS DBA SEATTLE HAT\$	AIR002141	36,796	9,107	-	45,903
MARMOT MOUNTAIN LLC DBA EXOFFICIO	AIR002364	-	37,319	-	37,319
REPUBLIC PARKING NORTHWEST INC	SEA000424	16,472	15,572	1,393	33,437
DILETTANTE CHOCOLATES INC	AIR001657	31,403	-	-	31,403

\*Actuals through 8/31/2021

# Appendix C – Lease/Concession Risk Universe (continued)

## Low Risk (continued):

Name	Contract	2019	2020	2021*	Total
DELTA AIR LINES INC	AIR002309	16,981	6,260	6,738	29,979
HAN EUN CORPORATION	SEA002621	24,877	-	-	24,877
ALASKA AIRLINES INC	AIR002299	13,344	4,304	6,777	24,426
MAC-GRAY SERVICES	SEA002097	13,899	9,513	-	23,413
ASANDA AIR II LLC	AIR002409	17,218	-	-	17,218
BF FOODS LLC	AIR002375	17,115	-	-	17,115
AMERICAN EXPRESS TRAVEL	AIR001877	8,715	1,703	2,003	12,420
PALLINO SEATAC LLC	AIR002283	12,395	-	-	12,395
WINGZ, INC	AIR002020	8,916	2,376	-	11,292
LUCKY SHOE SHINE LLC	AIR002466	3,836	3,555	3,712	11,103
US BANK	AIR001505	-	10,525	-	10,525
CONCOURSE CONCESSIONS LLC	AIR002374	10,069	-	-	10,069
LUCKY SHOE SHINE LLC	AIR001888	9,617	-	-	9,617
SSP AMERICA SEA LLC	AIR002370	-	9,017	-	9,017
CLIPPER FERRY SERVICES INC	SEA003017	8,342	-	-	8,342
TRICOPIAN DBA FUELROD	AIR002469	17	4,259	3,338	7,614
CLEAN ENERGY FUELS CORP	AIR001655	4,114	1,970	987	7,071
SSP AMERICA SEA LLC	AIR002369	-	6,635	-	6,635
AIRPORT MANAGEMENT SERVICES LLC	AIR002284	6,600	-	-	6,600
UNITED AIRLINES	AIR002327	4,886	602	-	5,487
MASSAGE BAR	AIR002286	5,283	-	-	5,283
FIREWORKS	AIR001644	4,737	-	-	4,737
GLOBAL CONCESSIONS GROUP LLC	AIR002632	-	-	2,533	2,533
MAC-GRAY SERVICES	SEA001479	1,446	946	82	2,474
AIRPORT MANAGEMENT SERVICES LLC	AIR002529	-	1,363	1,003	2,367
PLANEWEAR LLC	AIR002501	172	703	1,346	2,220
WINGZ, INC	AIR002580	-	-	1,361	1,361
ZEEBA WA, LLC DBA ZEEBA RENT-A-VAN	AIR002226	1,004	-	-	1,004
FLY BABY LLC DBA LIGHTLY	AIR002572	-	-	11	11
		\$ 16,227,915	\$ 6,142,866	\$ 7,106,666	\$ 29,477,447

\*Actuals through 8/31/2021

# Appendix D – Aging of Outstanding Issues as of December 9, 2021

## Operational, Capital, Information Technology, and Limited Contract Compliance Audits

Type	Audit	Description	Rating	Report Date	Target Date	Days Outstanding (from Report Date)	Months/Years Outstanding (from Report Date)	Days Outstanding (from Target Date)	Months/Years Outstanding (from Target Date)
Operational Audit	Fishing & Commercial Operations Maritime	Manual Billing Process at risk of error	High	2/23/2018	12/31/2021	1,385	More than 2 years	-22	Not Due
IT Audit	AV/M Facility & Infrastructure Data Centers	Physical Assess to Facilities	High	12/4/2018	No date supplied	1,101	More than 2 years	N/A	N/A
IT Audit	AV/M Facility & Infrastructure Data Centers	Protection against environmental factors	High	12/4/2018	No date supplied	1,101	More than 2 years	N/A	N/A
Operational Audit	Marine Maintenance Shop	Keys and badges tracking	High	6/14/2019	12/31/2023	909	More than 2 years	-752	Not Due
IT Audit	HIPAA Security	Security Sensitive	High	9/4/2019	7/31/2020	827	More than 2 years	496	1-2 years
IT Audit	HIPAA Security	Security Sensitive	High	9/4/2019	7/31/2020	827	More than 2 years	496	1-2 years
Operational Audit	Architecture & Engineering	Fair and reasonable rate determination	High	12/9/2019	6/30/2020	731	More than 2 years	527	1-2 years
Operational Audit	Architecture & Engineering	Management review over max rates	High	12/9/2019	6/30/2020	731	More than 2 years	527	1-2 years
Operational Audit	Architecture & Engineering	Contract rate accuracy	High	12/9/2019	6/30/2020	731	More than 2 years	527	1-2 years
Operational Audit	Ground Transportation - Taxicabs	Reconciliation process	High	12/1/2020	12/31/2021	373	1-2 years	-22	Not Due
IT Audit	Continuous Vulnerability Management	Security Sensitive	High	11/29/2021	12/31/2022	10	0-6 months	-387	Not Due
IT Audit	Continuous Vulnerability Management	Security Sensitive	High	11/29/2021	12/31/2022	10	0-6 months	-387	Not Due
IT Audit	Continuous Vulnerability Management	Security Sensitive	High	11/29/2021	12/31/2022	10	0-6 months	-387	Not Due
IT Audit	Disaster Recovery Capabilities	Security Sensitive	Medium	11/29/2017	No date supplied	1,471	More than 2 years	N/A	N/A
IT Audit	AV/M Facility & Infrastructure Data Centers	Physical Facilities Management	Medium	12/4/2018	No date supplied	1,101	More than 2 years	N/A	N/A
IT Audit	Security of Personal Identifiable Information	Security Sensitive	Medium	2/26/2019	12/31/2019	1,017	More than 2 years	709	1-2 years
IT Audit	Security of Personal Identifiable Information	Security Sensitive	Medium	2/26/2019	3/31/2020	1,017	More than 2 years	618	1-2 years
IT Audit	HIPAA Security	Security Sensitive	Medium	9/4/2019	7/31/2020	827	More than 2 years	496	1-2 years
IT Audit	HIPAA Security	Security Sensitive	Medium	9/4/2019	7/31/2020	827	More than 2 years	496	1-2 years
IT Audit	Closed Network Systems Security	Security Sensitive	Medium	9/5/2019	6/30/2020	826	More than 2 years	527	1-2 years
IT Audit	Inventory and Control of Hardware Assets	Security Sensitive	Medium	11/12/2019	6/30/2023	758	More than 2 years	-568	Not Due
Operational Audit	Architecture & Engineering	Governance	Medium	12/9/2019	6/30/2020	731	More than 2 years	527	1-2 years
IT Audit	Network Password Management	Security Sensitive	Medium	3/20/2020	9/30/2020	629	1-2 years	435	1-2 years
IT Audit	Network Password Management	Security Sensitive	Medium	3/20/2020	12/31/2020	629	1-2 years	343	6-12 months
IT Audit	Network Password Management	Security Sensitive	Medium	3/20/2020	12/31/2021	629	1-2 years	-22	Not Due
IT Audit	Secure Configuration for Hardware and Software on Mobile Devices, Laptops, Workstations and Servers	Security Sensitive	Medium	8/21/2020	12/31/2021	475	1-2 years	-22	Not Due
IT Audit	Secure Configuration for Hardware and Software on Mobile Devices, Laptops, Workstations and Servers	Security Sensitive	Medium	8/21/2020	12/31/2021	475	1-2 years	-22	Not Due
Lease and Concession Audit	Concourse Concessions, LLC	RE-2 policy review	Medium	9/10/2020	12/31/2020	455	1-2 years	343	6-12 months
IT Audit	Inventory and Control of Software Assets	Security Sensitive	Medium	11/24/2020	12/31/2021	380	1-2 years	-22	Not Due
IT Audit	Inventory and Control of Software Assets	Security Sensitive	Medium	11/24/2020	12/31/2021	380	1-2 years	-22	Not Due
IT Audit	Inventory and Control of Software Assets	Security Sensitive	Medium	11/24/2020	12/31/2021	380	1-2 years	-22	Not Due
IT Audit	Malware Defenses - Aviation Maintenance	Security Sensitive	Medium	3/17/2021	12/31/2022	267	6-12 months	-387	Not Due
IT Audit	Continuous Vulnerability Management	Security Sensitive	Medium	11/29/2021	6/30/2022	10	0-6 months	-203	Not Due
IT Audit	Data Recovery	Security Sensitive	Medium	11/29/2021	4/30/2022	10	0-6 months	-142	Not Due
Operational Audit	TNCs (Lyft, Inc. & Rasier, LLC)	Additional research on variances	Low	8/26/2021	10/31/2021	105	0-6 months	39	0-6 months
Operational Audit	Capitalization of Assets	Enhancing internal controls	Low	11/24/2021	3/31/2022	15	0-6 months	-112	Not Due
IT Audit	Continuous Vulnerability Management	Security Sensitive	Low	11/29/2021	12/31/2022	10	0-6 months	-387	Not Due