



INTERNAL AUDIT REPORT

Operational Audit
South King County Community Impact Fund

January 2021 – June 2022

Issue Date: November 23, 2022
Report No. 2022-12

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Executive Summary

Internal Audit (IA) completed an audit of the South King County Community Impact Fund (SKCCIF). The audit covered an 18-month period beginning January 2021 and was performed to determine whether internal controls were in place and followed, and to validate if reimbursements complied with contract requirements. Applying an “Equity Lens,” we considered modifications to the program to lessen the burden on the community organizations that depend on this funding.

In 2017, the Port of Seattle (Port) established the Airport Community Ecology Fund, allocating \$1 million of environmental benefits to airport communities who were impacted by airport noise and pollution. In 2019, the Port established the South King County Fund (SKCF) and pledged \$10 million in funding over a five-year period. The objective of the SKCF was to provide environmental benefits to near airport communities impacted by airport noise. In November 2021, the name was changed to the South King County Community Impact Fund (SKCCIF) with the goal of developing equity-based partnerships, and to provide resources and support in historically underserved, ethnically, and culturally diverse near-airport communities.

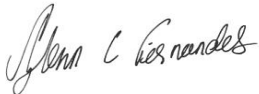
The Economic Recovery Program is governed by Revised Code of Washington (RCW) 53.08.245 *Economic development programs authorized - Job training and education*. Bookdha Gheisar, Senior Director, Equity, Diversity, and Inclusion, is the Port’s Executive Sponsor. For the 18-month period ending June 30, 2022, approximately \$872,000 had been paid under this program.

The Environmental Program is governed by RCW 35.21.278 *Contracts with community service organizations for public improvement*. The Port’s Executive Sponsor is Pearse Edwards, Senior Director of External Relations. Approximately \$68,000 had been reimbursed under this program, for the 18-month period.

Both programs support the Port’s mission of promoting economic opportunities and quality of life in the region by advancing job creation in an equitable, accountable, and environmentally responsible manner.

We concluded that although internal controls should be improved, refinements to contract requirements would allow for more flexibility. This most likely will result in gained efficiencies, by requiring less time from internal staff and external stakeholders to adhere to contract requirements. These efficiencies would allow Port staff to build stakeholder relationships, to perform oversight from site visits, and to partner with community organizations. This issue is provided below and discussed in more detail beginning on page six.

(Medium) – Approvals were not always documented, expense reimbursements were not always supported with receipts, and expenses sometimes exceeded thresholds allowable by the contract. Although the financial impact is relatively small, these exceptions could be considered non-compliance with contract terms.



Glenn Fernandes, CPA
Director, Internal Audit

Responsible Management Team

Pearse Edwards, Senior Director, External Relations
Bookda Gheisar, Senior Director, Equity, Diversity and Inclusion

Background

The South King County Community Impact Fund (SKCCIF) was established by a collective effort from multiple Port stakeholders. Port Commission approved Motion 2019-10, on June 25, 2019, which included eight guiding fund principles. The Motion also included an engagement strategy to ensure robust, multi-cultural stakeholder involvement to support equitable implementation. The Port's Central Procurement Office developed contracts and subsequent amendments. The Port's Legal department was engaged to provide guidance on regulatory and legal requirements. Finally, External Relations and the Office of Equity, Diversity, and Inclusion, provide project management and stakeholder outreach.

In 2017, the Port established the Airport Community Ecology (ACE) Fund, allocating \$1 million of environmental benefits to airport communities who incur airport noise and pollution. The ACE Fund transitioned to the ACE Small Matching Grants Program, allowing non-profits to apply for \$10,000 twice annually for public improvement projects. As the ACE Program concluded, Port Commission approved the South King County Fund (SKCF). On November 27, 2018, through Motion 2018-14, an initial amount of \$750,000 was authorized, as part of a larger budget of \$10 million to be used between 2019 and 2023. The SKCF program provides resources and support for Sea-Tac International Airport (SEA) area communities specifically benefiting South King County nonprofit organizations that support communities of color and historically marginalized communities through environmental sustainability, small business capacity building, and economic recovery strategies. Uses for the SKCF may include support for addressing airport noise and for other projects that support environmental health and enhance sustainability.

SKCCIF is permitted under RCW 53.08.245 and 35.21.278:

RCW 53.08.245 Economic development programs authorized – job training and education

“It shall be in the public purpose for all port districts to engage in economic development programs. In addition, port districts may contract with nonprofit corporations and private and public entities that provide training systems...and promote workforce diversity in furtherance of this and other acts relating to economic development.”

RCW 35.21.278 Contracts with community service organizations for public improvements

“Without regard to competitive bidding laws for public works, a county, city, town, school district, metropolitan park district, park and recreation district, port district, or park and recreation service area may contract with a chamber of commerce, a service organization, a community, youth, or athletic association, or other similar association located and providing service in the immediate neighborhood, for drawing design plans, making improvements to a park, school playground, public square, or port habitat site, installing equipment or artworks, or providing maintenance services for a facility or facilities as a community or neighborhood project, or environmental stewardship project, and may reimburse the contracting association its expense.”

Participating organizations do not receive Port funds once the contract is signed, rather they are reimbursed after expenses are incurred and an invoice is submitted to the Port for review and approval. The review process evaluates whether the reimbursement request meets contract deliverables. After it is determined eligible for reimbursement, the project manager approves the invoice for payment. Appendix B provides a listing of environmental and economic recovery recipients, contract values, and the amounts reimbursed for the 12-month period ending December 31, 2021 and the 6-month period ending June 30, 2022.

On August 24, 2022 (outside the scope of this audit), the Port announced 12 organizations surrounding the SEA that will each receive \$250,000 from the SKCCIF. This funding supports economic recovery in communities hit hardest by COVID-19, through education and job search assistance, skills-based learning, pre-apprenticeship programs in Port-related industries, habitat restoration and green job programs.

Audit Scope and Methodology

We conducted this engagement in accordance with Generally Accepted Government Auditing Standards and the International Standards for the Professional Practice of Internal Auditing. Those standards require that we plan and conduct an engagement to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our engagement objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our engagement objectives.

The period audited was January 2021 through June 2022 and included the following procedures:

Internal Controls

- Verified procedural documents existed and determined whether internal controls had been identified.
- Interviewed key personnel, including the Program Manager of Community Investments and the Senior Program Manager of Community Engagement.
- Obtained a listing of the grant recipients, contract values, contact information, and amount funded as of June 30, 2022.
- Tested 100 percent of reimbursement requests to determine if they were reviewed and approved prior to payment.
- Reviewed the following Revised Code of Washington requirements:
 - 53.08.245 *Economic development programs authorized - job training and education*
 - 35.21.278 *Contracts with community service organizations for public improvements*

Compliance with Contractual Requirements / Other

- Determined whether mid-year and annual “check-ins” were performed and documented, by validating that a report was provided by the organization that details progress on program deliverables.
- Obtained and reviewed contracts.
- Compared reimbursement requests and supporting documentation to contract requirements, to determine whether it was:
 - 1) Allowed by the contract.
 - 2) Within the threshold allowed by the contract.
 - 3) Accompanied with a receipt, when required.
 - 4) Submitted using an expense reimbursement form.

Site Visit

- Toured the site and met with leaders of Crystal Springs Park (Congolese Basketball Association) and Hill Top Park (Partners in Employment).

Schedule of Findings and Recommendations

1) Rating: Medium

Approvals were not always documented, expense reimbursements were not always supported with receipts, and expenses sometimes exceeded thresholds allowable by the contract. Although the financial impact is relatively small, these exceptions could be considered non-compliance with contract terms.

About twenty-five (25) percent, or 25 of 99 invoices did not have a documented approval. However, management asserted that approvals were most likely verbal and just not documented. A listing of expenses that exceeded thresholds are provided in Appendix C.

Growth of the SKCCIF has steadily occurred over the last three years and continues to grow. Most recently, on August 24, 2022, 12 additional recipients will each receive \$250,000, for a combined \$3 million.

As the program evolves, modifications and adjustments are a natural way to improve how projects are executed and administered. During our audit, as test results were reviewed with management, we brainstormed ideas to improve the program. A consistent theme that surfaced was more flexibility with contract language.

While observing RCW requirements is essential, opportunities were identified that, if implemented, would reduce the amount of time needed for project oversight including the reimbursement process. These suggestions are especially important for grass roots organizations, who often have limited resources. The ideas identified in this audit do not suggest that contracts were written incorrectly, rather, they are offered as proposals to improve efficiency and to make the program more scalable, both with our external stakeholders and with Port staff. The following suggestions are provided under Recommendations below:

Recommendations:

Monthly reports: These reports are due on the 15th of every month. At a minimum, the report is required to include percent of budget expended, work being performed by time and expense, and issues that may impact the timing and total price of the work.

Program managers have frequent communication with leaders of these organizations including monthly site visits or virtual meetings. Therefore, the need for these additional reports may not be necessary.

Six (6) and Final report: A report is due within six months of contract execution and a final report is required prior to contract expiration.

RCW 53.08.245 only requires an annual report, and RCW 35.21.278 does not require any report. Accordingly, only an annual report may be sufficient.

Broader contract language: Contractual agreements include an attachment (see Appendix D) that defines the category and a description of the expense. Based on feedback from Port management, the granularity of contract language, impacts efficiencies. Considerable time and effort are spent on communications between Port staff and external recipients so that expenses align to contractual language. In some instances, contract amendments are drafted so that expenses become eligible.

Internal Audit understand the importance of establishing deliverables so that payments can be initiated. However, broadening the contract requirements so that they are less rigid, will reduce time, effort, and resources focused on contract compliance.

Management Response/Action Plan:

External Relations and Office of Diversity, Equity and Inclusion staff agrees with the audit report findings and will work to implement stronger managerial controls. Staff have implemented a procedure to address approvals not always being documented. The executive assistant will attach the approval email from the project managers to each payment submission request.

Monthly reports and 6th month reports are currently only being requested of Economic Recovery fund recipients. This reporting practice measures progress towards milestones and goals. Program staff is committed to working with partners to ensure milestone data is captured as efficiently and effectively as possible.

Implementing broader contract language is fully supported by both External Relations and the Office of Diversity, Equity and Inclusion. We will work diligently and in partnership with the Central Procurement Office to ensure whenever possible broader language is used which impacts Port efficiencies internally across multiple departments, and with our community partners. The authority to execute contracts with broader language exists with CPO, and their Service Agreements team who would need to authorize the new simplified contract language.

DUE DATE: 6/30/2023

Appendix A: Risk Ratings

Findings identified during the audit are assigned a risk rating, as outlined in the table below. Only one of the criteria needs to be met for a finding to be rated High, Medium, or Low. Findings rated Low will be evaluated and may or may not be reflected in the final report.

Rating	Financial Stewardship	Internal Controls	Compliance	Public	Commission/ Management
High	Significant	Missing or not followed	Non-compliance with Laws, Port Policies, Contracts	High probability for external audit issues and / or negative public perception	Requires immediate attention
Medium	Moderate	Partial controls Not functioning effectively	Partial compliance with Laws, Port Policies Contracts	Potential for external audit issues and / or negative public perception	Requires attention
Low	Minimal	Functioning as intended but could be enhanced to improve efficiency	Mostly complies with Laws, Port Policies, Contracts	Low probability for external audit issues and/or negative public perception	Does not require immediate attention

Appendix B: Contract Values and Reimbursements

Note: 2022 are reimbursements through June 30, 2022.

Table I. Environmental

Organization	Contract Value	2021	2022
Bridging Cultural Gaps	\$19,974	\$14,050	-
Tilth	14,800	5,535	9,265
Friends of Normandy Park	11,163	4,867	4,474
Federal Way Korean American Association	20,000	-	-
Multicultural Self-Sufficiency Movement	9,000	-	-
Puget Soundkeeper Alliance	10,902	-	-
Bhutanese Community Resource Center	13,488	6,500	-
Summer Search (Congolese Basketball Team)	19,000	-	3,075
Summer Search (Expanding Environmental Justice)	19,990	-	-
Partner in Employment	19,977	-	19,977
	\$158,294	\$30,952	\$36,791

Table II. Economic Recovery

Organization	Contract Value	2021	2022
African Chamber of Commerce PNW	\$100,000	\$21,539	\$70,128
African Community Housing and Development	99,903	61,000	38,903
Asian Counseling and Referral Service	70,000	35,500	28,250
Business Ending Slavery and Trafficking (BEST)	100,000	61,800	15,162
Cares of Washington	91,160	77,387	13,773
Chief Seattle Club	100,000	57,500	42,500
El Centro de la Raza	99,985	75,000	24,985
Highline College Foundation	90,839	5,750	43,250
Partner in Employment	100,000	79,375	20,625
Washington Maritime Blue	99,995	99,995	-
	\$951,882	\$574,845	\$297,576

Appendix C: Exceptions

Organization	Contract Description	Reimbursement	Amount not allowed	Description of Reimbursement
Summer Search	Refreshments \$31.25 / event X 32 events = \$1,000	\$ 97.04	\$ 65.79	13 Coins - Brainstorming Dinner
	Refreshments \$31.25 / event X 32 events = \$1,000	135.84	104.59	Buffalo Wild Wings - Park Cleaning Event
	Refreshments \$31.25 / event X 32 events = \$1,000	38.04	6.79	McDonalds - Park Cleaning Event
	Refreshments \$31.25 / event X 32 events = \$1,000	211.39	173.35	Taste of Congo - Park Cleaning Event
	Refreshments \$31.25 / event X 32 events = \$1,000	40.24	8.99	Jack in the Box - Park Cleaning Event
	Refreshments \$31.25 / event X 32 events = \$1,000	37.89	6.64	Target - Refreshments
	Refreshments \$31.25 / event X 32 events = \$1,000	94.69	63.44	Taste of Congo - Park Cleaning Event
Partner in Employment	Crew Lead \$25 * 360 hours = \$9,000	9,352.50	352.50	Staff / Contractor Time
	Youth Stipend \$1,000 * 5 youths = \$5,000	9,826.00	4,826.00	Volunteer Support
Highline College Foundation	Class Roster of Enrolled Participants in RIVET, AutoCAD or Civil3D courses (\$19,530)	32,000.00	12,470.00	Class Roster
Friends of Normandy Park	2 weed wrenches X \$10.25 = \$20.50	79.24	58.74	Weed Wrench
	20 gloves X \$1 = \$20	187.24	167.24	Gardening Gloves
	Refreshments \$35 / event X \$6 events - \$210	39.53	4.53	Starbucks Coffee
	Refreshments \$35 / event X \$6 events - \$210	39.53	4.53	Starbucks Coffee
Bhutanese Community Resource Center	1 Hand Washing Station X \$70 = \$70	79.18	9.18	Handwashing Station
	25 boxes garbage bags X \$20 = \$500	523.76	23.76	Garbage Bags
	25 compost bins X \$46 = \$1,150	1,277.10	127.10	Compost Bins
Tilth	Staff Training / Volunteer Coordination \$30 X 260 hours = \$7,800	7,923.70	123.70	Staff Support
	Guest Instructor Stipend \$250 X 4 speakers = \$1,000	1,700.00	700.00	Guest Instructors
	Project Supplies \$3,000	3,526.30	526.30	Project Supplies
Bridging Cultural Gaps	Plants \$500	1,800.00	1,300.00	Plants

Appendix D: Contract Example

**ATTACHMENT B
BUDGET AND MATCH**

Category	Description	Cost
Staff/Contractor Time	Restoration Analytics and Design, LLC (R.A.D.) consultant volunteer workday events \$375 x 6 events = \$2,250	\$8,550
	R.A.D. consultant program administration \$625 x 6 events = \$3,750	
	R.A.D. consultant grant administration support \$250 x 3 reports = \$750	
	Translation fees \$100/hr x 3 translators x 6 events = \$1,800	
Project Supplies	Tools 20 gloves x \$1 = \$20 2 weed wrench x \$10.25 = \$20.50 8 pruners x \$15 = \$120 2 loppers x \$ 40.25 = \$80.50	\$1,967.50
	Trees 220 trees x \$4.95 = \$1,089	
	Plant and Shrubs 75 plants x \$4.25 = \$318.75 75 shrubs x \$4.25 = \$ 318.75	
Marketing	Advertising Campaign for social media ads for 6 events = \$150.94 Peachjar postings x 6 events = \$99.06	\$435
	Printed Materials 68 flyers \$1.25 = \$85 4 banners x \$25 = \$100	
Volunteer Support	Refreshments \$35/event x 6 events = \$210	\$210
	Total Budget*	\$11,162.50

*Not to exceed Agreement Amount and shall meet 3:1 match requirement.