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THIS IS COMMISSIONER SAM CHO CALLING TO ORDER OF THE PORT OF SEATTLE AUDIT COMMITTEE SPECIAL MEETING. TODAY IS THURSDAY, SEPTEMBER 8, 2022, AND THE TIME IS 02:33 P.M.. WE ARE MEETING TODAY AT THE PORT OF SEATTLE HEADQUARTERS, COMMISSIONER CHAMBERS AND VIRTUALLY VIA THE TEAM'S PLATFORM. PRESENT WITH ME TODAY OUR COMMITTEE MEMBERS, COMMISSIONER HAMDY MOHAMED AND PUBLIC MEMBER SARAH HOLSTROM. TO MAKE THIS MEETING MORE ACCESSIBLE TO THE PUBLIC, THE MEETING IS BEING LIVE STREAMED AND DIGITALLY RECORDED, AND MAY BE VIEWED OR HEARD AT ANY TIME ON THE PORT'S WEBSITE. A CALL IN TELEPHONE NUMBER HAS BEEN PROVIDED FOR ANYONE WHO WOULD LIKE TO LISTEN INTO THE MEETING. OUR FIRST ITEM OF BUSINESS IS APPROVAL OF OUR LAST MEETING MINUTES FROM JUNE 17, 2022. ARE THERE ANY CORRECTIONS TO THE MINUTES? NONE. OKAY. ARE THERE ANY OBJECTIONS TO THE APPROVAL OF THE MINUTES AS PRESENTED? NONE. HEARING NONE, THE MINUTES ARE APPROVED. MOVING ON IN THE AGENDA, ITEM THREE. OUR NEXT ORDER OF BUSINESS IS THE OFFICE OF THE WASHINGTON STATE AUDITOR, 2021 ACCOUNTABILITY AUDIT OPENING. MR. FERNANDEZ, PLEASE INTRODUCE OUR SPEAKERS FOR TODAY. THANK YOU, COMMISSIONER. COMMISSIONER. I'M GOING TO CALL UP JOE SIMMONS AND ANGELA FUNAMORI FROM THE STATE AUDITOR'S OFFICE. BOTH OF THEM HAVE BEEN DOING OUR AUDITS FOR QUITE A FEW YEARS NOW. SO JOE IS THE PROGRAM MANAGER AND ANGELA IS AN ASSISTANT STATE AUDITOR. SO, WELCOME, ANGELA AND JOE. AND IT LOOKS LIKE MICHELLE'S GOT YOUR PRESENTATION UP, SO JUST ASK HER TO MOVE THE SLIDES FORWARD WHEN YOU REQUIRE. WITH THAT, I'LL HAND IT TO YOU. THANK YOU, GLENN, AND THANK YOU, COMMITTEE MEMBERS, FOR YOUR TIME TODAY FOR US TO PRESENT OUR INSURANCE CONFERENCE FOR ANNUAL ACCOUNTABILITY AUDIT. FIRST SLIDE, JUST AS GLENN SAID. MY NAME IS JOE SIMMONS. I'M THE AUDIT MANAGER FOR TEAM CENTRAL KING COUNTY. WE AUDIT ALL THE GOVERNMENTS WITHIN THE CITY OF SEATTLE CITY LIMITS. AND MADDIE FROST SHAFFER WILL BE THE AUDIT SUPERVISOR. SHE WASN'T ABLE TO BE HERE TODAY, BUT SHE WILL SUPERVISE HER TO AUDIT AGAIN THIS YEAR AS SHE HAS HER LAST TWO YEARS. AND ANGELA IS THE AUDIT LEAD, THE AUDITOR IN CHARGE OF THE AUDIT AND SHE'LL BE LEADING THE AUDIT AGAIN AS SHE'S DONE

FOR THE LAST TWO YEARS. AND ON THE NEXT SLIDE, JUST AN OVERVIEW ABOUT OUR OFFICE. AS YOU KNOW, THIS IS OUR ENTRANCE FOR OUR ACCOUNTABILITY AUDIT. WE PERFORM ACCOUNTABILITY AUDITS ALL AROUND THE STATE FOR ALL LOCAL GOVERNMENTS. WE ALSO CONDUCT AUDITS OF FINANCIAL STATEMENTS AND FEDERAL SINGLE AUDITS. OF COURSE, AS YOU KNOW, YOU ARE AUDITED BY MOSS ADAMS FOR YOUR FINANCIAL STATEMENT AND FEDERAL SINGLE AUDIT. AND WE WILL GO AHEAD AND BE REVIEWING THE WORK DONE BY MOSS ADAMS IN PREPARATION FOR ACCOUNTABILITY AUDIT. BUT JUST KIND OF OVERVIEW OF ALL THE AUDITS. WE CONDUCTED CLOSE TO 3000 AUDITS IN 2021 ALONE. AND THEN I'LL GO AHEAD AND HAND IT OVER TO ANGELA FOR THE NEXT SLIDE TO TALK A LITTLE BIT MORE ABOUT THE COMMUNICATIONS DURING THE AUDIT. SO, NEXT SLIDE, PLEASE. THANK YOU, JOE. BEFORE WE GET INTO THE AUDIT PROCESS, WE'D LIKE TO TAKE A MOMENT TO BRIEFLY TOUCH ON THE IMPORTANT ROLES THAT THE GOVERNING BODY, MANAGEMENT AND THE AUDITORS PLAY. IT'S IMPORTANT TO NOTE THAT EACH OF THESE ROLES HAVE DISTINCT RESPONSIBILITIES FOR THE PORT, SOME OF WHICH WE'VE SUMMARIZED ON THE SLIDE FOR YOU. FIRST, GOVERNANCE STARTS AT THE TOP. THE GOVERNING BODY INVOLVES ENSURING ONGOING OVERSIGHT IS APPLIED TO THE PORT AS A WHOLE, ESTABLISHING STRATEGIC DIRECTION ONTO WHAT THE PRIORITIES OF THE PORT ARE, MAKING DECISIONS THAT ARE TRANSPARENT TO THE PUBLIC, ESTABLISHING A CULTURE OF ACCOUNTABILITY IN ALL LEVELS, AND CARRYING OUT THE PORT'S MISSION. OFTEN IT CAN BE THOUGHT AS THE SETTING, THE DIRECTION OF THE PORT, AND MONITORING TO ENSURE THE ORGANIZATION STAYS ON COURSE. PORT MANAGEMENT ALSO PLAYS A KEY ROLE IN BEING RESPONSIBLE FOR CARRYING OUT THE DIRECTIONS OF THE GOVERNING BODY AND MONITORING DAY TO DAY OPERATIONS. OFTEN THEY ARE INVOLVED IN ESTABLISHING THE SPECIFIC PROCEDURES AND PROGRAMS TO CARRY OUT THE OVERALL DECISIONS OF THE GOVERNING BODY. THIS ALSO INVOLVES MANAGING THE PORT'S FINANCES, PREPARING FINANCIAL STATEMENTS AND ESTABLISHING PROPER INTERNAL CONTROLS TO CARRY OUT ALL OPERATIONS. AND SO MANAGEMENT MUST WORK CLOSELY WITH THE GOVERNING BODY TO PERIODICALLY REPORT ON THE RESULTS OF THE OPERATIONS AND PROVIDE RELIABLE INFORMATION. AND FINALLY, THE AUDITOR'S ROLE IS TO CONDUCT AN INDEPENDENT EXAMINATION ON WHETHER THE PORT IS IN COMPLIANCE WITH VARIOUS FINANCIAL, FEDERAL AND STATE REQUIREMENTS, AS WELL AS ITS OWN

POLICIES AND PROCEDURES. THE AUDIT ALSO CONSIDERS WHETHER PUBLIC FUNDS ARE APPROPRIATELY SAFEGUARDED. HOWEVER, IT IS IMPORTANT TO NOTE THAT AUDITS DO NOT PROVIDE ABSOLUTE ASSURANCE. AUDITS USE A RISK BASED APPROACH AND SELECT SPECIFIC PROGRAMS, TRANSACTIONS AND FINANCIAL BALANCES AND OTHER ACTIVITIES FOR REVIEW. AND SO THE END RESULT IS TO REPORT ON THE EFFECTIVENESS OF ACTIVITIES EXAMINED AND WHETHER THERE ARE AREAS THAT NEED ADDITIONAL OVERSIGHT OR CORRECTION.

AND THEN ON THE NEXT SLIDE, WE WILL BE PERFORMING THE ACCOUNTABILITY AUDIT THAT WILL COVER FISCAL YEAR 2021. WE'LL REVIEW MANAGEMENT'S USE AND SAFEGUARDING OF PUBLIC RESOURCES AND EVALUATE THE PORT COMPLIANCE TO APPLICABLE STATE LAWS, REGULATIONS AND ITS OWN POLICIES AND PROCEDURES. AND SO AT THIS TIME, WE ALSO WANT TO SHARE THAT WE DO NOT HAVE OUR AUDIT SCOPE IDENTIFIED. HOWEVER, WE WILL INFORM THE MANAGEMENT TEAM AFTER WE COMPLETE OUR PLANNING PROCEDURES.

AND NEXT IS THE WORK OF OTHER AUDITORS. IT IS PROFESSIONAL STANDARDS THAT WE CONSIDER THE WORK PERFORMED BY OTHER AUDITORS. MOSS ADAMS PERFORMED THE FINANCIAL STATEMENT, THE PORT'S FINANCIAL STATEMENTS AND THE FEDERAL SINGLE AUDIT. SO DURING THE PLANNING STAGES OF OUR AUDIT, WE WILL REVIEW AND CONSIDER THOSE REPORTS AND THE WORK PERFORMED.

JUST AS A REMINDER, ACCOUNTABILITY AUDITS DIFFER IN SCOPE FROM FINANCIAL STATEMENTS AND SINGLE AUDITS, WHERE THE FOCUS OF ACCOUNTABILITY IS TO EVALUATE THE COMPLIANCE WITH LAWS, REGULATIONS AND THE GOVERNMENT'S POLICIES. AND SO, DUE TO THE OBJECTIVES OF THE ACCOUNTABILITY AUDIT, IF DURING OUR AUDIT WE EXAMINE SOME OF THE SAME AREAS PREVIOUSLY COVERED, WE'LL ENSURE TO PROVIDE A DIFFERENT APPROACH AND WE'LL ENSURE THAT WE DO NOT DUPLICATE WORK ALREADY PERFORMED.

AND THE NEXT IS STAYING CONNECTED. SO, AN IMPORTANT ROLE OF THE OFFICE IS TO CONTINUOUSLY COMMUNICATE BETWEEN OUR AUDIT STAFF AND YOURS. AND SO THERE ARE A NUMBER OF WAYS THAT WE STRIVE TO STAY CONNECTED THROUGHOUT THE AUDIT PROCESS, OF WHICH WE'VE HIGHLIGHTED SOME OF THE KEY METHODS FOR YOU TODAY. THE FIRST ONE I LIKE TO NOTE IS THE PRE AUDIT MEETING. THIS IS WHERE WE LIKE TO SHARE INFORMATION THAT MIGHT BE HELPFUL FOR THE UPCOMING AUDIT, INTRODUCE THE AUDIT TEAM AND PROVIDE EXTRA LEAD TIME ON MAKING SURE ANY QUESTIONS ARE ANSWERED AND RECORDS ARE READY BY THE TIME THE

AUDIT BEGINS.

AT THE START OF OUR AUDIT, WE WILL ALSO PROVIDE AN ENGAGEMENT LETTER WHICH WOULD BE SIGNED BY OUR OFFICE AND YOURS. THIS LETTER OUTLINES THE UPCOMING AUDIT AND EXPECTATIONS FOR EACH PARTY AND IT IS HELPFUL TOOL FOR YOU TO BE NOTIFIED ON WHAT TO EXPECT DURING THE AUDIT PROCESS. AND THEN WHAT WE TYPICALLY LIKE TO CONDUCT IN THE EARLY STAGES OF THE PLANNING OF THE AUDIT IS REQUEST MEETINGS WITH SEVERAL MEMBERS OF THE MANAGEMENT TEAM AND THE GOVERNING BODY TO CONDUCT RISK ASSESSMENTS. AND THESE MEETINGS ARE VERY USEFUL FOR US IN MEETING ONE ON ONE AND BETTER UNDERSTAND, OBSERVE AND ANY RISK THAT WE SHOULD BE AWARE OF OF THE PORT. ANOTHER KEY METHOD THAT WE LIKE TO USE IS THE WEEKLY STATUS MEETINGS. THIS IS WHERE WE CURRENTLY MEET WITH THE AUDIT LIAISON, WHERE WE JUST HAVE AN OVERVIEW OF THE AUDIT. THIS IS A GREAT OPPORTUNITY FOR US TO DISCUSS WHAT AREAS HAVE BEEN COMPLETE, WHAT IS IN PROCESS OR NOT YET STARTED, OR IF WE HAVE ANY QUESTIONS OR CONCERNS OF ANYTHING THAT ARISES DURING THE AUDIT. AND THEN ONCE WE NEAR THE COMPLETION OF THE AUDIT, WE ALSO REQUEST A SIGNED REPRESENTATION LETTER WHERE THIS CONFIRMS REPRESENTATIONS MADE TO US BY THE PORT. THESE REPRESENTATIONS ARE IMPORTANT TO ENSURING THAT OUR AUDIT CONSIDERED ALL INFORMATION AND THAT NO INFORMATION HAVE BEEN WITHHELD TO OUR STAFF FOR KNOWLEDGE. AND LASTLY, WE ARE COMMITTED TO ENSURING YOU HAVE THE OPPORTUNITY TO HEAR DIRECTLY FROM US ON THE RESULTS OF THE AUDIT. AND SO WE'LL WORK WITH MANAGEMENT TO SCHEDULE AN EXIT CONFERENCE MEETING AND INVITE ALL GOVERNING BODY MEMBERS TO ATTEND OUR REPORT OUT. AND SO WE'D ALSO LIKE TO NOTE THAT IF A QUORUM OF GOVERNING BODY MEMBERS PLAN TO ATTEND, THE PORT IS RESPONSIBLE FOR ENSURING THE OPEN PUBLIC MEETINGS ACT REQUIREMENTS ARE SATISFIED. SO, ON THE NEXT SLIDE WE HAVE THE LEVELS OF REPORTING AND SO IF THERE ARE ANY RECOMMENDATIONS, OUR OFFICE HAS THREE LEVELS OF REPORTING. THE FIRST ONE IS FINDINGS WHICH ARE FORMALLY ADDRESSED, SIGNIFICANT EFFICIENCIES AND MATERIAL WEAKNESSES AND ARE INCLUDED IN THE AUDIT REPORT. DURING THIS TIME, THE PORT WILL BE GIVEN AN OPPORTUNITY TO RESPOND AND THE RESPONSE WILL BE INCLUDED AS PART OF THE AUDIT REPORT. MANAGEMENT LETTERS COMMUNICATE CONTROLLED EFFICIENCIES. HOWEVER, THIS LEVEL IS LESS SIGNIFICANT THAN A FINDING. MANAGEMENT LETTERS ARE FORMALLY COMMUNICATED TO THE GOVERNING

BODY, AND MANAGEMENT LETTERS ARE REFERENCED, HOWEVER NOT INCLUDED IN THE AUDIT REPORT. AND THEN LASTLY, EXIT ITEMS ARE CONTROLLED EFFICIENCY THAT HAVE AN INSIGNIFICANT EFFECT ON THE AUDIT OBJECTIVE, SO THESE RECOMMENDATIONS ARE NOT INCLUDED IN THE AUDIT REPORT AND ARE INFORMALLY COMMUNICATED TO MANAGEMENT, ALMOST LIKE HOUSEKEEPING ITEMS.

NEXT IS IMPORTANT INFORMATION, SO WE'D ALSO LIKE TO TAKE THE OPPORTUNITY TO SHARE A FEW REMINDERS WITH YOU TODAY ABOUT OUR AUDIT. SO OUR OFFICE REMAINS COMMITTED TO PROTECTING AND SAFEGUARDING YOUR CONFIDENTIAL DATA. SO WE RECOGNIZE THAT THE AUDIT MAY HAVE A NEED TO REVIEW SENSITIVE INFORMATION SUCH AS EMPLOYEE PAYROLL RECORDS. AND SO JUST PLEASE LET US KNOW THAT THE DATA CONTAINS SENSITIVE INFORMATION SO WE CAN ENSURE THAT THE DATA IS ADEQUATELY SAFEGUARDED DURING THE PROCESS. IN THE ENTRANCE PACKETS, YOU'LL FIND THE ESTIMATED COST OF THE AUDIT. THIS ESTIMATE IS ON TRACK WITH PREVIOUS ESTIMATES AND WILL BE INCLUDED IN THE ENGAGEMENT LETTER.

SHOULD THERE BE ANY CONCERNS ABOUT THE AUDIT PROCESS, PLEASE KNOW THAT WE HAVE AN ESTABLISHED PROCESS FOR YOU TO VOICE THESE CONCERNS. SO OUR AUDIT DISPUTE PROCESS IS DESIGNED TO PROVIDE YOU WITH ACCESS TO PROGRESSIVE LEVELS OF MANAGEMENT WITHIN OUR ORGANIZATIONS TO HEAR YOUR CONCERNS. SO WE ENCOURAGE YOU THAT YOU START WITH JOE, OUR LOCAL AUDIT MANAGER. BUT PLEASE KNOW THAT CONTACTS FOR ADDITIONAL REPRESENTATIVES HAVE BEEN INCLUDED IN YOUR PACKET ALL THE WAY UP TO THE STATE AUDITOR.

AND LASTLY, WE'D ALSO LIKE TO REMIND OUR GOVERNMENTS ABOUT LOSS REPORTING REQUIREMENTS. SHOULD YOU BECOME AWARE OF ANY KNOWN OR SUSPECTED LOSSES OF PUBLIC FUNDS, PLEASE NOTE THAT STATE LAW REQUIRES THAT YOU IMMEDIATELY FILE A NOTIFICATION WITH OUR OFFICE. THIS PROCESS IS EASY TO PERFORM, AND YOU CAN FILE A NOTIFICATION DIRECTLY ONTO OUR WEBSITE. AND WITH REPORTING CYBERSECURITY. STATE AND LOCAL GOVERNMENTS MAY ALSO BE REQUIRED TO REPORT CYBERSECURITY ISSUES, INCLUDING SECURITY BREACHES AND CYBER FRAUD. REPORTING IS REQUIRED TO THE AGO IF A SINGLE SECURITY INCIDENT AFFECTS MORE THAN 500 WASHINGTON RESIDENTS. REPORTING TO SAO MAY ALSO BE NECESSARY IF THE EVENT INVOLVES FINANCIAL RECORDS OR FINANCES. THE REQUIREMENT TO REPORT IS NOT DICTATED BY THE NUMBER OF AFFECTED PARTIES, BUT WHETHER YOU EXPERIENCE A

FINANCIAL LOSS. STATE AND LOCAL GOVERNMENT EMPLOYEES SHOULD ALERT US TO SUSPECTED FRAUD, AND NOTIFICATIONS CAN BE MADE ON OUR WEBSITE, AND I BELIEVE A LINK HAS BEEN PROVIDED ON PAGE THREE OF THE ENTRANCE PACKET. AND THEN THE NEXT SLIDE. ONE QUESTION THAT WE QUITE OFTEN RECEIVE IS WHO AUDITS THE STATE AUDITOR? WELL, IT IS ONLY FITTING THAT SINCE WE CONDUCT AUDITS AS AN ORGANIZATION, WE ALSO UNDERGO AUDITS OURSELVES. AND SO OUR OFFICE RECEIVES AN EXTERNAL PEER REVIEW ONCE EVERY THREE YEARS BY THE NATIONAL STATE AUDITORS ASSOCIATION TO SATISFY GOVERNMENT AUDITING STANDARDS. AND SO A LINK HAS BEEN PROVIDED TO WHERE YOU CAN ACCESS THE MOST RECENT PEER REVIEW RESULTS, AND THE LAST RATING THAT WE RECEIVED WAS A PASS WHICH IS THE HIGHEST LEVEL OF ASSURANCE THAT CAN BE REVIEWED. AND SO NOW I'LL ACTUALLY PASS IT BACK TO JOE TO GO OVER SOME AVAILABLE RESOURCES. JUST A COUPLE MORE SLIDES HERE. NEXT SLIDE JUST GIVES AN OVERVIEW OF SOME OTHER SERVICES OUR OFFICE PROVIDES. WE HAVE A LOCAL GOVERNMENT SUPPORT TEAM THAT FOCUSES ON HELPING LOCAL GOVERNMENTS WITH THE REQUIREMENTS RELATED TO ACCOUNTING AND REPORTING, PROVIDES TRAINING IN THAT RESPECT AND ALSO WE HAVE A HEALTH TEST FOR TECHNICAL QUESTIONS REGARDING THAT. AND THEN WE ALSO HAVE THE CENTER FOR GOVERNMENT INNOVATION AND THAT FOCUSES MORE ON PROCESS IMPROVEMENT FACILITATIONS. THERE'S WORKSHOPS PROVIDED THERE AT NO ADDITIONAL COST TO THE LOCAL GOVERNMENT. AND WE ALSO HAVE THE FINANCIAL INTELLIGENCE TOOL THAT BASICALLY TAKES ALL THE INFORMATION THAT'S REPORTED BY LOCAL GOVERNMENTS THROUGH THEIR ANNUAL REPORTS AND PUTS THAT TOGETHER IN WAYS THAT WE HOPE ARE A LITTLE MORE USER FRIENDLY FOR THE CITIZENS TO USE AS FAR AS BEING ABLE TO REVIEW THE FINANCIAL PERFORMANCE OF LOCAL GOVERNMENT AND COMPARE THOSE TO OTHER LOCAL GOVERNMENTS. AND WE INCLUDE THE EMAIL ADDRESS FOR THAT DIVISION. AND THEN ON THE NEXT SLIDE, JUST A LITTLE BIT MORE INFORMATION ABOUT THE CENTER FOR GOVERNMENT INNOVATION. AS I SAID, WE HAVE SOME RESOURCES THERE THAT RELATE TO PROCESS IMPROVEMENTS AND WAYS THAT LOCAL GOVERNMENTS COULD LOOK AT STRICTLY AND INTERNAL CONTROLS IN VARIOUS AREAS FROM BIDDING TO SEGREGATION OF DUTIES TO PAYROLL. AND THEN ALSO AS ANGEL MENTIONED, WE DEFINITELY HAVE FOCUSED ON CYBERSECURITY AND THE RISK THERE. SO NOT JUST LOOKING AT REPORTING OF IT, BUT ALSO LOOKING AT WAYS THAT WE CAN TRY TO HELP OUR

BE AWARE OF THE CONCERNS AND RISKS OUT THERE. SO THAT'S ALSO AVAILABLE ON THE CENTER FOR GOVERNMENT INFORMATION RESOURCES WHICH IS ON OUR WEBSITE. AND THEN LASTLY ON THE LAST SLIDE, JUST A COUPLE OF THINGS ON EMERGENT ISSUES AFFECTING LOCAL GOVERNMENTS. WANTED TO MENTION THAT WE HAVE AN UPDATED SITE THAT WE ARE USING FOR PROVIDING SHARING DATA WITH LOCAL GOVERNMENTS THAT'S BUILT ON SHAREPOINT THAT WE BELIEVE IS MORE USER FRIENDLY THAN THE SYSTEM WE USED BEFORE. IT'S CALLED SECURE SHARE AND WE ARE GOING TO BE MOVING COMPLETELY OVER TO THAT NEW SYSTEM THIS MONTH. SO WE'VE ALREADY BEEN WORKING WITH THE PORT I THINK ON REQUESTING INFORMATION THROUGH SECURE SHARE. AND THEN THE SECOND ITEM IS THAT WE CONTINUALLY LOOK TO WAYS TO IMPROVE OUR WEBSITE AND THAT INCLUDES THAT RESOURCE LIBRARY I TALKED ABOUT AND TRYING TO MAKE IT SO IT'S A LITTLE EASIER TO FIND THAT INFORMATION. WE DO HAVE A LOT OF INFORMATION OUT THERE AND TRYING TO MAKE IT SO IT'S A LITTLE BIT MORE OF ACCESSIBLE SO PEOPLE CAN GET TO INFORMATION IN ONE CLICK INSTEAD OF THREE. AND THEN FINALLY ON THE LAST SLIDE I WANTED TO OF COURSE LEAVE TIME FOR ANY QUESTIONS YOU MAY HAVE REGARDING OUR UPCOMING ACCOUNTABILITY AUDIT. EXCELLENT, WELL THANK YOU SO MUCH FOR BEING HERE AND FOR YOUR PRESENTATION. ARE THERE ANY QUESTIONS FROM OUR COMMITTEE MEMBERS AT THIS TIME? COMMISSIONER MOHAMED. THANK YOU. FIRST OF ALL, THANK YOU BOTH FOR BEING HERE AND FOR PROVIDING THIS PRESENTATION. WE ALL APPRECIATE THE IMPORTANT WORK THAT YOU GUYS DO FOR THE STATE. MY QUESTION IS, IS THERE A TIMELINE? I KNOW THE WORK SCOPE HASN'T BEEN IDENTIFIED YET. DO YOU HAVE A TIMELINE WHEN THAT WILL HAPPEN AND HOW THAT WILL BE COMMUNICATED? YES, I CAN LET ANGELA SPEAK TOO A LITTLE BIT, BUT WE DEFINITELY WANT TO MAKE SURE THAT WE PRESENT THE OVERVIEW IN ACCORDANCE WITH YOUR AUDIT COMMITTEE SCHEDULE. SO WE GENERALLY DO PRESENT THE OVERVIEW HERE AND THEN WE'LL HAVE JUST STARTED IN ON THE PLANNING. SO I WOULD THINK THAT WE WOULD BE ABLE TO PROVIDE THE INFORMATION ABOUT THE SPECIFIC AREAS I'D SAY IN OCTOBER WOULD BE WHAT WE'D BE LOOKING AT. YEAH, I BELIEVE I WOULD SAY ABOUT MID TO LATE OCTOBER. AND THEN WE WOULD SHARE THEM WITH MANAGEMENT AND THEN WE'D ALSO SHARE THEM WITH YOU. SO BASICALLY WE ALWAYS TRY TO COMMUNICATE DIRECTLY WITH OUR AUDIT LIAISON REGARDING ANY AREAS AND THEN MAKING SURE THAT THAT IS

COMMUNICATED TO US TIMELY AS WE DO DETERMINE THOSE. GREAT, THANK YOU. THANK YOU FOR THAT ANSWER. AND COMMISSIONER, GENERALLY I BELIEVE IT'S THE FIRST AUDIT COMMITTEE OF THE YEAR WHERE PUBLICLY JOE AND TEAM WILL COME AND PRESENT TO YOU THE FINDINGS AND THE FINAL REPORT. SO AS WE GET CLOSER, WE'LL SCHEDULE THAT OUT, BUT IT'LL BE SOMETIME IN EARLY 2023 I BELIEVE, FOR THE EXIT.

ANY QUESTIONS? GO FOR IT.

YEAH, I DO HAVE ONE QUESTION. I SAW THE FEES ON HERE, I'M JUST WONDERING HOW LONG ARE YOU GUYS TYPICALLY ON SITE? LIKE DO YOU HAVE A CERTAIN AMOUNT OF WEEKS, USUALLY ARE THERE, OR A CERTAIN AMOUNT OF HOURS YOU TYPICALLY PLAN TO SPEND OR DOES IT VARY BASED ON YOUR PLAN? I WOULD ASSUME IT'S PRETTY SET SINCE YOU HAVE AUDIT COSTS HERE. SO JUST WONDERING SOME DETAIL ON THAT. OH CERTAINLY. IT'S DEFINITELY A CASE OF HOURS. SO BASICALLY SHORT ANSWER, THE TOTAL HOURS BUDGETED IS 1,000 HOURS AND THAT'S BEEN STEADY FOR, I THINK AT LEAST TEN YEARS NOW AS FAR AS THE NUMBER OF HOURS, AND ACTUALLY I SHOULD MENTION THAT WHEN YOU LOOK AT THAT, WE ALSO WILL BE DOING ONE VERY SMALL COMPONENT OF THE PORT THIS YEAR THAT HAS A SEPARATE BUDGET OF 24 HOURS, WHICH IS THE INDUSTRIAL DEVELOPMENT CORPORATION THAT REQUIRED AUDIT BECAUSE IT IS CONSIDERED A SEPARATE GOVERNMENT. BUT WE ONLY NEED TO REVIEW THAT EVERY THREE YEARS. SO THAT'S ALSO INCLUDED IN THE COST AND THE ENTRANCE DOCUMENT.

EXCELLENT. YES. COMMISSIONER MOHAMED, ONE OTHER QUESTION. I THINK YOU SAID IN THE BEGINNING THERE'S ALREADY BEEN ABOUT 3000 AUDITS THAT HAVE HAPPENED THIS YEAR, DID I HEAR THAT CORRECTLY? WELL, ACTUALLY I MIGHT HAVE MISSPOKE A LITTLE BIT. THAT WAS 2,700.

[LAUGHTER]

VERY CLOSE.

IS THAT A NORMAL SORT OF AMOUNT IS WHAT I'M WONDERING. I WOULD SAY SO, YES, IT CAN RANGE, BUT THROUGHOUT THE STATE WITH ALL THE VARIOUS LOCAL GOVERNMENTS. THAT INCLUDES CEMETERY DISTRICTS- OH ACROSS THE STATE? AND TO BE CLEAR ON THAT PART, THAT'S STATEWIDE. STATEWIDE.

OKAY, GREAT. THAT'S HELPFUL. THANK YOU. SURE. I'M GLAD YOU ALL ROUND UP.

ALL RIGHT, IF THERE ARE NO ADDITIONAL QUESTIONS FOR THE AUDIT TEAM OR MR. FERNANDEZ ON THIS, WE'LL GO AHEAD AND MOVE ON TO THE NEXT TOPIC. SO I JUST WANT TO SAY THANKS, JOE AND ANGELA, FOR BEING HERE TODAY, FOR JOINING US, AND YOU'RE WELCOME TO STAY FOR THE REST OF

THE MEETING OR WHATEVER YOU CHOOSE TO DO. SO HAVE A GOOD AFTERNOON. THANK YOU SO MUCH FOR COMING. I REALLY APPRECIATE IT. THANK YOU. ITEM NUMBER FOUR ON THE AGENDA IS QUALITY ASSURANCE, EXTERNAL PEER REVIEW RESULT. GLENN, PLEASE PROCEED. THANK YOU, COMMISSIONER. MICHELLE IN THE PROCESS OF PULLING UP THE SLIDES, SO NEXT SLIDE, PLEASE, MICHELLE.

COMMISSIONERS, VERY MUCH LIKE THE SAO, WE ALSO HAVE TO HAVE AN EXTERNAL PEER REVIEW AND ARE AUDITED EVERY THREE YEARS. IT'S JUST PART OF BEING CERTIFIED AS GOVERNMENT AUDITORS REQUIREMENT OF GAO. AND WE ALSO FOLLOW THE INTERNATIONAL STANDARDS. SO WE DO BOTH, AND THEY BOTH REQUIRE EXTERNAL PEER REVIEW. THE INSTITUTE OF INTERNAL AUDITORS, WHICH ARE THE INTERNATIONAL STANDARDS, REQUIRE US TO BE PEER REVIEWED EVERY FIVE YEARS AND EVERY YEAR, INTERNALLY OR PERIODICALLY, WE DO IT EVERY YEAR. WE HAVE TO DO AN INTERNAL ASSESSMENT AND MAKE SURE THAT WE'RE UP TO STANDARDS AND WE DON'T HAVE ANY DEFICIENCIES. AND THEN FROM THE GAO SIDE OR THE GOVERNMENT ACCOUNTABILITY OFFICE SIDE, WE HAVE TO HAVE AN EXTERNAL PEER REVIEW EVERY THREE YEARS. SO THIS WAS A FOURTH PEER REVIEW THAT THE PORT HAD SINCE THE AUDIT DEPARTMENT WAS FORMED IN, WELL, LATE 2009 OR 2010 ISH. THERE ARE THREE RATINGS YOU CAN GET. YOU CAN GET A PASS, WHICH IS THE HIGHEST LEVEL OF ASSURANCE, AS JOE AND TEAM POINTED OUT, YOU CAN GET A PASS WITH DEFICIENCIES, OR YOU CAN GET A FAIL. NEXT SLIDE, PLEASE, MICHELLE.

AS YOU CAN SEE, THE PORT OF SEATTLE ALSO GOT A PASS, WHICH IS THE HIGHEST RATING THAT WE CAN GET. IT'S BEING AUDITED BY THE AUDITORS. WE HAVE ASSOCIATIONS GOVERNMENT AUDITORS, A TEAM THAT COMES IN AND SPENDS A WEEK LOOKING OVER OUR PREVIOUS THREE YEARS OF WORK. THEY'LL LOOK AT OUR AUDIT REPORTS, OUR WORK PAPERS, AND MAKE SURE THAT THEY'RE IN LINE AND THEY'RE COMPLIANT WITH STANDARDS. DOING THIS ALSO STRENGTHENS OUR CREDIBILITY WITH THE PUBLIC AND OUR STAKEHOLDERS, BECAUSE YOU'RE CERTIFIED AS COMPLYING WITH STANDARDS. AND SO IT'S GOOD FROM A PUBLICITY PERSPECTIVE, CREDIBILITY PERSPECTIVE, TO HAVE THIS EVERY THREE YEARS. AND IT'S A BEST PRACTICE ALSO. OR IF YOU DON'T DO THIS, THEN YOU CAN'T SAY IN YOUR AUDIT REPORTS THAT YOU WERE IN COMPLIANCE WITH GOVERNMENT STANDARD. WE PERFORM THIS AUDIT IN COMPLIANCE WITH GOVERNMENT STANDARDS. YOU'VE GOT TO MODIFY YOUR REPORT. SO WITH THAT,

I'LL MOVE ON UNLESS THERE ARE ANY QUESTIONS BUT I'LL KEEP MOVING. THE NEXT THING, AND THIS, COMMISSIONERS, REQUIRES A VOTE AT THE END OF MY PRESENTATION. BUT ONE OF THE THINGS WE DO, AND THIS IS A BEST PRACTICE AS WELL, NOT ONLY DO WE GET OUR BUDGET APPROVED BY THE ORGANIZATION, WE ALSO BRING IT FORWARD TO THE AUDIT COMMITTEE. AND THE REASON WE DO THAT IS TO MAKE SURE THAT MANAGEMENT DOESN'T CURTAIL BUDGET RESOURCES FOR AN AUDIT FUNCTION. SO IN ORDER FOR US TO COMPLETE OUR WORK OBJECTIVELY AND INDEPENDENTLY AND GET ADEQUATE COVERAGE, WE WANT TO BE TRANSPARENT TO YOU AND TO THE PUBLIC AS TO WHAT WE'RE SPENDING AND ALERT YOU IF THERE'S ANY CONCERNS THAT WE DON'T HAVE ADEQUATE RESOURCES. SO I'M HAPPY TO SAY AS WE MOVE FORWARD WITH THIS, THAT THERE ARE NO CONCERNS ON MY PART. WE HAVE GOTTEN EVERYTHING WE'VE REQUESTED. MOST OF OUR STUFF IS PRETTY BASIC OR REQUIRED BY LAW. SO I'LL START WITH THE TOP ITEM: STAFFING. WE HAVE OUR STAFF AND OUR PAYROLL COSTS. WE'VE GOT AN OPEN POSITION THAT I'LL TALK ABOUT TODAY THAT WE HAVE TO FILL, THAT WE FROZE DURING COVID BECAUSE OF THE NATURE OF COVID. BUT AS THE AIRPORT AND THE PORT ARE BACK TO NORMAL, WE'VE GOT THAT TO FILL. BUT OUR PAYROLL COSTS ARE DEFINITELY THE LARGEST PART OF OUR BUDGET BECAUSE THE STAFF ARE DOING THE WORK. OUTSIDE SERVICES, A BIG PART. WE'RE DOING A LOT OF CONSTRUCTION AT THE AIRPORT AND THROUGHOUT THE PORT. AND BECAUSE WE'RE DOING SO MUCH, THE RCW 39 TEN REQUIRES ON GCCM, AND I'LL EXPLAIN GCCM IN A LITTLE BIT. IT'S A GENERAL CONTRACTOR CONSTRUCTION MANAGER TYPE CAPITAL PROJECTS. THE RCW ALLOWS YOU TO DO THAT, WHICH IS GREAT, BUT THEY ALSO REQUIRE CERTAIN AUDITS OF THOSE. AND THEN LAST BUT NOT LEAST, OUR MOST VALUABLE RESOURCES ARE STAFF. SO WE HAVE TO TRAIN OUR STAFF AND KEEP THEM UP TO DATE WITH WHAT'S GOING ON IN THE WORLD AND INDUSTRY SO THEY CAN PERFORM THEIR WORK AS BEST THEY CAN. AS WE BUILD OUR BUDGET, WE START OFF BY FOLLOWING PORT GUIDELINES. SO WE'RE VERY SIMILAR TO ALL OTHER DEPARTMENTS IN THE PORT. WE LISTEN TO OUR EXECUTIVE DIRECTOR, STEVE METRUCK, AND WHAT HIS GOALS ARE AND OBJECTIVES, AND WE TRY TO BUILD OUR PLAN AROUND THAT. AND THE TEAM ALSO SETS GUIDELINES FOR THE ENTIRE PORT, THE FINANCE AND BUDGET TEAM, AND WE FOLLOW THOSE. IN THE CASE OF THE OUTSIDE SERVICES COSTS, THERE ARE TIMES WHEN THERE ARE

LONG PROJECTS THAT GO ON MULTI YEARS, ALTHOUGH IN SOME SENSE WE'RE CONSIDERED INDEPENDENT AS WELL, AND WE STRIVE TO BE. AND THAT'S PART OF THAT YELLOW BOOK CERTIFICATION WHERE WE SAY WE GET THE PASS FROM EXTERNAL AUDITORS SAYING WE'RE INDEPENDENT AND OBJECTIVE WE ALSO ON THE CONSTRUCTION AUDITS SOMETIMES LEVERAGE INDEPENDENT RESOURCES FROM OUTSIDE SO WHEN I TALK ABOUT THE RCW AUDITS IN A LITTLE BIT THE OUTSIDE SERVICES, A LOT OF THOSE ARE DONE IN PARTNERSHIP WITH EXTERNAL RESOURCES THAT WORK WITH US, THAT SPEND TIME ON THE CONSTRUCTION PROJECT. AND FINALLY, OUR LAST PRINCIPLE, AND THIS IS PORT WIDE, IT'S NOT REALLY ONLY INTERNAL AUDIT, BUT IT'S INVESTING IN STAFF DEVELOPMENT AND TRAINING. SO WE DO FOLLOW PORT GUIDELINES THERE. AND GOING FORWARD, I KNOW A LOT OF TRAINING WAS CURTAILED DURING COVID FOR THE ENTIRE PORT. WE HAD TO TIGHTEN UP OUR BELTS A LITTLE BIT. AND NOW AS WE'RE RETURNING BACK TO NORMAL, WE'RE TRYING TO OPEN THAT UP BACK TO PRE-COVID LEVELS.

NEXT SLIDE PLEASE, MICHELLE.

SO FOUNDATION OF OUR BUDGET IS ALSO OUR ORGANIZATIONAL STRUCTURE AND WHO WE ARE. WE HAVE THREE TEAMS. WE HAVE AN OPERATIONAL CONCESSION AUDIT TEAM THAT'S LED BY DAN CHASE, WE HAVE A CAPITAL AUDIT TEAM THAT'S MANAGED BY SPENCER BRIGHT, AND WE HAVE AN INFORMATION TECHNOLOGY TEAM THAT'S LED BY BRUCE CLAUSAL. AND THEY'RE ALL HERE TODAY. MOST OF THEM ARE BEHIND US TODAY, AND WILL BE SPEAKING ON THEIR RESPECTIVE AUDITS AS THEY COME UP. SO WITHOUT THESE FOLKS, OBVIOUSLY IT WOULD BE VERY HARD TO GET OUR WORK DONE. AND ALL OF THESE ELEMENTS ARE VERY IMPORTANT IN THE PORT. WHEN YOU LOOK AT OPERATIONAL AUDITS, OPERATIONS AT THE PORT, THE CONCESSIONNAIRES. WHEN YOU LOOK AT CAPITAL LOT, IT'S JUST THE BILLION DOLLARS IN SPENDING A YEAR, WHICH IS HUGE, AND THE AMOUNT OF MONEY THAT'S GOING OUT THE DOOR. AND INFORMATION TECHNOLOGY, IT'S BECOMING MORE AND MORE TO THE FOREFRONT AND MORE IMPORTANT. AND AS YOU HEARD FROM THE SAO, THERE'S ALL THESE EXTERNAL BODIES NOW, THE SAO, THE STATE ATTORNEY GENERAL'S OFFICE, THE FEDERAL GOVERNMENT, THAT ALL HAVE OVERSIGHT AND WANT TO KNOW WHAT YOU'RE DOING WITH CYBERSECURITY THESE DAYS. SO IT BECOMES VERY IMPORTANT. NEXT SLIDE PLEASE, MICHELLE.

OUR DEPARTMENT, ALSO FROM A VERY HIGH LEVEL, ASSURES THAT THE PORT HAS A CONTROL STRUCTURE THAT'S EFFICIENT AND EFFECTIVE, THAT'S WORKING TO

MITIGATE BUSINESS RISK. AND WE PROVIDE ASSURANCE TO THE PUBLIC AND TO YOU THAT CERTAIN KEY CONTROLS ARE WORKING. THEY'RE ASSURANCE SERVICES, WE CAN'T LOOK AT A HUNDRED PERCENT OF EVERYTHING, BUT THROUGH WHAT WE LOOK AT, WE DO WORK TO MAKE SURE CONTROLS ARE EFFICIENT AND EFFECTIVE. TO THE EXTENT THAT IT DOESN'T COMPROMISE OUR INDEPENDENCE WE'RE ALSO ADVISORS TO THE PORT, AND WE HELP THE PORT OUT IN A NUMEROUS VARIETY OF WAYS. WE SERVE ON LEADERSHIP TEAMS, WE SERVE ON ADVISORY PANELS THAT HELP OUT. FOR INSTANCE, DURING COVID, WE HELPED OUT WITH IDENTIFYING WHAT FEMA NEEDS WERE FOR THE PORT SO WE COULD GET APPROPRIATE FEMA FUNDING AND BUILD UP IN ROADS THERE. WHEN WE WEREN'T DOING AUDITS. WE DO TRY TO HELP THE PORT OUT IN WHATEVER WAYS WE CAN, AND USE OUR EXPERTISE AND OUR KNOWLEDGE WISELY TO BENEFIT THE BUSINESS. AND FINALLY, IT'S THE BEST PRACTICE, AND IT'S ALSO A REQUIREMENT TO SOME EXTENT FOR PUBLIC ENTITY LIKE THIS, BUT TO BE INDEPENDENT AND OBJECTIVE. AND WE DO THAT BY REPORTING TO YOU, TO THE AUDIT COMMITTEE FORMALLY AND ADMINISTRATIVELY TO STEVE METRUCK, THE EXECUTIVE DIRECTOR. OKAY, NEXT SLIDE PLEASE. THANK YOU.

SO I TALKED ABOUT RCW 39.10, AND A LOT OF THESE COSTS ARE CAPITALIZED WITH THE PROJECT. SO IF WE'RE DOING A CAPITAL PROJECT ON THE C ONE BUILDING, FOR INSTANCE, CENTRAL TERMINAL BUILDING, THE WHOLE PROJECT IS CAPITALIZED IN OUR WORK OR ANY CONSULTANT WORK ON THAT PROJECT, IT'S CAPITALIZED WITH THE PROJECT. SO OUR COSTS ARE LIKE MINUSCULE ON A \$400 MILLION PROJECT WHEN YOU CHARGE A \$100,000 OR \$50,000 TO THE PROJECT. BUT ONE OF THE THINGS WE'RE DOING GOING FORWARD IS WE'VE FOUND A LOT OF SUCCESS AT THE PORT WITH GCCM TYPE PROJECTS. AND IF YOU LOOK AT THE INTERNATIONAL ARRIVALS FACILITY, THAT WAS A PROGRESSIVE DESIGN BUILD TYPE PROJECT. THE NORTH SATELLITE, FOR INSTANCE, IS A GENERAL CONTRACTOR CONSTRUCTION MANAGER TYPE PROJECT. AND THAT WAS MORE SUCCESSFUL OR IT WENT MORE EFFECTIVELY AND EFFICIENTLY THAN THE PROGRESSIVE DESIGN BUILD. SO BECAUSE THAT WORKS FOR THE WAY THE PORT WORKS, THE PORT IS MOVING MORE TOWARDS GCCM TYPE PROJECTS AND YOU'LL SEE A LOT OF THEM GOING FORWARD. NOW, THE LEGISLATURE ALLOWS US TO DO THOSE, BUT THE LEGISLATURE ALSO SAYS THROUGH RCW 39.10, THAT OKAY, YOU CAN DO THOSE, BUT WE NEED THESE

CERTAIN CONTROLS IN PLACE. AND ONE OF THE CONTROLS, IT SAYS WHEN THE GENERAL CONTRACTORS SELECT SUBCONTRACTORS THROUGH INDEPENDENT MEANS, ALTERNATIVE METHODS, SO NOT TRADITIONAL METHODS. WHEN THEY DO THAT, THE LEGISLATURE WANTS INDEPENDENT AUDITS TO CONFIRM THE PROPER COSTS ARE ACCRUED CORRECTLY AND WHAT THE SUBCONTRACTORS ARE CHARGING UP ARE ACCURATE. ALTHOUGH THOSE ARE REVIEWED THROUGH A VARIETY OF MEANS INTERNALLY AT THE PORT, THIS INDEPENDENT FUNCTION IS ALSO A REQUIREMENT THAT WE MANAGE AND WE FACILITATE. SO WHEN WE GO INTO OUR BUDGET, I'LL TALK A LITTLE BIT ABOUT THAT.

AND AS I MENTIONED, ALSO, THESE INDEPENDENT COSTS ARE CAPITALIZED WITH THE PROJECT. SO YOU'LL SEE THEM COME INTO OUR BUDGET AND LEAVE OUT. FOR TRANSPARENCY, WE PUT THEM IN OUR BUDGET SO THEY'RE NOT JUST ROLLED INTO THAT 400 MILLION DOLLAR PROJECT. AND THERE'S A DOT POINT ZERO SOMETHING ROUNDING ISSUE THAT YOU NEVER SEE ANYWHERE. SO WE'RE TRANSPARENT IN WHAT WE SPEND AND WE'LL POINT THAT OUT TODAY. NEXT SLIDE, PLEASE, MICHELLE. FOR INSTANCE, IN 2023, WE'LL HAVE FOUR ONGOING GCCM PROJECTS THAT ARE ALL RELATIVELY LARGE. THESE ARE THE TENS OF MILLIONS OF DOLLARS, AND THE CONCOURSE C EXPANSION IS ONE OF THE LARGER ONES. IT'S HUGE. THERE'S MORE COMING DOWN THE PIPELINE IN 2024, 2025. SO WE HAVE ALREADY WORKED WITH A WMBE FIRM, WELL THROUGH NORMAL PROCUREMENT PROCESSES. WE BID THIS OUT TO A FIRM THAT WILL PARTNER WITH US THROUGH THE COURSE OF THESE. AND IT JUST SO HAPPENED THAT THE WINNING FIRM WAS A WMBE FIRM THAT WILL BE DOING THIS WORK WITH US. SO WHAT WE'RE ANTICIPATING SPENDING IN 2023 ON THE MAIN TERMINAL LOW VOLTAGE ON CONCOURSE C AND AN AIRLINE REALIGNMENT, AND ALSO CONCOURSE B, C, AND D, LOW VOLTAGE UPGRADES THAT WE'LL BE DOING, IT'S ROUGHLY ABOUT \$189,000. SO EXTREMELY SMALL. AND THEN THE REMAINING \$116,000 IS JUST FOR THAT ADDITIONAL HEAD THAT WILL BE FILLING THAT WE FROZE DURING COVID AS CONCESSION BUSINESS GETS BACK TO NORMAL.

NEXT SLIDE, PLEASE. THANK YOU, MICHELLE. A LITTLE MORE DETAIL, I THINK I'VE SPOKEN A LOT ABOUT THE GENERAL CONTRACT, CONSTRUCTION MANAGEMENT, CONSTRUCTION MANAGER, INDEPENDENT AUDITS. THE TOP BULLET POINTS, ITEMS ONE THROUGH FOUR, ARE DESCRIBED A LITTLE BIT MORE THERE AND THEN THE PORT HAS ABOUT 125 TENANTS,

WHICH GENERATE ABOUT 130,000,000 IN CONCESSION SALES AT PREPANDEMIC VOLUME. AND THEY'LL PROBABLY BE HIGHER GOING FORWARD BECAUSE OF ALL THE EXPANSION WE'VE DONE. WE ALSO HAVE NUMEROUS A VAST ARRAY OF OTHER LEASES THAT ARE WITHIN OUR AUDIT UNIVERSE. AND DURING COVID, A LOT OF THOSE TENANTS WEREN'T OPERATING. SO IT WAS OKAY TO NOT LOOK AT THEM AND NOT SPEND A LOT OF TIME AND ENERGY THERE. BUT A LOT OF THEIR REVENUE IS SELF REPORTED TO THE PORT. AND BASED ON THAT SELF REPORTED REVENUE, THEY PAY THEIR RELATED CONCESSION FEES TO THE PORT. SO OUR PROCESS GOES OUT AND MAKES SURE THAT THAT SELF REPORTED REVENUE AND PAYMENTS ARE ACCURATE AND CORRECTLY REFLECT WHAT WE'RE OWED. SO KIND OF LIKE A CONTINUOUS AUDITING CYCLE, AND IT ALSO KEEPS EVERYONE AWARE, EVERYONE ELSE AWARE THAT THIS PROCESS EXISTS. SO YOU NEVER KNOW WHEN YOU'RE GOING TO BE AUDITED. SO WHEN YOU DO REPORT AND PAY THE PORT YOUR REQUIRED REVENUES, MAKE SURE THEY'RE ACCURATE. NEXT SLIDE, PLEASE, MICHELLE. OKAY, SO ONE OF THE KEY THINGS I SAID ON OUR TRAVEL IS EMPLOYEE TRAINING AND DEVELOPMENT RELATED COSTS. OUR 2022 BUDGET WAS RELATIVELY SMALL AND 2021, AND THAT WAS PRIMARILY BECAUSE OF COVID. EVERYONE AT THE PORT TOOK A 50% CUT, IF NOT MORE, IN THEIR TRAINING BUDGET. AND THE IDEA THERE WAS WE CAN'T BE TRAVELING ANYWHERE WE SHOULDN'T BE BECAUSE OF COVID FOR ONE. AND TWO, THE FEDERAL GRANTS HADN'T COME OUT, SUCH AS THE CARES ACT AND THE AIRPORT FUNDS THAT BENEFITED US. SO STEVE WAS ABLE TO SUSTAIN US AND KEEP FULL EMPLOYMENT AND HAVE REALLY NO LAYOFFS OR FURLOUGHS THROUGH THE PROCESS OF COVID. SO BUDGETS WERE CUT SIGNIFICANTLY. IN 2023 WE'RE GOING BACK TO A NORMAL BUDGET. SO THAT \$52,000 IS FOR TRAINING FOR ALL OF OUR FOLKS WITH TRAVEL, FOR INSTANCE, JUST ONE IT AUDITOR THAT HAS TO GO TO TRAINING, REQUIRED TRAINING TO MAINTAIN CERTIFICATIONS COST ABOUT \$9,000. SO WITH TEN AUDITORS OUT THERE THAT COVER THIS, \$52,000 IS A VERY REASONABLE SUM. I WILL NOTE THAT PRE-COVID WE WERE SPENDING PER HEAD ABOUT THE SAME RATE. AND THIS NUMBER PER HEAD IS BEING USED PORT WIDE THROUGHOUT THE PORT FOR OTHER DEPARTMENTS AS WELL. SO WE'RE IN LINE WITH OTHER DEPARTMENTS. NEXT SLIDE, PLEASE, MICHELLE. AND THIS IS THE LAST SLIDE. IT GIVES YOU A TREND OF WHERE WE'VE BEEN GOING WITH OUR SPENDING. IT ALSO SHOWS

THAT OUTSIDE SALARIES, OUTSIDE SERVICES AND TRAINING ARE THE LARGEST ELEMENTS HERE. SALARIES AND BENEFITS ARE JUST THE STANDARD PAYROLL COSTS FOR THE STAFF. OUTSIDE SERVICES ARE FOR THOSE GCCM AUDITS THAT I TALKED ABOUT. AND YOU'LL NOTICE THAT THERE'S A NEGATIVE NUMBER IN TOTAL CHARGES TO CAPITAL AT THE BOTTOM THERE. THE NEGATIVE 139,023. THAT'S THAT SAME NUMBER BEING RECAPITALIZED TO THE RESPECTIVE PROJECTS. AND FINALLY, TRAVEL AND EMPLOYEE EXPENSES. THOSE ARE OUR KEY ELEMENTS. REASONABLY CONSISTENT GROWTH FROM YEAR TO YEAR. SOME ANOMALIES THAT I JUST WANT TO POINT OUT, IN 2021, I BELIEVE THERE'S A BIG DIP DOWNWARDS, AND THAT'S JUST BECAUSE IT WAS A HUGE CREDIT FROM THE STATE ON PORT WIDE. SO IT WASN'T JUST OUR DEPARTMENT ON I THINK IT WAS FOR THE LONG TERM RETIREMENT PLAN, THE PENSION PLAN THAT CREDITS YOU BACK WHEN IT'S OVER FUNDED. SO IT DOESN'T MEAN THAT OUR SALARIES REALLY DROPPED FOR THAT YEAR. IT JUST MEANS THAT THERE WAS A CREDIT FROM THE RETIREMENT SYSTEM THAT MADE THAT NUMBER GO DOWN IN 2021. BUT OTHERWISE IT'S BEEN RELATIVELY CONSISTENT AND WE'VE HAD THE SAME AMOUNT OF RESOURCES. I WILL NOW TAKE QUESTIONS. COMMISSIONER CHO, BEFORE YOU GO FORWARD, YOU'RE ON THE RED SCRIPT AT THE BOTTOM OF PAGE FOUR, THE VERY LAST SCRIPT THERE. ALL RIGHT. IS THIS NUMBER FIVE HERE? CORRECT. OKAY. ITEM NUMBER FIVE, WHEN THE AGENDA IS REQUEST FOR APPROVAL. WELL, FIRST, MAYBE WE SHOULD GO TO QUESTIONS. YES, THAT'S CORRECT. IF YOU GO DOWN TO THAT LAST SCRIPT THERE, THAT'S WHERE YOU'RE AT. THANK YOU FOR THE PRESENTATION, GLENN. ARE THERE ANY QUESTIONS FROM OUR COMMUNITY MEMBERS? ONE OF THE THINGS I WANTED TO ASK ABOUT WAS THE TRAVEL EMPLOYEE. SO I CAN SEE THAT SALARIES ARE UP. SO I'M LIKE COMPARING 2023 TO 2019. SO, LIKE PREPANDEMIC, BECAUSE EVERYTHING IN BETWEEN IS OBVIOUSLY SKEWED FROM COVID. DO YOU REMEMBER OR KNOW HOW MANY STAFF YOU HAD IN 2019? WE WERE DOWN TWO STAFF IN 2019, SO ONE LESS THAN WHERE WE WERE RIGHT NOW. OKAY, SO SEVEN TO NINE. REALLY? BECAUSE YOU HAVE A CONCESSION ONE COMING IN. OKAY, SO THAT'S WHAT YOU'RE SAYING. THE COST PER HEAD IS ABOUT THE SAME. YEAH. AND WE SPENT \$39,000. WELL, WE HAD BUDGETED \$39,000. WE SPENT ABOUT 31. RIGHT. 2019. SO 38, 58. SO WE WERE A LITTLE

BIT BELOW BUDGET IN 2019 BECAUSE OF THAT HEAD. 2018, WE SPENT CLOSER TO 38,000, \$37,000. SO THE INTENT IS HOLDS FROM TO GET EMPLOYEES OUT TO USE THAT TRAINING BUDGET TO DEVELOP THE PORT IT. AND THEN WHEN I LOOK AT THE BREAKDOWN OF TRAINING, IT LOOKS LIKE MOST OF THE COST IS SITTING IN REGISTRATION SEMINAR FEES. SO I'M ASSUMING YOU'VE KIND OF LOOKED OUT LIKE YOU MENTIONED, LIKE AN IT TRAINING AND STUFF, LIKE SOME OF THE STUFF YOU'VE HAD TO DO. OF COURSE, YOU'RE GOING TO HAVE TO TAKE, YOU'VE KIND OF MAPPED OUT A PRICE GENERALLY FOR WHAT THEY'D BE IN THERE SITTING THERE. OKAY, SOUNDS REASONABLE. THANK YOU. YEAH, WHAT WE DO IS ALL EMPLOYEES LIST OUT THEIR TRAINING AND THEY GO RESEARCH THE COST, BECAUSE WHEN WE PUT IT INTO THE BUDGET SYSTEM, YOU'VE GOT A LIST OF WHAT TRAINING YOU WANT TO GO, TO AN ESTIMATED COST TO GET THERE, AND THE ESTIMATED COST OF THE TRAINING. SO THAT'S ALL AVAILABLE. EXCELLENT COMMISSIONER MOHAMED. THANK YOU. I CAN'T REMEMBER WHAT SLIDE IT WAS ON WHEN I THINK YOU MENTIONED KIND OF PREPARING DEPARTMENTS OR SUPPORTING THEM IN UNDERSTANDING THE AUDIT PROCESS. DID I HEAR YOU CORRECTLY? SO WE ALWAYS HELP DEPARTMENTS UNDERSTAND. I BELIEVE, THE SLIDE THAT POTENTIALLY WE'RE TALKING ABOUT. SO IT'S A COUPLE OF THINGS. WE WORK WITH AUDIT DEPARTMENTS AND HELP THEM UNDERSTAND THE PROCESS. ABSOLUTELY. BUT THERE'S ALSO BEYOND THAT, JUST BECAUSE WE LOOK AT SO MUCH AT THE PORT, WE BECOME EXPERTS AT A LOT OF THINGS AND WE CAN BRING INSIGHT KNOWLEDGE TO THINGS. AND WE HAVE A VERY SKILLED STAFF. SO WHEN POSSIBLE, WE BECOME ADVISERS AND CONSULTANTS TO THE PORT TO HELP THEM IMPROVE CONTROLS. THAT'S RIGHT. THANK YOU FOR POINTING TO SLIDE SIX. THAT IS THE SLIDE THAT I WAS ACTUALLY TALKING ABOUT. WE ARE NOW SEEING MORE PORT ACTIVITY IN PARTNERING WITH COMMUNITY ORGANIZATIONS LIKE NONPROFITS. AND SOMETIMES WE SEE SITUATIONS WHERE A NONPROFIT ORGANIZATION DOESN'T REALLY UNDERSTAND THE AUDIT PROCESS OF MAYBE AN ORGANIZATION LIKE THE PORT OR A GOVERNMENT ENTITY. AND SO I'M WONDERING, ARE THERE THINGS IN PLACE OR COULD WE PUT SOME SORT OF INFORMATION OR RESOURCES OUT THERE FOR THEM TO UNDERSTAND WHAT THE EXPECTATIONS ARE, ESPECIALLY WHEN IT COMES TO AN AUDIT? I'VE SEEN SITUATIONS WHERE UNINTENDED

HARM HAS HAPPENED. AND SO AS WE BUILD MORE PARTNERSHIP WITH SOME OF OUR CEOS IN THE COMMUNITY, HOW DO WE MAKE SURE THAT THEY ALSO UNDERSTAND HOW THE AUDIT SYSTEMS WORK? OH, I THINK THAT'S BRILLIANT. YEAH. AND ABSOLUTELY, ME AND MY TEAM WOULD BE VERY HAPPY TO HELP OUT IN THAT. IT'S BEYOND JUST THAT. NOT ONLY ADVISING THEM ON AUDITS, ESPECIALLY WHEN WE HAVE THESE PROGRAMS, BUT GOING ONE STEP FURTHER. RIGHT. I THINK, AS IN, A LOT OF THESE SMALLER ORGANIZATIONS DON'T HAVE THE CONTROLS AND THE INFRASTRUCTURE, SO HOW CAN WE HELP THEM OUT AND TAKE IT ONE STEP FURTHER? LIKE WHEN WE HAD THE ACH FRAUD, FOR EXAMPLE, RIGHT, WITH SEATTLE PARKS FOUNDATION, URBAN LEAGUE, HOW DO WE HELP THEM ASSURE THAT THEY HAVE STRONG CONTROLS AND THEY'RE NOT VICTIMS TO THAT? I KNOW THEY HAVE TO MEET OUR PORT REQUIREMENTS AS WELL, BUT YES, AND I'D LOVE TO HAVE FURTHER DIALOGUE ON HOW WE CAN HELP OUT THROUGH THE YEAR, COMING YEAR AND GET THE TEAM MORE INVOLVED IN THAT. THANK YOU. YEAH. ESPECIALLY JUST TO YOUR POINT AROUND CYBER SECURITY AND MORE HACKING THAT WE'RE SEEING. SO ANYTHING THAT YOUR TEAM CAN DO TO HELP OUR CEOS WOULD BE REALLY GREAT, AND WE CAN INCORPORATE THAT INTO THE MATERIALS THAT GOES OUT INTO THE CONTRACTS WITH THEM AND SO FORTH. SO THANKS FOR BEING OPEN TO THAT IDEA. NOTED. AND WE'LL DRIVE THAT. THANK YOU. OKAY. GLENN, YOU MENTIONED EARLIER THAT THE GCCM CONTRACTING METHOD REQUIRES SOME OTHER OR MORE SCRUTINIZED AUDITING REQUIREMENTS FROM THE STATE LEGISLATURE. DO YOU KNOW WHY THAT IS? AS OPPOSED TO DESIGN TO BUILD OR PROGRESSIVE DESIGN? SO TRADITIONALLY, GOVERNMENTS JUST HAD ONE OPTION: DESIGN BID. YOU DESIGN IT 100% AND YOU BID IT OUT, AND THEN THEY BUILD IT AND YOU CAN'T DO ANYTHING ELSE. THE PROBLEM IS, IF YOU BID, IF THE BIDS COME IN REALLY HIGH, YOU'RE STUCK WITH THAT LUMP SUM PRICE, RIGHT? YOU CAN'T BENEFIT FROM EFFICIENCIES OR DOING SOMETHING BETTER WITH THE GCCM GENERAL CONTRACTOR, CONSTRUCTION MANAGER, YOU BID OUT JUST A GENERAL CONTRACTOR. AND THEN IF THE PROJECTS RUN EFFICIENTLY AND YOU COME IN UNDER, SAY IT'S A 500 MILLION DOLLAR PROJECT AND IT'S RUN WELL, YOU HAVE THE ABILITY OF BENEFITING. AND MAYBE THEY ONLY SPENT \$400 MILLION, BUT IF THEY ONLY SPENT \$400 MILLION AND THEY BID 500 MILLION, THAT EXTRA 100 MILLION IS GONE. YOU DON'T GET IT BACK. SO FROM A COST PERSPECTIVE, THE GCCMS ARE BETTER

AND EFFICIENTLY RUN, ESPECIALLY AT THE EARLIER STAGES, YOU MIGHT NOT HAVE 100% DESIGN. THINGS CHANGE. SO THERE'S SO MUCH GOING ON IN THE BACKGROUND THAT THEY FOUND THAT ACTUALLY THAT BOTH PROGRESSIVE DESIGN BUILD AND GCCM TYPE PROJECTS ARE GENERALLY MORE EFFECTIVE WHEN RUN WELL. SO THAT'S WHY THERE WAS A LOT OF PUSH TO THE LEGISLATURE TO ALLOW THOSE TO OCCUR. NOT JUST BECAUSE PRIVATE INDUSTRY USED TO DO STUFF LIKE THAT, IT WAS JUST FOR THE GOVERNMENT. SO THEY ALLOWED THAT, BUT THEY PUT ADDITIONAL CONTROLS IN PLACE. THIS IS A SLIGHT DIGRESSION, BUT THERE'S OBVIOUSLY A LOT OF DEBATE AROUND WHICH BIDDING METHOD WE SHOULD USE FOR PROJECTS AND WHATNOT. AND I'M CURIOUS IF THE TEAM HAS THOUGHT ABOUT OR HAS A SENSE OF CERTAIN CONTRACTING METHODS MIGHT BE APPROPRIATE FOR CERTAIN SIZE PROJECTS VERSUS CERTAIN OTHER SIZE SMALLER PROJECTS. MAYBE GCCM IS NOT THE BEST AND DESIGNED TO BUILD IS BECAUSE IT'S NOT AS COMPLICATED. SO I'M CURIOUS IF THERE'S LIKE A CLEAR DELINEATION THAT THE TEAM HAS IDENTIFIED AND THAT WE'RE FOLLOWING. THERE ISN'T A HARD AND FAST RULE, BUT GENERALLY IN THE LARGER PROJECTS NOWADAYS, WE TEND TO GO, THE PORT AS A WHOLE TENDS TO GO GCCM JUST BECAUSE WE'VE HAD MORE SUCCESS WITH THAT. AND THAT'S OUR SKILL SET. IT'S BEEN WORKING WELL WITH US. MANY ORGANIZATIONS OUTSIDE HAVE HAD SUCCESS WITH PROGRESSIVE DESIGN BUILD. WE'VE HAD ONE MAJOR ONE WHICH DIDN'T GO WELL. SOME IMPROVEMENT OPPORTUNITIES. SO WHERE WE TEND TO LEAN MORE TOWARDS THE GCCM ON SMALLER PROJECTS. YEAH, WE'RE STILL DOING THE DESIGN BID BUILD, AND THAT'S STILL OUT THERE. IT'S NOT GOING ANYWHERE. COOL. IT WORKS FINE. AND THEN I THINK CERTAIN GOVERNMENT PROJECTS, LIKE WHEN YOU DO GET GOVERNMENT FUNDING FROM TSA, OCCASIONALLY THEY REQUIRE YOU TO GET 100% DESIGN BEFORE YOU START A PROJECT. SO IF THEY REQUIRE THAT AND YOU'VE GOT 100% DESIGN, YOU MIGHT WANT TO BID IT OUT THAT WAY ANYWAYS. SO THOSE ARE ALL FACTORS THAT THE CONSTRUCTION MANAGEMENT TEAM THINKS ABOUT WHEN THEY GO MOVE FORWARD WITH THESE PROJECTS. IT LOOKS LIKE JANICE HAS HER HAND UP. JANICE, DO YOU HAVE COMMENTS FOR US? I JUST WANTED TO CHECK IN TO MAKE SURE IT WAS OKAY FOR ME TO COMMENT. SO WE ACTUALLY HAVE AUTHORITY THROUGH 39.10, WE ARE A CERTIFIED OWNER. WE GET CERTIFIED EVERY THREE YEARS. AND AS PART OF THAT CERTIFICATION, WE ARE ALLOWED TO, AS A

PUBLIC OWNER, CERTIFIED. WE HAVE A PROCESS THAT WE GO THROUGH WHERE PROJECTS ARE EVALUATED TO DETERMINE WHETHER DESIGN BUILD GCCM OR DESIGN BID BUILD IS APPROPRIATE. AND WHEN WE GET CERTIFIED, THE PROCEDURE BY WHICH WE MAKE THAT DETERMINATION IS ACTUALLY PART OF THE APPLICATION, BECAUSE WHEN WE'RE NOT CERTIFIED, WE ACTUALLY HAVE TO TAKE ONE PROJECT AT A TIME TO THE PROJECT REVIEW COMMITTEE FOR THAT COMMITTEE TO APPROVE OUR PROJECT. AND IT'S ACTUALLY QUITE A LENGTHY PROCESS OF MAKING SURE THAT WE ARE USING THE SAME CRITERIA FOR DETERMINING APPLICABILITY AS THE STATE WOULD DO AS PART OF THE PROJECT REVIEW COMMITTEE. SO I WOULD SAY IT'S A VERY ROBUST PROCESS. IT'S A VERY COLLABORATIVE PROCESS ACROSS MANY DEPARTMENTS AT THE PORT, INCLUDING CONSTRUCTION MANAGEMENT, PROJECT MANAGEMENT, OUR SPONSORS, AS WELL AS OUR PROCUREMENT OFFICE. SO THAT'S AN IMPORTANT ASPECT. AND THEN TO COMMENT ON THE FIRST QUESTION YOU ASKED ABOUT WHY THE AUDIT, I HAVE BEEN ON THE COMMITTEE WHERE WE'VE DEBATED LANGUAGE CHANGES AND THE 39.10.385, THE REASON THAT WE HAVE THE PROVISION FOR AN INDEPENDENT AUDIT IS BECAUSE THOSE ARE THE COSTS THAT ARE NOT A HARD BID COST. THOSE ASPECTS THAT ARE AUDITED ARE THE NEGOTIATED COSTS. SO THE AUDITOR MAKES SURE THAT THE BILLING RATE THAT WE'RE PAYING ACTUALLY IS BUILT UP CORRECTLY AND DOES NOT INCLUDE NON ELIGIBLE COSTS. SO THAT'S WHY THOSE INDEPENDENT AUDITS ARE EMBEDDED WITHIN THE RCW WHEN WE USE THESE ALTERNATIVE METHODS. SO I HOPE THAT HELPS. AWESOME. THANK YOU, JANICE. I APPRECIATE THAT EXPLANATION. ANYTHING ELSE? GREAT. EXCELLENT. THANK YOU, GLENN. WE'LL GO AHEAD AND MOVE ON TO ITEM FIVE. COMMISSIONER, YOU DO HAVE TO APPROVE THE BUDGET. IS THERE A MOTION OR A SECOND TO RECOMMEND APPROVAL OF THE 2023 PROPOSED BUDGET? SO MOVED. SECONDED. THE MOTION HAS BEEN MADE AND SECONDED. ARE THERE ANY OBJECTIONS TO THE MOTION? HEARING NONE THE MOTION PASSES. THANK YOU, GLENN. ALL RIGHT, NEXT SLIDE, PLEASE, MICHELLE. THANK YOU. THE NEXT ITEM, AND THIS IS SOMETHING WE DO FOR THE BENEFIT OF THE AUDIT COMMITTEE AND FOR THE PUBLIC AND INTERNALLY AS WELL FOR LEADERS WITHIN THE PORT. AND IT'S TO KNOW WHICH AUDIT ISSUES HAVE NOT BEEN ADDRESSED OR SLIPPED A LITTLE BIT. NOW, WE SAW A LITTLE BIT OF A SLIPPAGE BECAUSE OF COVID SOME OF THE ISSUES, OR MANAGEMENT

ACTION PLANS THAT SLOWED DOWN A LITTLE BIT OR PRIORITIES GOT REALLOCATED. AND WE'RE SEEING THAT GET COVERED AND PICKED UP, AND WE ARE SEEING A LITTLE MOVEMENT ON A LOT OF THESE ARE BEING CLOSED OUT. WE DO HAVE THREE OPEN ISSUES. ONE, WHICH WE TALK ABOUT AND WILL BE DISCUSSED IN NON PUBLIC SESSION BECAUSE IT'S SECURITY SENSITIVE. BUT THE TOP TWO ARE STILL OPENED. SOME PROGRESS HAS BEEN MADE, BUT OF THE TEN ISSUES THAT ARE OUTSTANDING FOR OVER A YEAR, WE HAVE THE PORT RE TWO POLICY, WHICH DETERMINES HOW MUCH SURETY THAT WE NEED TO MAINTAIN FROM CONCESSIONAIRES AT THE AIRPORT. THAT ESSENTIALLY MEANS THE STATE LAW SAYS YOU HAVE TO HAVE THIS MUCH MONEY A YEAR OR SEVERAL MONTHS WORTH OF REVENUE IN SURETY FROM EVERY CONCESSIONNAIRE. BUT THE COMMISSION CAN OVERRIDE THAT AND SAY, COMMISSIONER DETERMINES THAT THIS IS REASONABLE. WELL, RE TWO NEEDS TO BE UPDATED, AND THE TEAM HAS BEEN OVERWHELMED WITH COVID GRANT PROGRAMS AT THE AIRPORT RIGHT NOW, AND WORKING WITH CONCESSIONNAIRES, IT IS A PRIORITY FOR THEM, BUT THEY NEED TO BRING THAT TO COMMISSION FOR APPROVAL AND GET THAT UPDATED BECAUSE IT'S BEEN MANY YEARS AND WE'RE NOT IN COMPLIANCE WITH EITHER PORT POLICY RE TWO OR STATE LAW RIGHT NOW. AND ALTHOUGH IT IS PRIORITY, WE DO NEED TO ADDRESS THAT SOONER OR LATER. THE SECOND ITEM, ARCHITECTURAL AND ENGINEERING, FAIR AND REASONABLE RATES. THIS IS AN AUDIT WE DID PRE-COVID. AND THERE'S A LITTLE BIT OF WORK THAT NEEDS TO BE DONE ON MANAGEMENT SIDE. THIS, AGAIN GOT PUSHED BACK AND STILL IN THE PROCESS. IT'S STILL A CONCERN TO US, BUT WE'RE HIGHLIGHTING IT FOR YOU. OVERALL WHEN YOU LOOK AT ALL THE ISSUES, LIKE I MENTIONED EARLIER, THERE HAS BEEN SOME MOVEMENT AND SOME OF THE OUTSTANDING ISSUES HAVE BEEN CLEANED UP, BUT THE TWO THAT I MENTIONED STILL NEED TO BE ADDRESSED. ANY QUESTIONS ON FOLLOW UP? NO, WE'RE GOOD. THEN I WILL MOVE ON TO THE NEXT SLIDE. SO, COMMISSIONERS, THIS IS A BIRD'S EYE VIEW OF OUR ENTIRE AUDIT PLAN FOR 2022. THESE ARE THE AUDITS THAT WE'LL BE COMPLETING AND LIMITED CONTRACT COMPLIANCE AS THE CONCESSIONNAIRES OPERATIONAL, WHICH INCLUDES CAPITAL AND INFORMATION TECHNOLOGY. I THINK THE NEXT SLIDE I'LL SHOW THAT WE'RE ESSENTIALLY ON TRACK FOR COMPLETING THE ENTIRE AUDIT PLAN THROUGH

THE YEAR. THIS IS JUST THE AUDITS AND GANTT CHART. WE PICKED UP AN ADDITIONAL AUDIT BECAUSE OF THE ACH PAYMENT CARD FRAUD, PAYMENT FRAUD THAT WE HAD. AND WE MOVED PAYROLL CONTROLS DOWN TO NEXT YEAR BECAUSE WE WERE ASKED BY THE ACCOUNTING AND FINANCE DIRECTOR TO DEFER IT TO NEXT YEAR BECAUSE OF IMPACTS TO THE RESOURCES WITHIN AFR. WE AGREED TO DO THAT, BUT EVERYTHING ELSE, EVERYTHING GREEN HAS BEEN COMPLETED AND EVERYTHING IN YELLOW IS ON TRACK TO BE COMPLETED BEFORE THE END OF THE YEAR. EVERYTHING THERE IS ON TRACK. EXCELLENT. I'M GOING TO MOVE ON TO AUDITS UNLESS ANYONE HAS QUESTIONS. YEAH. ANY QUESTIONS? NO? ALL RIGHT, CRUISING THROUGH HERE. OKAY, COMMISSIONERS, FOR THIS, WE'VE GOT THREE AUDITS THAT WE'LL BE TALKING ABOUT. NORTH SATELLITE RENOVATION EXPANSION PROJECT, WHICH, BY THE WAY, WAS THE GCCM PROJECT, THE SECURITY INCIDENT RESPONSE MANAGEMENT, WHICH IS AN IT AUDIT. THE ONLY REASON WE'RE DISCUSSING THIS HERE TODAY IS BECAUSE IT WAS A CLEAN AUDIT. AND THERE'S NOTHING SECURITY THAT WE DEEMED THAT WAS SECURITY SENSITIVE THAT REQUIRED A SEPARATE, NON PUBLIC SESSION. WE'LL TALK ABOUT THAT MORE. AND AVIS BUDGET RENT CAR. SO AS WE MOVE TO THE NEXT SLIDE, SPENCER BRIGHT, OUR AUDIT MANAGER, WASN'T ABLE TO JOIN US TODAY. SO I'M GOING TO ASK JENNIFER ALBRETTE, WHO IS THE LEAD AUDITOR OF THIS AUDIT, TO COME JOIN ME AND PROVIDE MORE DETAIL AS I RUN THROUGH THIS. SO THE NORTH SATELLITE RENOVATION PROJECT WAS A SUBSET OF THE NORTH STAR OR NORTH SEATAC AIRPORT RENOVATION PROGRAM, WHICH IS A MUCH LARGER PROGRAM OVERARCHING PROGRAM, AND THAT INCLUDES OTHER NORTH MAIN TERMINAL IMPROVEMENTS, NORTH BAGGAGE SYSTEM IMPROVEMENTS, ELEVATORS AND CONCOURSE IMPROVEMENTS. SO EVEN THOUGH IT'S A 700 MILLION DOLLAR PROJECT, IT'S JUST A SUBSET OF A MUCH LARGER UMBRELLA PROJECT. AND THE NORTH SIDE OPENED IN JULY 2021, I'M ASSUMING. SO I WAS CONFIRMING YOUR DOLLAR AMOUNT AS 700 MILLION, IS THAT CORRECT? YEAH, \$712,000,000. LARGE PROJECT, AND IT'S GOT IT ON THE NEXT SLIDE. IT OPENED IN JULY 2021. IT'S A BEAUTIFUL NEW NORTH CONCOURSE THAT EVERYONE HAS SEEN, I HOPE OR YOU WILL SEE WHEN YOU TRAVEL THROUGH SEATAC SOON. THERE'S SOME HIGHLIGHTS OF THE PROGRAM. WE WENT FROM TWELVE GATES TO 20 GATES, SO IT ADDED QUITE A FEW GATES. IT ALSO CREATED THE FIRST PERMANENT

NURSING SUITE, SOME SECURE PET RELIEF AREA, AND ALL PURPOSE BUILD AIRSIDE LOADING DOCK. AND FOR THOSE WHO WANT TO KNOW WHAT AN ALL PURPOSE BUILD AIRSIDE LOADING DOCK IS, WE HAD SOMETHING FROM THE AIRSIDE FROM THE RUNWAY SIDE THAT WAS BUILT IN THE 60'S BELIEVE, AND THIS JUST REPLACED IT AND MADE IT MORE EFFICIENT. WE HAVE TENANTS THAT NEED REFRIGERATED FOOD AND DRINK THAT NEED TO GO INTO THE RESTAURANTS. WE HAVE A LOT OF GREEN COMPOSTING RECYCLING THAT NEEDS TO GO OUT AND COME IN. SO IT JUST MODERNIZES LOADING FROM THE AIRSIDE RATHER THAN LAND SIDE. SO JUST IMPROVEMENTS AND INNOVATION AND MORE OF A GREEN FEEL TO IT ALSO. AND THEN FINALLY, WE HAVE TEN NEW STORES AND RESTAURANTS OUT THERE THAT PROVIDES FOR A GREAT EXPERIENCE FOR ALL THE TRAVELING PUBLIC. NEXT SLIDE, PLEASE. SO, AS I MENTIONED, COMMISSIONER MOHAMED, IT'S LARGE, IT'S A LOT OF MONEY, AND, YOU KNOW, THERE ARE BIGGER ONES COMING DOWN THE PIPELINE. BUT THIS IS A HUGE PROJECT. IT WAS DONE IN PARTNERSHIP WITH ALASKA AIRLINES. AND ALASKA AIRLINES ALSO HAD SOME THINGS THAT THEY WANTED TO DO. SO THEY HAD THEIR INDIVIDUAL PORTION THAT THEY PAID ON THIS. HENSEL PHELPS WAS SELECTED AS GENERAL CONTRACTOR. AND A LOT OF THIS PROJECT, WHEN YOU SEE A CONSTRUCTION COST OF 458,000,000 AND THEN SOME CHANGE ORDERS, THERE'S ALSO A LOT OF SOFT COSTS IN THERE. SO THAT MEANS PORT EMPLOYEES AND OTHERS THAT ARE WORKING ON THIS PROJECT, OTHER ITEMS THAT GET CAPITALIZED TO IT. SO WHEN YOU LOOK AT THAT 250 PLUS MILLION, THOSE ARE ALL THE OTHER COSTS THAT ARE ADDED TO THIS PROJECT. AND AS REQUIRED, AS WE TALKED ABOUT, THE INDEPENDENT AUDITOR, RL TOWNSEND, WHICH IS A WMBE FIRM, WAS PARTNERED WITH THE PORT TO PERFORM THE INDEPENDENT AUDIT. SO NEXT SLIDE, PLEASE, MICHELLE. SO WE HAVE TWO FINDINGS IN THIS REPORT, AND I'M GOING TO TALK THROUGH THEM. I'LL PROVIDE A QUICK OVERVIEW, AND THEN JENNY, WHO DID THE AUDIT AND REALLY KNOWS THE DETAILS, WILL GET DOWN INTO THE WEEDS A LITTLE BIT MORE. BUT WE SPECIFICALLY LOOKED AT FORCE COUNT CHANGE ORDERS IN THIS. SO THERE WERE ABOUT \$30 MILLION IN CHANGE ORDERS, AND OUT OF THAT, 2.3 MILLION WERE FOR OVERTIME. SO THAT'S REALLY WHAT WE LOOKED AT. AND THERE'S AN OVERARCHING PROJECT, BUT THERE WERE OTHER THINGS THAT WERE LOOKED AT BY RL TOWNSEND AND ASSOCIATES. AND THE

MODEL THAT WE'RE USING GOING FORWARD IS, LET'S LOOK AT THE PROJECT THROUGH SEVERAL STAGES IN ITS PHASE, SEVERAL PHASES OF ITS LIFE. I WILL POINT OUT THAT WE LOOKED AT OTHER SECTIONS OF THIS PROJECT IN THE PAST AND MADE COMMENTS AND HAD FINDINGS IN OTHER SECTIONS. AND THEN AT THE LAST AUDIT COMMITTEE, I POINTED OUT WHAT SOME OF THE THINGS THAT RL TOWNSEND IDENTIFIED SAVINGS OF \$2 MILLION TO THEIR WORK THAT WERE SAVED TO THE PORT, BROUGHT BACK TO THE PORT IN OVERTIME. WE NOTED THERE WAS A LOT OF OVERTIME. THERE WERE CASES WHERE PEOPLE WORKED UPWARDS OF 16 HOURS A DAY, SOMETIMES 23 HOURS A DAY, AND 88 HOURS IN A SEVEN DAY PERIOD, WHICH IS A LOT. WE FOUND ISSUES WHERE WHEN WE WENT TO LOOK AT THEM, WE FOUND A VARIETY OF DISCREPANCIES. AND JENNY WILL GET INTO A LITTLE BIT MORE DETAIL ON THE TYPES OF DISCREPANCIES THAT WE FOUND, BUT WE DID CONFIRM THAT WE PAID FOR THOSE HOURS. SO THOSE PEOPLE ACTUALLY GOT PAID FOR THEIR WORK, BUT WE HAVE AN OPPORTUNITY TO IMPROVE OUR TRACKING SYSTEMS. WERE THEY ON SITE? HOW DO WE KNOW THEY WERE THERE FOR THOSE HOURS? AND IF THEY WERE, DO WE HAVE OPPORTUNITIES TO BUILD BETTER CONTROLS GOING FORWARD? THE PORT IS ABOUT TO EMBARK ON SPENDING A LOT AND EVEN MORE ON CAPITAL COSTS AND CONSTRUCTION AS WE MOVE FORWARD. AND AS WE CLIMB THAT HUGE MOUNTAIN AND CAPITAL COSTS, WE ADD VALUE TO THE PORT BY SAYING, HOW CAN WE BUILD BETTER CONTROLS SO WE CAN BETTER MANAGE THIS GOING FORWARD? THE 79,000 THAT WE HAVE HERE NOTED WERE JUST FOR MISTAKES AND ERRORS THAT WE FOUND, BUT THERE WERE MANY SITUATIONS WHERE WE JUST DIDN'T HAVE. WE HAVE TO RELY ON DATA THAT WE HAD. THERE REALLY WASN'T ADEQUATE DATA TO SAY ONE WAY OR ANOTHER. SO WITH THAT, I'LL GO TO THE NEXT SLIDE AND LET JENNY INTRODUCE HERSELF AND SPEAK TO A LITTLE BIT. SURE. HI, I'M JENNY ALBRIGHT, AND AS GLENN SAID, I WAS THE LEAD AUDITOR FOR THIS AUDIT. SO FOR THE PREAPPROVAL PROCESS, WE REVIEWED THE FORCE ACCOUNTS, WHICH ARE BASICALLY WHAT THE CONTRACTOR SUBMITS TO THE PORT FOR THEIR FOUR TIMESHEETS. BASICALLY, THEY HAVE THE PERSON'S NAME AND HOW MANY HOURS THEY WORK IN THEIR DAILY. SO THE FORCE ACCOUNTS REQUIRE OVERTIME TO BE PRE APPROVED AND THEN FOR THAT PRE APPROVAL DOCUMENTATION TO BE ATTACHED. SO DURING THE AUDIT, THE DOCUMENTATION WAS NOT ATTACHED TO THE CHANGE ORDERS. AND SO WE TALKED TO THE CM GROUP AND

THEY SAID THAT THEY HAD VERBAL AND EMAIL CONVERSATIONS REGARDING OVERTIME, BUT THE DOCUMENTATION WAS NOT MAINTAINED. SO ONE OF THE REQUIREMENTS IS BOTH BEFORE OVERTIME IS INCURRED, THERE NEEDS TO BE BOTH PRE APPROVAL AND POST APPROVAL THROUGH THIS. JUST A FORM THAT'S SUPPOSED TO BE FILLED OUT OR SOME SORT OF PRE APPROVAL. SO I THINK, AS JENNY SAID, PRE APPROVALS DID NOT EXIST. AND POST APPROVALS, SHE'S GOT AN EXAMPLE OF WHAT WAS MISSING. SO THE NEXT SECTION, POST APPROVALS. SO WITHOUT THOSE POST APPROVALS, THE FORCE ACCOUNT INVOICES SHOULD NOT HAVE BEEN PAID. THOSE POST APPROVALS ARE BASICALLY THE APPROVAL FOR PAYMENT. SO WE LISTED TWO CHANGE ORDERS THERE THAT WE TOTALLED UP THE NUMBER OF APPROVALS THAT WERE PRESENT AND MISSING. SO THOSE WERE THE EXAMPLES OF THE DOCUMENTATION THAT LEFT THOSE POST APPROVALS. AND WITH THIS PROJECT, THERE WERE SEVERAL APPROVALS ON THERE. THERE WAS, I THINK, FIVE DIFFERENT SIGNATURE LINES. SO THOSE ARE JUST A TALLY OF THE NUMBER THAT WE'RE MISSING. FOR THE REVIEW PROCESS SO WHEN WE WERE REVIEWING WHAT WAS PAID, THERE WERE INSTANCES WHEN SUPPORTING DOCUMENTATION WAS INACCURATE OR NOT PRESENT, TOTALING ALMOST \$80,000. EXAMPLES INCLUDE INSTANCES WITH THE CHANGE ORDERS WERE MISSING THE SUPPORTING DOCUMENTATION OR THE INVOICES. INSTANCES IN WHICH HOURS REPORTED ON THE CERTIFIED PAYROLL REPORTS DID NOT MATCH THE DAILY FORCE ACCOUNT FORMS. SO THE PORT PAYS BASED ON THE DAILY FORCE ACCOUNT FORMS. AND THEN WHEN WE TRACE THOSE NUMBER OF HOURS TO THE PAYROLL, IT WAS EITHER OVER OR UNDER IN SOME INSTANCES. AND THEN THERE WERE INCONSISTENCIES BETWEEN THE NUMBER OF CONTRACTORS REPORTED ON SITE BY THE INSPECTOR AND THE NUMBER OF CONTRACTORS THE PORT PAID. SO SOME EXAMPLES ARE THERE WERE INSTANCES WHEN THE INSPECTOR WROTE ON THE DAILY FORCE ACCOUNT THAT HE WITNESSED THERE WERE 17 WORKERS ON SITE, BUT THE PORT PAID FOR THE 26 WORKERS LISTED ON THE FORCE ACCOUNT. SO THERE'S A DISCREPANCY THERE. ANOTHER INSTANCE WAS THE INSPECTOR WROTE THERE WERE 23 WORKERS ON SITE, BUT THE PORT PAID FOR 30 WORKERS. AND THEN THE LAST ONE EXAMPLE IS THE INSPECTOR WROTE THERE WERE 13 WORKERS ON SITE, BUT THE PORT PAID FOR 26. SO THOSE ARE JUST EXAMPLES OF DISCREPANCIES THAT DIDN'T GET, BASICALLY WENT THROUGH THE REVIEW PROCESS WITHOUT GETTING SOME EXTRA ATTENTION. COMMISSIONERS, I DO WANT TO POINT OUT

THAT FIRST, WE'RE LOOKING AT A VERY SMALL SUBSET OF A HUGE PROJECT. SO WE'RE JUST LOOKING AT FORCE COUNT OVERTIME AT THAT 2.3 MILLION. AND WE'RE LOOKING, I BELIEVE AT ONE VENDOR, ONE SUBCONTRACTOR, THERE WERE TWO THAT YOU'RE LOOKING AT FOR OVERTIME. SO A VERY SMALL SEGMENT. BUT OUR RECOMMENDATIONS ARE WHEN, I'LL GO INTO THAT, ARE MORE TOWARDS HOW DO WE IMPROVE OUR PROCESSES GOING FORWARD. BY ALL MEANS ON THIS LARGER PROJECT THE PROJECT AS A WHOLE WAS SUCCESSFUL AND WAS DELIVERED ON TIME AND WAS ONE OF THE BETTER PROJECTS AT THE PORT. SO I DON'T WANT TO SAY THE PROJECT WAS POORLY RUN OR ANYTHING. THESE ARE JUST OPPORTUNITIES FOR IMPROVEMENTS, AND YOU'RE GOING TO SEE SOME DISCREPANCIES WHEN YOU'RE LOOKING AT A PROJECT OF THIS MAGNITUDE. I ALSO WANT TO POINT OUT THAT JANICE ON HER TEAM, WE WERE GREAT PARTNERS. THE CONSTRUCTION MANAGEMENT TEAM, WE WORK VERY CLOSELY TOGETHER AND JOINTLY WORK ON IRONING OUT THE ISSUES AND MAKING SURE THAT WE'RE ALIGNED ON WHAT WE'RE SEEING SO EVERYONE CAN IMPROVE AND MOVE FORWARD TOGETHER. QUESTIONS ON ANYTHING? YES, COMMISSIONER. SO MY QUESTION IS OBVIOUSLY THIS IS SUCH A HUGE PROJECT AND THERE'S OVER 700 MILLION THAT WENT INTO IT, AND YOU GUYS JUST LOOKED AT ONE SUBSECTION OF THE PROJECT. IN A PROJECT THAT'S THIS BIG AND COSTLY, HOW MANY SUBSETS COULD YOU POSSIBLY LOOK AT? OR IS THERE SOMETHING THAT TRIGGERS IT? DOES THE DOLLAR AMOUNT TRIGGER AN AUDIT? I'M SURE EVERYTHING TRIGGERS AN AUDIT AT THE PORT. WITH THE COST, YEAH, WITH THIS COST, THERE'S GOING TO BE SEVERAL AUDITS THAT ARE ONGOING AND YOU HAVE DIFFERENT APPROACHES AS YOU'RE MOVING FORWARD. LIKE I MENTIONED, THE RCW REQUIRES CONTINUOUS AUDITING FOR SOME THINGS. I THINK WHAT WE LOOKED AT, OUR LITTLE CHUNKS, OUR INTERNAL AUDIT TEAM, BECAUSE IT'S OBVIOUSLY SUCH A LARGE PROJECT, WE LOOKED AT TWO SEGMENTS, TWO VERY SMALL PARTS OF IT IN THE PAST, OVER THE LAST COUPLE OF YEARS, AND WE HAVE IMPROVEMENT OPPORTUNITIES THAT WE'RE HOPING THE PORT CAN TAKE FORWARD. BUT GOING FORWARD, WHAT WE WANT TO TRY TO DO IS AS THE EXTERNAL INDEPENDENT FIRM, RL TOWNSEND ASSOCIATES IS WORKING, JENNY AND HER TEAM WANT TO EMBED THEMSELVES INTO THE PROJECT AND DO MORE CONTINUOUS AUDITING THROUGH THE COURSE OF PROJECT. SO WE'RE NOT WAITING UNTIL THE END WHEN WE FIND THINGS THAT COULD BE A PROBLEM, BUT HELPING THE PORT

CHANGE COURSE AND BUILD CONTROLS EARLIER THROUGH THE LIFECYCLE OF THE PROJECT. SO DOES THAT ANSWER YOUR QUESTION? THAT'S VERY HELPFUL. THANK YOU. AND IS THERE ANYTHING ELSE? NO. OKAY, NEXT SLIDE, PLEASE. I'LL PROVIDE OUR RECOMMENDATIONS AND THEN I'LL HAND IT OVER TO JANISON AND HER TEAM TO PROVIDE A MANAGEMENT RESPONSE. BUT OUR RECOMMENDATIONS ARE REASONABLY STRAIGHTFORWARD. ON THE FORCE ACCOUNT OVERTIME REQUIREMENTS, JUST LET'S ENHANCE OUR REVIEW PROCESS TO MAKE SURE THAT WE'RE COMPLYING. AND A BIG PART OF THIS ALSO IS THE RESPONSIBILITY OF IN THIS CASE, HENSEL PHELPS, THE GCCM. RIGHT. SO HOLD THEM ACCOUNTABLE AND MAKE SURE THAT THEY'RE DOING WHAT WE'RE PAYING THEM TO DO AS WELL. THE NEXT THING, AS I MENTIONED, IS GOING FORWARD, THIS IS AN OPPORTUNITY FOR THE PORT TO ENHANCE, REQUIRE SUBCONTRACTORS TO BETTER TRACK TIME THROUGH A TIME KEEPING SYSTEM OR SOMETHING THAT'S MORE SOPHISTICATED THAN WHAT WE HAVE RIGHT NOW. I THINK THE PORT HAS OUR BADGES WHERE YOU SCAN IN. BUT NOBODY SCANS OUT. SO YOU KNOW WHEN PEOPLE SHOWED UP OR SCANNED IN, IF THEY USE THEIR BADGE TO GET TO THE JOB SITE, BUT YOU NEVER KNOW WHEN THEY LEFT. EVEN THE OFF SITE PARKING GARAGE, YOU SCAN IN WHEN YOU COME IN, BUT THEN THE GATE OPENS WHEN YOU'RE LEAVING, SO YOU DON'T KNOW WHEN THEY CAME AND LEFT. SO WE'RE RECOMMENDING TO THE PORT TO REQUIRE THIS IN THE CONTRACTS, PERHAPS, BECAUSE EVEN IF THE PORT ENHANCES OUR OWN BADGING SYSTEM, IT WILL PROBABLY BE A FEW YEARS BEFORE WE GET TO THAT. I BELIEVE DENVER DOES SOMETHING LIKE THAT. SO WE HAVE SOME OPPORTUNITIES THERE. AND THEN ON THE SMALLER AMOUNT, THE \$79,000, WE HAVE PROVIDED THAT DETAIL TO CONSTRUCTION MANAGEMENT, AND WE ASK THEM TO REVIEW THAT AND SEEK ANY AMOUNTS THAT ARE OVER BILLINGS AND UNSUPPORTED AND DUE TO THE PORT. SO WITH THAT, JANICE, THANK YOU SO MUCH FOR YOUR PARTNERSHIP, AND THE FLOOR IS ALL YOURS TO PROVIDE YOUR RESPONSE. GREAT. DO YOU HAVE THAT ON THE SLIDE AS WELL, GLENN? WE DO OUR RESPONSE. OKAY, GREAT. WELL, I WAS GOING TO SAY, I JUST WANT TO EXPRESS APPRECIATION BECAUSE WE ARE ALL ABOUT MAKING SURE THAT WE ARE EMBARKED ON CONTINUOUS IMPROVEMENT AND APPRECIATE THE PARTNERSHIP WITH INTERNAL AUDIT TO DO THIS WORK. WHEN WE LOOK AT THESE FINDINGS AND INFORMATION, I ALWAYS ASK ABOUT IS IT A PROCESS AND A SYSTEM IMPROVEMENT? IS THERE ADDITIONAL STAFF

TRAINING? WE'VE APPRECIATED HAVING RL TOWNSEND ACTUALLY WE CONTRACTED WITH THEM EARLY ON IN THE PROJECT SO THAT WE WERE ACTUALLY SETTING UP THE PROJECT PROPERLY AND GETTING THEIR GUIDANCE IN ADDITION TO GLENN'S GROUP. SO THESE ARE VERY HELPFUL TO BETTER UNDERSTAND THAT WITH THE CONTROLS WE HAVE, WHAT ARE SOME THINGS THAT ARE STILL BEING MISSED THAT WE COULD IMPROVE ON? AND SO IN THOSE THREE AREAS, WE REALLY SEE THE RESPONSE IN THREE WAYS. ONE IS TO LOOK AT OUR FORCE ACCOUNT REQUIREMENTS AND PROCESSES AND WHAT ARE THE KINDS OF MODIFICATIONS WE MIGHT WANT TO MAKE. AND WORKING WITH OUR OTHER PARTNER DEPARTMENTS WITHIN THE PORT OF THE CENTRAL PROCUREMENT OFFICE, PROJECT MANAGEMENT AND LEGAL, TO LOOK AT WHAT ADDITIONAL THINGS WE MIGHT WANT TO DO. I THINK THIS MIGHT HAVE BEEN A CASE WHERE WE COLOCATE WITH OUR GCCM TO BETTER COMMUNICATE, BUT AT TIMES WHEN YOU'RE SITTING RIGHT NEXT TO THE CONTRACTOR, PERHAPS SOME OF THAT CONVERSATION DOESN'T GET DOCUMENTED IN THE DEGREE THAT WE WOULD EXPECT IT TO. SO WE APPRECIATE LEARNING THAT. THE SECOND ONE ABOUT JUST LOOKING AT HOW WE BEST BETTER TRACK CONTRACTOR PERSONNEL ON SITE. AGAIN, THIS IS WHEN WE WANT TO WORK WITH OUR PARTNER DEPARTMENTS TO LOOK AT WHAT WE MIGHT WANT TO CONSIDER. AND THEN, LASTLY, TAKING THIS INFORMATION AND WORKING WITH HENSEL PHELPS TO DETERMINE WHAT LEVEL OF RECOVERY AND OVER BILLING WE WOULD PURSUE. THIS CONTRACT IS NOT YET CLOSED, SO WE STILL HAVE THE OPPORTUNITY TO DEDUCT ANY AMOUNTS THAT MAY HAVE BEEN OVERPAID FROM THE CONTRACTOR. AND I WOULD SAY THAT THIS IS ONE WE APPRECIATE WORKING WITH INTERNAL AUDIT, BECAUSE I WOULD SAY THAT SEVERAL YEARS AGO, INTERNAL AUDIT WOULD COME IN AT THE VERY END OF THE PROJECT AND AUDIT. AND MORE RECENTLY, IT'S BEEN MORE OF A PROCESS WHERE THEY'RE COMING IN AND WORKING WITH US DURING THE LIFE OF THE CONTRACT AND NOT JUST AT THE VERY END WHEN EVERYTHING'S ALREADY CLOSED, BECAUSE THEN IF THERE IS SOMETHING THAT NEEDS TO BE ADDRESSED, IT BECOMES MORE PROBLEMATIC TO ADDRESS OVERBILLINGS. QUESTIONS OR ADDITIONAL THOUGHTS? EXCELLENT. GLENN, IS THAT THE END OF YOUR PRESENTATION AS WELL? NO, WE'RE GOING TO GO ONE MORE ISSUE ON THIS. ANY QUESTIONS FOR JANICE AND THEIR MANAGEMENT RESPONSE? GO FOR IT. I GUESS I HAVE SOME QUESTIONS ON THIS ISSUE IN GENERAL. SO SOME OF THESE ARE FOR GLENN

AND TEAM. THE FIRST ONE IS I'M TRYING TO RECONCILE THE PORT'S PORTION OF 712,000,000, BUT THE CONTRACT WAS FOR 458 WITH HANSEL PHELPS. SO DID THEY ONLY DO A PORTION OF IT THEN? LIKE I SAID, THE HANSEL PHELPS PART, THAT'S WHAT WAS BILLED BY HANSEL PHELPS TO THE PORT. THE PORT ALSO HAS TEAMS THAT WORK THROUGH THE COURSE OF, THIS IS A MULTI YEAR PROJECT, RIGHT, SO WE'VE GOT ENGINEERS, STAFF, PORT PERSONNEL, PORT SUPPORT SYSTEMS. THEY'RE CALLED THE SOFT COSTS THAT GET CAPITALIZED THROUGH THE COURSE OF THE PROJECT. SO THE BULK OF THOSE OTHER FUNDS ARE PORT RELATED. OKAY. SO THEY ARE INTERNAL COST. OKAY. THANK YOU. CAN I ADD ONE THING? I BELIEVE THAT THE ALASKA LOUNGE IS ALSO PART OF THESE COSTS THAT INCLUDE SOME PORT REIMBURSEMENT. SO IT ISN'T JUST OUR COST. THERE ARE A MULTITUDE OF PIECES THAT GO ON THE OVERALL PROGRAM. SO I JUST WANTED TO CLARIFY THAT. YEAH. THANK YOU. JANICE, YOU'RE SPOT ON HERE. THANK YOU. AND THEN ON THE RECOMMENDATION AND THE ISSUES WE FOUND. SO I GUESS I WANT TO MAKE SURE I'M UNDERSTANDING. SO THE \$79,000 IS BASICALLY RESULTING IN THE POST APPROVAL PIECES THAT WERE MISSING DOCUMENTATION. WHY AREN'T WE INCLUDING THE ONES THAT DIDN'T HAVE THE PRE APPROVAL? WHY ARE WE DISTINGUISHING THAT? THE PREAPPROVAL WHEN WE SPOKE AND AND INTERVIEWED JANICE'S CM TEAM, THEY TOLD US THAT THEY HAD CONVERSATIONS WITH HANSEL PHELPS DURING THE PROCESS OF THE PROJECT. AND AS JANICE SAID, THEY WERE FREQUENTLY IN AN OFF SITE TRAILER TOGETHER, WORKING TOGETHER. AND WHEN WE INTERVIEWED THE CM TEAM, THEY SAID OFTEN TIMES WE WOULD WALK OVER AND TALK TO HANSEL PHELPS AND TALK ABOUT WHAT WORK NEEDED TO BE DONE. IT JUST WASN'T DOCUMENTED AS IT IS REQUIRED TO BE KEPT AS DOCUMENTATION. OKAY. AND THEN I GUESS FROM THE AUDIT PERSPECTIVE, IS THERE A REASON WHEN WE FOUND THESE VARIANCES THAT WE DIDN'T DECIDE TO EXPAND TESTING OR EVEN DO, LIKE, EXTRAPOLATION OF THIS IS THE AMOUNT OF ERRORS BASED ON THE AMOUNT THAT WE'RE ACTUALLY TESTING? THIS COULD BE THE TOTAL VOLUME OF ERRORS. SO WE DID THE LARGEST CHANGE ORDERS IN OUR REVIEW, THE SMALLER ONES DIDN'T GET REVIEWED, AND THEN IT WASN'T STATISTICAL SAMPLING, SO WE COULDN'T EXTRAPOLATE. WE DID FULL TESTING OF THE CHANGE ORDERS THAT WE REVIEWED, WHICH WERE THE TWO OR THREE MAIN SUBCONTRACTORS THAT WERE NOT PART OF TOWNSEND REVIEWS. SO NOT THE MECHANICAL CONTRACTOR AND NOT THE

ELECTRICAL CONTRACTOR, SINCE THOSE WERE REVIEWED BY TOWNSEND. SO WE REVIEWED THE OTHERS THAT WERE BIG, SO MID MOUNTAIN, PCS AND NORTHWEST PARTITIONS. AND THEN THE LAST BULLET ON HERE INCONSISTENCIES BETWEEN THE NUMBER OF CONTRACTORS, LIKE THE NUMBERS THAT YOU CITED, WHERE WE PAID A CERTAIN AMOUNT, BUT THEY SAID THEY SAW A DIFFERENT AMOUNT. IS THAT INCLUDED IN THE \$79,000? IT'S NOT. WHY? BECAUSE WE'RE UNABLE TO DETERMINE WHETHER THE WORKERS WERE ACTUALLY ON SITE OR NOT, WHICH WORKERS WERE ON SITE AND WHICH ONES WERE NOT ON SITE, BUT PART OF THAT FORCE ACCOUNT. I GUESS WHEN I STEP BACK AND LOOK AT PUTTING ALL THIS TOGETHER. SO WE DON'T HAVE DOCUMENTATION OF THE PREAPPROVAL, AND THEN WE HAVE THESE SITUATIONS WHERE WE SAW A PRETTY SIGNIFICANT NUMBER- I SAW X NUMBER OF PEOPLE ON SITE VERSUS THE NUMBER OF PEOPLE WE PAID IN THE SMALL SAMPLE USED. AND THEN YOU ADD TO THAT THAT WE ALSO DON'T DO ANY KIND OF BADGING IN AND OUT, AND WE HAVE PEOPLE SAYING THEY'RE WORKING POSSIBLY 23 HOURS A DAY. THAT COULD ALL ADD UP TO A SIGNIFICANT AMOUNT OF MONEY. PUT TOGETHER THAT'S A PRETTY SIGNIFICANT CONTROL PROBLEM IN MY MIND, THAT WE HAVE SEVERAL LAYERS HERE THAT COULD ADD UP TO MILLIONS OF DOLLARS EASILY WHEN YOU LOOK AT ALL OF THESE TOGETHER. SO I GUESS I'M CONCERNED WITH THE RESPONSE IS THAT BASICALLY WE'LL MEET AND CONSIDER ADDING A REQUIREMENT. I FEEL LIKE THAT NEEDS TO BE PRETTY STRONGLY CONSIDERED. LIKE THIS COULD BE A HUGE AREA FOR IMPROVEMENT AND A HUGE AREA WHERE WE COULD BE PAYING COSTS THAT WE SHOULDN'T BE PAYING. SO I'M PRETTY CONCERNED. AGREED. AND I WILL NOTE THAT THROUGH THE REVIEW THAT RL TOWNSEND ASSOCIATES DID RECOVER A COUPLE OF MILLION DOLLARS THROUGH THEIR WORK, AND WE DID NOT LOOK AT THOSE CONTRACTORS. JANICE, IS THERE ANYTHING ELSE YOU'D LIKE TO ADD? YEAH, I WOULD SAY THAT THE PIECE RELATED TO THE COST RECOVERY OF THE OVER BILLING, WE ARE LOOKING AT THAT AND CONFIRMING WHAT COSTS WERE MISSED BY OUR STAFF THAT WE PAID THAT SHOULDN'T HAVE BEEN PAID. AND THEN THE PIECE RELATED TO TRACKING PERSONNEL IS THE REASON THAT THE RESPONSE IS WRITTEN THIS WAY IS BECAUSE WE REALLY WANT TO WORK AS A TEAM TO BETTER UNDERSTAND WHAT LEVEL OF TRACKING OF PERSONNEL WE WANT TO IMPLEMENT INSTEAD OF PUTTING OUT A RESPONSE THAT HASN'T BEEN THOUGHTFULLY CONSIDERED.

IS IT SAFE TO SAY THAT THERE ARE GOING TO BE MODIFICATIONS? RIGHT, TO CONSIDER MODIFICATIONS SOUNDS LIKE THERE COULD ALSO NOT BE ANY. I THINK THAT'S THE POINT SARAH'S MAKING. AND SO I THINK IT'S SAFE TO SAY THAT GIVEN THE LESSONS LEARNED, THAT WE WILL MAKE SOME CHANGES TO ADJUST. WE'RE JUST NOT COMMITTING TO ANYTHING SPECIFIC RIGHT NOW, CORRECT? I WOULD SAY YES, BUT I WOULD LEAVE THAT TO JANICE. AND I WILL ALSO SAY THAT WE WILL PRESENT, COME BACK TO THE COMMITTEE WITH OUR FOLLOW UP TO LET YOU KNOW WHAT HAS BEEN DONE AND WHAT THOSE DECISIONS ARE. JANICE, IS THERE ANYTHING ELSE YOU'D LIKE TO ADD? YEAH, I WOULD SAY YES, TO YOUR POINT, GLENN, WE WILL BE WORKING WITH INTERNAL AUDIT ON AS WE LOOK AT THE FACTS AND THE INFORMATION, WHAT ARE ULTIMATELY WE'RE GOING TO BE DOING DIFFERENTLY. AND AT THAT POINT, WE'LL HAVE AN OPPORTUNITY TO WORK CLOSELY WITH AUDIT ABOUT WHETHER WHAT WE'RE DOING IS APPROPRIATE OR NOT IN TERMS OF CHANGES. AND THEN ON THE FIRST POINT, LIKE I WAS MENTIONING, I WANT TO MAKE SURE THAT WE'RE LOOKING AT THIS CAREFULLY TO SEE WHETHER THIS IS SYSTEMIC OR PROCESS CHANGES MIGHT BE NEEDED VERSUS WHETHER THIS IS SOMETHING THAT WE NEED SOME ADDITIONAL STAFF TRAINING. SO IS IT A DISCRETE ISSUE OR ARE THERE SOME SYSTEMIC PROCESS CHANGES THAT ARE NEEDED AND WE WANT TO HAVE THE TIME TO WORK THROUGH THAT. GREAT.

THANK YOU. ANYTHING ELSE? I GUESS I'LL JUST SAY THIS WHOLE ISSUE POINTS TO ALSO THE AMOUNT OF SIGNIFICANT STAFF TIME THAT GOES INTO THIS. AND SO I AM LOOKING FORWARD TO HEARING AND LEARNING MORE ABOUT THE SORT OF CONTROLS THAT WILL BE PUT IN PLACE TO ENSURE THAT WE'RE PREVENTING ISSUES LIKE THIS FROM HAPPENING. THANK YOU ALL.

THANK YOU, COMMISSIONER. AND COMMISSIONER, YOU'RE ABSOLUTELY RIGHT ON A GO FORWARD BASIS. AND MISS HOLSTROM, WE'RE LOOKING AT IT FROM A PERSPECTIVE OF WE HEAR YOU, WE UNDERSTAND. YOU'RE VERY CORRECT. BUT THE WAY WE CAN ADD VALUE AT THIS POINT IS SAY THESE ARE THE CONTROLS WE NEED TO PUT IN PLACE. AS STEVE METRUCK, OUR EXECUTIVE DIRECTOR, PUT IT, BEFORE WE'VE CLIMBED SMALLER MOUNTAINS LIKE RAINIER, AND WE'RE ABOUT TO EMBARK ON EVEREST AND LARGE MOUNTAIN, HUGE CAPITAL SPEND, AND WE NEED TO PUT THESE CONTROLS IN PLACE. GREAT.

AND SO WITH THAT, I THINK WE HAVE SAME AUDIT, NEXT ISSUE. OKAY. THIS IS A LOW

RATED ISSUE ON THE SAME AUDIT.
IT'S A SAFETY ISSUE.
HANSEL PHELPS AND THE PROJECT HAD A VERY GOOD SAFETY RECORD. THERE WEREN'T VERY MANY INJURIES IN A PROJECT THIS SIZE, BUT NONETHELESS, WE RECORDED IT AND NOTED IT BECAUSE SAFETY IS SO IMPORTANT TO THE PORT, AND ESPECIALLY WITH EVERYTHING WE DO. IN THIS CASE, YOU'VE GOT PEOPLE THAT MIGHT BE WORKING LONG HOURS FOR CONCRETE, POURS OR WHATEVER ELSE. BUT THERE WERE ALSO CARPENTERS AND OTHER INDIVIDUALS THAT WERE WORKING LONG HOURS. AND CLEARLY, WHEN YOU DO GET WORK THOSE KINDS OF HOURS, YOU CAN GET FATIGUED, YOU CAN GET INJURED. AND SOMETIMES IT'S MAYBE NOT THE RIGHT THING TO DO TO HAVE SOMEBODY WORK THAT MANY HOURS WHEN YOU CAN HAVE TWO SHIFTS AND PROVIDE A MORE REASONABLE BALANCE. JENNY HAS DONE A LOT OF WORK HERE. SO I'M GOING TO LET HER PROVIDE A LITTLE BIT MORE DETAIL. OTHERWISE, IT WOULD NEVER HAVE COME TO LIGHT THAT THIS WOULD JUST BE OKAY, WE'VE GOT A BETTER TRACK HOURS BUT SHE HIGHLIGHTED THE SAFETY IMPACTS OF THIS AS WELL. WORKING MANY HOURS. JENNY, PLEASE. SURE. AND JUST TO NOTE, THIS IS JUST ONE SUBCONTRACTOR MID MOUNTAIN THAT WE INCLUDED TABLES SHOWING THE NUMBER OF INSTANCES THAT WORKERS BILLED THE PORT FOR MORE THAN 12 HOURS A DAY. SO WE TOTALED OVER 1600 INSTANCES WHERE THEY WORK TWELVE OR MORE HOURS. SO UPWARDS OF 23 HOURS IN A DAY. SOME OF THE REASONS THAT WE WERE TOLD IS SOMETIMES THEY DO A CEMENT POUR AND THEY'RE REQUIRED TO BE THERE ALL DAY. THEY MAY NOT BE PHYSICALLY WORKING DURING THAT ENTIRE TIME, BUT THEY'RE REQUIRED TO BE THERE ALL DAY. AND THEN THEY NEED TO BE THERE ONCE THE CEMENT GETS A LITTLE BIT HARDER. AND JANICE MAY BE ABLE TO TALK TO THE PORT SO THAT THEY CAN ACTUALLY SMOOTH THE CEMENT OUT AND FINISH THE PRODUCT. SO THOSE WERE EXAMPLES OF THE UPWARDS OF 20 TO 23 HOURS THAT WE IDENTIFIED. SO WE JUST WANTED TO SEPARATE THIS OUT BECAUSE CONSTRUCTION WORK IS MANUAL LABOR. IT'S DANGEROUS IF YOU'RE DOING IT WITH FATIGUE. IT CAN LEAD TO UNINTENDED CONSEQUENCES OF SOMETHING BAD. SO, AS WE SAID, AS WE LEARNED WITH JANICE AND TEAM, THEY DID HAVE A VERY GOOD SAFETY RATING. SO WE DIDN'T SEE ANY SAFETY CONCERNS WITH THIS PROJECT. BUT WE DO FEEL THAT THERE SHOULD BE PROCESSES IN PLACE TO ENSURE THAT FOLKS DON'T WORK AS MANY HOURS AS THEY DID ON THIS PROJECT IN THE FUTURE.

THE NUMBER OF HOURS AND THEN ALSO ON THE NEXT SLIDE, WE NOTED THE NUMBER OF CONSECUTIVE DAYS IN A ROW. SO UPWARDS OF 25 DAYS, MORE THAN 25 DAYS, SOME 15 TO 24 DAYS IN A ROW. THESE ARE AVERAGING TEN TO 11 HOURS A DAY. SO JUST CONCERNS THAT WE HAD THAT WE WANTED TO BRING TO LIGHT AS FAR AS SURETY. SO OUR RECOMMENDATIONS ON THE NEXT SLIDE IS TO REVIEW THE SAFETY POLICIES AT THE PORT TO DETERMINE IF THERE SHOULD BE A LIMIT ON EITHER THE NUMBER OF HOURS SOMEBODY CAN WORK IN A DAY OR THE NUMBER OF CONSECUTIVE DAYS SOMEBODY CAN WORK IN A ROW. AND JANICE TO YOU TO PROVIDE A RESPONSE, AND THEN WE'LL TAKE QUESTIONS. YEAH. SO IN THIS PARTICULAR AREA, WE ALSO VERY MUCH CARE ABOUT SAFETY ON OUR JOB SITES. AND WE HAVE STARTED TO PULL A GROUP OF INTERNAL DEPARTMENT FOLKS TOGETHER TO LOOK AT WHAT CHANGES WE MIGHT WANT TO OR WHAT THINGS WE MIGHT WANT TO INCLUDE IN OUR CONTRACT IN THIS AREA, RECOGNIZING THAT SAFETY ON CONSTRUCTION SITES ARE PRIMARILY A CONTRACTOR RESPONSIBILITY. YET THESE ARE OUR CONSTRUCTION SITES, SO WE VERY MUCH ALSO CARE ABOUT SAFETY. I HAVE A QUESTION. ARE THERE NOT ANY STIPULATIONS IN PROJECT LABOR AGREEMENTS OR THE PLA'S ON CONSECUTIVE DAYS OR NUMBER OF HOURS PER DAY WORKED? OUR PLA TALKS ABOUT WORKING CONDITIONS AND PAY FOR WORKERS AFTER HOW MANY WORK HOURS YOU'RE REQUIRED TO PROVIDE BREAKS, THE CONDITIONS OF HAVING SPACES FOR PEOPLE, WORKERS TO TAKE BREAKS. IT TALKS ABOUT WHEN YOU'RE REQUIRED TO PAY TIME AND A HALF, DOUBLE TIME FOR WORKERS. SO THOSE ARE THE TYPE OF THINGS THAT IS TYPICALLY ADDRESSED IN OUR PLA'S. I DON'T BELIEVE THAT IT SPECIFICALLY HAS ANY LIMITS ON HOURS. THAT'S SOMETHING I WOULD WANT TO CHECK BACK WITH OUR CONSTRUCTION LABOR MANAGER TO MAKE SURE THAT I DON'T MISSPEAK ON THIS ITEM. IT'S MY UNDERSTANDING THAT THEY ARE NOT IN AN AGREEMENT WITH JANICE. IT'S MY UNDERSTANDING THERE'S NOT A LIMIT ON THE NUMBER OF HOURS OR THE NUMBER OF DAYS IN A ROW. IT'S UNFORTUNATE. BUT THEY ARE REPRESENTED MEMBERS, RIGHT? YES. UNION. OKAY. ANY OTHER QUESTIONS FOR JANICE OR FOR THE TEAM? SO, COMMISSIONER, JUST A COUPLE OF THINGS. JENNY, BEFORE YOU LEAVE, I DO THINK SAFETY IS IMPORTANT AT THE PORT. WE'RE PROMOTING A SAFETY CULTURE. WE'RE DEMONSTRATING, TRYING TO DEMONSTRATE SAFETY AND BE STEWARDS OF

SAFETY. I THINK JENNY PUT A LOT OF TIME AND EFFORT DIGGING INTO THIS ISSUE AND GATHERING DATA. ONE OF THE THINGS WE TRY TO DO IS RECOGNIZE THAT.

SO I'D LIKE TO SAY CONGRATULATIONS AND THANK YOU TO JENNY FOR HER EFFORT ON THIS APPRECIATE AND COMMISSIONER CHO, IF YOU'D LIKE TO ADD. ABSOLUTELY.

JENNY, I JUST WANT TO TAKE A MINUTE TO ACKNOWLEDGE AND RECOGNIZE YOUR TERRIFIC WORK. I KNOW YOU WENT BEYOND THE CALL OF DUTY TO NOTICE THIS PATTERN AND TO IDENTIFY AND BRING IT TO US TODAY. IT'S ACTUALLY MY PLEASURE TO PRESENT TO YOU A CHALLENGE COIN THAT WE HAVE CREATED HERE. I THINK CAGE ROD IS THE ONE WHO CREATED THIS. THIS IS ONE THAT COMMEMORATES THOSE WHO ARE FOCUSED AND PUT SAFETY AS A PRIORITY, WHICH IS ONE OF OUR CORE VALUES HERE AT THE PORT OF SEATTLE. SO IT'S MY HONOR TO PRESENT THIS CHALLENGE COIN TO YOU FOR THAT.

THANK YOU. THAT'S SO NICE.

THANK YOU, COMMISSIONER. THANK YOU, JENNY. MOVING ON TO COMMISSIONER, TO YOU. ABSOLUTELY. ITEM NUMBER NINE BEFORE US IS AN INFORMATION TECHNOLOGY AUDIT REPORT REGARDING SECURITY INCIDENT RESPONSE MANAGEMENT FOR ICT AND AVIATION MAINTENANCE. GLENN, GO AHEAD AND PROCEED. THANK YOU, COMMISSIONER. I'VE GOT BRUCE CLAUSAL AND BRITICA MARWAHA, OUR IT AUDIT FOLKS. WE'LL LET THEM INTRODUCE THEMSELVES, THE ISSUE, AND THEY'LL BE DOING THE TALKING TODAY, RIGHT NOW. GOOD AFTERNOON. I'M BRUCE CLAUSAL, THE PORT'S IT AUDIT MANAGER. I DON'T ACTUALLY HAVE MUCH TO DO TODAY BECAUSE OUR AUDIT THAT WE'RE TALKING ABOUT TODAY WAS PERFORMED BY MY SENIOR IT AUDITOR, RIDICULA, AND SHE'S GOING TO LEAD YOU THROUGH THE RESULTS OF THE AUDIT. THANK YOU. GOOD AFTERNOON, COMMISSIONERS. MS. WILSON. MY NAME IS RIDICUL MARVA. LIKE BRUCE MENTIONED, JUST FOR THE RECORD, I'M STATING THAT AND I'M A SENIOR IT AUDITOR WITH THE PORT. SO WE PERFORMED THIS AUDIT TO EVALUATE THE ADEQUACY OF INTERNAL CONTROLS RELATED TO THE PROCESSES AROUND SECURITY INCIDENT RESPONSE MANAGEMENT TO ENSURE THE PROTECTION OF CRITICAL INFORMATION AND SYSTEMS. THE SCOPE OF THIS AUDIT COVERED THE PORT'S FOUR MAIN NETWORKS WHICH ARE MANAGED BY THE PORT INFORMATION AND COMMUNICATION TECHNOLOGY DEPARTMENT, AS WELL AS AVIATION MAINTENANCE. NEXT SLIDE, PLEASE, MICHELLE. THANK YOU.

SECURITY INCIDENT RESPONSE IS PART OF THE 18 CRITICAL CENTER FOR INTERNET SECURITY CONTROLS, AND THESE ARE

PRIMARILY A SET OF PRIORITIZED ACTIONS THAT ARE RECOMMENDED FOR ORGANIZATIONS FOR CYBER DEFENSE. I JUST WANTED TO PROVIDE A LITTLE BACKGROUND ON THE DIFFERENCE IN THE TERMINOLOGY THAT WE'RE USING, WHICH IS SECURITY INCIDENT VERSUS SECURITY EVENT. A SECURITY EVENT IS ANY OCCURRENCE DURING WHICH A COMPANY'S DATA OR RECORDS MAY HAVE BEEN EXPOSED, AND A SECURITY INCIDENT, ON THE OTHER HAND, IS A SECURITY EVENT, HOWEVER, WHICH MIGHT RESULT IN A DATA BREACH OR A PRIVACY BREACH. JUST AS AN EXAMPLE, IF THERE WAS A PATCHING DELAY, THAT WOULD BE CONSIDERED AN EVENT, BUT IF SOMEONE WAS TO HACK THE PORT SYSTEMS IN THE MEANTIME, THAT WOULD RESULT IN, OR WOULD BE CLASSIFIED AS A SECURITY INCIDENT. THE PRIMARY GOAL OF INCIDENT RESPONSE IS TO IDENTIFY THREATS THAT ARE BEING FACED BY AN ORGANIZATION AND TO RESPOND TO THOSE SO THAT THEY DON'T SPREAD AND ALSO REMEDIATE THEM BEFORE THEY CAUSE ANY HARM. BASED ON THE RESULTS OF OUR AUDIT, WE NOTED THAT THE SECURITY INCIDENT RESPONSE MANAGEMENT PROCESSES FOR ALL OUR IN SCOPE NETWORKS WERE DESIGNED WELL AND WERE OPERATING EFFECTIVELY. AND THAT CONCLUDES MY PRESENTATION. IF YOU HAVE ANY QUESTIONS, I'D BE HAPPY TO ANSWER THAT. THANK YOU FOR BEING SHORT AND SWEET. GENERAL COMMENT. THESE ARE IMPORTANT CYBERSECURITY CONTROLS. AND LIKE I SAID AND WE MENTIONED EARLIER, THERE'S STATE AND FEDERAL REGULATIONS THAT REQUIRE US TO HAVE THESE PROCESSES IN PLACE. SO THESE AUDITS, EVEN THOUGH IF IT'S A CLEAN AUDIT, IS A GOOD THING FOR THE PORT. ALWAYS, YEAH. EXCELLENT. AND I'LL JUST LIKE TO ADD THAT AN INCIDENT RESPONSE PLAN IS IMPORTANT IN HELPING MINIMIZE THE RISK OF OPERATIONAL DISRUPTION AS WELL. THANK YOU. THANK YOU FOR YOUR WORK. GREAT. ALL RIGHT, GLENN, WE CAN GO ON TO ITEM NUMBER TEN, WHICH IS THE AVIS BUDGET CAR RENTAL LLC AUDIT. THANK YOU, COMMISSIONER. THE LAST AUDIT THAT WE HAVE TO DISCUSS TODAY IS A CONCESSION AUDIT ON AVIS BUDGET CAR RENTALS. AND DAN CHASE, WHO'S OUR AUDITOR HERE THAT DID THE WORK, WILL SPEAK TO THIS AUDIT. SHOULD I WAIT UNTIL HE COMES BACK OR SHOULD I JUST DIG INTO IT? PLEASE CONTINUE. JUST GO. OKAY. ALL RIGHT, SO IT IS THE LAST AUDIT ON THE AGENDA THAT WE'LL BE TALKING ABOUT. SO I'M JUST GOING TO GO STRAIGHT TO THE LOW RATED ISSUE THAT WAS IDENTIFIED, IF THAT'S OKAY. AS YOU KNOW, WE TALKED ABOUT IT THE LAST AUDIT COMMITTEE THAT THERE'S A CUSTOMER

FACILITY CHARGE OR A CFC THAT'S CHARGED DAILY FOR EACH RENTAL CAR, AND THEN THOSE MONIES ARE COLLECTED BY THE RENTAL CAR COMPANY AND THEN PASSED THROUGH TO THE PORT. SO, AGAIN, WE TESTED 100% OF THE TRANSACTIONS, JUST UNDER 700,000 TRANSACTIONS, I BELIEVE IT WAS, AND IDENTIFIED A RELATIVELY SMALL FIGURE, \$2,645 OF CFC'S THAT SHOULD BE PAID TO THE PORT. WE'VE COMMUNICATED WITH AVIS AND THEY'VE AGREED WITH THAT NUMBER. SO THE SECOND PART OF THE ISSUE IS THAT WE IDENTIFIED POTENTIALLY OVER BILLING OF THE CFC'S TO THE CUSTOMERS, WHICH WAS PAID TO THE PORT ABOUT \$110,000. AND SO A NUANCE TO THE CONTRACT THAT I DON'T THINK WE WENT OVER LAST TIME IS THAT THE CONTRACT ALLOWS FOR UP TO A 25 HOURS PERIOD FOR THE FIRST DAY AND THEN SUBSEQUENT DAYS, IT'S A 24 HOURS PERIOD. SO FOR EXAMPLE, IF SOMEBODY WERE TO COME AND RENT A CAR AT 10:00 A.M. ON MONDAY, THEY RETURN AT THE FOLLOWING DAY AT 11:01 A.M. THE FOLLOWING DAY, THEY WOULD BE CHARGED TWO DAYS OF CFC THAT WOULD BE PASSED THROUGH THE PORT. SO IT'S IMPORTANT FOR US TO UNDERSTAND IF THEY'RE USING- BECAUSE THEY CAN CHOOSE, THE RENTAL CAR COMPANIES CAN CHOOSE WHETHER IT'S 24 HOURS, 25 HOURS, OR SOMEWHERE IN BETWEEN. AND SO ONCE WE FIND OUT WHAT THEY'RE USING, THEN WE USE THAT METHODOLOGY WHEN WE'RE ACTUALLY PERFORMING OUR TEST, AVIS USES THAT 25 HOURS PERIOD. WE MODIFIED OUR TESTING TO MAKE SURE THAT IT MATCHED THAT AND STILL CAME UP WITH \$110,000 THAT WAS OVERBILLED. SO WE'VE HAD SOME LIMITED DISCUSSION OR COMMUNICATION VIA EMAIL WITH AVIS AND HAVEN'T RECEIVED A STRONG ANSWER YET. SO THEY'RE STILL ONGOING DISCUSSIONS. BUT WE'VE KIND OF TALKED THROUGH THIS AND MOST LIKELY WHAT WILL HAPPEN IS THE PORT IS NOT GOING TO REIMBURSE AVIS FOR THAT \$110,000 UNLESS AVIS SHOWS THAT THEY'VE REIMBURSED THOSE CUSTOMERS, THOSE INDIVIDUAL CUSTOMERS, WHICH I THINK IS AROUND 17,000 CUSTOMERS OPERATIONALLY. I JUST DOUBT THAT'S GOING TO HAPPEN BECAUSE YOU'RE GOING TO BE GOING BACK THREE YEARS. SO MOST LIKELY IT'S NOT GOING TO GET REIMBURSED. BUT WE DON'T REALLY KNOW WHAT THE REASON IS FOR THE OVER BILLING. AND SO FINDING OUT WHAT THE ROOT CAUSE WAS WILL HELP US KIND OF DECIDE WHAT APPROACH TO TAKE. THE IDEA WITH THIS TOOL THAT WE'RE USING IS THAT WE USE IT OVER AND OVER AND THEN OVER TIME WE HOPEFULLY WILL FIND ZERO

DISCREPANCIES. AND SO THAT'S THE WAY THAT THE TOOL THAT WE'RE IMPLEMENTING CAN HELP THEM AND WE CAN IDENTIFY MAYBE AREAS THAT THEY'RE NOT BILLING CORRECTLY. SO THAT'S ALL I HAD. GLENN, DO YOU WANT TO ASK? IT'S A RELATIVELY SMALL AMOUNT, THE 109 PASSING YOU LOOK AT THE \$30 MILLION IN CONCESSION FEES THAT WE MIGHT, OVER A PERIOD OF TIME, COLLECT FROM CUSTOMERS. BUT UNLESS YOU'RE ONE OF THOSE CONSTITUENTS OR CUSTOMERS WHO GETS OVER BILLED AND TRYING TO FIX SOMETHING ON YOUR BILL AND IT CAN BE A LITTLE AGGRAVATING. SO BY DOING THIS PROCESS, WE MAKE SURE THAT OUR AIRPORT CUSTOMERS ARE CHARGED ACCURATELY AND CORRECTLY. ALSO. AVIS HAS TO GO BACK AND FIX THEIR SYSTEMS FOR THIS AND WE PROVIDE A SERVICE TO THE TRAVELING PUBLIC THAT WE'RE GOING TO BE FAIR AND MAKE SURE THAT YOU GET BILLED CORRECTLY FOR THE AMOUNT. SO THAT'S THE KEY THING THERE. MICHELLE, NEXT SLIDE. SO OUR RECOMMENDATION IS JUST SIMPLY TO COLLECT THE 2645 PLUS INTEREST AND FEES, WHICH I THINK IS IN PROCESS NOW AND THEN WE WILL CONTINUE TO. WHEN I SAY WE, THE AVIATION COMMERCIAL MANAGEMENT TEAM WILL TAKE THE LEAD, BUT WE'LL PARTNER WITH THEM AND TRY TO UNDERSTAND, WORK WITH AVIS TO UNDERSTAND WHAT'S CAUSING THE VARIANCE. SIMPLE AS THAT. COMMISSIONER CHO, YOU MISSED THE WHOLE THING. BUT IF YOU HAVE ANY QUESTIONS. FORTUNATELY I ALWAYS GET PRE BRIEFINGS FROM GLEN BEFORE. I WAS WONDERING. IS THERE ANY MECHANISM OR WAY FOR US TO I MEAN OBVIOUSLY IT'S TOUGH TO GO BACK AND IDENTIFY EXACTLY WHICH CUSTOMERS HAVE BEEN OVERCHARGED. BUT IS THERE ANY ACCOUNTABILITY MEASURE WITH OUR AGREEMENT WITH AVIS WHEN IT COMES TO THESE FAUX PAS. LET'S JUST CALL IT. I WANT TO BELIEVE IT WASN'T INTENTIONAL. WELL, YOU DO HAVE JEFF FOSTER ON THE LINE THAT'S GOING TO ANSWER THAT FOR YOU. JEFF, IT'S ALL YOURS. GOOD AFTERNOON COMMISSIONER AND PUBLIC MEMBERS. SO MY NAME IS JEFF FOSTER. I'M A PROPERTY MANAGER IN OUR AVIATION COMMERCIAL MANAGEMENT TEAM. I JUST WANTED TO STATE THAT. SO COMMERCIAL MANAGEMENT, WE ARE STILL WORKING WITH AVIS BUDGET. THERE DOES APPEAR TO BE SOME DISCREPANCIES ON THE CFC, THE FINAL AMOUNT FOR THE POTENTIAL OVERCHARGE, THEY USE A 25 HOURS PERIOD IN GENERAL. BUT THERE ARE STILL SOME QUESTIONS THAT WE HAVE THAT THEY'RE GOING BACK TO THEIR TEAMS TO RELAY TO US BECAUSE WE

WANT TO UNDERSTAND EXACTLY WHAT IS THEIR THRESHOLD. IS IT THE 25 HOURS OR AS WE SUSPECT THEY'RE ACTUALLY USING A 24 HOURS AND 30 MINUTES OR 24 HOURS AND 29 MINUTES. SO THAT PIECE OF IS STILL OUTSTANDING THAT WE ARE WORKING WITH THEM ON AND THEN THAT WOULD HELP INFORM HOW MUCH IF ANY IS THERE AN ACTUAL OVERCHARGE AND THEN WHAT ARE THE REASONS WHY FOR THAT OVERCHARGE? BECAUSE WE WANT TO MAKE SURE FIRST AND FOREMOST THAT OUR CUSTOMERS ARE NOT BEING OVERCHARGED AND THAT THESE MISTAKES, IF THERE ARE ANY, THAT ONCE WE COME TO FINAL AGREEMENT ON THE NUMBER THAT THEY ARE CORRECTED IN THE FUTURE. AND WE DO NOT HAVE THIS AS A REPEAT. SINCE AVIS IS ONE OF OUR LARGEST RENTAL CAR COMPANIES, THEY ARE FREQUENT SUBJECT OF AUDITS BY GLENN'S TEAM. AND FIRST OF ALL, I JUST WANT TO SAY THANK YOU TO MAURA DAN CHASE AND THE ENTIRE AUDIT TEAM FOR THE WORK THAT THEY PUT IN DURING THIS AUDIT. AND TO ANSWER YOUR QUESTION SPECIFICALLY COMMISSIONER CHO THERE ISN'T A SPECIFIC ASPECT WITHIN THE LEASE THAT WE HAVE OTHER THAN THE FACT THAT THEY ARE REQUIRED TO CORRECTLY IDENTIFY. SO THAT IS SOMETHING THAT WE WILL CONTINUE TO WORK ON AND HOLD THEM ACCOUNTABLE AS MUCH AS WE CAN UNDER OUR AGREEMENT TO ENSURE THAT OUR CUSTOMERS ARE BEING CHARGED ACCURATELY. THANK YOU FOR THAT, I APPRECIATE THAT. AND I APOLOGIZE IF I MISSED THIS, BUT YOU HAVE THE ABSOLUTE NUMBER HERE, \$109,835. BUT I'M WONDERING WHAT WAS THE AVERAGE OVERCHARGE AMOUNT? AND DO YOU KNOW HOW MANY PEOPLE WERE OVERCHARGED? SO 17,435 TRANSACTIONS. I BELIEVE THAT'S CUSTOMERS SO THE AVERAGE WOULD BE I DON'T KNOW, WHATEVER. I CAN'T DO THAT. YOU CAN DIVIDE. SO I THINK IT'S JUST ONE DAY PER CUSTOMER, I THINK IS WHAT WE'RE GETTING AT THERE. THANK YOU. YOU DO CORRECTLY. ALL RIGHT, WE ROUND UP HERE TOO. YEAH, BUT I MEAN, I WOULD SAY THE 695,000 TRANSACTIONS, AND SO AS GLENN POINTED OUT, THESE ARE RELATIVELY SMALL. SO THAT'S KIND OF THE GOOD NEWS OF THIS AS WELL. IT COULD HAVE BEEN A LOT LARGER. SO THAT'S GOOD TO SEE. GREAT. ANY OTHER QUESTIONS FOR THE TEAM ON THIS AUDIT? GREAT. WELL, THANK YOU SO MUCH. I APPRECIATE IT. YOU'RE WELCOME. THANK YOU. THANK YOU. SO THAT CONCLUDES OUR PUBLIC MEETING BUSINESS AGENDA. THE COMMITTEE HAS NO SECURITY SENSITIVE- I DID HAVE ONE THING, JUST ONE ANNOUNCEMENT THAT'S NOT RELATED TO THE AUDIT, BUT MORO OMUEGO, WHO DID THE LION'S SHARE OF THIS AUDIT, THIS IS GOING TO BE HER LAST AUDIT COMMITTEE ON

FRIDAY. NEXT FRIDAY IS HER LAST DAY.
SHE'S GOING TO BE- WHAT'S THAT?
YEAH, SHE'S STILL AT THE PORT. WHERE
IS SHE GOING? TO OUR CENTRAL PROCUREMENT
OFFICE. OKAY, THAT'S A GOOD THING. SO
WE'RE HAPPY FOR HER, BUT WE WANT TO
THANK HER FOR THE GREAT WORK THAT SHE.
THANK YOU VERY MUCH. YEAH,
BUT NOW SHE CAN BE AUDITED. YEAH,
I DON'T KNOW IF SHE KNEW THAT. ALL
RIGHT, THAT CONCLUDES OUR PUBLIC MEETING
BUSINESS AGENDA. THE COMMITTEE HAS NO
SECURITY SENSITIVE ITEMS TO DISCUSS A
NON PUBLIC SESSION TODAY, SO WE'LL MOVE
TO CLOSING COMMENTS AT THIS TIME. MR.
FERNANDEZ, DO YOU HAVE ANY CLOSING
COMMENTS FOR US TODAY? THE ONLY COMMENT
I HAVE IS THANKS TO JEFF FOSTER AND
TEAM AND GROUND TRANSPORTATION JANISON
AND HER TEAM FOR WORKING WITH US ON
THESE AUDITS. AND THANK YOU,
COMMISSIONERS FOR BEING HERE TODAY AS
WELL. ABSOLUTELY. ARE THERE ANY CLOSING
COMMENTS FROM THE MEMBERS OF THIS
COMMITTEE? I GUESS I'LL JUST ECHO THOSE
WORDS AND THANK ALL OF THE STAFF WHO
PRESENTED TODAY, AND THANK YOU ALL FOR
YOUR HARD WORK TO ENSURE THAT OUR PORT
REMAINS BEING TRANSPARENT AND
ACCOUNTABLE TO THE PUBLIC. THANK YOU.
EXCELLENT. I ECHO THOSE SENTIMENTS.
THANK YOU COMMISSIONER MOHAMED.
HEARING NO FURTHER COMMENTS AND IF THERE
ARE NO OBJECTIONS, THE MEETING IS
ADJOURNED AT 4:18 PM. THANK YOU VERY
MUCH. THANK YOU.