

START OF TRANSCRIPT

[00:00:33] THIS IS COMMISSIONER MOHAMMED CALLING TO  
[00:00:37] ORDER THE PORT OF SEATTLE'S AUDIT  
[00:00:38] COMMITTEE SPECIAL MEETING. TODAY IS  
[00:00:41] THURSDAY, APRIL 6, 2023, AND THE TIME IS 9:04 A.M.  
[00:00:47] WE ARE MEETING TODAY AT THE PORT OF  
[00:00:51] SEATTLE'S HEADQUARTERS COMMISSION  
[00:00:53] CHAMBERS AND VIRTUALLY VIA THE MICROSOFT  
[00:00:57] TEAMS PLATFORM. PRESENTED WITH ME TODAY  
[00:01:00] IS COMMITTEE MEMBERS COMMISSIONER SAM  
[00:01:02] CHO AND PUBLIC MEMBER SARAH HOLMSTROM.  
[00:01:06] TO MAKE THIS MEETING MORE ACCESSIBLE TO  
[00:01:08] THE PUBLIC, THE MEETING IS BEING LIVE  
[00:01:11] STREAMED AND DIGITALLY RECORDED, AND MAY  
[00:01:14] BE VIEWED OR HEARD AT ANY TIME ON  
[00:01:18] THE PORT WEBSITE. A CALL AND TELEPHONE  
[00:01:21] NUMBER IS ALSO PROVIDED FOR ANYONE WHO  
[00:01:24] WOULD LIKE TO LISTEN INTO THE MEETING.  
[00:01:29] OUR FIRST ITEM OF BUSINESS IS APPROVAL  
[00:01:31] OF OUR LAST MEETING MINUTES FROM  
[00:01:33] DECEMBER 8, 2022. AS A REMINDER TO  
[00:01:37] THE VIEWERS OF THE AUDIENCE, THE PUBLIC  
[00:01:40] MEMBER OF THE AUDIT COMMITTEE IS  
[00:01:43] NOT VOTING MEMBER FOR THE PURPOSES OF  
[00:01:46] CASTING VOTES ON MOTIONS MADE PER THE  
[00:01:49] COMMITTEE RULES.  
[00:01:55] ARE THERE ANY CORRECTIONS TO THE  
[00:01:57] MINUTES?  
[00:02:03] ARE THERE ANY OBJECTIONS TO THE APPROVAL  
[00:02:05] OF THE MINUTES AS PRESENTED HEARING  
[00:02:08] NONE. THE MINUTES HAVE BEEN APPROVED.  
[00:02:11] OUR NEXT ORDER OF BUSINESS IS THE OFFICE  
[00:02:14] OF THE WASHINGTON STATE AUDITORS  
[00:02:16] ACCOUNTABILITY AUDIT RESULT FOR 2021.  
[00:02:20] MR. GLENN FERNANDEZ, PLEASE INTRODUCE  
[00:02:22] OUR SPEAKERS TODAY. THANK YOU,  
[00:02:24] COMMISSIONER. COMMISSIONER, I'D LIKE TO  
[00:02:26] CALL UP JOE SIMMONS, ANGELA FUNIMORI AND  
[00:02:29] MADDIE SCOTT FROST SCHAEFER FROM THE  
[00:02:31] STATE AUDITOR'S OFFICE. AND THEY'LL BE  
[00:02:33] PRESENTING OUR 2021 ACCOUNTABILITY AUDIT  
[00:02:36] FOR THE PORT. JOE, PUSH THE BUTTON.  
[00:02:42] ALL RIGHT, WELL, THANK YOU, GLENN.  
[00:02:44] THANK YOU. COMMITTEE MEMBERS APPRECIATE  
[00:02:45] THE OPPORTUNITY TODAY TO PRESENT THE  
[00:02:47] RESULTS OF OUR 2021 ACCOUNTABILITY  
[00:02:50] AUDIT. MY NAME IS JOE SIMMONS. I'M THE  
[00:02:52] AUDIT MANAGER FOR TEAM CENTRAL KING  
[00:02:54] COUNTY. I'M HERE WITH MADDIE FROST  
[00:02:56] SCHAEFER, WHO IS ASSISTANT AUDIT MANAGER  
[00:02:58] AND WAS THE SUPERVISOR ON THE AUDIT.  
[00:03:00] AND THEN ANGELA FUNAMORI WAS THE AUDITOR  
[00:03:02] IN CHARGE OF THE AUDIT. AND ON THE NEXT  
[00:03:05] SLIDE, JUST WALKS THROUGH THAT.  
[00:03:08] WE REPORT, OF COURSE, TO PAT MCCARTHY,  
[00:03:10] WHO IS OUR ELECTED STATE AUDITOR IN HER  
[00:03:13] SECOND TERM. AND KELLY COLLINS IS THE  
[00:03:17] DIRECTOR OF LOCAL AUDIT, AND SHE'S  
[00:03:18] RESPONSIBLE FOR ALL OF THE LOCAL AUDITS  
[00:03:21] THROUGHOUT THE STATE. AND THEN WENDY  
[00:03:23] CHOI IS ASSISTANT DIRECTOR OF LOCAL  
[00:03:24] AUDIT, AND SHE OBVIOUSLY REPORTS TO

[00:03:27] KELLY COLLINS AND HAS RESPONSIBILITY FOR  
[00:03:30] SIX AUDIT TEAMS FROM BELLINGHAM TO  
[00:03:33] TACOMA. SO IN THE PUGET SOUND AREA. AND  
[00:03:36] THEN ON THE NEXT SLIDE, JUST BRIEFLY  
[00:03:38] WANT TO SAY, AS WE'VE SAID BEFORE, THAT  
[00:03:41] WE LOOK AT OUR ROLE AS ONE TO HELP  
[00:03:43] INCREASE TRUST IN GOVERNMENT, THAT WE  
[00:03:45] WORK WITH STATE AND LOCAL GOVERNMENT TO  
[00:03:47] PROVIDE INCREASED TRUST THAT WE SEE OUR  
[00:03:50] ROLE AS REPORTING TO THIS INDEPENDENT  
[00:03:53] STATE OFFICIAL AS A WAY TO PROVIDE  
[00:03:55] INDEPENDENT, TRANSPARENT AUDITS OF STATE  
[00:03:58] AND LOCAL GOVERNMENT AND PROVIDE  
[00:04:00] RECOMMENDATIONS THAT HOPEFULLY HELP  
[00:04:02] OPERATIONS OF STATE AND LOCAL  
[00:04:04] GOVERNMENT. AND AGAIN, APPRECIATE THE  
[00:04:06] CHANCE TO GO OVER THE RESULTS OF OUR  
[00:04:08] 2021 AUDIT WITH YOU TODAY. AND THERE  
[00:04:11] IS INFORMATION IN YOUR PACKET THAT WAS  
[00:04:13] PROVIDED THAT HAS A LITTLE BIT MORE  
[00:04:16] DETAIL THAT WE'LL REFER TO DURING THE  
[00:04:18] PRESENTATION AND I'LL GO AHEAD AND HAND  
[00:04:21] IT OFF TO ANGELA TO TALK ABOUT THE  
[00:04:23] RESULTS OF THE AUDIT. THANK YOU, JOE.  
[00:04:27] NEXT SLIDE, PLEASE.  
[00:04:31] SO, AS JOE MENTIONED, WE CONDUCTED AN  
[00:04:33] ACCOUNTABILITY AUDIT THAT COVERED THE  
[00:04:35] PERIOD OF JANUARY 1 THROUGH DECEMBER 31  
[00:04:39] OF 2021. AND THE PURPOSE OF THE AUDIT IS  
[00:04:42] TO DETERMINE WHETHER THE PORT COMPLIED  
[00:04:43] WITH STATE LAWS, REGULATIONS,  
[00:04:45] CONTRACTS, AND ITS OWN POLICIES AND  
[00:04:47] PROCEDURES, AND JUST OVERALL  
[00:04:51] TAKE A LOOK AT THE PORT, WHETHER THE  
[00:04:54] PORT HAS ADEQUATE CONTROLS TO SAFEGUARD  
[00:04:56] PUBLIC RESOURCES. AND SO IN MOST OF THE  
[00:04:59] AREAS WE EXAMINED, THE PORT'S OPERATIONS  
[00:05:02] COMPLIED IN ALL MATERIAL SPECS WITH  
[00:05:04] APPLICABLE STATE LAWS, REGULATIONS AND  
[00:05:06] ITS OWN POLICIES, AND PROVIDED ADEQUATE  
[00:05:08] CONTROLS OVER SAFEGUARDING OF PUBLIC  
[00:05:10] RESOURCES. WE ALSO WANTED TO KEEP IN  
[00:05:13] MIND THAT WITH THE GENERAL AUDITING  
[00:05:17] PRACTICES, WE DO NOT EXAMINE EVERY  
[00:05:19] TRANSACTION OR ACTIVITY POLICY. SO AS A  
[00:05:22] RESULT, NO INFORMATION IS GOING TO BE  
[00:05:24] PROVIDED ON AREAS THAT WE DID NOT  
[00:05:25] EXAMINE. NEXT SLIDE,  
[00:05:29] PLEASE. SO, BASED ON OUR PLANNING  
[00:05:33] PROCEDURES, WE MUTED A RISK BASED AUDIT  
[00:05:35] APPROACH AND LISTED ON THE SLIDE ARE THE  
[00:05:37] AREAS WE EXAMINED DURING THE PERIOD.  
[00:05:41] AS YOU ALL KNOW, THE PORT HAD  
[00:05:42] EXPERIENCED A CYBER SCHEME WHICH  
[00:05:44] RESULTED IN A LOSS. SO PART OF OUR  
[00:05:46] REVIEW WAS TO GAIN AN UNDERSTANDING OF  
[00:05:48] THE CYBER LOSS EVENT, AMOUNT OF THE  
[00:05:50] KNOWN LOSSES, AND THE PORT'S CORRECTIVE  
[00:05:52] ACTIONS IN RESPONSE TO THE LOSS.  
[00:05:54] ADDITIONALLY, WE REVIEWED THE PORT'S  
[00:05:57] CONTROLS OVER EFT PAYMENTS TO VENDORS,  
[00:05:59] TO TERMINAL, WHETHER THEY ARE ADEQUATE  
[00:06:01] TO SAFEGUARD PUBLIC RESOURCES. WE DID

[00:06:04] HAVE A FINDING RECOMMENDATION IN WHICH  
[00:06:05] WE'LL DISCUSS LATER IN THE PRESENTATION.  
[00:06:09] THE NEXT AREA WE REVIEWED WAS THE PORT'S  
[00:06:12] POLICIES AND PROCEDURES OVER PUBLIC  
[00:06:14] WORKS CONTRACTS, GAINED AN UNDERSTANDING  
[00:06:17] OF INTERNAL CONTROLS AND SELECTED  
[00:06:19] CONTRACTS TO ENSURE CONTRACTS COMPLIED  
[00:06:22] WITH STATE LAW PORT POLICIES AND WERE  
[00:06:24] SUPPORTED. AND OUR AUDIT DETERMINED THE  
[00:06:27] PORT COMPLIED WITH PORT POLICIES AND  
[00:06:28] STATE LAW. NEXT AREA WE  
[00:06:32] REVIEWED WAS THE PORT'S POLICIES AND  
[00:06:33] PROCEDURES REGARDING PATCH MANAGEMENT  
[00:06:35] OVER THE PORT SOFTWARE SYSTEM AND THE  
[00:06:37] ASSOCIATED FINANCIAL APPLICATIONS, GAIN  
[00:06:41] AN UNDERSTANDING OF THEIR CONTROLS AND  
[00:06:42] SELECTED PATCHES TO TEST, AND WE  
[00:06:44] DETERMINED THE PORT'S IT SYSTEMS ARE  
[00:06:46] ADEQUATE TO SECURE AGAINST KNOWN  
[00:06:48] VULNERABILITIES AND MITIGATE RISK.  
[00:06:52] THE NEXT AREA WE REVIEWED THE PORT'S  
[00:06:54] POLICIES AND PROCEDURES OVER PROMOTIONAL  
[00:06:56] HOSTING AND RECALCULATED THE PORT'S  
[00:06:58] PROMOTIONAL HOSTING LIMIT AMOUNT  
[00:07:01] SPECIFIED BY RCW, AND WE DETERMINED THE  
[00:07:03] PORT WAS WITHIN THE PROMOTIONAL HOSTING  
[00:07:06] LIMIT. SO,  
[00:07:09] PART OF THE PLANNING STAGES OF THE  
[00:07:11] AUDIT, WHILE WE REVIEW MEETING MINUTES,  
[00:07:14] WE ALSO REVIEWED WHETHER THE PORT  
[00:07:16] COMPLIED WITH THE OPEN PUBLIC MEETINGS  
[00:07:18] ACT REQUIREMENTS, ESSENTIALLY TAKING  
[00:07:21] CREDIT FOR THE WORK THAT WE'RE DOING,  
[00:07:23] AND OUR AUDIT DETERMINED NO INSTANCES OF  
[00:07:26] NON COMPLIANCE. AND THEN  
[00:07:29] LASTLY, AS PART OF OUR ANNUAL  
[00:07:32] PROCEDURES, WE REVIEW FOR ANY INDICATORS  
[00:07:34] FOR FINANCIAL DISTRESS AND NOTED NO  
[00:07:36] ISSUES IN THE PORT'S FINANCIAL CONDITION  
[00:07:38] OR SUSTAINABILITY. SO DURING OUR  
[00:07:42] REVIEW OF THESE AUDIT AREAS, WE DID  
[00:07:44] IDENTIFY TWO OPPORTUNITIES FOR THE PORT  
[00:07:47] TO STRENGTHEN ITS INTERNAL CONTROLS AND  
[00:07:50] THE RECOMMENDATIONS WERE PROVIDED TO  
[00:07:52] MANAGEMENT FOR THEIR CONSIDERATION. BUT  
[00:07:54] AS A REMINDER, THESE EXIT ITEMS ARE  
[00:07:56] CONTROL OR COMPLIANCE ISSUES THAT ARE  
[00:07:59] INSIGNIFICANT OR HAVE AN IMMATERIAL  
[00:08:01] EFFECT.  
[00:08:04] NEXT SLIDE, PLEASE.  
[00:08:10] THANK YOU. SO, AS MENTIONED EARLIER,  
[00:08:14] WE FOLLOWED UP ON THE PORT'S EXTERNAL  
[00:08:15] CYBER LOSS. GIVEN THE AMOUNT OF THE LOSS  
[00:08:18] IN THE NUMBER OF INSTANCES OUR OFFICE  
[00:08:20] DETERMINED THE REPORTING LEVEL TO BE A  
[00:08:22] FINDING IN THIS REPORT, YOU'LL FIND  
[00:08:24] THERE ISN'T NEW INFORMATION. HOWEVER,  
[00:08:26] WOULD LIKE TO TAKE THIS OPPORTUNITY TO  
[00:08:28] GO OVER THE RECOMMENDATION IN MORE  
[00:08:29] DETAIL. AND SO FOR THOSE LOOKING IN THE  
[00:08:31] PACKET, THE RECOMMENDATION STARTS ON  
[00:08:33] PAGE EIGHT.  
[00:08:38] OVER THE LAST SEVERAL YEARS, OUR OFFICE

[00:08:40] HAS SEEN AN INCREASE OF VARIOUS TYPES OF  
[00:08:42] CYBER FRAUD, SUCH AS PHISHING OR SPEAR  
[00:08:45] PHISHING, WHICH ESSENTIALLY IS WHERE AN  
[00:08:47] EXTERNAL ACTOR CONTACTS THE GOVERNMENT  
[00:08:50] AND CONVINCES STAFF TO REDIRECT VALID  
[00:08:51] PAYMENTS TO THOSE EXTERNAL ACTORS. THIS  
[00:08:54] HAS BECOME A GROWING ISSUE STATEWIDE  
[00:08:56] THAT OUR OFFICE HAS TAKEN VERY  
[00:08:58] SERIOUSLY. SO TO SUMMARIZE THE  
[00:09:02] FINDING, THE PORT REPORTED TWO PHISHING  
[00:09:04] INCIDENTS TO OUR OFFICE. THESE INCIDENTS  
[00:09:07] RESULTED IN EIGHT PAYMENTS TO PUBLIC  
[00:09:09] FUNDS TOTALING JUST UNDER 573,000 TO  
[00:09:12] FRAUDULENT BANK ACCOUNTS. ONCE THE PORT  
[00:09:15] BECAME AWARE OF THESE LOSSES, THE  
[00:09:16] INTERNAL AUDIT DEPARTMENT AUDITED THE  
[00:09:18] EVENTS AND RELATED WEAKNESSES AND  
[00:09:20] PROVIDED RECOMMENDATIONS TO MANAGEMENT.  
[00:09:23] AND FOR OUR ACCOUNTABILITY AUDIT, WE  
[00:09:25] FOLLOWED UP ON THE EXTERNAL CYBER LOSS  
[00:09:27] BY REVIEWING THE PORT'S POLICY AND  
[00:09:29] OPERATING PROCESSES OVER ELECTRONIC  
[00:09:32] FUNDS TRANSFER OR EFT. AND ALTHOUGH  
[00:09:35] THE PORT HAS ESTABLISHED PROTOCOLS,  
[00:09:37] THERE WAS NOT ENOUGH ADEQUATE MANAGEMENT  
[00:09:38] OVERSIGHT TO ENSURE STAFF FOLLOWED THE  
[00:09:40] REQUIRED PROCEDURES. THE PORT WAS ABLE  
[00:09:43] TO RECOVER MAJORITY OF THE FUNDS, WHICH  
[00:09:46] INCLUDES THE RECOVERY FROM BANK  
[00:09:47] INSTITUTIONS AND THE PORT'S INSURANCE  
[00:09:49] POLICY. WHILE THE PORT HAS ACTIVELY BEEN  
[00:09:52] STRENGTHENING THEIR INTERNAL CONTROLS,  
[00:09:54] WE RECOMMEND THE PORT CONTINUE  
[00:09:55] STRENGTHEN THEIR CONTROLS TO ENSURE  
[00:09:58] STAFF FOLLOW VERIFICATION PROCEDURES TO  
[00:10:00] PROTECT EFT TRANSACTIONS FROM INTERNAL  
[00:10:03] AND EXTERNAL THREATS, AND PROVIDE  
[00:10:05] ADEQUATE COMMUNICATION AND TRAINING TO  
[00:10:07] STAFF ON CYBER RISK AND EFT VERIFICATION  
[00:10:11] REQUIREMENTS. AND SO FOR ALL FINDINGS,  
[00:10:15] THE OFFICE PROVIDES AN OPPORTUNITY FOR  
[00:10:17] LOCAL GOVERNMENTS TO INCLUDE THEIR  
[00:10:18] RESPONSE, WHICH YOU'LL FIND IN THE  
[00:10:20] PORT'S RESPONSES INCLUDED IN THE REPORT  
[00:10:23] THERE. LASTLY, WE WANT  
[00:10:27] TO THANK THE PORT AND APPRECIATE THE  
[00:10:29] COURT'S PORT'S COMMITMENT TO RESOLVING  
[00:10:32] THIS FINDING AND WANT TO THANK EVERYONE  
[00:10:34] FOR THEIR COOPERATION AND ASSISTANCE  
[00:10:36] DURING THE AUDIT AND PLAN TO LOOK  
[00:10:39] FORWARD TO REVIEWING THE FOLLOW UP ON  
[00:10:41] THE CORRECTIVE ACTION PLAN.  
[00:10:47] THANK YOU TO THE OFFICE OF THE  
[00:10:48] WASHINGTON STATE AUDIT TEAM FOR THE  
[00:10:50] PRESENTATION. ARE THERE ANY QUESTIONS  
[00:10:52] FOR MY COMMITTEE MEMBERS?  
[00:10:58] GREAT. SO IF THERE'S NO QUESTIONS,  
[00:11:01] WE WILL BE MOVING ON TO THE NEXT ITEM,  
[00:11:03] UNLESS MR. FERNANDEZ, I'M GUESSING  
[00:11:06] MR. RUDY KALUZA WOULD LIKE TO RESPOND TO  
[00:11:10] THE FINDINGS. SO YOU CAN STAY UP. JOE,  
[00:11:13] MAYBE RUDY, YOU WANT TO SIT UP AND MAYBE  
[00:11:15] ONE OF THE SEATS? WHOEVER?

[00:11:20] OKAY,  
[00:11:26] THANK YOU. GOOD MORNING,  
[00:11:30] MADAM CHAIR. MOHAMMED AND COMMISSIONER  
[00:11:32] CHO AND PUBLIC MEMBER AND ADVISOR  
[00:11:35] HOMESTEAD. THANK YOU SO MUCH. I'M RUDY  
[00:11:36] KALUZA, DIRECTOR OF ACCOUNTING AND  
[00:11:38] FINANCIAL REPORTING FOR THE PORT OF  
[00:11:40] SEATTLE. WE DO SINCERELY APPRECIATE THE  
[00:11:43] RIGOR AND THE WORK THAT THE STATE  
[00:11:45] AUDITOR'S OFFICE HAS PROVIDED TO THE  
[00:11:47] PORT OF SEATTLE ON THIS ISSUE HERE. I  
[00:11:50] JUST WANT TO BRIEF THE AUDIT COMMITTEE  
[00:11:53] AS WELL AS THE PUBLIC WITH REGARD TO HOW  
[00:11:56] SERIOUS THE PORT OF SEATTLE TAKES OUR  
[00:11:58] RESPONSIBILITY TO ENSURE SOUND  
[00:12:01] STEWARDSHIP OVER PUBLIC FUNDS. SO WHEN  
[00:12:05] THIS HAPPENED IN LATE 2021, MANAGEMENT  
[00:12:09] TOOK IMMEDIATE ACTION AFTER THE FRAUD  
[00:12:11] EXPERIENCE AND WE INSTITUTED RESPONSIBLE  
[00:12:14] RISK MITIGATION MEASURES AND THAT WAS  
[00:12:17] COMPLETED BY EARLY 2022 LAST YEAR. AND  
[00:12:20] THIS DOES ADDRESS THE SAO  
[00:12:23] RECOMMENDATIONS CONTAINED IN THIS YEAR'S  
[00:12:24] AUDIT. AND THE TEAM WILL FOLLOW UP TO  
[00:12:27] AFFIRM THAT WHEN THEY COME BACK WITH  
[00:12:29] THEIR AUDIT. BUT THE DETAILS WERE FULLY  
[00:12:32] SHARED DURING THE COURSE OF THE AUDIT  
[00:12:34] WITH THE STATE AUDITOR'S OFFICE IN FULL  
[00:12:36] DETAIL. WE ALSO INITIATED IMMEDIATELY  
[00:12:39] A POLICE INVESTIGATION. SO MANAGEMENT  
[00:12:41] CONTACTED PORT POLICE AND WE ASKED THAT  
[00:12:44] DETECTIVES BE ASSIGNED AND EFFECT A FULL  
[00:12:48] INVESTIGATION, AND NOT JUST OF THE  
[00:12:50] EXTERNAL CYBERCRIME ATTEMPT AGAINST THE  
[00:12:52] PORT OF SEATTLE, BUT ALSO INTERNALLY FOR  
[00:12:55] DUE DILIGENCE. AND PORT POLICE CONFIRMED  
[00:12:57] THAT THERE WAS NO IMPROPRIETIES WITHIN  
[00:13:00] OUR PORT OPERATIONS OR STAFF, BUT BEFORE  
[00:13:04] THEN THEY HANDED OVER THE INVESTIGATION  
[00:13:06] TO THE FEDERAL AUTHORITIES, BUT WORKED  
[00:13:08] IN PARTNERSHIP AS WELL. AND AS  
[00:13:11] MENTIONED, THERE WAS A LOSS, BUT WE  
[00:13:14] RECOVERED 91% OF IT IN FROZEN BANK  
[00:13:17] ACCOUNTS THROUGH THE FEDERAL AUTHORITY  
[00:13:19] ASSISTANCE, AS WELL AS THE COVERAGE  
[00:13:20] THROUGH THE CRIME INSURANCE, WHICH WAS  
[00:13:23] RELATED TO THE DEDUCTIBLE OF 25,000 PER  
[00:13:27] INCIDENT, WHICH TWO INCIDENCES WERE  
[00:13:29] INVOLVED HERE. SO THE LOSS TO THE PORT  
[00:13:31] WAS ACTUALLY \$50,000. BUT THIS REALLY  
[00:13:34] EMPHASIZES THE RESPONSIBLE APPROACH THAT  
[00:13:36] THE PORT OF SEATTLE TAKES WITH REGARD TO  
[00:13:38] WE CAN HAVE INTERNAL CONTROLS, BUT WE  
[00:13:42] ALSO RECOGNIZE THAT, AND IT'S RECOGNIZED  
[00:13:44] IN THE PROFESSIONAL AUDIT INDUSTRY,  
[00:13:46] THAT INTERNAL CONTROLS CAN ONLY PROVIDE  
[00:13:48] REASONABLE, NOT ABSOLUTE ASSURANCE  
[00:13:51] AGAINST FRAUD AND EXPOSURE LOSSES.  
[00:13:55] SO ALONG WITH INTERNAL CONTROLS IN  
[00:13:57] PLACE, THE PORT OF SEATTLE HAS A CRIME  
[00:13:59] INSURANCE POLICY IN EFFECT AND IT LIMITS  
[00:14:02] THE RISK THAT THE PORT HAS WITH REGARD  
[00:14:05] TO PUBLIC FUNDS LOST EXPOSURE, WHICH HAS

[00:14:07] REALLY PROVEN TO BE WELL SERVED IN THIS  
[00:14:10] EXPERIENCE IN TERMS IT WAS LIMITED TO  
[00:14:12] THE DEDUCTIBLE ALONG WITH THE RECOVERY  
[00:14:14] WITH THE ASSISTANCE OF THE FEDERAL  
[00:14:15] AUTHORITIES. SO THE PORT OF SEATTLE DOES  
[00:14:18] HAVE AND HAS HAD INTERNAL CONTROLS IN  
[00:14:21] PLACE, POLICY PROCEDURAL AS WELL  
[00:14:24] AS SYSTEMIC, AND THEY'RE VERY ROBUST AND  
[00:14:27] THEY HAVE EXISTED AT THE PORT OF SEATTLE  
[00:14:29] AND THEY WERE IN PLACE AT THE TIME OF  
[00:14:31] THE CYBERCRIME EXPERIENCE. AND THIS WAS  
[00:14:33] SHARED IN DETAIL AT THE STATE AUDITOR'S  
[00:14:35] OFFICE AS WELL DURING THE COURSE OF THE  
[00:14:36] AUDIT, IN FULL TRANSPARENCY. HOWEVER,  
[00:14:39] THE PORT CONTROLS IN PLACE, THEY'RE  
[00:14:41] PROVEN TO BE EFFECTIVE FOR MANY YEARS  
[00:14:44] PRIOR, UP TO THE POINT OF THAT  
[00:14:46] EXPERIENCE IN LATE 2021, UNTIL THE  
[00:14:49] IMPOSTER FRAUD AYE. THE PORT OF SEATTLE,  
[00:14:53] THIS WAS THE ONLY INSTANCE WE'VE HAD  
[00:14:55] CYBERCRIME LOSS UP TO THIS POINT OVER  
[00:14:58] THE MANY YEARS. AND SINCE THEN IT'S BEEN  
[00:15:00] 15 MONTHS. AND OUR CONTROLS HAVE PROVEN  
[00:15:02] TO BE EFFECTIVE IN THAT THERE HAVE NOT  
[00:15:04] BEEN ANY FAILURES OR LOSSES OVER THE  
[00:15:06] PAST, SINCE LATE 2021 TO DATE.  
[00:15:10] AND ACTUALLY, THE CAUSE OF THIS, WE  
[00:15:13] REALLY APPLIED DUE DILIGENCE TO REALLY  
[00:15:17] UNDERSTAND WHAT FAILED US HERE. AND SO,  
[00:15:20] DESPITE THE ROBUSTNESS OF CONTROLS IN  
[00:15:22] PLACE, THE HUMAN ELEMENT ALWAYS PLAYS A  
[00:15:24] ROLE, ALWAYS PLAYS A ROLE. AND THIS IS  
[00:15:27] WHAT HAS OCCURRED IN THIS SITUATION IN  
[00:15:31] THE 2021 CYBERCRIME EXPERIENCE. THE  
[00:15:33] AUTOMATED CLEARINGHOUSE BANK ACCOUNT  
[00:15:36] VETTING PROTOCOLS CLEARLY ARE  
[00:15:38] ESTABLISHED IN THE PORT POLICY AND  
[00:15:40] PROCEDURES. THESE WERE UNFORTUNATELY NOT  
[00:15:43] SPECIFICALLY FOLLOWED, AND IT BECAME A  
[00:15:45] POINT OF FAILURE. HOWEVER, IT WAS AN  
[00:15:47] HONEST HUMAN ERROR HERE, BUT  
[00:15:49] NEVERTHELESS, IT'S A RISK, AND WE TOOK  
[00:15:52] IMMEDIATE STEPS TO MITIGATE THAT RISK  
[00:15:53] EXPOSURE. SO WE INSTITUTED REDUNDANCY  
[00:15:57] IN OUR CONTROLS, WHERE IT REQUIRES HUMAN  
[00:16:01] INTERVENTION TO CALL THE SUPPLIERS. WE  
[00:16:04] DO IT TWICE THAT WAY. WE COVER  
[00:16:07] OURSELVES. IT'S THE ONLY WAY. AND WE  
[00:16:09] HAVE OTHER MEASURES WE HAVE INSTITUTED,  
[00:16:10] BUT WE'RE COVERING ALL BASES, SO IT DOES  
[00:16:13] NOT RECUR. AND WE HAVE PROVEN IN THE  
[00:16:14] LAST 15 MONTHS IT HAS NOT RECURRED, AND  
[00:16:17] IT WILL NOT RECUR. SO WE DID ACKNOWLEDGE  
[00:16:19] THIS ELEMENT TO BE A VULNERABILITY FOR  
[00:16:22] THE PORT OF SEATTLE ADULT, BUT ALSO WE  
[00:16:25] NEED TO MAKE SURE THAT OUR EMPLOYEES ARE  
[00:16:26] WELL TRAINED IN CYBER FRAUD TRAINING.  
[00:16:28] SO THAT'S A RECOMMENDATION STATE  
[00:16:30] AUDITORS EMPHASIZED ON AS WELL AS  
[00:16:33] INTERNAL AUDIT. SO IMMEDIATELY AFTER THE  
[00:16:36] FRAUD LOST EXPERIENCE IN 2021, TEAM  
[00:16:39] MEMBERS THAT WERE INVOLVED IN CROSS  
[00:16:41] DEPARTMENTS IN THE CYBER FRAUD

[00:16:43] EXPERIENCE WERE MANDATED TO TAKE  
[00:16:45] CYBERCRIME FRAUD EXPOSURE TRAINING,  
[00:16:48] AND IT HAS BECOME A MANDATORY ANNUAL  
[00:16:51] REFRESHER. SO FOR THIS YEAR,  
[00:16:54] THE ANNUAL REFRESHER IS SCHEDULED  
[00:16:56] ALREADY WITH INFORMATION SECURITY  
[00:16:59] DEPARTMENT ON APRIL 12 NEXT WEEK, AND  
[00:17:02] IT'LL BE A RECURRING MANDATORY  
[00:17:04] REFRESHER. AGAIN, THIS IS HOW WE'RE  
[00:17:05] ADDRESSING THE RECOMMENDATIONS OF THE  
[00:17:07] AUDIT AS WELL. SO, IN CLOSING, I JUST  
[00:17:10] WANT TO ACKNOWLEDGE THAT THE PORT OF  
[00:17:13] SEATTLE HAS BEEN VERY TRANSPARENT WITH  
[00:17:15] REGARD TO THIS UNFORTUNATE EXPERIENCE.  
[00:17:17] IMMEDIATELY WE INFORMED THE STATE  
[00:17:19] AUDITOR'S OFFICE, AS MR. JOEL SIMMONS  
[00:17:21] INDICATED, IN COMPLIANCE WITH STATE LAW,  
[00:17:24] AND THEN THE AUDIT COMMITTEE WAS FULLY  
[00:17:26] BRIEFED BY THE INTERNAL AUDIT WHEN THIS  
[00:17:29] WAS REVIEWED, VERY TIMELY AT FRONT END  
[00:17:31] OF 2022. AND THEN AGAIN, IT WAS  
[00:17:34] MENTIONED IN THE FULL PORT COMMISSION  
[00:17:36] MEETING IN DECEMBER BY INTERNAL AUDIT AS  
[00:17:39] PART OF THEIR BRIEFING TO THE COMMISSION  
[00:17:42] IN TERMS OF THE 2022 AUDITS THAT WERE  
[00:17:44] COMPLETED. AND THERE WERE LITTLE MORE  
[00:17:46] DETAILED SLIDES RELATED TO THIS. AND  
[00:17:48] AGAIN, TRANSPARENCY WITH THE STATE  
[00:17:50] AUDITOR'S OFFICE MAKING VISIBILITY TO  
[00:17:53] THIS IN THEIR 2020. THE PORT TODAY.  
[00:17:56] SO I JUST WANTED TO JUST EMPHASIZE SOME  
[00:17:58] KEY POINTS, AND I SINCERELY APPRECIATE  
[00:18:01] THE RIGOR, AGAIN THAT THE STATE  
[00:18:02] AUDITOR'S OFFICE PROVIDES TO GOVERNMENTS  
[00:18:05] IN THE STATE OF WASHINGTON. THEY BRING A  
[00:18:06] LOT OF VALUE WITH REGARD TO CONTINUOUS  
[00:18:08] PROCESS IMPROVEMENT. AND ON BEHALF OF  
[00:18:11] THE PORT OF SEATTLE, WE'LL APPRECIATE  
[00:18:12] YOUR PRESENCE, AND WE HAVE WORKED SO  
[00:18:14] WELL TOGETHER AND ACTUALLY, I'VE BEEN  
[00:18:17] HERE 23 YEARS, WORKED STATE AUDITORS  
[00:18:19] SINCE, BUT ALSO 21 YEARS BEFORE. I HAVE  
[00:18:21] 44 CAREER, 44 YEAR CAREER WORKING AT  
[00:18:24] KING COUNTY GOVERNMENT. AND WE HAVE  
[00:18:26] BUILT A VERY GOOD RELATIONSHIP HERE.  
[00:18:29] AND SO I ALSO WANT TO MENTION ONE OTHER  
[00:18:31] THING. WE FEEL VERY BADLY WITH  
[00:18:35] REGARD TO AN ACCOUNTING AND FINANCIAL  
[00:18:37] REPORTING TO RECEIVE THIS AS A FINDING,  
[00:18:40] BECAUSE WE'VE NEVER RECEIVED A FINDING  
[00:18:42] EVER FROM THE STATE AUDITOR'S OFFICE AS  
[00:18:44] IT RELATES TO ACCOUNTING, FINANCIAL  
[00:18:46] REPORTING. AND THAT SPEAKS A LOT TO THE  
[00:18:47] TEAM MEMBERS IN ACCOUNTING, FINANCIAL  
[00:18:49] REPORTING. ALL 60 OF US, THEY ARE VERY  
[00:18:52] DEDICATED AND COMMITTED TO PUBLIC FUND  
[00:18:54] STEWARDSHIP, TRANSPARENCY, AND  
[00:18:56] ACCOUNTABILITY. AND WE HAVE PROVEN THAT  
[00:18:58] THROUGH EXTERNAL REVIEW AS WELL. SO WE  
[00:19:00] DO TAKE THIS VERY SERIOUSLY. WE TOOK  
[00:19:02] IMMEDIATE ACTION TO MITIGATE THE RISKS.  
[00:19:05] AND I JUST WANT TO ASSURE THE AUDIT  
[00:19:06] COMMITTEE THAT WE'RE DOING WHAT WE

[00:19:09] SHOULD BE DOING IS PUBLIC STEWARDS WITH  
[00:19:12] REGARD TO ANY EXPOSURE MITIGATION. SO  
[00:19:14] THANK YOU SO MUCH, MADAM CHAIR.  
[00:19:18] WELL, THANK YOU FOR THAT INFORMATION.  
[00:19:20] IT IS REALLY IMPORTANT FOR THE PUBLIC TO  
[00:19:22] HEAR THAT AND THE SWIFT ACTION THAT YOUR  
[00:19:25] TEAM HAS TAKEN. I KNOW THAT SOME OF OUR  
[00:19:28] COMMITTEE MEMBERS DO HAVE SOME  
[00:19:29] QUESTIONS. I'LL KICK IT TO COMMISSIONER  
[00:19:31] CHILL FIRST. YEAH, THANK YOU. THANK YOU,  
[00:19:33] CHAIR MOHAMMED. FIRST AND FOREMOST, LET  
[00:19:35] ME JUST THANK THE TEAM FOR THEIR SWIFT  
[00:19:38] ACTION ON THIS. OBVIOUSLY, THIS HAS  
[00:19:41] BEEN AN ISSUE WITH MUNICIPALITIES,  
[00:19:45] SPECIAL PURPOSE GOVERNMENTS, STATE  
[00:19:48] GOVERNMENTS, AND QUITE FRANKLY, I'M  
[00:19:50] SURE, IN THE PRIVATE SECTOR AS WELL.  
[00:19:51] AND SO THIS PROBLEM IS NOT UNIQUE TO US.  
[00:19:54] SO I HOPE THE TEAM FINDS  
[00:19:59] A LITTLE SOLACE IN KNOWING THAT THIS IS  
[00:20:00] A WIDESPREAD PROBLEM. ONE THING THAT DID  
[00:20:03] OCCUR TO ME, AND I FULLY TRUST THAT  
[00:20:07] THE PROTOCOLS THAT WE'VE PUT IN PLACE  
[00:20:09] WILL MITIGATE THE RISKS OF THIS FROM  
[00:20:12] HAPPENING IN THE FUTURE. BUT I THOUGHT  
[00:20:15] IT WAS A LITTLE WEIRD TO BEGIN WITH THAT  
[00:20:18] THERE WAS SUCH INFORMALITY IN CHANGING  
[00:20:22] ACH BANKING AND WIRING INFORMATION TO  
[00:20:24] BEGIN WITH. FOR INSTANCE, WHEN SOMEONE  
[00:20:28] PAYS RENT, USUALLY THERE'S LIKE A PORTAL  
[00:20:29] YOU GO INTO AND THERE'S LIKE A LONG  
[00:20:32] PROCESS OF, LIKE, HERE'S TWO DEPOSITS,  
[00:20:34] AND YOU GOT TO CONFIRM THOSE TWO  
[00:20:36] DEPOSITS IN ORDER TO KNOW THAT THIS IS  
[00:20:38] THE RIGHT, CORRECT BANK ACCOUNT AND  
[00:20:41] WHATNOT. AND SO I GUESS THE QUESTION  
[00:20:43] HERE IS, HAVE WE LOOKED AT ANY SOFTWARE  
[00:20:45] PLATFORMS THAT ARE MEANT FOR  
[00:20:50] VENDORS TO GO IN THEMSELVES AND MAKE  
[00:20:53] THOSE CHANGES THAT HAVE ALL THOSE  
[00:20:56] CYBERSECURITY REQUIREMENTS? IT JUST  
[00:20:58] SEEMS A LITTLE OLD SCHOOL FOR US FOR  
[00:21:02] OUR VENDORS TO MAKE A REQUEST FOR A  
[00:21:04] CHANGE IN BANK ACCOUNT AND ROUTING  
[00:21:06] NUMBER AND THEN US TO JUST DO IT ON THE  
[00:21:08] BACK END. I WONDER IF WE'VE LOOKED INTO  
[00:21:10] ANY PLATFORMS OUT THERE THAT MIGHT HELP  
[00:21:12] US AND REMOVE THAT ELEMENT OF OUR  
[00:21:15] STAFFERS HAVING TO DO IT THEMSELVES.  
[00:21:17] THANK YOU. COMMISSIONER CHO, TO ADDRESS  
[00:21:19] ONE FIRST, I APPRECIATE YOUR  
[00:21:21] COMMISSIONER AND YOUR SUPPORT TO PORT  
[00:21:23] STAFF. WE ARE REALLY TAKING EVERY  
[00:21:26] ASPECT OF OUR JOB VERY SERIOUSLY.  
[00:21:28] NOTHING IS PERFECT. SO THANK YOU FOR  
[00:21:30] ACKNOWLEDGING THAT. WITH REGARD  
[00:21:34] TO THE PERCEPTION OF INFORMALITY,  
[00:21:37] THERE'S FORMALITY. WE HAVE SOLID  
[00:21:40] PROCEDURES IN PLACE, POLICY IN PLACE,  
[00:21:42] WE HAVE CHECKLISTS THAT YOU SHALL FOLLOW  
[00:21:44] THIS. WITH REGARD TO THE PROCESS ITSELF,  
[00:21:48] PERHAPS IT COULD BENEFIT FROM THE RIGOR  
[00:21:51] THAT YOU INDICATE AND EXPECT AND WE



[00:21:53] RESPECT AS WELL. BUT NEVERTHELESS,  
[00:21:57] THERE IS FORMALITY THERE INCLUDING  
[00:21:58] CONTROLS IN OUR SYSTEMS TO MAKE SURE,  
[00:22:01] AND I CAN GO OVER THAT IN DETAIL IN A  
[00:22:02] DIFFERENT VENUE, NOT TO PROVIDE THE  
[00:22:04] PORT'S BLUEPRINT ON CONTROLS HERE. IT'S  
[00:22:06] THE REASON WE KEPT THE RESPONSE TO A  
[00:22:07] HIGH LEVEL AND IT'S PROHIBITED BY RCW  
[00:22:11] AS ABIDE BY STATE AUDITOR'S OFFICE IN  
[00:22:13] PUBLIC SESSION. BUT ALSO WITH REGARD TO  
[00:22:16] YOUR GOOD IDEA, YOU HAD MENTIONED THIS  
[00:22:18] WHEN WE BRIEFED YOU WITH REGARD TO WHY  
[00:22:20] DON'T WE PUT THE ONUS ON THE SUPPLIERS,  
[00:22:22] WE ARE ALREADY ON THE PROCESS. WE HAVE  
[00:22:25] HAD TO RESEARCH THE MARKET TO SEE WHAT'S  
[00:22:27] AVAILABLE. THERE ARE FRONT END SYSTEMS  
[00:22:29] TO OUR FINANCIAL SYSTEMS THAT ARE  
[00:22:31] AVAILABLE IN THIS CONTEXT, AS YOU  
[00:22:33] DESCRIBE. WE ARE IN THE PROCESS RIGHT  
[00:22:36] NOW OF DEVELOPING THE SCOPE OF WORK AND  
[00:22:38] THE REQUEST FOR PROPOSAL AND WE'LL BE  
[00:22:40] LAUNCHING THIS OUT VERY SHORTLY. BUT  
[00:22:42] WHAT IT WOULD REQUIRE IS, AND THIS IS  
[00:22:43] THE INFORMALITY PERHAPS IS GATHERING THE  
[00:22:46] INFORMATION FROM SUPPLIERS AND THEN  
[00:22:48] ENTERING IN AND THE METHOD OF  
[00:22:51] COMMUNICATION IS EMAIL, WHICH IS  
[00:22:53] VULNERABLE. SO WHAT WE'RE GOING TO DO,  
[00:22:55] AND WE TOOK YOUR IDEA, COMMISSIONER CHO,  
[00:22:58] IS WE'RE GOING TO HAVE A FRONT END  
[00:22:59] SYSTEM AND WE'RE GOING TO TELL THE  
[00:23:01] SUPPLIERS YOU WANT TO DO BUSINESS WITH  
[00:23:03] THE PORT, YOU GO TO THIS ONLINE SYSTEM  
[00:23:05] AND YOU PUT IN. SO EVERYTHING THAT'S  
[00:23:07] REQUIRED OF OUR PURCHASING AGENTS TO  
[00:23:09] OBTAIN FROM THE SUPPLIERS, WE DON'T  
[00:23:11] TOUCH THAT ANYMORE. ANYTIME WE HAVE  
[00:23:13] HUMAN INTERVENTION, WE HAVE AREAS FOR  
[00:23:16] ERROR. SO IN THAT CONCEPT, WE'RE TELLING  
[00:23:18] THE CONTRACTORS TO GO TO THIS SYSTEM,  
[00:23:20] ENTER ALL THE REQUIRED INFORMATION,  
[00:23:22] INCLUDING YOUR ACH, AND THEN WE'RE GOING  
[00:23:24] TO AUGMENT THAT WITH ACH VALIDATION  
[00:23:28] VERIFICATION SERVICE WITH THE BANKS.  
[00:23:30] AND THIS IS A LOT OF CREDIT TO THE PORT  
[00:23:32] TREASURER, DIANE CAMPBELL, SUPPORTING  
[00:23:34] US, WORKING WITH THE SENIOR MANAGER  
[00:23:36] DISBURSEMENTS ELOISE OLIVAR. AND WE WILL  
[00:23:39] SOON BE EFFECTING A SUPPORT FROM US BANK  
[00:23:42] TO PROVIDE THAT BANK ACCOUNT  
[00:23:43] VERIFICATION SERVICE AS WELL. WITH  
[00:23:45] REGARD TO IS IT GOOD OR NOT OR MAYBE  
[00:23:48] WE'LL HAVE TO LOOK IN A LITTLE MORE,  
[00:23:49] BUT THERE IS GOING TO BE A LOT MORE  
[00:23:51] RIGOR. BUT IT TOOK TIME TO GET TO  
[00:23:53] CERTAIN THINGS FOR VARIOUS REASONS. BUT  
[00:23:55] WE ARE THERE THIS YEAR AND WE'RE GOING  
[00:23:57] TO GET THERE THIS YEAR ON THE BANK  
[00:23:59] ACCOUNT VERIFICATION SERVICE. WE GET  
[00:24:00] THERE VERY QUICKLY. WE'RE ALREADY  
[00:24:02] UNDERWAY WORKING OUT THE NEGOTIATIONS  
[00:24:04] WITH THE US BANK AND THEN THE OTHER WILL  
[00:24:06] GO OUT TO RFP AND THEN WE'LL BE ABLE TO

[00:24:08] IDENTIFY A SYSTEM. BUT THE GOAL AGAIN IS  
[00:24:10] TO AUGMENT IT TOGETHER SO IT HAPPENS  
[00:24:12] MORE SEAMLESS. RIGHT NOW IT'S A TWO  
[00:24:14] SEPARATE ENVIRONMENT, BUT IMPLEMENT IT  
[00:24:16] AT ASFP IN VARIOUS PIECES, BUT  
[00:24:18] ULTIMATELY, WHEN IT GRADE IT. SO THAT  
[00:24:20] DEFINITELY WILL ADDRESS WHAT YOU'RE  
[00:24:22] ASKING US. COMMISSIONER CHO, WITH REGARD  
[00:24:24] TO THIS, AND WE'RE ALREADY ON IT.  
[00:24:25] GREAT. I APPRECIATE YOU TAKING THOSE  
[00:24:27] THOUGHTS IN STRIDE. AND I JUST WANT TO  
[00:24:29] MAKE CLEAR FOR THE PUBLIC THAT I'M NOT  
[00:24:31] TRYING TO NECESSARILY PUT THE ONUS ON  
[00:24:33] ANYONE ELSE. I THINK IT'S A PARTNERSHIP  
[00:24:36] AND THE ONUS SHOULDN'T JUST BE ON US.  
[00:24:39] RIGHT. I THINK IF YOU'RE DOING  
[00:24:43] BUSINESS WITH THE PORT OF SEATTLE,  
[00:24:45] YOU'RE DOING BUSINESS WITH THE PUBLIC  
[00:24:47] SECTOR ENTITY AND YOU  
[00:24:50] SHOULD TAKE CYBERSECURITY AND ALL THESE  
[00:24:52] OTHER THINGS JUST AS SERIOUSLY AS WE DO.  
[00:24:54] AND SO I THINK HAVING BOTH  
[00:24:58] SIDES RESPONSIBLE FOR THINGS, REALLY  
[00:25:01] IMPORTANT, THINGS LIKE HOW ARE WE PAYING  
[00:25:04] PEOPLE IS REALLY IMPORTANT. SO I  
[00:25:05] APPRECIATE YOU TAKING THAT  
[00:25:07] RECOMMENDATION AND THOSE THOUGHTS AND  
[00:25:08] RUNNING WITH IT. SO I LOOK FORWARD TO  
[00:25:10] SEEING THAT BEING IMPLEMENTED. THANK  
[00:25:12] YOU. COMMISSIONER CHO, IT'S ALWAYS A  
[00:25:13] CHOICE OF WORDS, BUT DEFINITELY THE KEY  
[00:25:16] POINT HERE. AS AN ELECTED OFFICIAL,  
[00:25:19] YOU'RE PROVIDING DIRECTIVE TO STAFF TO  
[00:25:20] ENSURE THERE'S RIGOR AND DUE DILIGENCE  
[00:25:23] AND DISCIPLINE. AND THAT'S WHAT WE'RE  
[00:25:25] IMPLEMENTING HERE. AND IT DOES REQUIRE  
[00:25:26] PARTNERSHIP, BUT WE WILL ALSO HOLD OUR  
[00:25:28] CONTRACTORS ACCOUNTABLE AS WELL TO PLAY  
[00:25:31] THEIR ROLE. THANK YOU. COMMISSIONER  
[00:25:32] SHAW, I HAVE ACTUALLY A  
[00:25:36] QUICK FOLLOW UP QUESTION TO THAT. I  
[00:25:38] IMAGINE YOUR DEPARTMENT DOESN'T MANAGE  
[00:25:40] EVERY SINGLE ELECTRONIC FUND TRANSFERS,  
[00:25:43] AND SO I'M WONDERING WHAT OTHER  
[00:25:45] DEPARTMENTS ARE DOING, AND MAYBE THIS IS  
[00:25:47] FOR DIRECTOR FERNANDEZ, HAS THESE  
[00:25:50] PRACTICES HAVE BEEN STREAMLINED? I HEAR  
[00:25:52] THAT YOUR TEAM WILL BE DOING SOME NEW  
[00:25:55] TRAININGS AND GETTING SOME REFRESHMENTS.  
[00:25:57] IS THAT THE SAME FOR OTHER DEPARTMENTS  
[00:26:01] ACROSS THE ORGANIZATION? COMMISSIONER,  
[00:26:04] FIRST WE'LL TALK ABOUT TRAINING A LITTLE  
[00:26:05] BIT MORE IN NON PUBLIC SESSION. WE DID  
[00:26:07] DO HAVE A FULL AUDIT ON THAT THAT WE'LL  
[00:26:09] BRIEF YOU ON AS FAR AS OTHER TYPES OF  
[00:26:13] TRANSFERS. AND THIS  
[00:26:17] WAS ACH TRANSFERS THAT FAILED. THERE ARE  
[00:26:20] WIRE TRANSFERS THAT ARE DONE FOR LARGER  
[00:26:22] AND DIFFERENT AMOUNTS, I BELIEVE.  
[00:26:25] DID YOU GUYS LOOK AT WIRE TRANSFER  
[00:26:28] CONTROLS OR JUST ACH? NO. SO WE HAVE AN  
[00:26:31] OPPORTUNITY TO LOOK AT WIRE TRANSFER  
[00:26:32] CONTROLS AS A WHOLE, SO WE'LL PUT THAT

[00:26:35] ON THE LIST AND MOVE FORWARD. AND THERE  
[00:26:37] ARE OTHER VULNERABILITIES THAT WE ALWAYS  
[00:26:41] NEED TO BE AWARE OF AND KEEP WORKING AT  
[00:26:43] BECAUSE THE CYBERCRIMINALS KEEP GETTING  
[00:26:46] BETTER AND BETTER. AND THEN ALSO TO  
[00:26:48] COMMISSIONER CHO'S POINT,  
[00:26:52] THE FAILURE FOR THE ACH FRAUD STARTED  
[00:26:55] AND OCCURRED AT SMALL BUSINESSES AT  
[00:26:57] SEATTLE PARKS AND URBAN LEAGUES. THEIR  
[00:26:59] SYSTEMS WERE COMPROMISED FIRST, WHICH  
[00:27:01] ALLOWED THE FRAUDSTERS TO BE ABLE TO  
[00:27:03] IMPERSONATE THEM AND THEN DUPE  
[00:27:07] THE PORT THEREAFTER. SO, YES,  
[00:27:10] ABSOLUTELY. WORKING WITH SMALL  
[00:27:11] BUSINESSES AND ANY BUSINESS THAT WANTS  
[00:27:13] TO DO BUSINESS WITH THE PORT IS  
[00:27:15] IMPORTANT, CRITICAL. ABSOLUTELY NO.  
[00:27:17] THANK YOU FOR THAT ANSWER. I THINK,  
[00:27:18] LIKE YOU SAID, THESE FRAUDSTERS ARE  
[00:27:20] GETTING MORE SOPHISTICATED, WHICH IS  
[00:27:22] PROBABLY WHY WE'RE SEEING MORE OF THESE  
[00:27:24] ACTIVITIES HAPPENING TODAY. AND AS WE  
[00:27:26] USE TECHNOLOGY MORE, I THINK WE'LL SEE  
[00:27:28] MORE OF THIS. SO I THINK BEING ABLE TO  
[00:27:30] USE THIS ONE PARTICULAR SITUATION AS AN  
[00:27:33] EXAMPLE TO ENSURE THAT ALL OF OUR  
[00:27:35] CONTROLS ACROSS THE BOARD IS INTACT AND  
[00:27:38] WE'RE GETTING AHEAD OF THESE THINGS WILL  
[00:27:39] BE REALLY IMPORTANT.  
[00:27:42] SO IS THERE ANY OTHER INFORMATION THAT  
[00:27:45] WE HAVE FROM THE WASHINGTON STATE  
[00:27:47] AUDITOR'S OFFICE?  
[00:27:51] WE DO HAVE A FEW MORE SLIDES WE CAN GO  
[00:27:53] THROUGH IF WE HAVE TIME. PLEASE DO.  
[00:27:55] OKAY, SO ANOTHER THING TO BE  
[00:27:59] AWARE OF IS WE ALSO, AS A PART OF OUR  
[00:28:00] AUDIT, LOOKED AT THE PORT OF SEATTLE'S  
[00:28:02] INDUSTRIAL DEVELOPMENT CORPORATION.  
[00:28:04] THIS WAS AN ASSESSMENT AUDIT COVERING  
[00:28:06] JANUARY 1, 2019 THROUGH DECEMBER 31,  
[00:28:09] 2021. WE'RE PLEASED TO REPORT NO ISSUES  
[00:28:13] AND NO RECOMMENDATIONS DURING THAT  
[00:28:14] AUDIT, AND WE WOULD LIKE TO THANK SCOTT  
[00:28:16] FREDERICK FOR AYE. ASSISTANCE DURING THAT  
[00:28:17] AUDIT AS WELL. WE ALSO PERFORMED A  
[00:28:20] REVIEW OF THE FINANCIAL AND FEDERAL  
[00:28:21] AUDIT WORK PERFORMED BY A CPA FIRM,  
[00:28:23] WHICH WE TALK ABOUT ON THE NEXT SLIDE.  
[00:28:26] WE REVIEWED THEIR WORK AT THE START OF  
[00:28:28] THE AUDIT TO SEE IF THERE'S ANY RISK WE  
[00:28:30] CAN CONSIDER AS A PART OF OUR AUDIT AND  
[00:28:32] ALSO ANY WORK WE CAN LEVERAGE. WE ALSO  
[00:28:35] REVIEW IT TO SEE IF WE CAN ACCEPT THEIR  
[00:28:36] AUDIT AND MOVE OUR OWN AUDIT. AND WE'RE  
[00:28:38] PLEASED TO REPORT NO ISSUES WERE NOTED  
[00:28:41] DURING THAT REVIEW. AND ON THE NEXT  
[00:28:44] SLIDE, WE JUST HAVE A FEW OTHER CLOSING  
[00:28:46] REMARKS. FIRST OFF, WE'RE HAPPY TO  
[00:28:48] REPORT THAT OUR AUDIT COST IS IN  
[00:28:50] ALIGNMENT WITH OUR ORIGINAL ESTIMATE,  
[00:28:52] AND A LOT OF THAT IS DUE TO THE TIMELY  
[00:28:53] RESPONSES FROM THE PORT STAFF. SO WE  
[00:28:55] REALLY DO THANK YOU ALL FOR RESPONDING

[00:28:57] TO OUR REQUEST TIMELY. WE'VE INCLUDED AN  
[00:29:00] ESTIMATE OF THE NEXT AUDIT IN THE EXIT  
[00:29:02] PACKET FOR YOU. THAT AUDIT WILL ONCE  
[00:29:05] AGAIN BE AN ACCOUNTABILITY AUDIT.  
[00:29:08] AND ON THE NEXT SLIDE, WE EXPECT TO  
[00:29:12] PUBLISH OUR AUDIT REPORT HERE LATER  
[00:29:13] TODAY. IF YOU HAVEN'T ALREADY, YOU CAN  
[00:29:15] SIGN UP TO BE NOTIFIED VIA OUR WEBSITE.  
[00:29:18] AS A PART OF THAT, YOU CAN ALSO  
[00:29:19] SUBSCRIBE TO OTHER HELPFUL NEWSLETTERS,  
[00:29:21] TIPS, AND TRICKS THAT OUR OFFICE  
[00:29:22] PUBLISHES AND EMAILS PERIODICALLY. ONCE  
[00:29:25] WE PUBLISH THE AUDIT REPORT, WE WILL  
[00:29:27] ALSO SEND AN AUDIT SURVEY. WE REALLY  
[00:29:29] APPRECIATE ANY AND ALL FEEDBACK YOU CAN  
[00:29:30] PROVIDE TO HELP US CONTINUE TO IMPROVE  
[00:29:32] OUR AUDIT AND SERVICES. ON THE NEXT  
[00:29:35] SLIDE, WE ALSO WANT TO PARTNER WITH  
[00:29:39] GOVERNMENTS THROUGHOUT THE YEAR, NOT  
[00:29:40] JUST DURING THE AUDIT. SO WE WANT TO  
[00:29:41] MAKE SURE YOU'RE AWARE OF TWO OTHER  
[00:29:42] TEAMS OUR OFFICE HAS. THE FIRST IS A  
[00:29:44] LOCAL GOVERNMENT SUPPORT TEAM. THEY  
[00:29:46] PROVIDE TRAINING STATEWIDE YEAR ROUND  
[00:29:48] AND ALSO VIRTUAL TRAININGS TO ASSIST  
[00:29:50] GOVERNMENTS COMPLETE THEIR ANNUAL  
[00:29:52] FINANCIAL REPORT. THEY ALSO HAVE A  
[00:29:54] CLIENT PORTAL THAT INCLUDES A HELP DESK  
[00:29:56] SO YOU CAN SUBMIT ANY TECHNICAL  
[00:29:57] QUESTIONS THROUGHOUT THE YEAR. WE ALSO  
[00:30:00] HAVE THE CENTER FOR GOVERNMENT  
[00:30:01] INNOVATION, WHICH PROVIDES TRAININGS ON  
[00:30:04] PROCESS IMPROVEMENTS AND FACILITATIONS  
[00:30:05] AND LEAN PROCESSES AND IMPROVEMENTS, AS  
[00:30:08] WELL AS TEAM BUILDING WORKSHOPS. THEY  
[00:30:10] ALSO RUN THE FINANCIAL INTELLIGENCE TOOL  
[00:30:12] WHICH YOU CAN USE TO LOOK AT YOUR  
[00:30:13] FINANCIAL CONDITION IN COMPARISON TO  
[00:30:15] OTHER SIMILAR GOVERNMENTS. AND THESE  
[00:30:17] TEAMS ARE BOTH AVAILABLE AT NO  
[00:30:18] ADDITIONAL COST. AND THEN ON THE NEXT  
[00:30:21] SLIDE, I BELIEVE I'LL BE TURNING IT BACK  
[00:30:23] OVER TO ANGELA FOR A FEW LAST MINUTE  
[00:30:24] COMMENTS. THANKS, MADDIE. BEFORE WE  
[00:30:28] WRAP UP OUR PRESENTATION TODAY, WE'D  
[00:30:30] LIKE TO THANK PORT MANAGEMENT AND THEIR  
[00:30:33] OFFICIALS FOR ASSISTANCE AND COOPERATION  
[00:30:36] DURING THE AUDIT. WE SPECIFICALLY WANT  
[00:30:38] TO EXTEND OUR THANK YOU TO RUDY, GLENN,  
[00:30:42] DON AND MELANIE FOR OUR  
[00:30:46] WEEKLY MEETINGS THAT WE WOULD HAVE AND  
[00:30:47] JUST HAVE THE AUDIT RUN SMOOTHLY. AND SO  
[00:30:50] IN THE SLIDE HERE, WE WON'T MENTION  
[00:30:53] EVERYONE, BUT JUST WANTED TO GIVE  
[00:30:55] SPECIAL THANKS TO EVERYONE IN THE  
[00:30:57] DEPARTMENTS THAT HELPED US.  
[00:31:02] NEXT SLIDE, PLEASE. THANK YOU.  
[00:31:06] SO THIS CONCLUDES OUR PRESENTATION TO  
[00:31:09] THE PORT OF OUR FISCAL YEAR 2021  
[00:31:11] ACCOUNTABILITY AUDIT. AND SO WE'D LIKE  
[00:31:14] TO THANK EVERYONE AGAIN FOR THEIR TIME  
[00:31:16] FOR OUR PRESENTATION. AND AT THIS POINT,  
[00:31:19] IF THERE'S ANY ADDITIONAL QUESTIONS,

[00:31:21] FEEL FREE TO WELL,  
[00:31:26] WE THANK YOU SO MUCH FOR THIS AUDIT THAT  
[00:31:28] YOU'VE CONDUCTED AND ENSURING THAT WE  
[00:31:30] HAVE STRONG INTEGRITY IN OUR GOVERNMENT  
[00:31:33] OPERATIONS, AS WELL AS ENSURING THAT WE  
[00:31:36] ARE BEING TRANSPARENT AND ACCOUNTABLE TO  
[00:31:38] THE PUBLIC AND BEING GOOD STEWARDS OF  
[00:31:40] PUBLIC DOLLARS. SO I REALLY DO  
[00:31:42] APPRECIATE THE WORK YOU'VE DONE AND IT'S  
[00:31:44] GREAT TO HEAR THE PARTNERSHIP THAT  
[00:31:46] YOU'VE HAD WITH PORT STAFF. AND I WANT  
[00:31:49] TO ALSO EXTEND GRATITUDE TO ALL THE PORT  
[00:31:51] STAFF MEMBERS WHO'VE PARTICIPATED IN  
[00:31:53] THIS AUDIT. IS THERE ANY ADDITIONAL  
[00:31:56] INFORMATION BEFORE I TURN IT OVER? SO I  
[00:31:59] WILL TURN IT OVER TO MY COLLEAGUES. DO  
[00:32:01] YOU GUYS HAVE ANY QUESTIONS? NO  
[00:32:03] QUESTIONS. I JUST ALSO WANTED TO ECHO  
[00:32:06] THE SENTIMENTS OF GRATITUDE TOWARDS OUR  
[00:32:09] STAFF, OBVIOUSLY FOR THEIR TEAMWORK AND  
[00:32:12] COOPERATION, BUT ALSO TO THE STATE  
[00:32:14] AUDITOR'S OFFICE. REALLY APPRECIATE JOE,  
[00:32:17] MADDIE, AND ANGELA FOR ALL YOUR  
[00:32:19] GUYS' GREAT WORK. IT'S ALWAYS A PLEASURE  
[00:32:20] TO HEAR FROM YOU AND WORK WITH YOU AND  
[00:32:24] SO REALLY APPRECIATE THE PARTNERSHIP  
[00:32:26] HERE AND LOOKING FORWARD TO MORE GOING  
[00:32:27] FORWARD.  
[00:32:31] IF THERE'S NO ADDITIONAL QUESTIONS FOR  
[00:32:33] THE STATE AUDITOR'S OFFICE OR PORT  
[00:32:35] MANAGEMENT AT THIS TIME, WE'LL BE MOVING  
[00:32:37] ON TO THE NEXT TOPIC. THANK YOU.  
[00:32:45] THAT BRINGS US TO ITEM NUMBER FOUR ON  
[00:32:48] THE AGENDA, WHICH IS THE DIRECTOR'S  
[00:32:51] ANNUAL COMMUNICATION, INDEPENDENCE,  
[00:32:53] INTERNAL AUDIT, CHARTER, QUALITY  
[00:32:56] ASSURANCE AND FOLLOW UPS. GLENN, PLEASE  
[00:32:59] PROCEED WITH THE UPDATE. THANK YOU,  
[00:33:02] COMMISSIONER. AND THANK YOU, MICHELLE.  
[00:33:04] NEXT SLIDE, PLEASE. MICHELLE  
[00:33:07] COMMISSIONERS, ONE OF THE THINGS I WANT  
[00:33:09] TO START OFF BY JUST SHOWING THE PUBLIC  
[00:33:12] AND YOU OUR INTERNAL AUDIT ORGANIZATION  
[00:33:14] AND GIVING YOU A QUICK OVERVIEW. WE DO  
[00:33:17] OPERATIONAL AUDITS, WHICH WOULD BE DAN  
[00:33:19] CHASE AND TEAM AND CONCESSION AUDITS.  
[00:33:22] WE SPEND A LOT IN CAPITAL. SO SPENCER  
[00:33:24] BRIGHTON TEAM DOES A LOT OF STUFF ON THE  
[00:33:28] CAPITAL AUDITS IN THE CAPITAL FRONT AND  
[00:33:30] CONSTRUCTION SPEND AND THEN ON THE IT  
[00:33:33] SIDE AND THE CYBERSECURITY SIDE, WHICH  
[00:33:35] WE HEARD ABOUT TODAY A LITTLE EARLIER,  
[00:33:37] IT'S BRUCE KLAUSAL AND AYE. TEAM AND.  
[00:33:39] THE IMPORTANCE OF THAT IS BECOMING MORE  
[00:33:41] AND MORE EACH DAY WITH TECHNOLOGY  
[00:33:43] CHANGES. MICHELLE. NEXT SLIDE, PLEASE,  
[00:33:47] COMMISSIONER. WE FOLLOW TWO STANDARDS.  
[00:33:51] ONE ARE THE INTERNATIONAL PROFESSIONAL  
[00:33:53] PRACTICES FRAMEWORK. THEY'RE GOING TO BE  
[00:33:54] SOON CALLED THE GLOBAL INTERNAL AUDIT  
[00:33:57] STANDARDS AND WE ALSO CALL THEM THE RED  
[00:33:59] BOOK. SO IT'S A RED BOOK AND IT'S  
[00:34:01] ACCORDINGLY AN EASY WAY TO REMEMBER IT.

[00:34:03] AND THE YELLOW BOOK OVER THERE, THOSE  
[00:34:05] ARE US GOVERNMENT AUDITING STANDARDS.  
[00:34:07] SO WE FOLLOW BOTH. THE GOVERNMENT  
[00:34:10] AUDITING STANDARDS ALSO SAYS, HEY, IF  
[00:34:12] YOU'RE AN INTERNAL ORGANIZATION, IT'S  
[00:34:14] GOOD TO ALSO USE THE RED BOOK. SO WE USE  
[00:34:16] BOTH AS THEY RECOMMEND AND WE FOLLOW  
[00:34:19] BOTH. THEY'RE NOT MATERIALLY DIFFERENT,  
[00:34:21] THEY BASICALLY DRIVE YOU TO SIMILAR  
[00:34:24] THINGS, BUT SOME REQUIRE MORE SPECIFIC  
[00:34:27] ITEMS. NEXT SLIDE, PLEASE, MICHELLE.  
[00:34:31] COMMISSIONER, ONE OF THE REQUIREMENTS OF  
[00:34:33] THOSE STANDARDS IS THAT ON AN ANNUAL  
[00:34:35] BASIS I COME BACK AND I COMMUNICATE TO  
[00:34:37] YOU THAT I CONTINUE TO BE INDEPENDENT  
[00:34:41] AND I SHARE MY CHARTER WITH YOU AND THE  
[00:34:44] PUBLIC. I TALK A LITTLE BIT ABOUT OUR  
[00:34:47] QUALITY ASSURANCE PROGRAM, WHICH IS  
[00:34:49] LOOKING AT OURSELVES AND MAKING SURE  
[00:34:51] THAT WE'RE FOLLOWING THE STANDARDS AND  
[00:34:53] DOING THE RIGHT THINGS. AND THEN WHEN  
[00:34:56] YOU DO AN AUDIT, YOU ALSO WANT TO MAKE  
[00:34:57] SURE THAT THE ISSUES ARE BEING ADDRESSED  
[00:34:59] AND THE REPORT IS NOT PUT IN A SHELF AND  
[00:35:01] NOBODY FOLLOWS UP ON IT. NEXT SLIDE,  
[00:35:04] PLEASE, MICHELLE SO,  
[00:35:08] COMMISSIONERS ON OUR INDEPENDENCE  
[00:35:10] REQUIREMENT, THIS IS JUST MY STATEMENT  
[00:35:14] THAT I NEED TO MAKE PUBLICLY TO SAY THAT  
[00:35:16] WE CONTINUE TO MAINTAIN ORGANIZATIONAL  
[00:35:18] INDEPENDENCE. WE REPORT FUNCTIONALLY TO  
[00:35:20] YOU, TO THE AUDIT COMMITTEE, AND  
[00:35:22] ADMINISTRATIVELY TO THE EXECUTIVE  
[00:35:23] DIRECTOR, STEVE SO WE'RE DUAL REPORTS.  
[00:35:26] NEXT SLIDE, PLEASE, MICHELLE. THE  
[00:35:29] CHARTER IS ATTACHED TO THE  
[00:35:33] PACKET IN DETAIL, BUT ESSENTIALLY THE  
[00:35:36] INTERNAL AUDIT CHARTER FOR THE PORT OF  
[00:35:38] SEATTLE TALKS ABOUT OUR AUTHORITY AND  
[00:35:40] ACCOUNTABILITY, THE MISSION AND SCOPE OF  
[00:35:42] WHAT WE DO, OUR RESPONSIBILITY, OUR NEED  
[00:35:45] TO BE INDEPENDENT AND OBJECTIVE, WHICH  
[00:35:48] WE ARE, AND CONSTANT COMMITMENT TO  
[00:35:50] QUALITY, TO DO THE BEST AND IMPROVE  
[00:35:53] EVERY DAY AT WHAT WE DO. NEXT SLIDE,  
[00:35:56] PLEASE, MICHELLE SO  
[00:35:59] THOSE TWO BOOKS THAT I SHOWED YOU, THE  
[00:36:01] RED BOOK AND THE YELLOW BOOK, BOTH HAVE  
[00:36:04] QUALITY ASSURANCE REQUIREMENTS. THE  
[00:36:06] YELLOW BOOK, WHICH IS THE GOVERNMENT  
[00:36:07] AUDITING STANDARDS, SAYS WE NEED AN  
[00:36:10] EXTERNAL PEER REVIEW EVERY THREE YEARS.  
[00:36:13] SO AN EXTERNAL FIRM THAT'S CERTIFIED,  
[00:36:15] IT'S USUALLY ONE OF OUR PEERS, BUT THEY  
[00:36:17] HAVE TO BE CERTIFIED IN THESE PEER  
[00:36:19] REVIEWS, COMES OVER AND LOOKS AT THE  
[00:36:21] WORK WE DID. AND WE HAD ONE LAST YEAR  
[00:36:23] AND I MENTIONED THAT WE DID PASS, WHICH  
[00:36:26] IS THE HIGHEST RATING, AND THEN THE RED  
[00:36:29] BOOK REQUIRES IT EVERY FIVE YEARS. BUT  
[00:36:31] THEY ALSO REQUIRE INTERNAL QUALITY  
[00:36:34] ASSESSMENTS. AND WE HAVE  
[00:36:37] A TEAM IN HOUSE, AN INDIVIDUAL THAT'S

[00:36:40] TRAINED AND DOES THIS AND SHE LOOKS  
[00:36:42] INTERNALLY RUMI OKUMA. AND SHE ALSO  
[00:36:46] PARTNERS WITH OTHER ORGANIZATIONS AND  
[00:36:49] IT'S AN OPPORTUNITY. WELL, WHEN WE HAVE  
[00:36:52] THEM COME IN AT VIRTUALLY NO COST TO US  
[00:36:55] AND DO A PEER REVIEW, WE'VE GOT TO  
[00:36:56] RECIPROCATE AND SEND OUT STAFF SOMEWHERE  
[00:36:59] IN THE COUNTRY AT LEAST ONCE A YEAR TO  
[00:37:01] DO A PEER REVIEW OF SOMEBODY ELSE AND  
[00:37:02] ANOTHER GOVERNMENT ENTITY OR AIRPORT.  
[00:37:04] SO WE DO DO THAT AND WE'RE IN THE  
[00:37:08] PROCESS. WE WILL BE DOING INTERNAL SELF  
[00:37:11] ASSESSMENT LATER THIS YEAR. NEXT SLIDE,  
[00:37:14] PLEASE, MICHELLE. SO, OPEN ISSUE,  
[00:37:17] FOLLOW UP. WE HAVE AUDIT FINDINGS AND BE  
[00:37:21] IT ACH OR ANYTHING ELSE, THEY END UP ON  
[00:37:24] THIS CHART. THEY'RE ALL IMPORTANT IF  
[00:37:26] THEY'RE ON THIS CHART AND WE BRING THIS  
[00:37:29] TO THE COMMITTEE'S ATTENTION ON A  
[00:37:30] PERIODIC BASIS, IF IT'S  
[00:37:33] A HIGHER RISK OR MEDIUM RISK ISSUE,  
[00:37:36] IT'LL GET NOTED AND WE'LL COMMUNICATE  
[00:37:38] THAT AND WE'LL ALSO WORK WITH MANAGEMENT  
[00:37:42] TO MAKE SURE THAT THESE ARE BEING  
[00:37:43] ADDRESSED AND CLOSED OUT.  
[00:37:47] THERE HAS BEEN PROGRESS, THE NUMBERS  
[00:37:50] HAVE BEEN GOING DOWN. THEY WENT UP A  
[00:37:52] LITTLE BIT DURING COVID BUT NOW  
[00:37:55] MANAGEMENT IS ADDRESSING THE ITEMS  
[00:37:58] AND WE WERE AT 34 OPENED ITEMS LAST  
[00:38:02] QUARTER IN TOTAL. WE ADDED A FEW AND  
[00:38:04] TOOK AWAY A FEW, BUT THE NET EFFECT IS  
[00:38:06] DOWN TO 31. SO WE ARE MOVING IT TRENDING  
[00:38:08] IN THE RIGHT DIRECTION AND SAME ON THE  
[00:38:11] RIGHT HAND SIDE, OUTSTANDING ISSUES AND  
[00:38:13] TARGET DATE, THERE WAS A NET REDUCTION  
[00:38:15] OF ABOUT THREE THERE AS WELL. SO WE  
[00:38:20] DO HAVE SOME OPEN ISSUES HERE THAT I'VE  
[00:38:22] NOTED AND I'LL STOP THERE  
[00:38:26] BEFORE MOVING ON TO THE NEXT ITEM  
[00:38:28] COMMISSIONER AND TAKE ANY QUESTIONS THAT  
[00:38:31] MIGHT THIS IS ITEM FIVE, BY THE WAY.  
[00:38:35] I GUESS I KNOW THAT YOU GO OVER THIS AND  
[00:38:38] WE TALK ABOUT IT AS FAR AS OUTSTANDING  
[00:38:40] ISSUES, BUT IT STILL SEEMS LIKE, I MEAN,  
[00:38:42] ESPECIALLY WHEN YOU SEE IT GRAPHICALLY,  
[00:38:43] WE HAVE MORE OUTSTANDING,  
[00:38:47] MORE THAN TWO YEARS THAN ANYTHING ELSE  
[00:38:50] AND THAT'S JUST CONCERNING ME. AND I  
[00:38:52] KNOW WE'VE TALKED THROUGH SOME OF THESE  
[00:38:53] ON SPECIFICS AND THEY'RE WORKING THROUGH  
[00:38:56] THINGS, BUT IT JUST SEEMS LIKE THERE'S A  
[00:38:57] LOT OF WORK THAT GOES INTO THIS AND WE  
[00:38:58] STILL HAVE QUITE A FEW SITTING THERE  
[00:39:00] OUTSTANDING AND THAT'S CONCERNING TO ME.  
[00:39:02] SO I KNOW YOU SAID WITH COVID COMING OUT  
[00:39:05] OF COVID WE'RE MAKING PROGRESS AND WE'RE  
[00:39:08] NET DOWN, BUT IT STILL IS, I GUESS,  
[00:39:12] A LARGE NUMBER. SO ARE WE REGULARLY  
[00:39:15] CHECKING IN WITH THESE PEOPLE OR WHAT IS  
[00:39:17] OUR PROCESS ON YOUR GUYS' INTERNAL  
[00:39:20] PROCESS FOR FOLLOWING UP WITH THESE TO  
[00:39:21] MAKE SURE THIS PRODUCES? WELL, AS OF

[00:39:24] RIGHT NOW, WE FOLLOW UP WITH THEM ON A  
[00:39:25] QUARTERLY BASIS AND WE REPORT BACK TO  
[00:39:28] THE COMMITTEE ON A QUARTERLY BASIS.  
[00:39:31] THE ITEMS THAT YOU SEE HIGHLIGHTED  
[00:39:33] THERE, CONCOURSE CONCESSIONS, ANE AND  
[00:39:37] IT INFORMATION TECHNOLOGY  
[00:39:41] IS CLEARLY THE LARGEST AND WE'LL TALK A  
[00:39:43] LITTLE BIT MORE ABOUT THAT IN NON PUBLIC  
[00:39:45] SESSION. SOME OF THOSE ITEMS TAKE A LONG  
[00:39:48] TIME. WHEN YOU'VE GOT TO RECONFIGURE AN  
[00:39:50] AIRPORT, YOU'VE GOT ON A DISASTER  
[00:39:53] RECOVERY PLAN, FOR INSTANCE, OR  
[00:39:55] SOMETHING,  
[00:39:59] THEY'RE STILL IMPORTANT, THEY'RE STILL  
[00:40:01] UP THERE AND WE'LL GET INTO MORE  
[00:40:02] SPECIFICS ON THOSE LATER TODAY. ON THE  
[00:40:05] OTHER TWO, WE ARE PUSHING THEM,  
[00:40:09] ADDRESSING THEM ON AN E. WE DID CLOSE  
[00:40:11] OUT ONE OF THE ISSUES OVER THE LAST  
[00:40:13] QUARTER, AND WE ARE ACTIVELY WORKING  
[00:40:15] WITH CPO TO ADDRESS  
[00:40:19] THOSE. BUT I WANTED TO KNOW  
[00:40:23] ANY OTHER QUESTIONS? I HAVE A QUICK  
[00:40:26] FOLLOW UP ON THAT. I KNOW THAT YOU GUYS  
[00:40:27] ARE FOLLOWING UP WITH THESE  
[00:40:32] AGING REPORTS QUARTERLY, ON A QUARTERLY  
[00:40:35] BASIS. AND YOU DO REPORT DO YOU REPORT  
[00:40:37] EACH ONE OF THOSE TO US EVERY QUARTER?  
[00:40:40] I COME BACK TO THE AUDIT COMMITTEE.  
[00:40:42] OKAY, THAT'S REALLY HELPFUL. YOU CAN  
[00:40:44] PROCEED WITH THE PRESENTATION. AND  
[00:40:46] COMMISSIONER, THE HIGHLIGHTED ONES THAT  
[00:40:49] I'VE GOT UP HERE, THERE ARE ELEVEN  
[00:40:50] ISSUES THAT HAVE BEEN OUTSTANDING FOR  
[00:40:53] MORE THAN A YEAR FROM TARGET DATE. I'VE  
[00:40:56] KIND OF HIGHLIGHTED THOSE FOR THE  
[00:40:57] COMMISSION AND FOR THE PUBLIC. AND SOME  
[00:40:59] OF THEM, COMMISSIONER,  
[00:41:02] I'M GOING TO HAND IT BACK TO YOU BECAUSE  
[00:41:04] WE'RE GOING TO MOVE TO ITEM SIX NEXT,  
[00:41:07] AND I'M GOING TO INTRODUCE A COUPLE OF  
[00:41:10] MEMBERS OF MY TEAM. ACTUALLY, ITEM SIX  
[00:41:12] ON THE AGENDA, MICHELLE AND I CAN JUST  
[00:41:15] MOVE FORWARD IF YOU WANT TO. NEXT SLIDE,  
[00:41:17] PLEASE.  
[00:41:21] OKAY, I'LL MOVE US TO ITEM NUMBER SIX.  
[00:41:23] ON THE AGENDA IS AN UPDATE ON THE  
[00:41:25] INTERNAL OUTREACH PROJECT. GLENN,  
[00:41:28] PLEASE PROCEED WITH THE PRESENTATION.  
[00:41:31] SO, COMMISSIONER MOHAMMED, I'M GOING TO  
[00:41:33] ASK A COUPLE OF MEMBERS OF MY TEAM THAT  
[00:41:34] DID THE WORK ON THIS TO COME UP. SO RUMI  
[00:41:37] OKUMA SENIOR JOURNAL AUDITOR AND BRUCE  
[00:41:40] PLAZA ARE MANAGER OF IT AUDIT. BOTH OF  
[00:41:44] THEM HAVE  
[00:41:47] WORKED, PUT A LOT OF EFFORT IN, AND  
[00:41:50] AMAZINGLY MADE A LOT OF PROGRESS. SO I  
[00:41:52] FIGURED IT BEST THAT THEY COME UP AND  
[00:41:54] TALK ABOUT WHAT THEY'VE DONE. REMEMBER,  
[00:41:57] COMMISSIONER, THIS IS YOUR DISCUSSION  
[00:41:59] THAT YOU INITIATED ABOUT LAST YEAR ON  
[00:42:03] HOW DO WE REACH OUT TO THE PUBLIC AND  
[00:42:04] PROVIDE MORE INFORMATION AND VALUE TO



[00:42:06] THEM. AND IT'S A LARGER PROJECT BECAUSE  
[00:42:10] IT'S NOT ONLY THE WEBSITE, BUT THERE'S  
[00:42:12] MORE THAT BRUCE AND RIDICULE WILL TALK  
[00:42:13] ABOUT I'M SORRY, BRUCE AND RUMI WILL  
[00:42:15] TALK ABOUT AS WE MOVE FORWARD. SO,  
[00:42:17] RUMI, IF YOU WANT TO INTRODUCE YOURSELF  
[00:42:19] AND PROCEED. GOOD MORNING,  
[00:42:22] COMMISSIONERS AND MS. HOLMESTROM. MY  
[00:42:25] NAME IS RUMI OKUMA. AS GRAHAM MENTIONED,  
[00:42:28] WE IMMEDIATELY STARTED TAKING ACTION  
[00:42:31] AFTER THE SEPTEMBER AUDIT COMMITTEE  
[00:42:33] MEETING AND INITIATED THIS OUTREACH  
[00:42:36] PROJECT WITH TWO MAIN GOALS. FIRST GOAL  
[00:42:40] IS TO PROMOTE THE AWARENESS AND  
[00:42:43] UNDERSTANDING OF THE PORT'S INTERNAL  
[00:42:45] AUDIT PROCESS AND SIGNIFICANCE OF  
[00:42:49] INTERNAL CONTROLS AND RISK MITIGATION  
[00:42:52] THROUGH OUTREACH, EDUCATION, AND  
[00:42:55] SOCIALIZATION. SECOND GOAL IS TO  
[00:42:59] HELP SMALL ENTITIES THAT SUPPORT THAT  
[00:43:02] BUSINESS WITH AND THAT HAVE LIMITED  
[00:43:05] RESOURCES TO EDUCATE AND TRAIN THEIR  
[00:43:09] STAFF ON INTERNAL CONTROLS. AS DISPLAYED  
[00:43:13] IN THE TABLE. THIS PROJECT HAS TWO  
[00:43:16] PHASES. FIRST PHASE WAS TO  
[00:43:20] ENHANCE INTERNAL AUDITS WEBSITE, WHICH  
[00:43:23] WE COMPLETED BY THIS JANUARY.  
[00:43:26] PHASE TWO IS TO DEVELOP AND IMPLEMENT  
[00:43:30] INTERNAL CONTROLS TRAINING. THIS EFFORT  
[00:43:33] IS IN PROGRESS AND COMPLETION IS  
[00:43:36] ANTICIPATED TOWARDS THE END OF THE  
[00:43:39] SECOND QUARTER OF THIS YEAR. NOW,  
[00:43:42] BRUCE KRAUSEL, OUR IT AUDIT MANAGER,  
[00:43:45] WHO WAS THE MAIN CONTRIBUTOR TO PHASE  
[00:43:48] ONE, WILL WALK YOU THROUGH OUR ENHANCED  
[00:43:51] WEBSITE.  
[00:43:55] GOOD MORNING, EVERYONE. SO I'M BRUCE  
[00:43:57] CLAUSALL, THE PORT IT AUDIT MANAGER.  
[00:43:59] AND SO MICHELLE, NEXT SLIDE.  
[00:44:02] AND SO WE TOOK OUR WEBSITE AND MADE A  
[00:44:05] FEW CHANGES TO IT. ACTUALLY, THE FIRST  
[00:44:06] THING WE DID WAS WE UPDATED YOUR  
[00:44:07] PICTURES TO MAKE THEM MORE STANDARDIZED  
[00:44:10] WITH THE COMMISSION WEBSITE PICTURES.  
[00:44:12] WE HAD DIFFERENT PICTURES ON THERE.  
[00:44:15] SO ON THE RIGHT SIDE, WE ADDED THESE  
[00:44:17] FOUR NEW SECTIONS TO OUR WEBSITE.  
[00:44:21] THE FIRST SECTION IS  
[00:44:24] ONE THAT CONTAINS ALL OF OUR EXTERNAL  
[00:44:26] PEER REVIEWS. THE SECOND SECTION IS FOR  
[00:44:29] IT DOCUMENTS THE INTERNAL AUDIT  
[00:44:30] PROCESSES THAT WE USE. THE THIRD SECTION  
[00:44:33] IS MORE OF A GENERAL AUDIT RESOURCE  
[00:44:35] PAGE, AND THE FOURTH SECTION IS MORE OF  
[00:44:38] A CYBERSECURITY RESOURCES PAGE.  
[00:44:41] MICHELLE, NEXT SLIDE, PLEASE. SO THE  
[00:44:45] FIRST SECTION WE ADDED WAS FOR OUR  
[00:44:46] EXTERNAL PEER REVIEWS. AND SO WE HAVE  
[00:44:49] REQUIREMENTS AND OBJECTIVES ON THE PAGE.  
[00:44:50] AND BASICALLY THE EXTERNAL PEER REVIEWS  
[00:44:52] ARE THE AUDITORS BEING AUDITED. AND WE  
[00:44:56] HAVE THIS DONE EVERY THREE YEARS. AND SO  
[00:44:58] THIS PAGE KIND OF EXPLAINS WHAT GOES

[00:45:00] INTO THAT. AND IT HAS ALL THE AUDIT  
[00:45:02] DOCUMENTS THE REVIEWS FROM 2012 TO THE  
[00:45:05] LAST ONE WE HAD DONE LAST YEAR IN 2022  
[00:45:08] FOR PEOPLE TO LOOK AT AND READ.  
[00:45:10] MICHELLE, THE NEXT PAGE, THE NEXT  
[00:45:13] SECTION WE ADDED WAS FOR OUR INTERNAL  
[00:45:15] AUDIT, THE WAY WE DO OUR INTERNAL  
[00:45:18] AUDITS. BASICALLY, WE HAVE TWO KINDS OF  
[00:45:20] AUDITS. WE HAVE PERFORMANCE AUDITS AND  
[00:45:21] CONTRACT COMPLIANCE AUDITS. AND THIS  
[00:45:23] PAGE KIND OF DESCRIBES BOTH OF THEM.  
[00:45:25] AND IT ALSO INCLUDES A GRAPHIC  
[00:45:27] DESCRIPTION OF HOW WE DO EACH ONE OF  
[00:45:29] THOSE AUDIT PROCESSES. SO MICHELLE, THE  
[00:45:31] NEXT PAGE. SO HERE'S AN EXAMPLE OF  
[00:45:34] THAT GRAPHIC FOR HOW WE DO THE  
[00:45:36] PERFORMANCE AUDITS. ONCE AGAIN, IT TALKS  
[00:45:38] ABOUT WHAT IS A PERFORMANCE AUDIT,  
[00:45:39] WHAT'S IN IT FOR THE PORT STAFF. AND  
[00:45:41] THEN HERE'S, THE VARIOUS PHASES WE GO  
[00:45:43] THROUGH. THINGS BELOW THE LINE ARE KIND  
[00:45:45] OF LIKE WHAT INTERNAL AUDIT DOES. ABOVE  
[00:45:47] THE LINE IS KIND OF LIKE WHAT THE  
[00:45:48] AUDITEES DO IN ORDER TO PARTICIPATE IN  
[00:45:50] THE AUDIT. AND THAT JUST KIND OF LAYS  
[00:45:51] OUT THE PROCESS OF THOSE AUDITS.  
[00:45:53] MICHELLE, NEXT PAGE. SECOND KIND OF  
[00:45:56] AUDIT WE DO ARE THE CONTRACT COMPLIANCE  
[00:45:58] AUDITS WITH THE CONCESSIONNAIRES, A LOT  
[00:46:00] OF THEM AT THE AIRPORT. AND SO, ONCE  
[00:46:02] AGAIN, THIS TALKS ABOUT WHAT IS A  
[00:46:03] CONTRACT COMPLIANCE AUDIT AND THE STEPS  
[00:46:06] WE GO THROUGH TO COMPLETE TO COMPLETE  
[00:46:07] THE AUDITS. MICHELLE, THE NEXT PAGE.  
[00:46:12] THE THIRD AREA IS THESE ARE THE INTERNAL  
[00:46:15] AUDIT RESOURCES THAT WE USE IN ORDER TO  
[00:46:17] PERFORM OUR AUDITS. THE TOP SECTION IS  
[00:46:20] THE INTERNAL AUDIT STANDARDS THAT WE  
[00:46:21] FOLLOW. THERE ARE TWO OF THOSE, THE  
[00:46:23] INTERNATIONAL STANDARDS, WHICH IS  
[00:46:25] COMMONLY CALLED THE RED BOOK, AND THE  
[00:46:27] GOVERNMENT AUDITING STANDARDS, COMMONLY  
[00:46:28] CALLED THE YELLOW BOOK. WE FOLLOW BOTH  
[00:46:30] OF THOSE IN PERFORMING ALL OF OUR  
[00:46:31] AUDITS. AND THEN DOWN BELOW WE LIST A  
[00:46:34] LIST OF PROFESSIONAL ORGANIZATIONS THAT  
[00:46:36] WE LOOK TO TO HELP US WITH OUR AUDITS.  
[00:46:39] MICHELLE, THE NEXT PAGE. THE LAST AREA  
[00:46:42] THAT WE ADDED TO THE WEBSITE WAS A  
[00:46:43] CYBERSECURITY RESOURCES PAGE, A LOT OF  
[00:46:46] THESE WE USE AND A LOT OF THESE WOULD BE  
[00:46:48] VERY HELPFUL TO SMALL BUSINESSES.  
[00:46:51] THIS TOP SECTION, THE CENTER FOR  
[00:46:53] INTERNET SECURITY AND LIKE THE CIS  
[00:46:56] CONTROLS THAT IT SAYS THERE, THOSE ARE  
[00:46:57] THE ACTUAL 18 CONTROL AREAS THAT WE ARE  
[00:46:59] CURRENTLY DOING OUR OWN INTERNAL AUDITS  
[00:47:01] ON. WE'VE BEEN WORKING FOR FIVE YEARS,  
[00:47:03] WORKING DOWN THE LIST OF THOSE 18  
[00:47:05] CONTROL AREAS. AND THEN BELOW THAT,  
[00:47:09] WE HAVE LINKS FOR THE CYBERSECURITY AND  
[00:47:11] INFRASTRUCTURE SECURITY AGENCY. THIS IS  
[00:47:13] THE MAIN FEDERAL AGENCY FOR

[00:47:14] CYBERSECURITY. THEY'RE QUITE BIG AND  
[00:47:16] VERY HELPFUL. THEIR WEBSITE CONTAINS A  
[00:47:19] SLEW OF THINGS THAT ARE HELPFUL TO SMALL  
[00:47:20] BUSINESSES AND LARGE BUSINESSES. THEY  
[00:47:23] EVEN HAVE A SECTION OF THEIR WEBSITE  
[00:47:24] WHERE YOU CAN GO AND REQUEST THEIR  
[00:47:25] ASSISTANCE TO HELP YOU. I DON'T ACTUALLY  
[00:47:27] KNOW HOW THAT WORKS, BUT IT LOOKS GOOD.  
[00:47:30] DOWN BELOW THAT, WE HAVE THE INSTITUTE  
[00:47:31] OF NATIONAL INSTITUTE OF STANDARDS AND  
[00:47:33] TECHNOLOGY, NIST, WHICH HAS THEIR  
[00:47:35] CYBERSECURITY FRAMEWORK, WHICH ACTUALLY  
[00:47:36] IS WHAT THE PORT FOLLOWS FOR OUR MAIN  
[00:47:38] FRAMEWORK WE FOLLOW FOR OUR CONTROLS ON  
[00:47:41] THE RIGHT, WHICH IS ACTUALLY IF YOU LOOK  
[00:47:43] AT THE WEB PAGE, IT JUST CONTINUES ON  
[00:47:44] DOWN THE PAGE. WE HAVE SOME SMALL  
[00:47:46] BUSINESS EXPLOITS, THINGS THAT WE  
[00:47:48] THOUGHT WOULD BE MOST HELPFUL TO SMALL  
[00:47:50] BUSINESSES WITH CURRENTLY, LIKE THE  
[00:47:52] BUSINESS EMAIL COMPROMISE, WHICH IS WHAT  
[00:47:54] AYE. THE PORT WITH OUR ACH ISSUE LAST  
[00:47:56] YEAR. AND THEN RANSOMWARE AND THEN THE  
[00:47:58] LINKS UNDERNEATH. THOSE ARE BOTH VERY  
[00:48:00] HELPFUL LINKS TO EXPLAIN WHAT THOSE  
[00:48:01] ISSUES ARE AND KIND OF EXPLAIN WHAT YOU  
[00:48:03] CAN DO TO HELP ADDRESS THEM AND MITIGATE  
[00:48:05] THEM AND FIGHT THEM. SO THOSE ARE THE  
[00:48:08] FOUR AREAS THAT WE ADDED TO THE WEBSITE.  
[00:48:09] IF ANYBODY HAS ANY QUESTIONS, HAPPY TO  
[00:48:12] ANSWER THEM OR RUMI CAN CLOSE.  
[00:48:18] SO THE NEXT SLIDE IS RUMI IS GOING TO  
[00:48:20] TALK ABOUT PHASE TWO. YES. THANK YOU,  
[00:48:23] BRUCE. SO FOR PHASE TWO,  
[00:48:26] WE RESEARCH THE INTERNAL CONTROL  
[00:48:28] TRAINING DONE BY SOME STATE AND LOCAL  
[00:48:31] GOVERNMENT AGENCIES AS WELL AS  
[00:48:33] PROFESSIONAL ORGANIZATIONS, AND DESIGNED  
[00:48:37] OUR OWN TRAINING STRUCTURE. SO TRAINING  
[00:48:41] COMPONENTS CONSIST OF RISKS AND  
[00:48:44] CONTROLS. WHY DO WE NEED INTERNAL  
[00:48:47] CONTROLS? BUT WE WILL DISCUSS RISKS  
[00:48:50] FIRST, AS CONTROLS ARE INTENDED TO  
[00:48:53] MITIGATE RISKS. TRAINING WILL BE AN  
[00:48:57] IN PERSON LIVE SESSION WITH SLIDE  
[00:49:01] SHOW OR VIDEO USE AND HANDOUTS AND  
[00:49:05] FLYERS. OF COURSE. TRAINING, SORRY,  
[00:49:08] TARGET AUDIENCE WILL BE BOTH INTERNAL  
[00:49:11] AND EXTERNAL, INTERNALLY FOR PORT  
[00:49:14] MANAGERS AND STAFF, EXTERNALLY FOR THE  
[00:49:18] INDIVIDUALS AND PARTIES WHO ARE  
[00:49:21] INTERESTED IN THE TRAINING OR CERTAIN  
[00:49:24] TARGET AUDIENCE. IN THIS  
[00:49:27] SECOND QUARTER, WE ARE ACTUALLY  
[00:49:30] DEVELOPING TRAINING MATERIAL AND WE  
[00:49:34] ARE GOING TO COORDINATE WITH DEPARTMENTS  
[00:49:37] WHO ARE RESOURCEFUL AND INSTRUMENTAL FOR  
[00:49:40] THE PORT'S OVERALL COMMUNITY OUTREACH  
[00:49:43] EFFORTS SUCH AS HUMAN RESOURCES,  
[00:49:46] INFORMATION AND COMMUNICATION  
[00:49:49] TECHNOLOGY, AND OFFICE OF EQUITY,  
[00:49:52] DIVERSITY AND INCLUSION. SO WE ARE VERY  
[00:49:56] EXCITED ABOUT THAT. BUT PLEASE NOTE

[00:49:59] THOUGH, THAT THE PROJECT TEAM MEMBERS  
[00:50:01] ARE AUDITORS TO BEGIN WITH. SO AUDIT  
[00:50:05] COMPLETION IS OUR FIRST AND FOREMOST  
[00:50:08] PRIORITY. SO OUR PROJECT TIMELINE  
[00:50:13] MAY BE ADJUSTED AS NEEDED.  
[00:50:17] SO WE APPRECIATE ANY FEEDBACK FROM YOU  
[00:50:20] COMMISSIONERS AND MS. HOLMESTROM ON THIS  
[00:50:23] OUTREACH PROJECT. THANK YOU.  
[00:50:28] WELL, I WANT TO FIRST THANK BRUCE AND  
[00:50:30] RUMI FOR THE WORK THAT YOU'VE DONE,  
[00:50:32] THAT YOU'VE TAKEN AN IDEA AND REALLY RUN  
[00:50:35] WITH IT. IT IS THE  
[00:50:38] RESOURCES THAT YOU GUYS ARE PROVIDING TO  
[00:50:40] SMALL BUSINESSES AND EVEN GRASSROOTS  
[00:50:43] ORGANIZATIONS, NONPROFIT ORGANIZATIONS  
[00:50:45] THAT HAVE BEEN PARTNERING WITH THE PORT  
[00:50:47] THROUGH THE SOUTH KING COUNTY FUND.  
[00:50:50] THESE ARE REALLY HELPFUL INFORMATION FOR  
[00:50:52] THEM. AND I JUST THINK THAT IT'S GREAT  
[00:50:55] THAT YOU GUYS HAVE DONE THIS. AND AS FAR  
[00:50:58] AS FEEDBACK GOES, I HOPE THAT THIS WOULD  
[00:51:00] BE PROVIDED TO THEM PROACTIVELY,  
[00:51:03] WHETHER THAT IS WHEN THEY SIGN A  
[00:51:04] CONTRACT WITH US THAT THEY'RE DIRECTED  
[00:51:07] TO THIS INFORMATION. THERE ARE FOLKS  
[00:51:10] WHO END UP HAVING ISSUES  
[00:51:14] WITH AUDITS FROM AN UNINTENDED PLACE.  
[00:51:16] RIGHT. THEY DON'T KNOW THE RULES. THEY  
[00:51:18] DIDN'T PUT THE RIGHT STRUCTURES IN  
[00:51:20] PLACE. THERE ARE NEW ORGANIZATIONS  
[00:51:23] PARTNERING WITH A LARGE GOVERNMENT  
[00:51:26] ORGANIZATION LIKE OURSELVES. AND SO I  
[00:51:28] THINK IT WOULD BE HELPFUL TO MAKE SURE  
[00:51:30] THAT THEY HAVE THIS IN ADVANCE AS MUCH  
[00:51:32] AS POSSIBLE, BUT REALLY APPRECIATE THE  
[00:51:34] WORK THAT YOU HAVE DONE. ARE THERE ANY  
[00:51:36] QUESTIONS OR COMMENTS FROM OUR COMMITTEE  
[00:51:38] MEMBERS,  
[00:51:42] COMMISSIONER CHO? NO, COMMISSIONER  
[00:51:46] MOHAMMED TOOK THE WORDS RIGHT OUT OF MY  
[00:51:47] MOUTH. SO THANK YOU ALL FOR THE GREAT  
[00:51:48] WORK AND I REALLY APPRECIATE IT.  
[00:51:54] GREAT. AGAIN, THANK YOU SO MUCH. AND I'M  
[00:51:56] GOING TO MOVE US TO THE NEXT ITEM.  
[00:51:58] THANK YOU. THANKS. SO,  
[00:52:01] ITEM NUMBER SEVEN ON THE AGENDA IS AN  
[00:52:04] UPDATE ON THE 2023 AUDIT PLAN. GLENN,  
[00:52:08] YOU HAVE THE FLOOR. THANKS, MICHELLE.  
[00:52:10] COMMISSIONER, IS THIS JUST A QUICK  
[00:52:12] OVERVIEW OF OUR 2023 AUDIT PLAN FOR THE  
[00:52:16] PUBLIC THAT WAS APPROVED IN DECEMBER OF  
[00:52:18] LAST YEAR? WE'RE STILL ON TRACK AND THIS  
[00:52:21] IS A LISTING OF THE AUDITS WE'VE GOT.  
[00:52:24] NEXT SLIDE, PLEASE, MICHELLE.  
[00:52:27] THIS GANTT CHART ESSENTIALLY LISTS OUT  
[00:52:30] THE AUDITS AND SHOWS WHEN THEY'RE GOING  
[00:52:32] TO BE COMPLETED. THERE'S SOME  
[00:52:33] FLEXIBILITY HERE AND SOME CHANGES THAT  
[00:52:36] CONSTANTLY OCCUR AND FINE TUNING.  
[00:52:38] AUDITS GET MOVED BACK AND FORTH. BUT THE  
[00:52:41] GREEN ONES ARE DONE, THE YELLOW ONES ARE  
[00:52:44] IN PROGRESS. ALTHOUGH I WILL POINT OUT  
[00:52:48] THAT LOUIS DREYFUS, WHICH IS A GRAIN

[00:52:50] TERMINAL DOWN THE ROAD, IS GOING TO BE  
[00:52:52] MOVED OUT TO THE THIRD QUARTER. BUT  
[00:52:54] OTHER THAN THAT, EVERYTHING IN HERE KIND  
[00:52:56] OF PROVIDES A NICE PICTURE OF WHERE WE  
[00:52:58] STAND. AND OUR HOPE IS TO BE ABLE TO  
[00:53:00] COMPLETE EVERYTHING AND HAVE A LITTLE  
[00:53:03] CAPACITY TO TAKE ON ANY OTHER SPECIAL  
[00:53:05] REQUESTS THAT COME OUT. SO THIS  
[00:53:09] IS IT. I HAVE NOTHING MORE ON THIS  
[00:53:12] AGENDA ITEM. I WILL PASS IT BACK TO YOU  
[00:53:14] AND THEN MOVE ON TO THE NEXT AGENDA  
[00:53:16] ITEM. THANK YOU FOR THAT UPDATE. GLENN,  
[00:53:18] ARE THERE ANY QUESTIONS FROM THE  
[00:53:19] COMMITTEE MEMBERS AT THIS TIME? ALL  
[00:53:22] RIGHT, MOVE US TO THE NEXT ITEM THEN.  
[00:53:26] MOVING ON TO THE PERFORMANCE AUDITS  
[00:53:28] SECTION ON THE AGENDA. ITEM NUMBER EIGHT  
[00:53:31] BEFORE US IS A REPORT REGARDING  
[00:53:33] FISHERMAN TERMINAL. GLENN, PLEASE  
[00:53:35] PROCEED. THANK YOU, COMMISSIONER. AND  
[00:53:38] FOR THIS, I'M GOING TO ASK DAN CHASE,  
[00:53:40] WHO'S MANAGER FOR PERFORMANCE AUDITS,  
[00:53:43] TO COME UP AND JOIN ME, KENNY AND KENNY  
[00:53:46] LYLES AS WELL, AND I'LL PROVIDE A QUICK  
[00:53:49] OVERVIEW, AND WE'LL GO FROM THERE.  
[00:53:53] KENNY IS THE DIRECTOR OF MARITIME,  
[00:53:56] AND HE WILL BE PROVIDING A RESPONSE  
[00:54:03] THAT'S MARITIME OPERATIONS AND SECURITY.  
[00:54:07] THERE WE GO.  
[00:54:11] SO BEFORE I EVEN START THIS, I WANT TO  
[00:54:13] POINT OUT THAT KENNY APPROACHED US LATE  
[00:54:17] LAST YEAR, EARLY THIS YEAR IN THE  
[00:54:19] DECEMBER TIME FRAME AND REQUESTED,  
[00:54:21] NODDED AND SAID I  
[00:54:25] MIGHT HAVE SOME OPPORTUNITIES FOR  
[00:54:26] IMPROVEMENT AND CAN YOU GUYS HELP ME  
[00:54:28] OUT? SO WE DID THE WORK.  
[00:54:31] WE NOTED SOME THINGS, WHICH WE'LL TALK  
[00:54:33] ABOUT,  
[00:54:36] AND WE NOTED SOME OTHER THINGS ALSO THAT  
[00:54:38] WE'LL TALK ABOUT. BUT WE'LL MOVE FROM  
[00:54:40] THERE. GO AHEAD THEN.  
[00:54:44] OUR AUDIT INCLUDED FISHERMAN'S TERMINAL,  
[00:54:47] SALMON BAY MARINA, WHICH IS ADJACENT TO  
[00:54:49] FISHERMAN'S TERMINAL, AND THE MARITIME  
[00:54:52] INDUSTRIAL CENTER, WHICH IS ALL AT THE  
[00:54:53] SAME COMPLEX. NOW,  
[00:54:58] WE PRIMARILY WENT IN TO LOOK AT THE  
[00:55:00] BILLING PROCESSES, TO LOOK AT  
[00:55:02] SEGREGATION OF DUTIES AND THEIR  
[00:55:05] OPERATIONAL PROCEDURES. I DO WANT TO  
[00:55:09] POINT OUT THAT WE DID NOT ALL OF THIS  
[00:55:11] INFORMATION THAT STARTS IN  
[00:55:15] THE MARINA SIDE. THE MARINA MANAGEMENT  
[00:55:17] SYSTEM THEN TRANSFERS TO PEOPLESOFT,  
[00:55:19] WHICH IS OUR MAIN FINANCIAL SYSTEM. WE  
[00:55:21] DIDN'T TOUCH PEOPLESOFT, SO WE JUST  
[00:55:23] FOCUSED ON WHAT HAPPENS AT THE MARINA  
[00:55:25] AND THE MARINA MANAGEMENT SYSTEM, WHICH  
[00:55:27] IS THEIR SYSTEM. SO OUR AUDIT AND OUR  
[00:55:29] DISCUSSION WILL FOCUS ON THAT.  
[00:55:33] I ALSO WANT TO TALK ABOUT NEXT SLIDE,  
[00:55:36] PLEASE, MICHELLE. ACTUALLY, TWO SLIDES

[00:55:38] FORWARD. OKAY, THANK YOU.  
[00:55:43] I ALSO WANT TO POINT OUT THAT  
[00:55:44] FISHERMAN'S TERMINAL, IT'S A BIG MARINA  
[00:55:48] THAT INCLUDES OFFICE SPACE,  
[00:55:51] RESTAURANTS, WAREHOUSE SPACE. IT'S A  
[00:55:55] REALLY BEAUTIFUL LOCATION AND ONE OF THE  
[00:55:57] CROWN JEWELS OF THE PORT OF SEATTLE. I  
[00:56:00] LOVE WALKING OUT THERE. IT'S GOT THE  
[00:56:02] ALASKAN FISHING FLEET AS WELL AS  
[00:56:04] COMMERCIAL VESSELS. AND ONE OF THE  
[00:56:06] BEAUTIFUL ADVANTAGES OF THIS IS THAT  
[00:56:08] IT'S IN FRESH WATER. SO THAT MEANS IF  
[00:56:10] YOUR BOATS ARE OUT IN THE SALTWATER,  
[00:56:12] YOU GET BARNACLES. YOU'VE GOT TO PULL  
[00:56:14] THEM OUT EVERY TWO YEARS AND PAINT THE  
[00:56:16] BOTTOM WITH COPPER. AND IT'S VERY  
[00:56:18] CORROSIVE HERE. YOU COME THROUGH THE  
[00:56:21] LOCKS, AND FOR THE WINTER YOU CAN DOCK  
[00:56:24] YOUR BOAT THERE. WE HAVE A COMPETITIVE  
[00:56:25] ADVANTAGE THERE, AND IT'S FRESHWATER,  
[00:56:29] SO EVERYTHING DIES UNTIL YOU'RE READY TO  
[00:56:31] GO OUT THE NEXT YEAR FOR YOUR SALMON  
[00:56:33] SEASON. SALMON BAY  
[00:56:36] MARINA IS SOMETHING WE ACQUIRED  
[00:56:38] RECENTLY, I BELIEVE IT'S A COUPLE OF  
[00:56:41] YEARS AGO. AND BEFORE COVID  
[00:56:45] IT'S INSIDE THE BALLOT LOCKS RIGHT NEXT  
[00:56:47] TO A FISHERMAN'S TERMINAL. AND THEN  
[00:56:50] THERE'S THE MARINA, THE MARINE MARITIME  
[00:56:52] INDUSTRIAL CENTER, WHICH PRETTY MUCH HAS  
[00:56:55] LARGER VESSELS UP TO 76 METERS IN  
[00:56:59] LENGTH. SO YOU'LL SEE SOME REALLY LARGE  
[00:57:01] DOCK SPACE AND BIG VESSELS THAT ARE  
[00:57:03] BEING WORKED ON. AND IF THEY NEED TO  
[00:57:06] BRING THEM IN FOR WHATEVER REASON AND  
[00:57:07] WORK ON THEM, THEY'VE GOT FACILITIES  
[00:57:10] THERE RIGHT AT FISHERMAN'S TERMINAL.  
[00:57:14] NEXT SLIDE, PLEASE.  
[00:57:17] BEFORE I HAND IT OVER TO DAN, JUST TO  
[00:57:20] PROVIDE A LITTLE BACKGROUND ON  
[00:57:24] ONE OF THE THINGS WE DID IS WE WALKED  
[00:57:26] THROUGH THE TERMINAL, THE FACILITIES,  
[00:57:29] AND DID SOME VISUAL INSPECTIONS OF  
[00:57:31] EVERYTHING. IT'S JUST PART OF DOING AN  
[00:57:33] AUDIT. AND AS WE DID, WE NOTED SOME  
[00:57:37] AGING INFRASTRUCTURE AND SOME  
[00:57:42] OF THE BUILDINGS JUST HAD KIND OF TAKEN  
[00:57:46] YEARS, HAD TAKEN A TOLL ON THEM. TO PUT  
[00:57:48] IT BLUNTLY. I KNOW THERE'S A  
[00:57:51] MOTION TO REMOVE THE BANK OR APPROVED  
[00:57:55] ACTION AND THERE'S NO BANKING BUILDING  
[00:57:57] THAT WILL BE RAISED THAT WAS APPROVED IN  
[00:57:59] THE LAST COMMISSION MEETING, BUT THAT  
[00:58:01] REALLY NEEDED TO HAPPEN. AND THEN  
[00:58:04] DAN AND TEAM CAME ACROSS WHILST THEY  
[00:58:07] WERE LOOKING AT FISHERMAN'S TERMINAL,  
[00:58:10] AN ENGINEERING REPORT THAT WAS DONE AT  
[00:58:12] THE REQUEST OF MARITIME KENNY AND TEAM,  
[00:58:15] BUT IT IDENTIFIED THAT SALMON BAY  
[00:58:18] MARINA, THE ROOF, IS AT RISK OF  
[00:58:21] STRUCTURAL FAILURE, ESSENTIALLY.  
[00:58:24] AND IF THERE'S A WINDSTORM OR HEAVY  
[00:58:27] SNOWSTORM OR SOMETHING, THIS NEEDS TO BE

[00:58:29] ADDRESSED. SO FOR TRANSPARENCY, WE WANT  
[00:58:32] TO BRING IT OUT TO YOU AND JUST  
[00:58:36] POINT THAT OUT THAT MANAGEMENT IS AWARE  
[00:58:39] OF IT, THEY ASK FOR IT. BUT JUST FOR  
[00:58:42] TRANSPARENCY, THAT SOMETHING NEEDS TO BE  
[00:58:44] DONE THERE BEFORE SOMETHING HAPPENS.  
[00:58:46] SINCE THIS ENGINEERING REPORT IS OUT,  
[00:58:49] BEFORE I HAND IT OVER TO DAN TO  
[00:58:53] TALK ABOUT THE ISSUE THAT WE HAVE, ARE  
[00:58:54] THERE ANY COMMENTS AT THIS POINT OR  
[00:58:56] QUESTIONS? NO,  
[00:59:03] COMMISSIONER TELL, OR DO YOU WANT TO  
[00:59:04] HOLD? WE'LL HOLD OUR QUESTIONS TILL THE  
[00:59:06] END. SO LET'S MOVE FORWARD THEN. NEXT  
[00:59:09] SLIDE, PLEASE, MICHELLE. I ALSO WANT TO  
[00:59:12] POINT OUT JUST FOR DAN'S ISSUE THAT  
[00:59:16] HE DID THE WORK ON. IT'S A VERY  
[00:59:20] CASH BASED BUSINESS. THE FISHERMAN'S  
[00:59:22] TURBULENT. THERE'S \$3 MILLION A YEAR IN  
[00:59:25] REVENUE. A LARGE PART OF THAT IS CASH.  
[00:59:27] FISHERMEN COME OFF, THEY PAY IN CASH.  
[00:59:30] IT'S JUST THE WAY THEY OPERATE.  
[00:59:34] SO WHEN I LOOKED AT THE BANKING DATA,  
[00:59:36] YET CLEARLY IN LINE WITH WHAT THE  
[00:59:41] FOLKS AT THE TERMINALS TALKED ABOUT,  
[00:59:43] IT'S HEAVY, HEAVY, HEAVY CASH.  
[00:59:46] SALMON BAY MARINA PULLS IN ABOUT A  
[00:59:48] MILLION A YEAR AND THE MARITIME  
[00:59:51] INDUSTRIAL CENTER VARIES, BUT ABOUT  
[00:59:53] 150,000 RELATIVELY SMALLER BUT VERY  
[00:59:58] IMPORTANT THINGS. NEXT SLIDE, PLEASE,  
[01:00:00] MICHELLE. AND THEN HERE TO  
[01:00:06] LEAD INTO DAN'S PRESENTATION, THERE'S A  
[01:00:08] LOT OF ACCOUNTS PAYABLE THAT ARE OVERDUE  
[01:00:12] AND THERE'S ABOUT 900,000 OUT  
[01:00:15] THERE. WELL, HALF IS ABOUT 400 IS  
[01:00:18] CURRENT, BUT THE REST IS PAST DUE AND  
[01:00:21] NEEDS TO BE COLLECTED. AND THERE'S A  
[01:00:22] VERY MANUAL PROCESS TO THAT. AND WITH  
[01:00:24] THAT, I'LL HAND IT TO DAN TO TALK.  
[01:00:27] WELL, THANK YOU, GLENN. HELLO, AUDIT  
[01:00:29] COMMITTEE. GOOD MORNING. SEEMS LIKE I  
[01:00:31] WAS HERE A WEEK AGO AND THANKS, KENNY,  
[01:00:34] FOR BEING HERE AS WELL.  
[01:00:37] SO, YEAH, I'LL MOVE INTO THE RESULTS.  
[01:00:39] SO IF WE COULD GO TO THE NEXT SLIDE,  
[01:00:40] PLEASE. GREAT.  
[01:00:44] SO I ALSO WANT TO SHARE THE GOOD NEWS  
[01:00:47] THAT WE FOUND AS WELL. RIGHT. AND SO WE  
[01:00:49] TESTED BERTHAGE AND MOARAGE AND THAT  
[01:00:52] ACCOUNTS FOR THE MAJORITY OF THE  
[01:00:53] REVENUE. AND THIS ISN'T ON YOUR SLIDES.  
[01:00:56] IT'S ABOUT 70% OF THE FISHERMAN'S  
[01:00:58] TERMINAL REVENUE, 2.3 MILLION OUT OF  
[01:01:01] ABOUT 3.3 MILLION. SO WHAT  
[01:01:05] WE DID IS WE TESTED 60 TRANSACTIONS  
[01:01:08] WHERE WE VALIDATED THAT THE TARIFF WAS  
[01:01:11] ACCURATE, MULTIPLIED THAT BY THE LENGTH  
[01:01:13] OF THE BOAT TO GET WHAT THE MONTHLY  
[01:01:16] BILLING WAS, AND THOSE AGREED WITHOUT  
[01:01:18] EXCEPTIONS. SO THAT IS GOOD NEWS.  
[01:01:22] OUR TESTING DID IDENTIFY  
[01:01:26] SOME EXCEPTIONS TO THE ACCURACY OF

[01:01:28] AUXILIARY BILLING. THE FIRST  
[01:01:32] WAS SPACE RENTAL. WE LOOKED AT FIVE  
[01:01:35] TRANSACTIONS, AND OF THOSE FIVE  
[01:01:37] TRANSACTIONS, THERE WERE THREE THAT WE  
[01:01:39] IDENTIFIED THAT USED AN OUTDATED RATE,  
[01:01:42] WHICH RESULTED IN ABOUT A \$3,800 UNDER  
[01:01:45] BILLING. AND SO WHAT WE DID IS WE TOOK  
[01:01:48] THAT EXCEPTION RATE AND EXTRAPOLATED  
[01:01:50] THAT TO THE POPULATION IN THAT REVENUE  
[01:01:53] CATEGORY AND CAME UP WITH ABOUT 36,000  
[01:01:57] THAT WOULD HAVE BEEN UNDERBILLED. AND SO  
[01:01:59] THAT'S AN ESTIMATE MANAGEMENT  
[01:02:02] ALSO SELF DISCLOSED. AND WHAT I MEAN BY  
[01:02:05] THAT IS THEY ACTUALLY TOLD US, RIGHT,  
[01:02:07] SO WE WANT TO GIVE THEIR TEAM CREDIT FOR  
[01:02:09] THAT, THAT THE NORDBEE CONFERENCE ROOM  
[01:02:13] WAS BEING UNDERBUILT BY ABOUT \$1,700 IN  
[01:02:16] 2022. THE REASON FOR THIS  
[01:02:20] WAS BECAUSE A CUSTOMER CALLS IN AND ON  
[01:02:23] THEIR WEBSITE, IT HAS A RATE THAT  
[01:02:26] DOESN'T MATCH THE APPROVED TARIFF RATE.  
[01:02:28] RIGHT. AND SO WE WOULD HONOR WHAT THE  
[01:02:31] WEBSITE REFLECTED.  
[01:02:34] AND THEN FINALLY LET'S SEE. YEAH,  
[01:02:37] FINALLY, THAT \$900,000 OUTSTANDING  
[01:02:40] BALANCE THAT GLENN HAD TALKED ABOUT  
[01:02:42] BRIEFLY, WE DIDN'T MAKE ANY ASSESSMENT  
[01:02:46] OF WHETHER 900,000 IS HIGH OR LOW. I'M  
[01:02:49] NOT SURE. I MEAN, IT'S NORMAL TO HAVE AN  
[01:02:51] ACCOUNTS RECEIVED FULL BALANCE. WHAT WE  
[01:02:54] FOUND IS THAT THERE IS AN  
[01:02:58] INDIVIDUAL, AND WE WERE CAREFUL, WE  
[01:02:59] WANTED TO REVIEW FISHERMAN'S TERMINAL  
[01:03:02] PROCESS AND NOT AUDIT AN INDIVIDUAL.  
[01:03:04] RIGHT. SO WE REVIEWED THE PROCESS. WHAT  
[01:03:06] WE FOUND IS THAT THERE'S AN INDIVIDUAL  
[01:03:08] MANAGER THAT IS CUSTOMER FACING KIND  
[01:03:12] OF A SALES TYPE OF FUNCTION, ADVOCATING  
[01:03:15] FOR BRINGING CUSTOMERS IN, OWNERS OF  
[01:03:19] THE BOATS. THEY ALSO  
[01:03:22] PERFORM A LOT OF THE ONSITE COLLECTION  
[01:03:25] EFFORTS. AND AGAIN, WE DID NOT  
[01:03:28] REVIEW AFR'S COLLECTION PROCESS. SO  
[01:03:31] THAT'S OUTSIDE OF THIS SCOPE.  
[01:03:35] BUT THIS PERSON CAN ALSO ADJUST  
[01:03:39] BILLINGS IN MMS, THE MARINA MANAGEMENT  
[01:03:42] SYSTEM, BEFORE IT'S POSTED INTO  
[01:03:46] PEOPLESOFT. SO WHEN YOU HAVE SOMEBODY  
[01:03:49] THAT CAN COLLECT CASH, WORKING WITH  
[01:03:52] CUSTOMERS, WORKING OUT DELINQUENCY  
[01:03:56] PAYMENTS, AND THEN ALSO HAS THAT ABILITY  
[01:03:58] IN THE BILLING SYSTEM,  
[01:04:02] THERE'S OBVIOUS PROBLEMS THAT COULD  
[01:04:04] OCCUR. RIGHT. AND THAT'S KIND OF THE  
[01:04:05] WHOLE IDEA THAT KENNY AND I TALKED ABOUT  
[01:04:08] THIS AROUND, SEGREGATION OF DUTIES. YOU  
[01:04:10] DON'T WANT TO HAVE ONE PERSON BE ABLE TO  
[01:04:12] START A PROCESS FROM THE BEGINNING AND  
[01:04:14] TAKE IT ALL THE WAY TO THE END. YOU WANT  
[01:04:16] TO HAVE DIFFERENT PEOPLE DOING VARIOUS  
[01:04:18] THINGS. AND SO WHAT  
[01:04:24] WE'VE RECOMMENDED IS TO REEVALUATE HOW  
[01:04:27] THINGS ARE BEING DONE OUT THERE,



[01:04:28] INCLUDING THE SEGREGATION OF DUTIES,  
[01:04:30] INCLUDING, YOU KNOW, HAVING MANAGEMENT  
[01:04:31] REVIEW OR SOME ONE OVER ONE REVIEW WHEN  
[01:04:35] ADJUSTMENTS ARE MADE SO THAT THERE'S A  
[01:04:38] LITTLE MORE RIGOR AND SOME CHECKS AND  
[01:04:40] BALANCES IN PLACE.  
[01:04:43] THE LAST THING I'LL SAY AND THEN I KNOW  
[01:04:44] KENNY, I'LL TURN IT OVER TO YOU. I THINK  
[01:04:46] HE HAS SOME COMMENTS AS WELL. AND MAYBE  
[01:04:47] MICHELLE, COULD YOU MOVE TO THE NEXT  
[01:04:49] SLIDE, PLEASE? OH, YEAH. THANK YOU.  
[01:04:54] KENNY AND I TALKED ABOUT KIND OF  
[01:04:55] EVOLVING THE BUSINESS, RIGHT. AND IT'S  
[01:04:59] NOT UNCOMMON IN SMALL BUSINESSES THAT  
[01:05:01] YOU HAVE ONE OR TWO PEOPLE DOING LOTS OF  
[01:05:03] THINGS. RIGHT. THEY WEAR MULTIPLE HATS.  
[01:05:06] AND THIS IS KIND OF THE FEEL THAT I  
[01:05:08] THINK FISHERMAN'S TERMINAL HAS. RIGHT.  
[01:05:10] AND I THINK THEY'RE TRYING TO EVOLVE IT  
[01:05:12] TO A LITTLE TO HAVE A LITTLE MORE  
[01:05:16] RIGOR AROUND IT. RIGHT. AND SO THAT'S  
[01:05:18] KIND OF HOW I WOULD KIND OF CAPTURE  
[01:05:20] EVERYTHING THAT WE FOUND IN THE AUDIT  
[01:05:23] WITH THAT. I DON'T KNOW. GLENN, DO YOU  
[01:05:26] WANT TO ADD ANYTHING ADDITIONAL? NO, I  
[01:05:29] THINK YOU AYE. ON THE IMPORTANT THINGS.  
[01:05:30] I THINK, AS DAN SAID,  
[01:05:34] IT'S BEING RUN.  
[01:05:37] WE DIDN'T FIND ANY MISCONDUCT OR  
[01:05:39] ANYTHING, BUT IT'S BEING RUN LIKE A  
[01:05:41] SMALL BUSINESS AND THERE'S AN  
[01:05:42] OPPORTUNITY TO ENHANCE CONTROLS.  
[01:05:47] SO I'LL TURN IT BACK TO THE COMMISSIONER  
[01:05:49] OR TO KENNY IF YOU WANT TO MAKE SOME  
[01:05:51] COMMENTS. YES. THANK YOU, DAN. AND.  
[01:05:54] GOOD MORNING, CHAIRWOMAN MOHAMMED.  
[01:05:57] COMMISSIONER CHO AND MS. HOLMSTEIN.  
[01:06:02] MARITIME. AGAIN. KENNY LYLES, DIRECTOR  
[01:06:05] OF MARITIME OPERATIONS AND SECURITY.  
[01:06:08] WE ACCEPT THE FINDINGS OF THIS AUDIT AS  
[01:06:11] WELL AS THE ASSOCIATED RECOMMENDATIONS.  
[01:06:14] BASED ON THESE RECOMMENDATIONS,  
[01:06:17] COMMERCIAL FISHING WILL WORK TO CREATE A  
[01:06:19] STRUCTURE THAT WILL ACCOMPLISH A  
[01:06:22] SEGREGATION OF DUTIES TO ENSURE  
[01:06:24] INTEGRITY IN THE REVENUE MANAGEMENT  
[01:06:26] PROGRAM. AS DAN MENTIONED, I HAD  
[01:06:29] REQUESTED THIS AUDIT AND THAT WE HAD A  
[01:06:31] CHANGE IN ADMINISTRATION AT THAT  
[01:06:33] LOCATION, A NEW SENIOR MANAGER CAME ON  
[01:06:37] BOARD. THE FIRST POINT OF CUSTOMER  
[01:06:40] CONTACT WAS PROMOTED TO ANOTHER  
[01:06:43] POSITION, AND WE ARE ALSO  
[01:06:46] IN THE PROCESS OF UPGRADING OUR MARINA  
[01:06:49] DATABASE MANAGEMENT SYSTEM, OR MARINA  
[01:06:52] MANAGEMENT SYSTEM THAT DAN TALKED ABOUT.  
[01:06:55] WE'RE GOING TO MIGRATE TO MARINE VESSEL  
[01:06:58] MANAGEMENT SYSTEM MVMS, AS THE ACRONYM  
[01:07:01] SAYS. AND SO I FELT THAT THIS WAS AN  
[01:07:03] OPPORTUNE TIME TO REVIEW OUR PRACTICES  
[01:07:06] TO MAKE SURE THAT OUR HOUSE WAS IN  
[01:07:07] ORDER. SOME BACKGROUND.  
[01:07:11] IN 2002.

[01:07:15] THE PRECURSOR TO THE MARITIME DIVISION  
[01:07:17] WAS THE SEAPORT DIVISION. THE SEAPORT  
[01:07:19] DIVISION REORGANIZED, ELIMINATING A  
[01:07:22] BUSINESS MANAGER POSITION BY ONE FTE,  
[01:07:25] OR FULL TIME EQUIVALENT. SINCE THAT  
[01:07:28] TIME, ONE BUSINESS MANAGER HAS BEEN  
[01:07:30] RESPONSIBLE FOR MANAGING BILLING AND  
[01:07:32] COLLECTIONS. THE RESULTING REDUCTION IN  
[01:07:35] FINANCIAL OVERSIGHT CAN BE ATTRIBUTED TO  
[01:07:37] APPROXIMATELY 230,000 OF OVERDUE  
[01:07:41] ACCOUNTS OF 120 DAYS OR MORE YEAR  
[01:07:45] TO DATE. TO COMPOUND THIS EXPOSURE,  
[01:07:48] SHOULD THE BUSINESS MANAGER POSITION BE  
[01:07:50] VACATED FOR WHATEVER REASON,  
[01:07:53] RECORDS OF CUSTOMER COLLECTION  
[01:07:55] MANAGEMENT WOULD BE SUSCEPTIBLE TO LOSS.  
[01:07:59] MANAGEMENT IS EVALUATING WHETHER AN  
[01:08:01] ADDITIONAL POSITION IS NEEDED OR CAN BE  
[01:08:05] ACCOMMODATED WITH EXISTING STAFF TO  
[01:08:08] PROVIDE SEPARATION OF CUSTOMER INTAKE,  
[01:08:11] THAT IS, THE ASSIGNING OF MORTGAGE AND  
[01:08:12] BILLING AND TO PROVIDE REVENUE  
[01:08:16] MANAGEMENT. ACCOUNTABILITY PROCESSES  
[01:08:19] WILL ALSO BE BROUGHT UP TO DATE BY  
[01:08:22] AUTOMATING CUSTOMER ENGAGEMENT TRACKING  
[01:08:25] FOR THE COLLECTIONS PROCESS, AS WELL AS  
[01:08:28] THE INCORPORATION AND UTILIZATION OF  
[01:08:32] DASHBOARDS AS A PLATFORM AND OTHER  
[01:08:36] INFORMATION RETENTION TYPE PLATFORMS  
[01:08:39] THAT ARE AVAILABLE TO US, WHICH INCLUDES  
[01:08:42] THE NEW VESSEL MANAGEMENT SYSTEM OR  
[01:08:45] MVMS. I WOULD LIKE TO ADD THAT  
[01:08:48] I HAD MANAGED DIRECTLY  
[01:08:53] FISHERMAN'S TERMINAL FOR OVER. 15 YEARS,  
[01:08:57] ABOUT 15 YEARS BEFORE I MOVED INTO MY  
[01:09:00] CURRENT CAPACITY AND UNDERSTANDING THAT  
[01:09:03] IT IS A RETAIL OPERATION. IT'S A MOM AND  
[01:09:05] POP TYPE OF A CUSTOMER BASE WHERE  
[01:09:09] FAMILIES OPERATE KNOWN THESE  
[01:09:12] INDIVIDUAL FISHING VESSELS THAT HAVE  
[01:09:14] CREW UP TO FIVE VERSUS THE TRAWL FLEET  
[01:09:18] WILL HAVE A CREW UP TO 200. AND SO THESE  
[01:09:21] ARE SMALL BUSINESSES. IN THAT  
[01:09:24] ENVIRONMENT. IT'S ALMOST ENDEMIC THAT  
[01:09:26] YOU'RE GOING TO HAVE THIS  
[01:09:30] TYPE OF MANAGEMENT REQUIRED  
[01:09:35] TO ENSURE OUR REVENUE PROGRAM HAS  
[01:09:37] INTEGRITY. SO, HAVING SAID THAT, WE DO  
[01:09:41] ACCEPT THE FINDINGS AND THE  
[01:09:42] RECOMMENDATIONS, AND WE ARE IN PROCESS  
[01:09:44] OF TRYING TO REFINE THESE  
[01:09:48] CONCERNS. SO THANK YOU VERY MUCH.  
[01:09:54] WELL, THANK YOU FOR THE PRESENTATION,  
[01:09:55] AND THANK YOU TO THE STAFF AND  
[01:09:57] MANAGEMENT FOR PRESENTING TODAY AND  
[01:10:00] DIRECTOR KENNY LYLES. THANK YOU FOR YOUR  
[01:10:01] WORK THAT YOU DO AND APPRECIATE THE  
[01:10:04] PROACTIVE WORK THAT YOU'VE DONE  
[01:10:07] TRIGGERING THIS AUDIT AND WANTING TO  
[01:10:09] MAKE SURE THAT THERE ARE GOOD CHECKS AND  
[01:10:11] BALANCES AND GOOD SYSTEMS AS CHANGES ARE  
[01:10:14] COMING. ARE THERE ANY QUESTIONS FROM MY  
[01:10:17] COMMITTEE MEMBERS AT THIS TIME?

[01:10:21] NO QUESTIONS, BUT I ALSO WANTED TO MAKE  
[01:10:24] SURE THAT I COMMENDED YOU FOR BEING THE  
[01:10:27] ONE TO INSTIGATE AN AUDIT. I DON'T  
[01:10:28] REALLY KNOW OF ANYONE WHO ASKS FOR AN  
[01:10:30] AUDIT RIGHT WILLINGLY, BUT I ALSO  
[01:10:34] SEE THE TREMENDOUS VALUE IN THIS BECAUSE  
[01:10:35] IT GIVES YOU SOME DATA POINTS  
[01:10:39] AND I'M SURE IT CONFIRMS SOME THINGS  
[01:10:41] THAT YOU SUSPECTED ABOUT FISHERMAN'S  
[01:10:44] TERMINAL, BUT ALSO MAY HAVE UNCOVERED  
[01:10:46] THINGS THAT YOU WEREN'T AWARE OF. AND SO  
[01:10:48] I THINK THIS IS A TREMENDOUS EXAMPLE OF  
[01:10:50] OUR LEADERSHIP BEING PROACTIVE AND  
[01:10:53] UTILIZING AN INTERNAL FUNCTION AND  
[01:10:57] UNCOVERING THINGS THAT NEED TO BE  
[01:10:59] ADDRESSED IN THE MEDIUM AND LONG TERM.  
[01:11:00] AND SO I REALLY WANT TO THANK YOU FOR  
[01:11:02] THAT AND I HOPE YOUR COLLEAGUES TAKE  
[01:11:04] NOTE AND UTILIZE THIS FUNCTION FOR  
[01:11:06] THEMSELVES IN THEIR OWN DEPARTMENT. SO  
[01:11:08] THANK YOU, KENNY, FOR SETTING THAT  
[01:11:09] EXAMPLE. THANK YOU, COMMISSIONER. AND AS  
[01:11:12] WE WENT INTO THIS EXERCISE, I ENSURED MY  
[01:11:15] STAFF THAT THIS  
[01:11:18] FUNCTION, THIS EXERCISE IS ONLY GOING TO  
[01:11:20] ENHANCE OUR BUSINESS PROFILE.  
[01:11:24] IT'S NOT NECESSARILY LOOKING FOR  
[01:11:26] PUNITIVE ACTION. WE'RE LOOKING THE  
[01:11:28] SUPPORT OF OUR CENTER OF EXPERTISE HERE  
[01:11:30] IN INTERNAL AUDIT. I'LL JUST SAY THAT,  
[01:11:34] KENNY'S, I'VE AUDITED YOU SEVERAL TIMES  
[01:11:36] RIGHT NOW. RIGHT. AND IT'S GOOD THAT  
[01:11:38] HE'S REACHING OUT TO US. WHAT WE'RE  
[01:11:41] DOING IS WE'VE ACTUALLY ASKED FOR  
[01:11:43] FEEDBACK AS WELL FOR HOW THEY EXPERIENCE  
[01:11:46] THE AUDIT SO THAT WE CAN IMPROVE AS  
[01:11:49] WELL, SO THEY GET A CHANCE TO AUDIT US  
[01:11:51] BACK. I DID WANT TO JUST RECOGNIZE  
[01:11:55] NICOLE WE,  
[01:11:58] SO SHE'S NEW AND SHE ACTUALLY PERFORMED  
[01:12:00] THE TESTING ON THIS AUDIT, SO SHE  
[01:12:02] DESERVES A LOT OF THE CREDIT. SO  
[01:12:03] WELCOME.  
[01:12:06] THANK YOU, NICOLE, FOR THE WORK YOU'VE  
[01:12:08] DONE. SARAH? YEAH.  
[01:12:11] OKAY. I HAVE SEVERAL QUESTIONS. I WANTED  
[01:12:14] TO FOLLOW UP ON A COUPLE OF THE  
[01:12:15] MANAGEMENT RESPONSE COMMENTS YOU MADE TO  
[01:12:17] MAKE SURE I UNDERSTAND. SO SINCE 2002,  
[01:12:20] THERE'S BEEN ONE PERSON THAT'S THE  
[01:12:22] BUSINESS MANAGER OVER THIS, IS THAT  
[01:12:24] CORRECT? DID I UNDERSTAND THAT? WELL,  
[01:12:26] WE HAVE A TEAM OF THREE AND HOWEVER,  
[01:12:30] THE BUSINESS MANAGER IS ULTIMATELY  
[01:12:33] ACCOUNTABLE FOR ALL BUSINESS PRACTICES.  
[01:12:35] SO THAT INDIVIDUAL OVERSEES THE INTAKE  
[01:12:38] PERSON, THE CUSTOMER SERVICE SPECIALIST,  
[01:12:40] AS WELL AS THE MORTGAGE COORDINATOR THAT  
[01:12:43] PERFORMS ALL THE ASSIGNMENTS. HOWEVER,  
[01:12:46] THE BUSINESS MANAGER IS RESPONSIBLE IN  
[01:12:50] CONJUNCTION WITH OUR ACCOUNTING AND  
[01:12:53] FINANCIAL SERVICES REPRESENTATIVE IN  
[01:12:57] TRACKING DELINQUENT ACCOUNTS AND TRYING

[01:13:02] TO GET PAYMENT FROM THESE ACCOUNTS.  
[01:13:05] IT'S A TEAM EFFORT. HOWEVER, ONE  
[01:13:08] INDIVIDUAL OVERSEES THIS CUSTOMER  
[01:13:10] ENGAGEMENT, THAT IS REACHING OUT TO  
[01:13:13] CUSTOMERS, BILL COLLECTING THOSE TYPES  
[01:13:16] OF FUNCTIONS. SO WHEN YOU SAID THAT IF  
[01:13:19] THAT POSITION WERE TO BE VACATED, WE'D  
[01:13:22] BE SUSCEPTIBLE TO LOSS OF, LIKE, THE  
[01:13:24] ACCOUNT, CAN YOU EXPLAIN WHAT YOU MEANT  
[01:13:26] BY THAT? YES, AND NOT ACCOUNTS.  
[01:13:28] HOWEVER, CUSTOMER ENGAGEMENT, FOR  
[01:13:30] EXAMPLE, THE NUMBER OF ENGAGEMENTS THAT  
[01:13:34] THIS MANAGER WILL HAVE DONE IN REGARDS  
[01:13:37] TO REACHING OUT TO A CUSTOMER FOR  
[01:13:38] PAYMENT, THE CONVERSATIONS WHEN  
[01:13:42] THEY OCCURRED, WHAT CONSISTED OF THE  
[01:13:45] OUTREACH, THAT TYPE OF INFORMATION IS  
[01:13:51] NOW BEING RETAINED IN AN ANTIQUATED WAY.  
[01:13:55] NOTEBOOKS, HANDWRITTEN NOTES.  
[01:13:58] WE NEED TO AUTOMATE THAT.  
[01:14:01] THAT'S NOT SUSTAINABLE. AND IS  
[01:14:04] THAT PART OF A SYSTEM OR I KNOW YOU  
[01:14:07] NOTICE NOTE PROCESSES AND REPORTING  
[01:14:09] SYSTEM. IS THERE A SYSTEM YOU'RE LOOKING  
[01:14:10] AT THEN, TO START DOING THAT? IS THAT  
[01:14:13] THE PLAN? YES. WE ARE IN THE PROCESS OF  
[01:14:15] UPGRADING OUR MARINA DATABASE.  
[01:14:18] MARINA VESSEL MANAGEMENT, MARINE VESSEL  
[01:14:21] MANAGEMENT SYSTEM, MVMS. CURRENTLY WE  
[01:14:25] HAVE MMS, WHICH WE ARE ABLE TO PUT NOTES  
[01:14:27] IN. HOWEVER, THERE ARE VARIOUS PLATFORMS  
[01:14:31] THAT CAN BE UTILIZED. EXCEL IS A BASIC  
[01:14:34] PLATFORM THAT CAN BE UTILIZED, AND WE  
[01:14:36] ARE TRYING TO FORMALIZE THESE PROCESSES  
[01:14:40] THROUGH STANDARD OPERATING PROCEDURES.  
[01:14:44] OKAY, THANKS FOR THAT CONTEXT. I WANT TO  
[01:14:47] GO BACK TO JUST THE REVENUE BREAKDOWN  
[01:14:49] AND JUST LIKE, I GUESS, A FUNDAMENTAL  
[01:14:52] THOUGHT AROUND THE AMOUNT OF CASH  
[01:14:54] FLOWING THROUGH THIS. SO I UNDERSTAND  
[01:14:56] KIND OF WHAT YOU'RE SAYING OF THIS IS A  
[01:14:58] CASH HEAVY BUSINESS AND THAT'S KIND OF  
[01:15:01] WHAT PEOPLE ARE USED TO. BUT WITH  
[01:15:04] MILLIONS OF DOLLARS FLOWING, NO MATTER  
[01:15:07] WHAT CONTROLS YOU PUT IN PLACE, LIKE  
[01:15:09] EVERYONE KNOWS, CASH IS EXTREMELY RISKY.  
[01:15:10] NO MATTER YOU HAVE THE BEST INTERNAL  
[01:15:12] CONTROLS IN THE WORLD, CASH CAN GO  
[01:15:14] MISSING. IT'S JUST HIGH RISK. SO IS  
[01:15:17] THERE ANY KIND OF EFFORT OR THOUGHT  
[01:15:18] ABOUT OVER TIME TRYING TO CHANGE THE  
[01:15:20] PROCESS SO THAT PEOPLE KNOW, HEY, WHEN  
[01:15:23] YOU COME HERE, YOU'RE GOING TO NEED A  
[01:15:24] CARD TO PAY? I UNDERSTAND THAT'S NOT  
[01:15:26] GOING TO BE AN OVERNIGHT PROCESS, BUT I  
[01:15:28] THINK IT'S DEFINITELY SOMETHING WE  
[01:15:29] SHOULD START PROACTIVELY LOOKING AT,  
[01:15:31] BECAUSE I WOULD EXPECT THESE NUMBERS ARE  
[01:15:33] ONLY GOING TO GO UP AND THE RISK IS NOT  
[01:15:35] GOING TO GO DOWN. AND THE MORE MONEY  
[01:15:36] THERE IS, THE MORE CHALLENGE  
[01:15:40] THERE IS AROUND IT. THANK YOU. THAT IS  
[01:15:43] SOMETHING WE RECOGNIZE. WE HAVE

[01:15:44] CONTINUALLY OVER THE LAST 15 YEARS  
[01:15:46] TRYING TO MIGRATE OUR CUSTOMER BASE INTO  
[01:15:49] MORE ELECTRONIC TRANSACTIONS.  
[01:15:52] HOWEVER, KEEP IN MIND OR BE MINDFUL THAT  
[01:15:54] THIS IS A LEGACY INDUSTRY. HERE THE  
[01:15:57] SMALL BOAT FISHER, THE INDEPENDENT  
[01:16:00] FISHER, AND IT'S NOT  
[01:16:03] NECESSARILY A MILLION DOLLARS CASH  
[01:16:05] COMING THROUGH OUR CUSTOMER  
[01:16:09] SERVICE FUNCTION, PASSING OVER OUR  
[01:16:12] COUNTERS, I SHOULD SAY. BUT WE DO HAVE  
[01:16:14] THOSE CUSTOMERS THAT DO PREFER TO PAY  
[01:16:16] CASH. IT'S KIND OF LIKE YOUR TRADITIONAL  
[01:16:19] FARMER. WHEN THE CROPS COME IN, THEY  
[01:16:22] HAVE A POCKET FULL OF MONEY, THEY GO AND  
[01:16:24] THEY PAY THEIR DEBTORS IN CASH. AND  
[01:16:27] WE'RE TRYING TO MOVE ALL OF OUR CUSTOMER  
[01:16:30] BASE TO ELECTRONIC TRANSACTIONS. THE  
[01:16:32] MAJORITY OF OUR CUSTOMERS ARE UTILIZING  
[01:16:35] ELECTRONIC TRANSACTIONS. THERE ARE,  
[01:16:37] HOWEVER, SOME LEGACY PRACTICES THAT WE  
[01:16:40] STILL HAVE TO HONOR.  
[01:16:45] OKAY. AND I  
[01:16:49] KNOW, GLENN, YOU KIND OF GOT ME SOME OF  
[01:16:51] THIS INFORMATION, BUT IT WAS HARD TO  
[01:16:53] TELL. I WOULD BE CURIOUS HOW MUCH OF IT  
[01:16:56] IS IN CASH. AND AGAIN, JUST  
[01:16:58] FUNDAMENTALLY KNOWING THAT HOW  
[01:17:03] HIGH THE RISK IS AND UNDERSTANDING WE  
[01:17:05] CAN'T DO IT OVERNIGHT, BUT STILL  
[01:17:07] CHALLENGING TO SAY, HEY, THIS IS GOING  
[01:17:10] TO BE OUR PROCESS GOING FORWARD. I'VE  
[01:17:12] SEEN THAT A LOT OF COMPANIES OR, HEY,  
[01:17:13] WE'RE NOT GOING TO ACCEPT PERSONAL  
[01:17:14] CHECKS FROM THIS DATE ON OR SOMETHING  
[01:17:16] LIKE THAT, WE OBVIOUSLY WOULDN'T SPRING  
[01:17:19] THAT ON THEM TOMORROW. BUT I THINK IF WE  
[01:17:20] MOVE IN THAT DIRECTION, IT HELPS THE  
[01:17:23] PEOPLE THAT ARE THIS BUSINESS MANAGER  
[01:17:25] AND ALL THE PEOPLE INVOLVED. IT'S MUCH  
[01:17:27] BETTER PROTECTION FOR THEM AS WELL AS  
[01:17:29] THE ORGANIZATION. IF I MAY, AT OUR MOST  
[01:17:33] RECENT, AT OUR PREVIOUS AUDIT, THAT WAS  
[01:17:35] ONE OF THE ITEMS THAT WAS IDENTIFIED AND  
[01:17:38] WE CAME UP WITH A STANDARD OPERATING  
[01:17:40] PROCEDURE TO ACCOUNT FOR THAT CASH  
[01:17:42] TRANSACTION AND THE DEPOSITING OF CASH  
[01:17:45] CHECKS, THINGS OF THAT NATURE.  
[01:17:49] AND SARAH, WE'LL GET BACK TO YOU ON HOW  
[01:17:51] MUCH OF IT IS IN CASH, THE EXACT  
[01:17:54] NUMBERS, BEST OF OUR ABILITY, AND  
[01:17:57] ANYTHING FURTHER WE CAN DISCUSS WITH  
[01:18:00] KENNY. AND WE HAD THIS DISCUSSION AS  
[01:18:02] WELL WITH SOME FOLKS OUT THERE  
[01:18:04] ADVOCATING FOR LESS CASH AND MORE CREDIT  
[01:18:07] CARD. AND IT'S CONSISTENT WITH WHAT  
[01:18:10] KENNY IS SAYING. THE INDUSTRY IS VERY  
[01:18:12] CASH HEAVY. THAT'S KIND OF THE NATURE OF  
[01:18:15] IT. BUT I DO THINK IT'S A GOOD IDEA TO  
[01:18:16] KIND OF EXPLORE THE IDEA OF MOVING AWAY  
[01:18:19] FROM CASH BECAUSE IT IS INHERENTLY  
[01:18:20] RISKY.  
[01:18:27] THANK YOU BOTH FOR THOSE QUESTIONS. I

[01:18:29] HAD A COUPLE OF QUESTIONS MYSELF AND I'M  
[01:18:32] ACTUALLY LOOKING FORWARD TO HEARING HOW  
[01:18:34] MUCH OF THE DOLLARS ARE IN CASH. AND  
[01:18:35] SARAH, THANK YOU SPECIFICALLY FOR ASKING  
[01:18:38] THE QUESTIONS THAT YOU DID. I HAD A  
[01:18:41] COUPLE OF QUESTIONS REGARDING THE  
[01:18:44] ENGINEERS ASSESSMENT, RISK REPORT AND  
[01:18:48] THE ROOFING OF THE SALMON BAY MARINA.  
[01:18:51] DO YOU KNOW, GLENN, EXACTLY WHAT IS  
[01:18:53] GOING TO HAPPEN WITH THAT FACILITY?  
[01:18:57] KENNY, MAYBE YOU CAN THE PORT OF JUST  
[01:19:00] THE STRATEGY FOR THAT BUILDING MOVING  
[01:19:02] FORWARD. AND I KNOW WE'VE TAKEN  
[01:19:04] COMMISSION ACTION, BUT FOR THE SHORT  
[01:19:06] TERM, I WANT TO UNDERSTAND WHAT  
[01:19:09] PROTECTIONS WE'RE PUTTING IN PLACE TO  
[01:19:10] ENSURE THAT NO ONE IS HARMED THERE.  
[01:19:13] RIGHT. THANK YOU, COMMISSIONER.  
[01:19:18] AS GLENN MENTIONED, WE RECENTLY  
[01:19:20] COMPLETED AN ENGINEERING ASSESSMENT. IT  
[01:19:22] WAS IDENTIFIED THAT IT IS VULNERABLE.  
[01:19:26] WE ARE JUST NOW STARTING THE WELL,  
[01:19:29] WE JUST COMPLETED THE PLANNING AND  
[01:19:31] ENGINEERING ASSESSMENT. WE'RE JUST NOW  
[01:19:33] GOING INTO OUR CAPITAL PLANNING SEASON  
[01:19:36] AND WE WILL BE IDENTIFYING THIS AS A  
[01:19:39] VULNERABLE ASSET THAT WE  
[01:19:43] NEED TO CATEGORIZE AND BASICALLY  
[01:19:46] ELEVATE OUR ADVANCE. THIS PROJECT,  
[01:19:51] IF YOU WILL. IT IS A PROJECT NOW IN  
[01:19:55] REGARDS TO FUNDING, ELEVATING IT TO THE  
[01:19:58] HIGHER LEVEL OF FUNDING. SO WE PURCHASED  
[01:20:01] THIS ASSET IN 2017.  
[01:20:05] WE'RE SPENDING OVER A SUBSTANTIAL  
[01:20:09] AMOUNT OF MONEY AND BRINGING IT UP TO  
[01:20:10] FORTERRA SEATTLE STANDARDS OF OWNERSHIP.  
[01:20:13] WE'VE MADE MULTIPLE REPAIRS ALREADY  
[01:20:15] SINCE ACQUIRING IT, THIS BEING ONE OF  
[01:20:19] THE MAJOR ONES. SO WE ARE PUTTING IT ON  
[01:20:22] OUR CAPITAL PLAN AND  
[01:20:26] IT'S MY HOPES THAT WE CAN ADVANCE IT  
[01:20:30] FOR CAPITAL AUTHORIZATION. CAPITAL  
[01:20:32] FUNDING AUTHORIZATION COME THIS SPRING.  
[01:20:35] DOCTOR, THAT'S REALLY HELPFUL TO  
[01:20:36] UNDERSTAND THAT, AND I JUST WANT TO MAKE  
[01:20:38] SURE THAT I UNDERSTAND CORRECTLY.  
[01:20:42] SO FOR THE SHORT TERM, WHAT ARE WE DOING  
[01:20:44] TO MAKE SURE THAT THE PEOPLE WHO ARE  
[01:20:46] GOING IN AND OUT OF THAT BUILDING IS  
[01:20:48] PROTECTED? YES,  
[01:20:51] WELL, FROM WHAT  
[01:20:54] WE UNDERSTAND AS OPERATIONS IS THAT IT  
[01:20:57] IS STABLE. IT'S NOT TEETERING,  
[01:21:02] BUT IT IS VULNERABLE. BUT IT IS STABLE  
[01:21:06] AND WE ARE ASSESSING IT. OUR MAINTENANCE  
[01:21:09] DEPARTMENT IS ASSESSING IT ROUTINELY.  
[01:21:14] THAT'S WHAT WE ARE DOING CURRENTLY.  
[01:21:18] THAT'S GREAT TO KNOW. AND I WOULD JUST  
[01:21:20] EMPHASIZE THE IMPORTANCE OF ENSURING  
[01:21:22] THAT WE ARE PROTECTING PEOPLE FROM THAT  
[01:21:25] BUILDING. AND IF IT'S NOT PEOPLE WHO ARE  
[01:21:28] NOT MAINTENANCE, MAKING SURE THAT THEY  
[01:21:30] HAVE THE RIGHT EQUIPMENTS AND THINGS

[01:21:32] LIKE THAT ON TO ENSURE THAT NO HARM IS  
[01:21:35] CAUSED THERE. I WAS CONCERNED ABOUT THE  
[01:21:37] COMMENTS THAT WAS IN THE PORT.  
[01:21:40] MAY I ASK A QUESTION TO YOU, KEN?  
[01:21:43] IS THE VULNERABILITY FROM THE STRUCTURE  
[01:21:47] COLLAPSE AND FIRE OR FIRE?  
[01:21:51] WELL, ALL COVERED MORTGAGE IS VULNERABLE  
[01:21:55] FOR FIRE, REGARDLESS OF SPRINKLER SYSTEM  
[01:21:57] OR NOT. THIS PARTICULAR ASSET WAS  
[01:22:00] ACQUIRED WITH THE  
[01:22:04] SPRINKLER SYSTEM OR THE LACK THEREOF,  
[01:22:06] BEING GRANDFATHERED IN, AS I UNDERSTAND  
[01:22:09] IT, FROM AN EARLIER CODE. YES, PREVIOUS  
[01:22:11] CODE. YEAH. SO IT WAS NOT REQUIRED WHEN  
[01:22:14] WE ACQUIRED IT. BUT AS FAR AS THE  
[01:22:19] VULNERABILITY, AGAIN, IT'S IN A STABLE  
[01:22:23] CONDITION.  
[01:22:26] WE'RE NOT AT THAT POINT OF FAILURE, BUT  
[01:22:29] WE DO KNOW THAT WE HAVE TO UPGRADE IT.  
[01:22:33] BUT THIS IS AGAIN AT TOP OF MIND WITH  
[01:22:37] OUR ENGINEERS AND OUR PLANNERS, AND IT'S  
[01:22:40] ON SCHEDULE FOR REVIEW.  
[01:22:43] I WILL FOLLOW UP. I'VE GOT A COUPLE OF  
[01:22:45] IDEAS, BUT I'LL FOLLOW UP WITH THE  
[01:22:46] ENGINEERING TEAM AND WITH KENNY. THANK  
[01:22:49] YOU. THANK YOU, VICKY. I APPRECIATE  
[01:22:50] THAT. IT LOOKS LIKE SOMEONE ELSE HASN'T  
[01:22:58] MADE AYE. QUESTION, ESPECIALLY PUBLIC  
[01:23:00] MEMBER HOMESTEAD WITH REGARD TO THE  
[01:23:02] AMOUNT OF CASH IN 2020. AND FURTHER,  
[01:23:06] IT'S ABOUT \$62,000 CASH. OTHER IS  
[01:23:09] PROCESSED THROUGH OR NO MORE PROCESSING.  
[01:23:11] SO THERE IS NOT THIS MAJOR CONCERN HERE,  
[01:23:14] BUT NEVERTHELESS, JUST THE PRINCIPLE OF  
[01:23:16] IT AND ACCOUNTING OFFENSE REPORTING WILL  
[01:23:19] WORK. PARTNER WITH MR. KENNY LYLES TO  
[01:23:21] SEE HOW WE CAN MAKE SURE WE ENHANCE THAT  
[01:23:24] CONTROL ENVIRONMENT AND ADDRESS YOUR  
[01:23:26] RISK. SO IT'S VERY WELL TAKEN, BUT I  
[01:23:28] JUST WANT TO AT LEAST GIVE YOU AN  
[01:23:29] IMMEDIATE ASSESSMENT WITH REGARD TO HOW  
[01:23:30] MUCH ACTUALLY CASH IS BEING TAKEN AT  
[01:23:33] FISHERMAN'S TERMINAL. RUDY, I DID LOOK  
[01:23:36] AT THE SAME REPORT ON THE 62,000. IT  
[01:23:39] LOOKS LIKE THERE'S ANOTHER BUCKET CALLED  
[01:23:41] CASH AND CHECKS WHERE THEY'RE DUMPING A  
[01:23:43] LOT OF THE RECORDS IN AND THEY'RE NOT  
[01:23:45] SEPARATING OUT CASH AND CHECKS. SO WE  
[01:23:47] MIGHT HAVE TO GO BACK AND LOOK AT THAT.  
[01:23:48] YES. AND WE'LL RECONCILE BECAUSE A LOT  
[01:23:50] OF IT 85% GOES THROUGH OUR SYSTEMS.  
[01:23:53] RIGHT. NOT AT THE COUNTER, BUT WE WILL  
[01:23:56] GIVE YOU A CLEAR ASSESSMENT. I JUST  
[01:23:58] WANTED TO GIVE YOU A PICTURE AT THIS  
[01:23:59] TIME OUT OF RESPECT FOR THE AUDIT  
[01:24:01] COMMITTEE. THANK YOU SO MUCH. THANK YOU,  
[01:24:02] RUDY. THAT'S REALLY HELPFUL TO KNOW THAT  
[01:24:04] THOSE DOLLARS ARE NOT GOING ACROSS AT  
[01:24:07] THE COUNTER. I THINK THAT'S IMPORTANT  
[01:24:09] INFORMATION FOR THE PUBLIC. SO I  
[01:24:10] APPRECIATE YOU COMING UP HERE AND  
[01:24:12] SHARING THAT ADDITIONAL INFORMATION,  
[01:24:13] AND WE LOOK FORWARD TO FURTHER CLARITY

[01:24:15] AROUND THAT. AND I APPRECIATE OUR  
[01:24:17] ASSISTANT DIRECTOR. SHE'S LISTENING IN,  
[01:24:20] EMAIL ME AND SAID, LET'S RESPECT THE  
[01:24:22] AUDIT COMMITTEE. SO THIS IS THE  
[01:24:23] ASSESSMENT SHE GAVE AT THIS TIME. THANK  
[01:24:25] YOU SO MUCH. AND HER NAME IS LISA LAMB,  
[01:24:27] ASSISTANT DIRECTOR. OKAY, THANK YOU.  
[01:24:30] THANK YOU. I HAVE ANOTHER  
[01:24:34] QUESTION AROUND THE SALMON BAY MARINA.  
[01:24:36] I'M INTERESTED IN THE HISTORICAL CONTEXT  
[01:24:38] OF THE ACQUISITION OF THAT SPACE AND  
[01:24:42] WHETHER IT HAS ACHIEVED ITS OVERALL  
[01:24:44] PERFORMANCE GOALS AND HOW MUCH NET  
[01:24:48] REVENUE HAVE WE GOTTEN OUT OF THAT  
[01:24:50] FACILITY. SOUNDS LIKE THERE'S A LOT OF  
[01:24:52] CHALLENGES THERE, AND I'M TRYING TO  
[01:24:54] UNDERSTAND IF THERE ARE ANY PROS  
[01:24:57] ASSOCIATED WITH THAT FACILITY.  
[01:25:00] WELL, I DON'T KNOW EXACTLY IF I'M THAT  
[01:25:02] PERSON TO ASK THAT QUESTION, BUT I CAN  
[01:25:04] TELL YOU THAT, AS GLENN MENTIONED, THE  
[01:25:08] FACILITY BRINGS IN REVENUE, A MILLION  
[01:25:11] DOLLARS A YEAR. OKAY, THAT'S HELPFUL.  
[01:25:12] YES. BUT EXPENSES ARE VERY HIGH.  
[01:25:15] THEY'RE OVER THAT AMOUNT.  
[01:25:19] WE ARE ACCOMMODATING THE MARITIME  
[01:25:22] CLUSTER THERE IN THE SHIP CANAL.  
[01:25:25] THE IDEAL BEHIND THE ACQUISITION WAS TO  
[01:25:29] INCREASE FORTERRA SEATTLE PORTFOLIO IN  
[01:25:33] SERVICING THE MARITIME CLUSTER, WHICH  
[01:25:36] INCLUDES WRECK BOATS. BUT WE  
[01:25:40] WOULD HAVE TO GET BACK TO YOU ON THAT  
[01:25:42] BECAUSE I DON'T WANT TO SPEAK OUT OF  
[01:25:43] TURN OR OUT OF LINE REGARDING THE  
[01:25:46] MOTIVATION OF THE ACQUISITION OTHER THAN  
[01:25:48] THAT TOP LEVEL PERSPECTIVE.  
[01:25:51] THAT'S JUST REALLY HELPFUL, BECAUSE IF  
[01:25:52] WE'RE INVESTING SO MUCH MONEY IN  
[01:25:54] RESTORING IT OR FIXING IT, IT IS ALSO  
[01:25:56] HELPFUL TO HEAR WHAT SORT OF BENEFITS  
[01:25:59] THE PORT HAS GOTTEN OUT OF IT. AND IF  
[01:26:01] THERE IS, I HEAR THERE'S A LOT OF  
[01:26:04] BOATING AND RECREATIONAL ACTIVITIES  
[01:26:06] HAPPENING THERE, BUT I'M ALSO TRYING TO  
[01:26:08] UNDERSTAND IF THERE IS A MARITIME  
[01:26:11] INDUSTRY CONNECTION THERE. YEAH, A FEW  
[01:26:14] COMMENTS FROM MYSELF, DAVE. SOIKI FOR  
[01:26:16] THE RECORD, THERE WERE MULTIPLE OPTIONS  
[01:26:20] AT THE TIME THAT THE PORT MADE THAT  
[01:26:23] PURCHASE AND THE PORT WANTED TO HELP THE  
[01:26:25] MARITIME CLUSTER. THE COMMISSION LOOKED  
[01:26:29] AT VARIOUS OPTIONS AND MADE A CHOICE.  
[01:26:31] AND I THINK WE COULD GET BACK TO YOU  
[01:26:34] BECAUSE THAT ACQUISITION WAS SUPPORTED  
[01:26:37] BY INVESTMENT SCENARIOS OVER A TIMELINE.  
[01:26:41] SO THE PROFITABILITY OF THE ACQUISITION,  
[01:26:44] ET CETERA. WE COULD PARALLEL HOW IT'S  
[01:26:48] TURNED OUT COMPARED TO THE PLAN, IF  
[01:26:50] YOU'D LIKE. THAT WOULD BE HELPFUL. YOU  
[01:26:53] BET. AND I WOULD ALSO SAY THAT I  
[01:26:56] REMEMBER THE SPECIFIC COMMISSION ACTION  
[01:26:58] WHEN IT WAS ACQUIRED AND COMMENTS WERE,  
[01:27:01] WE DON'T KNOW HOW THIS WILL TURN OUT.



[01:27:03] BUT COMPARED TO THOSE TWO OPTIONS,  
[01:27:07] THE COMMISSIONER CHOSE A PIECE OF LAND  
[01:27:10] IMMEDIATELY ADJACENT TO FISHERMAN'S  
[01:27:12] TERMINAL AND THOUGHT THAT THAT WAS A  
[01:27:14] VITAL PIECE TO PUT TOGETHER TWO PARCELS  
[01:27:17] IN ONE FOR FUTURE VALUE. BUT LET US  
[01:27:21] GET BACK TO YOU ON A COMPARISON OF WHAT  
[01:27:23] THE PERFORMER WAS THEN VERSUS NOW. THAT  
[01:27:26] WOULD BE REALLY HELPFUL BEING ABLE TO  
[01:27:27] LOOK BACK AND WILL HELP US MAKE  
[01:27:31] SOME DECISIONS AS WE'RE MOVING FORWARD.  
[01:27:33] SO I WOULD APPRECIATE A FOLLOW UP.  
[01:27:36] ANY OTHER COMMENTS FROM THE PRESENTERS  
[01:27:40] OR THE COMMITTEE MEMBERS.  
[01:27:44] GREAT. SO THANK YOU ALL WHO PRESENTED.  
[01:27:47] THANK YOU, DIRECTOR KENNY LYLES FOR YOUR  
[01:27:50] PRESENTATION AND APPRECIATE THE WORK  
[01:27:52] THAT YOU AND YOUR WHOLE MARITIME TEAM  
[01:27:53] DOES. THANK YOU. THANK YOU VERY MUCH,  
[01:27:56] COMMISSIONER. THANK YOU VERY MUCH.  
[01:27:57] THANK YOU, KEN.  
[01:28:03] ITEM NINE. OKAY, NEXT ON THE AGENDA IS  
[01:28:06] ITEM NUMBER NINE. THAT IS TERMINAL FIVE  
[01:28:09] BERTH MODERNIZATION PROJECT. GLENN,  
[01:28:11] PLEASE PROCEED. THANK YOU,  
[01:28:13] COMMISSIONER. AND COMMISSIONER. FOR  
[01:28:16] THIS, I'M GOING TO ASK SPENCER BRYCE,  
[01:28:17] WHO'S OUR CAPITAL AUDIT MANAGER, TO COME  
[01:28:19] UP AND SIT WITH ME. SO I'LL  
[01:28:23] PROVIDE A QUICK OVERVIEW IN THE INTEREST  
[01:28:25] OF TIME. I'LL MOVE RELATIVELY QUICKLY  
[01:28:27] AND THEN SPENCER WILL TALK ABOUT THE  
[01:28:29] FINDING THAT THEY HAVE. BUT IF  
[01:28:33] YOU LOOK OUT IN THE HARBOR, YOU CAN SEE  
[01:28:35] TERMINAL FIVE. IT'S ONE OF THE CROWN  
[01:28:37] JEWELS AND SHIPPING SIDE. IT'S ONE  
[01:28:41] OF PREMIER CARGO FACILITIES THAT HAS  
[01:28:47] 10,020 FOOT EQUIVALENT UNITS AND  
[01:28:51] VESSEL CAPACITY. IT CAN BASICALLY HANDLE  
[01:28:55] HEAVIER SHIPS, LARGER CRANES, AND WE  
[01:28:57] WERE UPDATING IT. SO WE'VE GOT THIS HUGE  
[01:29:00] PROJECT GOING ON WITH THE SEAPORT  
[01:29:02] ALLIANCE TO UPDATE IT. SO WE PUT IT ON  
[01:29:05] THE AUDIT PLAN. NEXT SLIDE, PLEASE. AS  
[01:29:07] AN AREA OF RISK THAT WE WANTED TO LOOK  
[01:29:09] AT,  
[01:29:13] WE LOOKED AT ORION  
[01:29:16] CONSTRUCTION SPECIFICALLY. SO THE  
[01:29:18] \$159,000,000 THAT YOU SEE THERE,  
[01:29:22] THE WHOLE PROGRAM HAD A VARIETY OF OTHER  
[01:29:24] ITEMS. THE PROGRAM AS A WHOLE TOTALS  
[01:29:27] 454,000,000. OUR SEGMENT OF  
[01:29:31] THE CONSTRUCTION WAS A LARGER CHUNK  
[01:29:34] OF THAT. THE 340,000,000 THAT WE STARTED  
[01:29:38] WITH IN 2019 THAT WAS AUTHORIZED BY THE  
[01:29:41] COMMISSIONER OF THE MANAGING MEMBERS WAS  
[01:29:43] THEN INCREASED. THE 50 MILLION WAS FOR  
[01:29:47] NORTH REEF CONSTRUCTION. AUTHORIZATION.  
[01:29:51] THERE WAS 25 2.5 MILLION FOR SETTLEMENT  
[01:29:53] AGREEMENT AND 61 MILLION FOR A  
[01:29:57] LEASE EXTENSION, LEASE AMENDMENT.  
[01:30:00] AND ALL OF THESE WENT THROUGH THE  
[01:30:02] NORTHWEST SEAPORT ALLIANCE COMMITTEE AND

[01:30:04] GOT APPROVED AND ENDED UP WITH THE  
[01:30:06] 454,000,000 FINAL PRICE.  
[01:30:10] NEXT SLIDE, PLEASE, MICHELLE. ONE OF THE  
[01:30:13] THINGS THERE'S TWO ITEMS, WE WERE  
[01:30:16] FOCUSED HERE ON ONE, BUT IT  
[01:30:20] ALL CENTERED AROUND WHEN A BID QUANTITY  
[01:30:23] FROM THE ORIGINAL PLAN OR THE ORIGINAL  
[01:30:25] BID EXCEEDED 125%. SO SAY WE WERE  
[01:30:28] GOING TO DO SOMETHING AND THE FINAL  
[01:30:31] RESULT WAS OVER 125% OFF THAT  
[01:30:36] THE CONTRACT ALLOWS US TO GO BACK AND  
[01:30:37] RENEGOTIATE THAT ANY PROFIT.  
[01:30:42] BECAUSE THE IDEA IS, UP TO THAT POINT,  
[01:30:44] THE GENERAL CONTRACTORS MADE THEIR MONEY  
[01:30:47] AND THEY'VE MADE THEIR PROFIT. AND IF  
[01:30:48] YOU EXCEED THESE LEVELS, THERE'S  
[01:30:51] ADDITIONAL PURE PROFIT FOR YOU. SO THE  
[01:30:53] LEASE NAYS, YOU CAN GO BACK AND  
[01:30:54] RENEGOTIATE THAT WITH THE PORT. SO LEGAL  
[01:30:57] ASKED US TO DO SOME WORK THERE AND WE  
[01:30:59] GOT BID DOCUMENTS AND PROVIDED THAT  
[01:31:02] INFORMATION TO LEGAL AND RAN THE CALCS  
[01:31:05] THERE. WE ALSO THROUGH THE  
[01:31:08] COURSE OF THAT, WE IDENTIFIED SOME OTHER  
[01:31:12] ISSUES THAT SPENCER WILL BRIEFLY TALK  
[01:31:14] ABOUT, SO NEXT SLIDE, PLEASE, MICHELLE.  
[01:31:17] SPENCER,  
[01:31:21] INTRODUCE YOURSELF. THANK YOU, GLENN.  
[01:31:23] GOOD MORNING, COMMISSIONERS. MS.  
[01:31:25] HOLMSTROM, I'M SPENCER BRIGHT, THE  
[01:31:27] CAPITAL PROJECTS AUDIT MANAGER.  
[01:31:32] I'D LIKE TO START OUT WITH JUST THANKING  
[01:31:34] THE CONSTRUCTION MANAGEMENT TEAM AND ALL  
[01:31:37] MEMBERS THAT ASSISTED US ON THIS  
[01:31:39] PROJECT. VERY RESPONSIVE TO OUR REQUESTS  
[01:31:43] AND VERY SUPPORTIVE. SO WE VERY GRATEFUL  
[01:31:46] FOR THAT. WE DID IDENTIFY  
[01:31:50] ONE LOW RATED ITEM,  
[01:31:53] AND TO PUT THIS KIND OF INTO A  
[01:31:56] PERSPECTIVE, WE TESTED THE EIGHT LARGEST  
[01:32:00] BID ITEMS FOR THE PROJECT TOTAL  
[01:32:03] OF \$13 MILLION, APPROXIMATELY WHICH  
[01:32:09] THE SUPPORTING DOCUMENTATION FOR THIS.  
[01:32:11] THESE ITEMS ARE HUNDREDS UPON HUNDREDS  
[01:32:15] OF TRIP TICKETS OR WEIGHT TICKETS  
[01:32:20] ACROSS MULTIPLE PAY APPLICATIONS.  
[01:32:24] THE RESULTS OF OUR TESTING AT THAT LEVEL  
[01:32:28] WAS THAT LESS THAN 1% OR  
[01:32:31] APPROXIMATELY \$125,000 WAS  
[01:32:35] UNSUPPORTED. SO VERY LOW ERROR RATE.  
[01:32:39] WE SAW THAT THERE IS A STRONG REVIEW  
[01:32:42] PROCESS IN PLACE AND THAT  
[01:32:46] THE CONSTRUCTION TEAM WAS FOLLOWING  
[01:32:48] STANDARD OPERATING PROCEDURES.  
[01:32:52] NEXT SLIDE, PLEASE, MICHELLE.  
[01:32:56] OUR RECOMMENDATION WAS FOR THE PORT TO  
[01:33:00] SEEK THE SUPPORTING DOCUMENTATION THAT  
[01:33:03] WAS MISSING FROM OUR REVIEW AND TO  
[01:33:06] RECOVER ANY AMOUNT THAT'S DUE TO THE  
[01:33:10] PORT. I WAS NOTIFIED THAT MANAGEMENT IS  
[01:33:13] ALREADY ADDRESSING THIS RECOMMENDATION  
[01:33:16] AND THEY ARE PLANNING ON ADJUSTING THE  
[01:33:20] MARCH OR THE MOST RECENT PAY APPLICATION

[01:33:23] AS NECESSARY, DETERMINING ON HOW  
[01:33:26] THE CONTRACTOR RESPONDS.  
[01:33:30] NEXT SLIDE, PLEASE, MICHELLE. AND THEN  
[01:33:33] JANICE, IF YOU CAN UNMUTE. WE'VE GOT  
[01:33:36] JANICE ONLINE WHO'S GOING TO PROVIDE A  
[01:33:37] MANAGEMENT RESPONSE. THANKS, JANICE.  
[01:33:41] YEAH, I JUST WANT TO THANK THE INTERNAL  
[01:33:44] AUDIT DEPARTMENT FOR THE CONTINUAL  
[01:33:45] PARTNERSHIP BECAUSE I WOULD SAY SIMILAR  
[01:33:48] TO KENNY'S COMMENT IN THE PREVIOUS  
[01:33:51] AGENDA ITEM, IT'S ABOUT HOW WE MAKE SURE  
[01:33:55] THAT ALL OF OUR PROCEDURES ARE  
[01:33:58] BEING FOLLOWED, THAT IF THERE IS  
[01:34:00] CONTINUOUS IMPROVEMENT, THAT WE LEVERAGE  
[01:34:03] THAT. SO WHAT GLENN TALKED ABOUT RELATED  
[01:34:07] TO THE ADDITIONAL  
[01:34:11] INFORMATION THAT THE AUDIT DEPARTMENT  
[01:34:13] WAS ABLE TO OBTAIN FOR THE PORT IS  
[01:34:15] REALLY IMPORTANT BECAUSE UNTIL  
[01:34:20] IF WE END UP IN A DISPUTE, THEN WE CAN  
[01:34:23] PULL RECORDS TO UNDERSTAND WHAT THEIR  
[01:34:26] ACTUAL COSTS ARE. BUT IN THIS AUDIT, WE  
[01:34:28] WERE ABLE TO WORK IN PARTNERSHIP WITH  
[01:34:30] GLENN'S DEPARTMENT TO OBTAIN SOME VERY  
[01:34:35] IMPORTANT INFORMATION AS WE NEGOTIATE  
[01:34:37] THOSE UNIT PRICES FOR THIS CONTRACT.  
[01:34:40] AND THEN WE APPRECIATE THE WORK THAT  
[01:34:43] THEY'VE DONE TO IDENTIFY THOSE  
[01:34:47] ERRORS THAT WE WILL BE CORRECTING WITH  
[01:34:49] THE CONTRACTOR. IF THEY ARE NOT ABLE TO  
[01:34:52] PROVIDE THE DOCUMENTATION, THE NEXT  
[01:34:54] BILLING INVOICE WILL HAVE THE CREDIT  
[01:34:58] AMOUNT TAKEN AWAY AND THEN.  
[01:35:01] IN ADDITION, THIS IS A FOUR YEAR  
[01:35:04] CONTRACT. WE ISSUED THE CONTRACT IN MAY  
[01:35:06] OF 2019. AND SO IT WAS HELPFUL TO  
[01:35:09] GET SOME OF THIS INFORMATION BECAUSE THE  
[01:35:11] SECOND BULLET THERE IS THAT WE DO HAVE  
[01:35:15] AT THE END OF OUR CONTRACT, WE HAVE AN  
[01:35:18] INDEPENDENT STAFFER THAT ACTUALLY GOES  
[01:35:20] IN AND LOOKS AT ALL THE UNIT PRICE BID  
[01:35:22] ITEMS TO VERIFY THAT ALL OF THE COSTS  
[01:35:25] THAT WE'VE PAID ARE REMOVING  
[01:35:29] ERRORS THAT WE MIGHT FIND. SO THIS  
[01:35:31] ACTUALLY ALLOWED US TO DO THAT A LITTLE  
[01:35:33] BIT SOONER ON THOSE DIFFERENT BID ITEMS  
[01:35:36] THAT GLENN AND AYE. TEAM WERE ABLE TO  
[01:35:39] LOOK AT. SO WE APPRECIATE THE WORK  
[01:35:42] TOGETHER. WE CONTINUE TO FIND THAT THEY  
[01:35:46] OFFER A REAL VALUABLE INPUT TO OUR  
[01:35:49] PROCESS AND THAT THEIR WORK MAKES US  
[01:35:52] BETTER. SO I APPRECIATE THESE EFFORTS.  
[01:36:02] THAT'S IT. GREAT. THANK YOU FOR THE  
[01:36:05] PRESENTATION AND FOR ALL THE INFORMATION  
[01:36:06] THAT YOU GUYS HAVE PROVIDED AROUND THE  
[01:36:08] SUPPLY CHAIN DISRUPTION MANAGEMENT.  
[01:36:12] ANY QUESTIONS FROM MY COMMITTEE MEMBERS?  
[01:36:16] COMMISSIONER CHO. NO QUESTIONS.  
[01:36:20] I'M REALLY GLAD THAT WE DID THIS AUDIT.  
[01:36:23] T FIVE HAS BEEN ONE OF THE MOST  
[01:36:24] IMPORTANT PROJECTS THAT WE'VE DONE ON  
[01:36:26] THE SEAPORT ALLIANCE SIDE, AND I'M SURE  
[01:36:28] OUR COLLEAGUES IN TACOMA WILL BE HAPPY

[01:36:30] TO HEAR THAT THERE HASN'T BEEN ANY MAJOR  
[01:36:33] SLIP UPS WHEN IT COMES TO PAYMENTS. AND  
[01:36:35] SO I'M REALLY GLAD TO HEAR THAT. IS MY  
[01:36:37] UNDERSTANDING CORRECT THAT WE ARE  
[01:36:40] ACTUALLY GOING TO BE DISCOUNTING THE  
[01:36:42] \$124,000 FROM OUR NEXT PAYMENT TO ORION  
[01:36:46] AND THEN PUTTING THE ONUS ON THEM AND  
[01:36:48] PROVIDE US WITH I'M JUST READING THE  
[01:36:50] FIRST BULLET POINT HERE ON THE RESPONSE  
[01:36:52] AND WANT TO UNDERSTAND HOW THAT'S BEEN  
[01:36:54] HANDLED. I SEE JANICE NODDING. SO JANICE  
[01:36:57] TELL YOU? YEAH. SO OUR STAFF HAS ASKED  
[01:37:01] ORION FOR ANY ADDITIONAL BACKUP  
[01:37:04] DOCUMENTATION THAT THEY MAY NOT HAVE  
[01:37:06] PROVIDED TO US TO JUSTIFY ANY OF THE  
[01:37:09] \$125,000. AND ANY AMOUNT  
[01:37:13] THAT THEY'RE NOT ABLE TO VALIDATE WILL  
[01:37:15] COME DIRECTLY FROM THE BILLING. SO WHAT  
[01:37:18] I HAVEN'T CHECKED IN WITH STAFF, AND  
[01:37:20] ACTUALLY THERE MIGHT BE ONE IN THE  
[01:37:22] AUDIENCE. THERE IS WHETHER ANY  
[01:37:24] ADDITIONAL INFORMATION HAS BEEN PROVIDED  
[01:37:26] TO DATE, OR IF WE WILL TAKE THE 125,000  
[01:37:30] NOW, AND IF THERE IS ANY MORE  
[01:37:33] INFORMATION THEY'RE ABLE TO VALIDATE,  
[01:37:35] THEN IN THE NEXT BILLING CYCLE THAT  
[01:37:38] WOULD BE ADDED BACK IN.  
[01:37:43] IF I MIGHT ALSO OFFER ONE MORE COMMENT  
[01:37:45] TO JUST THE POINT THAT THERE WERE EIGHT  
[01:37:49] BID ITEMS THAT WENT OVER 125% IN  
[01:37:53] THIS PROJECT. I BELIEVE THAT IS NOT  
[01:37:55] UNUSUAL BECAUSE WE'RE DEALING WITH  
[01:37:57] STEVADORS WHO ARE HIRING TENANTS WHO ARE  
[01:37:59] OPERATING IN THE FACILITY. SO THINGS  
[01:38:02] LIKE EARTHWORK MIGHT GO OVER THE  
[01:38:04] ENGINEER'S ORIGINAL DESIGN ESTIMATE  
[01:38:06] BECAUSE SINKHOLES MIGHT BE FOUND PAVING,  
[01:38:10] AND THE GRAVEL BENEATH IT MIGHT GO OVER  
[01:38:12] BECAUSE THE TENANT OR THE STEVADOR MAY  
[01:38:15] ASK TO GET THIS LEASE DONE. WE NEED TO  
[01:38:18] ADD MORE AREA BECAUSE THE OPERATION IS  
[01:38:21] CHANGING DURING THE FOUR YEARS THAT THIS  
[01:38:23] FACILITY HAS BEEN UNDERWAY. SO I DON'T  
[01:38:26] THINK THAT THAT REFLECTS IN ANY WAY  
[01:38:28] NEGATIVELY ON THE DESIGN AND I'LL NOTE  
[01:38:31] FOR THE DESIGN TEAM THAT THAT DESIGN WAS  
[01:38:34] PUT TOGETHER IN A VERY RAPID MANNER FOR  
[01:38:37] BUSINESS REASONS AND TO  
[01:38:41] MEET AND GET A LEASE. SO I WOULD JUST  
[01:38:44] THANK THE DESIGN TEAM FOR ALL THEIR GOOD  
[01:38:46] WORK EARLIER AND THE CONSTRUCTION TEAM  
[01:38:49] WHO'S PRESENT. THANKS FOR ALL YOUR WORK.  
[01:38:51] THANK YOU.  
[01:38:54] THANK YOU FOR THOSE THOUGHTS AND FOR  
[01:38:57] PROVIDING CLARITY AROUND THE OVERSPEND.  
[01:38:59] I THINK THAT IS REALLY IMPORTANT FOR THE  
[01:39:01] PUBLIC. WHEN YOU SEE ABOUT 100 MILLION  
[01:39:03] DOLLAR OVERSPEND, IT'S A BIG NUMBER.  
[01:39:06] AND SO I APPRECIATE THAT ADDITIONAL  
[01:39:10] INFORMATION THAT YOU'VE SHARED. AND  
[01:39:12] DIRECTOR GLENN, YOU'VE EMAILED ME SOME  
[01:39:14] ADDITIONAL INFORMATION. I'VE ASKED THOSE  
[01:39:15] COMMENTS IN PRIVATE SESSIONS AS WELL,

[01:39:18] AND SO I REALLY DO APPRECIATE THAT  
[01:39:20] INFORMATION. I THINK IT'S VALUABLE  
[01:39:22] INFORMATION FOR THE PUBLIC TO HAVE. IS  
[01:39:25] THERE ANY ADDITIONAL INFORMATION RELATED  
[01:39:27] TO THIS PRESENTATION THAT YOU ALL WOULD  
[01:39:28] LIKE TO SHARE PRESENT? NOT AT THIS TIME  
[01:39:33] FOR ME. GREAT. THANK YOU SO MUCH FOR THE  
[01:39:35] PRESENTATION. SO I'LL MOVE IT ALONG IN  
[01:39:37] THE AGENDA. WE ARE NOW AT ITEM  
[01:39:40] NUMBER ELEVEN ON THE AGENDA AND THIS IS  
[01:39:43] AN INFORMATION TECHNOLOGY AUDIT  
[01:39:47] REGARDING SECURITY AWARENESS AND SKILLED  
[01:39:49] TRAINING. THIS ITEM IS A SECURITY  
[01:39:52] SENSITIVE AND WILL BE DISCUSSED IN NON  
[01:39:55] PUBLIC SESSION. WE HAVE NO LIMITED I  
[01:39:59] THINK YOU MISSED. DID I MISS TEN? ITEM  
[01:40:01] TEN. ITEM TEN.  
[01:40:05] I AM SORRY THAT'S MY APOLOGIES. I  
[01:40:08] SKIPPED OVER TO ITEM NUMBER ELEVEN, BUT  
[01:40:10] ITEM TEN IS STILL OUTSTANDING. SO MOVING  
[01:40:13] US TO ITEM NUMBER TEN, SUPPLY CHAIN  
[01:40:16] DISRUPTION MANAGEMENT. GLENN, PLEASE  
[01:40:18] PROCEED. THIS WILL BE A RELATIVELY QUICK  
[01:40:20] REPORT BECAUSE IT'S A CLEAN AUDIT  
[01:40:23] REPORT. ESSENTIALLY, WE LOOKED AT THE  
[01:40:24] SUPPLY CHAIN PROCESSES THAT THE PORT  
[01:40:26] HAS. WE BENCHMARKED WITH  
[01:40:30] PORT OF NEW YORK WITH A VARIETY OF OTHER  
[01:40:33] PORTS AND GOVERNMENT ORGANIZATIONS  
[01:40:37] AND ALSO GARTNER  
[01:40:42] AND SOME OTHER INDUSTRY THINK TANKS.  
[01:40:44] AND WHILST THERE'S SO MANY  
[01:40:45] UNCONTROLLABLES OUT THERE, YOU CAN'T  
[01:40:48] CONTROL FOR EVERYTHING, THAT DOESN'T  
[01:40:50] MEAN THAT WE'RE NOT GOING TO BE AYE. WITH  
[01:40:51] SUPPLY CHAIN PROBLEMS. IT JUST MEANS WE  
[01:40:53] HAVE A PROCESS IN PLACE AND WE DO THAT'S  
[01:40:55] CONSISTENT WITH OTHER GOVERNMENT  
[01:40:56] ORGANIZATIONS. SO WE WANT TO VALIDATE  
[01:40:59] THAT WE HAD ONE. WE'RE ALL AT RISK,  
[01:41:02] NOT ONLY US, BUT THE OTHER PORTS AS WELL  
[01:41:04] FROM THE SUPPLY CHAIN. AND THAT'LL  
[01:41:06] CONTINUE. BUT THE AUDIT WAS FOCUSED  
[01:41:11] ON LOOKING AT IT AND MAKING SURE THAT WE  
[01:41:13] HAVE ONE. SO WE'RE HAPPY TO REPORT BACK  
[01:41:15] THAT OUR PROCESS IS CONSISTENT WITH  
[01:41:17] OTHER GOVERNMENT ORGANIZATIONS OUT THERE  
[01:41:19] AND PORTS. THAT'S IT.  
[01:41:22] THANK YOU DIRECTOR GLENN. IT'S GOOD TO  
[01:41:23] KNOW THAT OUR PROCESS IS CONSISTENT WITH  
[01:41:25] OTHER GOVERNMENT ORGANIZATION. ANY  
[01:41:27] COMMENTS OR QUESTIONS FOR MY COMMITTEE  
[01:41:28] MEMBERS? ALL RIGHT, NOW MOVING US ALONG  
[01:41:32] TO ITEM NUMBER ELEVEN ON THE AGENDA,  
[01:41:35] WHICH IS AN INFORMATION TECHNOLOGY AUDIT  
[01:41:38] REGARDING SECURITY AWARENESS AND SKILL  
[01:41:41] TRAINING. THIS ITEM IS SECURITY  
[01:41:44] SENSITIVE AND WILL BE DISCUSSED IN NON  
[01:41:46] PUBLIC SESSION. WE HAVE NO LIMITED  
[01:41:50] CONTRACT COMPLIANCE AUDITS ON OUR AGENDA  
[01:41:52] TODAY, SO AT THIS TIME WE'LL MOVE TO  
[01:41:55] CLOSING COMMENTS. MR. FERNANDEZ, DO YOU  
[01:41:57] HAVE ANY CLOSING COMMENTS FOR THE

[01:41:59] COMMITTEE TODAY? I DO NOT. I JUST WANT  
[01:42:00] TO SAY THANK YOU FOR BEING HERE AND FOR  
[01:42:03] YOUR SUPPORT.  
[01:42:06] GREAT. ARE THERE ANY CLOSING COMMENTS  
[01:42:08] FROM MY COMMITTEE MEMBERS? I'LL JUST  
[01:42:11] SAY THAT WE PLOWED THROUGH A LOT OF  
[01:42:12] AGENDA ITEMS TODAY. ALL VERY POSITIVE.  
[01:42:15] AND SO I REALLY WANT TO THANK YOU,  
[01:42:16] GLENN AND EVERYONE WHO HAS BEEN A PART  
[01:42:20] OF THIS PROCESS AND PRESENTING US TODAY.  
[01:42:22] GREAT WORK.  
[01:42:25] GREAT. MY CLOSING COMMENTS. I ECHO THE  
[01:42:27] SAME WORDS AS COMMISSIONER CHO. THANK  
[01:42:29] YOU ALL FOR YOUR HARD WORK AND  
[01:42:30] COMMITMENT TO TRANSPARENCY AND  
[01:42:32] ACCOUNTABILITY. YOU ALL MAKE OUR  
[01:42:34] ORGANIZATION STRONGER. HEARING.  
[01:42:37] NO FURTHER COMMENTS WILL NOW RECESS INTO  
[01:42:40] THE NON PUBLIC PORTION OF OUR MEETING  
[01:42:42] AND THE TIME IS 10:46 A.M.  
[01:42:46] TO DISCUSS ONE MATTER RELATING TO  
[01:42:48] SECURITY SENSITIVE INFORMATION. THE NON  
[01:42:51] PUBLIC PORTION OF THE MEETING WILL LAST  
[01:42:53] APPROXIMATELY 30 MINUTES AND THE MEETING  
[01:42:56] WILL ADJOURN WITH NO FURTHER BUSINESS  
[01:42:58] AFTER THAT TIME. PARTICIPANTS JOINING  
[01:43:00] THE NONPUBLIC PORTION OF THE MEETING VIA  
[01:43:03] MICROSOFT TEAM, PLEASE CLOSE OUT OF THIS  
[01:43:05] MEETING LINK AND JOIN THE 11:00 A.M.  
[01:43:08] TEAMS MEETING INVITATION FOR EVERYONE  
[01:43:11] JOINING IN THE PHYSICAL MEETING ROOM,  
[01:43:14] PLEASE PROCEED TO THE THIRD FLOOR  
[01:43:17] CONFERENCE ROOM 3 CC THREE  
[01:43:20] AND THE CURRENT TIME IS 10:47.  
[01:43:24] THANK YOU.

END OF TRANSCRIPT