

START OF TRANSCRIPT

[00:00:27] YOU. THIS IS COMMISSIONER MOHAMMED
[00:00:31] CALLING TO ORDER THE PORT OF SEATTLE'S
[00:00:33] AUDIT COMMITTEE COMMITTEE SPECIAL
[00:00:35] MEETING. TODAY IS THURSDAY, SEPTEMBER 7,
[00:00:38] 2023, AND THE TIME IS 09:10
[00:00:44] A.M.. WE ARE MEETING TODAY AT THE PORT
[00:00:47] OF SEATTLE'S HEADQUARTERS COMMISSION
[00:00:49] CHAMBERS AND VIRTUALLY VIA THE TEAM'S
[00:00:52] PLATFORM. PRESENTED WITH ME TODAY IS
[00:00:55] COMMISSIONER SAM CHO AND PUBLIC MEMBER
[00:00:58] SARAH HOLMSTROM. TO MAKE THIS MEETING
[00:01:00] MORE ACCESSIBLE TO THE PUBLIC, THE
[00:01:02] MEETING IS BEING LIVE STREAMED AND
[00:01:05] DIGITALLY RECORDED, AND MAY BE VIEWED OR
[00:01:08] HEARD AT ANY TIME ON THE PORT'S WEBSITE.
[00:01:11] A CALL IN TELEPHONE NUMBER IS ALSO
[00:01:13] PROVIDED FOR ANYONE WHO WOULD LIKE TO
[00:01:16] LISTEN INTO THE MEETING. OUR FIRST
[00:01:19] ITEM OF BUSINESS IS APPROVAL OF OUR LAST
[00:01:22] MEETING MINUTES FROM JUNE 30, 2023.
[00:01:26] AS A REMINDER TO THE VIEWING AUDIENCE,
[00:01:28] THE PUBLIC MEMBER OF THE AUDIT COMMITTEE
[00:01:30] IS NOT A VOTING MEMBER FOR THE PURPOSES
[00:01:33] OF CASTING VOTES ON MOTIONS MADE PER THE
[00:01:35] COMMITTEE'S RULES.
[00:01:39] ARE THERE ANY CORRECTIONS TO THE
[00:01:42] MINUTES?
[00:01:46] HEARING NONE. ARE THERE ANY OBJECTIONS
[00:01:49] TO APPROVAL OF THE MINUTES AS PRESENTED?
[00:01:56] HEARING NONE. THE MINUTES ARE
[00:01:59] APPROVED.
[00:02:04] OUR NEXT ORDER OF BUSINESS IS THE OFFICE
[00:02:07] OF THE WASHINGTON STATE AUDITORS 2022
[00:02:10] ACCOUNTABILITY AUDIT OPENING
[00:02:12] PRESENTATION MR. FERNANDEZ, PLEASE
[00:02:15] INTRODUCE OUR SPEAKERS TODAY. THANKS,
[00:02:18] COMMISSIONER. TODAY WE HAVE JOE SIMMONS
[00:02:21] AND MADDIE FROST SCHAEFER FROM THE STATE
[00:02:23] AUDITOR'S OFFICE, WHO'LL BE PRESENTING
[00:02:25] THEIR OPENING PRESENTATION.
[00:02:28] JOE,
[00:02:36] THANK YOU FOR YOUR TIME TODAY TO HEAR
[00:02:38] OUR PRESENTATION REGARDING OUR UPCOMING
[00:02:40] ACCOUNTABILITY AUDIT. MY NAME IS JOE
[00:02:42] SIMMONS. I'M THE AUDIT MANAGER FOR THE
[00:02:44] STATE AUDITOR'S OFFICE HERE IN SEATTLE.
[00:02:46] I'M HERE WITH MADDIE FROST SCHAEFFER,
[00:02:48] WHO IS ASSISTANT AUDIT MANAGER AND WILL
[00:02:50] BE THE SUPERVISOR ON THE AUDIT. AND
[00:02:52] ANGELA FUNAMORI ISN'T ABLE TO BE HERE
[00:02:54] TODAY. SHE WILL AGAIN BE THE AUDIT LEAD
[00:02:56] ON THE AUDIT. AND ON THE NEXT SLIDE,
[00:03:00] JUST AN OVERVIEW OF OUR OFFICE. WE
[00:03:03] CONDUCT OVER 2400 AUDITS DURING
[00:03:06] THE PAST YEAR. THAT'S ROUGHLY 1000
[00:03:09] ACCOUNTABILITY AUDITS, 1000 FINANCIAL
[00:03:11] STATEMENT AUDITS, AND AROUND 400 FEDERAL
[00:03:14] SINGLE AUDITS. WE REPORT TO
[00:03:17] INDEPENDENTLY ELECTED STATE AUDITOR PAT
[00:03:19] MCCARTHY AND HAVE AN OFFICE OF OVER 400
[00:03:22] AUDITORS. AND WE HAVE ADDITIONAL AUDITS,

[00:03:24] INCLUDING PERFORMANCE AUDITS,
[00:03:25] CYBERSECURITY AUDITS THAT ARE LISTED
[00:03:27] THERE ON THAT PAGE. AND AS YOU KNOW,
[00:03:31] FOR OUR AUDIT THIS YEAR, WE'LL BE AGAIN
[00:03:33] CONDUCTING AN ACCOUNTABILITY AUDIT. AND
[00:03:35] ON THE NEXT SLIDE, IT TALKS ABOUT WHAT,
[00:03:38] IN GENERAL, ACCOUNTABILITY AUDIT COVERS.
[00:03:41] THAT WE AUDIT TO DETERMINE IF MANAGEMENT
[00:03:44] IS ADEQUATELY SAFEGUARDING PUBLIC
[00:03:46] RESOURCES THAT'S ASSETS, REVENUES,
[00:03:48] EXPENDITURES, AND PROTECTION FROM MISUSE
[00:03:52] AND MISAPPROPRIATION. AND THEN WE ALSO
[00:03:54] EVALUATE WHETHER THERE'S REASONABLE
[00:03:57] ASSURANCE THAT THERE'S PROTECTIONS AND
[00:04:00] ADHERENCE TO APPLICABLE STATE LAWS AND
[00:04:03] THE PORT'S OWN POLICIES AND PROCEDURES.
[00:04:06] AND WE USE A RISK BASED APPROACH WHERE
[00:04:09] WE DO PLANNING AT THE BEGINNING OF THE
[00:04:11] AUDIT TO EVALUATE WHICH AREAS ARE AT
[00:04:14] HIGHEST RISK FOR THE CURRENT AUDIT.
[00:04:16] WE'RE NOT YET AT THAT STAGE, WE'RE HERE
[00:04:19] TO TALK ABOUT OUR AUDIT IN GENERAL, BUT
[00:04:21] WE HAVE NOT YET STARTED THE PLANNING.
[00:04:23] ONCE WE'VE STARTED THE PLANNING STAGE,
[00:04:26] WE'LL DETERMINE THOSE AREAS AND THEN WE
[00:04:28] COMMUNICATE THOSE TO YOU ONCE THOSE ARE
[00:04:30] DETERMINED. AND ON THE NEXT SLIDE,
[00:04:34] AS YOU KNOW, OF COURSE, YOU ARE AUDITED
[00:04:36] FOR YOUR FINANCIAL STATEMENT AUDIT AND
[00:04:38] YOUR FEDERAL SINGLE AUDIT BY THE MOSS
[00:04:41] ADAMS CPA FIRM. AND AS ALWAYS,
[00:04:44] WE REVIEW THEIR WORK AND WE DO THAT
[00:04:46] EARLY IN OUR AUDIT PROCESS SO WE CAN
[00:04:49] REVIEW WHAT THEY LOOKED AT AND
[00:04:51] INCORPORATE THAT INTO OUR PLANNING FOR
[00:04:53] OUR ACCOUNTABILITY AUDIT. WE TRY TO
[00:04:55] AVOID ANY OVERLAP OF THINGS THAT THEY'VE
[00:04:57] LOOKED AT AND ALSO WE REVIEW IT TO
[00:04:59] DETERMINE THAT WE CAN RELY ON THAT WORK
[00:05:01] AND THEN WE POST THEIR REPORT ON OUR
[00:05:04] SITE ONCE WE'VE COMPLETED THAT REVIEW.
[00:05:08] AND ON THE NEXT SLIDE, WE TALK ABOUT
[00:05:11] WHAT WE DO FROM THE BEGINNING OF THE
[00:05:13] AUDIT THROUGH THE END. WE'VE ALREADY
[00:05:16] STARTED WORKING WITH THE PORT AS FAR AS
[00:05:18] WORKING OUT HOW WE CAN OBTAIN ACCESS TO
[00:05:20] DOCUMENTS AND SETTING UP SECURE WAYS TO
[00:05:22] DO THAT. WE'RE GOING TO HAVE AN INITIAL
[00:05:24] KICKOFF MEETING THIS AFTERNOON TO TALK
[00:05:26] WITH THE AUDIT LIAISON ABOUT PROCESS AND
[00:05:29] PROCEDURES FOR OBTAINING INFORMATION
[00:05:31] DURING THE AUDIT. OF COURSE, THIS
[00:05:32] ENTRANCE CONFERENCE TO TALK ABOUT OUR
[00:05:35] AUDIT. AND THEN THROUGHOUT THE AUDIT,
[00:05:36] WE HAVE WEEKLY STATUS MEETINGS WITH THE
[00:05:39] AUDIT LIAISON AND THAT ALSO INCLUDES
[00:05:41] GLENN FROM INTERNAL AUDIT. SO WE MEET
[00:05:44] REGULARLY TO KEEP THEM UPDATED ON THE
[00:05:46] PROGRESS OF AUDIT. AND IF WE DO IDENTIFY
[00:05:49] ANY ISSUES, WE DO OUR BEST TO
[00:05:51] COMMUNICATE THAT AS SOON AS THEY COME
[00:05:53] UP. SO WE DEFINITELY LOOK TO MAKE SURE
[00:05:55] THAT THERE'S NO SURPRISES AND

[00:05:56] COMMUNICATE THROUGHOUT THAT AUDIT. AND
[00:05:58] THEN AT THE END OF THE AUDIT, WE WILL
[00:06:01] PRESENT OUR RESULTS AND ON THE NEXT
[00:06:04] SLIDE THAT TALKS A LITTLE BIT ABOUT WHAT
[00:06:06] THOSE LOOK LIKE, WE WILL HAVE OUR
[00:06:08] ACCOUNTABILITY AUDIT REPORT AS ALWAYS,
[00:06:11] AND THEN THESE ARE THE LEVELS THAT WE
[00:06:14] HAVE AS FAR AS WHAT WE REPORT ON ANY
[00:06:16] KIND OF RECOMMENDATIONS. SO THE HIGHEST
[00:06:19] LEVEL IS FINDINGS AND THOSE THAT ARE
[00:06:23] MATERIAL OR SIGNIFICANT DEFICIENCIES
[00:06:26] RELATED TO INTERNAL CONTROLS OR
[00:06:29] SIGNIFICANT MATERIAL NON COMPLIANCE AND
[00:06:32] THOSE FINDINGS APPEAR IN OUR REPORT.
[00:06:34] BUT THERE'S ALSO AN OPPORTUNITY FOR THE
[00:06:37] PORT TO RESPOND TO THOSE FINDINGS. AS
[00:06:39] FAR AS WHAT ACTIONS THEY'RE TAKING.
[00:06:42] AT A LOWER LEVEL WITH MANAGEMENT
[00:06:44] LETTERS, THAT'S NOT AS SIGNIFICANT AS A
[00:06:47] FINDING, BUT STILL SOMETHING THAT WE
[00:06:48] THINK WARRANTS THE ATTENTION OF THE
[00:06:50] GOVERNING BODY. SO THAT'S IN THE FORM OF
[00:06:52] A LETTER THAT WE PROVIDE. THAT'S NOT
[00:06:55] INCLUDED IN THE REPORT, BUT IT IS
[00:06:56] REFERENCED IN THE REPORT THAT A
[00:06:58] MANAGEMENT LETTER WAS ISSUED. AND THEN
[00:07:01] OUR MOST COMMON LEVEL OF RECOMMENDATION
[00:07:03] IS EXIT ITEMS. AND THOSE AREN'T
[00:07:05] REFERENCED IN THE REPORT, BUT THEY ARE
[00:07:08] RECOMMENDATIONS BASED ON THINGS WE
[00:07:10] IDENTIFY IN THE COURSE OF OUR AUDIT AND
[00:07:13] THEY'RE MORE MINOR TYPE ISSUES. BUT
[00:07:15] STILL WE REALLY HAVE APPRECIATED HOW THE
[00:07:17] PORT HAS REALLY ADDRESSED ANY EXIT RIGHT
[00:07:19] OF RECOMMENDATIONS THAT WE HAVE MADE AND
[00:07:22] DEFINITELY LOOK AT THAT AS SOMETHING
[00:07:23] THAT HOPEFULLY IS HELPFUL TO THE PORT AS
[00:07:25] FAR AS TRYING TO IDENTIFY ISSUES BEFORE
[00:07:27] THEY BECOME LARGER. AND ON THE NEXT
[00:07:31] SLIDE, GO AHEAD AND
[00:07:35] TURN IT OVER TO MADDIE. THANKS,
[00:07:38] JOE. SO ON THIS SLIDE, WE JUST HAVE A
[00:07:40] FEW GENERAL REMINDERS AS WE BEGIN OUR
[00:07:42] AUDIT. THE FIRST IS WE ARE COMMITTED TO
[00:07:45] SAFEGUARDING ANY CONFIDENTIAL OR
[00:07:46] SENSITIVE INFORMATION. IF ANY OF THE
[00:07:49] INFORMATION WE REQUEST DURING THE AUDIT
[00:07:51] IS CONFIDENTIAL OR SENSITIVE, PLEASE LET
[00:07:53] US KNOW SO WE CAN ENSURE WE'RE
[00:07:55] SAFEGUARDING IT. THROUGHOUT THE AUDIT
[00:07:56] PROCESS, WE HAVE INCLUDED THE ESTIMATED
[00:07:59] AUDIT COSTS IN THE ENTRANCE DOCUMENT,
[00:08:01] WHICH WAS SHARED WITH YOU. WE ALSO WANT
[00:08:03] YOU TO BE AWARE THAT WE HAVE AN AUDIT
[00:08:05] DISPUTE PROCESS. IF AT ANY POINT DURING
[00:08:07] THE AUDIT YOU HAVE ANY CONCERNS, WE DO
[00:08:10] HAVE AN ESTABLISHED PROCESS FOR YOU TO
[00:08:11] VOICE THOSE CONCERNS. WE ASK THAT YOU
[00:08:14] PLEASE START WITH JOE, BUT WE HAVE
[00:08:15] INCLUDED ADDITIONAL CONTACTS IN YOUR
[00:08:18] ENTRANCE AUDIT PACKET.
[00:08:21] LASTLY, WE JUST LIKE TO REMIND
[00:08:22] GOVERNMENTS THAT THERE IS A STATE LAW

[00:08:24] THAT REQUIRES YOU TO REPORT ANY KNOWN OR
[00:08:26] SUSPECTED LOSSES TO OUR OFFICE, AND YOU
[00:08:29] CAN DO THAT THROUGH OUR WEBSITE. AND ON
[00:08:31] THE NEXT SLIDE, WE HAVE SOME ADDITIONAL
[00:08:34] REMINDERS ABOUT REPORTING CYBERSECURITY
[00:08:36] ISSUES TO OUR OFFICE. YOU MAY ALSO BE
[00:08:39] REQUIRED TO REPORT CYBERSECURITY ISSUES
[00:08:42] TO THE ATTORNEY GENERAL'S OFFICE IF AN
[00:08:44] INCIDENT AFFECTS MORE THAN 500
[00:08:46] WASHINGTON RESIDENTS. AND ONCE AGAIN,
[00:08:49] YOU MAY ALSO NEED TO REPORT ANY
[00:08:51] CYBERSECURITY ISSUES TO OUR OFFICE IF
[00:08:54] THEY INVOLVE FINANCIAL RECORDS OR
[00:08:56] FINANCIAL SYSTEMS. AND ONCE AGAIN, YOU
[00:08:58] CAN DO THAT THROUGH OUR WEBSITE. AND ON
[00:09:01] THE NEXT SLIDE, A QUESTION WE OFTEN GET
[00:09:04] ASKED IS WHO EXACTLY AUDITS US? AND
[00:09:06] WE'RE PLEASED TO REPORT THAT WE ARE
[00:09:08] AUDITED EVERY THREE YEARS BY THE
[00:09:10] NATIONAL STATE AUDITORS ASSOCIATION.
[00:09:13] OUR MOST RECENT PEER REVIEW RESULTS ARE
[00:09:16] AVAILABLE ON OUR WEBSITE AT THE LINK WE
[00:09:17] HAVE PROVIDED, AND WE'RE PLEASED TO
[00:09:19] REPORT OUR LATEST RESULTS. RECEIVED A
[00:09:22] RATING OF PASS, WHICH DOESN'T SOUND VERY
[00:09:23] GREAT, BUT IT IS THE HIGHEST LEVEL OF
[00:09:25] ASSURANCE THAT YOU CAN RECEIVE, SO WE'RE
[00:09:27] VERY HAPPY WITH THAT. AND ON THE NEXT
[00:09:29] SLIDE OH,
[00:09:37] OKAY.
[00:09:43] AUDIT.
[00:09:47] SO, BEYOND OUR NORMAL AUDIT, WE DO WANT
[00:09:49] TO MAKE SURE YOU'RE AWARE OF SOME OTHER
[00:09:50] RESOURCES THAT OUR OFFICE PROVIDES.
[00:09:53] THAT INCLUDES OUR LOCAL GOVERNMENT
[00:09:54] SUPPORT TEAM, WHO PROVIDES SUPPORT
[00:09:56] THROUGH THE BARS AND ANNUAL ONLINE
[00:09:58] FILING PROCESS. THEY ALSO PERFORM
[00:10:00] ACCOUNTING AND REPORTING TRAININGS
[00:10:02] THROUGHOUT THE YEAR. SOME OF THEM ARE
[00:10:03] AVAILABLE VIRTUALLY AND RUN OUR HELP
[00:10:06] DESK THROUGH OUR CLIENT PORTAL, WHERE
[00:10:08] THEY CAN ANSWER ANY AUDITING OR
[00:10:09] ACCOUNTING QUESTIONS THROUGHOUT THE
[00:10:10] YEAR. THE NEXT IS THE CENTER FOR
[00:10:13] GOVERNMENT RESOURCES, WHICH PROVIDES
[00:10:15] FREE RESOURCES AND SERVICES TO HELP
[00:10:17] GOVERNMENTS WORK BETTER, SOLVE PROBLEMS,
[00:10:20] AND IMPROVE OPERATIONS. AND ONCE AGAIN,
[00:10:22] THESE TEAMS ARE AVAILABLE AT NO
[00:10:23] ADDITIONAL COST. ON THE NEXT SLIDE,
[00:10:27] WE TALK A LITTLE BIT MORE ABOUT THE
[00:10:29] CENTER AND SOME OF THE GREAT RESOURCES
[00:10:30] THEY'RE PROVIDING. THE FIRST IS THE NEW
[00:10:33] CYBERSECURITY CHECKUPS, WHICH ARE A
[00:10:35] FAST, FREE, AND INDEPENDENT ASSESSMENT
[00:10:37] OF A GOVERNMENT'S VULNERABILITY TO
[00:10:38] COMMON THREATS. THEY'LL ALSO PROVIDE
[00:10:40] ACTION STEPS FOR YOU AT THE END OF THE
[00:10:42] REVIEW. THEY'RE ALSO DOING A LOT WITH
[00:10:45] LEAN SERVICES AND CAN HELP GOVERNMENTS
[00:10:47] OPTIMIZE EFFICIENCY, QUALITY, AND
[00:10:49] CUSTOMER SERVICE. THEY'VE HELPED SEVERAL

[00:10:51] GOVERNMENTS WITH THINGS LIKE PERMITTING
[00:10:53] PROCESSES. THE CENTER
[00:10:56] IS ALSO PROVIDING CLIFTON STRENGTH
[00:10:58] WORKSHOPS TO HELP STRENGTHEN TEAMS AND
[00:11:01] PROMOTE EMPLOYEE SATISFACTION. AND
[00:11:03] LASTLY, THEY ALSO HAVE THE FREE FIT
[00:11:05] TOOL, WHICH YOU CAN USE TO MANAGE AND
[00:11:07] MONITOR THE PORT'S FINANCIAL HEALTH.
[00:11:11] AND THEN ON THE NEXT SLIDE, A RESOURCE
[00:11:15] WE'RE SHARING A
[00:11:20] RESOURCE WE'RE SHARING WITH ALL
[00:11:21] GOVERNMENTS IS A GUIDE THAT WAS RECENTLY
[00:11:23] CREATED BY OUR SPECIAL INVESTIGATIONS
[00:11:25] TEAM. THIS GUIDE WAS DESIGNED
[00:11:27] SPECIFICALLY FOR ELECTED OFFICIALS TO
[00:11:29] HELP YOU KIND OF PREVENT FRAUD AND
[00:11:32] DETECT FRAUD AND KNOW HOW TO RESPOND IF
[00:11:34] YOU BECOME AWARE OF FRAUD. SO IT'S A
[00:11:35] REALLY GREAT RESOURCE THAT WE'VE
[00:11:36] RECENTLY PUT ON OUR WEBSITE.
[00:11:41] AND ON THE NEXT SLIDE,
[00:11:44] ONCE AGAIN, WE WANTED TO INCLUDE A LINK
[00:11:46] TO THAT CYBER CHECKUP RESOURCE.
[00:11:50] OUR OFFICE IS CONTINUING TO SEE MORE AND
[00:11:51] MORE GOVERNMENTS BECOME VICTIM TO CYBER
[00:11:53] FRAUD. SO WE ARE PLEASED TO OFFER THAT
[00:11:55] FREE CYBER CHECKUP, ALONG WITH SEVERAL
[00:11:57] OTHER HANDOUTS AND RESOURCES FOR
[00:11:59] GOVERNMENTS TO RESPOND TO THE CYBER
[00:12:01] RISKS WE ARE SEEING. ANOTHER RESOURCE
[00:12:05] THE CENTER HAS RECENTLY PUBLISHED IS A
[00:12:07] GUIDE TO FUEL, WHICH INCLUDES PURCHASING
[00:12:10] FUEL, PROTECTING FUEL STATIONS, AND
[00:12:12] MONITORING FUEL CONSUMPTION.
[00:12:16] AND ON THE NEXT SLIDE,
[00:12:19] WE WOULD JUST LIKE TO, AT THIS POINT,
[00:12:21] THANK YOU FOR YOUR TIME AND OPEN IT UP
[00:12:23] TO SEE IF YOU HAVE ANY QUESTIONS OR
[00:12:24] COMMENTS FOR US.
[00:12:29] THANK YOU TO THE OFFICE OF THE STATE'S
[00:12:31] AUDITOR'S OFFICE FOR THE PRESENTATION
[00:12:33] AND FOR THE WORK THAT YOU ALL DO. ARE
[00:12:36] THERE ANY QUESTIONS FROM THE COMMITTEE
[00:12:38] MEMBERS AT THIS TIME?
[00:12:41] I HAVE A QUICK QUESTION. SO JUST
[00:12:45] GOING BACK TO THE CYBER CHECKUP AND
[00:12:48] RESOURCE GUIDES THAT YOU HAVE MADE
[00:12:51] AVAILABLE, DOES THIS INFORMATION
[00:12:53] TRANSLATE WELL FOR US TO SHARE WITH
[00:12:56] ORGANIZATIONS THAT WE PARTNER WITH?
[00:12:58] WE'VE SEEN SITUATIONS WHERE SMALL
[00:13:01] GRASSROOTS ORGANIZATIONS ARE IMPACTED BY
[00:13:04] SOME SORT OF CYBER ATTACK OR SOMETHING
[00:13:07] SIMILAR, AND THEIR INFORMATION GETS
[00:13:11] COMPROMISED, WHICH ULTIMATELY IMPACTS
[00:13:13] US. AND SO HOW DOES THAT WORK WITH THIS?
[00:13:16] THAT IS A GREAT QUESTION. SO I KNOW THAT
[00:13:19] THE CYBER CHECKUPS WERE ONLY OFFERING TO
[00:13:20] GOVERNMENTS, BUT AS FAR AS THE GUIDES
[00:13:22] AND RESOURCES, THEY WERE DESIGNED WITH
[00:13:24] GOVERNMENTS IN MIND, BUT THEY ARE BASED
[00:13:26] ON INDUSTRY BEST PRACTICES. AND SO I
[00:13:28] BELIEVE THAT THERE IS INFORMATION IN

[00:13:31] THERE THAT CAN ALSO BE HELPFUL TO OTHER
[00:13:33] ORGANIZATIONS AND COMPANIES AND
[00:13:35] NONPROFITS AS WELL, FOR THEM TO KEEP IN
[00:13:37] MIND ABOUT THEIR OWN VULNERABILITIES.
[00:13:40] GREAT, THANK YOU. THAT'S HELPFUL TO KNOW
[00:13:41] THAT THAT INFORMATION IS RELEVANT. I
[00:13:44] DON'T HAVE ANY OTHER QUESTIONS. IF
[00:13:46] THERE'S NO ADDITIONAL QUESTIONS FOR THE
[00:13:48] STATE AUDITOR'S OFFICE OR MR. FERNANDEZ
[00:13:51] ON THIS ITEM, WE'LL MOVE ON TO THE NEXT
[00:13:54] TOPIC. THANK YOU GUYS. AGAIN, THANK YOU
[00:13:56] FOR YOUR TIME. THANK YOU.
[00:14:00] SO I'LL MOVE US ALONG. ITEM NUMBER FOUR
[00:14:03] ON THE AGENDA IS APPROVAL OF THE 2024
[00:14:06] PROPOSED BUDGET. GLENN PLEASE PROCEED
[00:14:09] WITH THE UPDATE. THANK YOU,
[00:14:10] COMMISSIONER. SO, NEXT SLIDE, PLEASE,
[00:14:13] MICHELLE.
[00:14:18] A LITTLE OVERVIEW OF OUR DEPARTMENT
[00:14:20] COMMISSIONERS AND MS. OLMSTROM. WE
[00:14:23] PROVIDE ASSURANCE THAT THE PORT CONTROLS
[00:14:26] ARE EFFECTIVE AND EFFICIENT, THAT
[00:14:28] THEY'RE WORKING ESSENTIALLY BEFORE
[00:14:33] A FIRE STARTS. SO THINK OF IT. IF
[00:14:35] THERE'S SMOKE, WE LIKE TO COME IN AND
[00:14:38] IDENTIFY THE SMOKE AND SAY, HEY, YOUR
[00:14:39] HOUSE HAS GOT SMOKE, RATHER THAN COMING
[00:14:42] IN AFTER THE FACT AND SAY, YOUR HOUSE
[00:14:44] BURNT DOWN. SO CONTROLS PREVENT
[00:14:47] SOMETHING, YOUR HOUSE FROM BURNING DOWN,
[00:14:49] IN ESSENCE. SO THAT'S ONE OF THE KEY
[00:14:52] THINGS WE DO. WE ALSO DO A LOT OF WORK
[00:14:54] ON WE'RE DOING A LOT OF GCCM
[00:14:57] CONSTRUCTION PROJECTS. NOW, THAT'S
[00:15:00] GENERAL CONTRACTOR, CONSTRUCTION MANAGER
[00:15:03] TYPE CONSTRUCTION METHODOLOGIES. AND
[00:15:06] BECAUSE WE'RE DOING THAT, THAT SEEMS TO
[00:15:08] WORK WELL FOR THE PORT. BUT THE RCW ALSO
[00:15:10] REQUIRES INDEPENDENT AUDITS OF THOSE.
[00:15:12] SO WE FACILITATE AND PARTNER ON THOSE
[00:15:15] INDEPENDENT AUDITS. AND IT'S A LOT OF
[00:15:18] WORK. SO, YOU'LL SEE, I'LL SHOW YOU A
[00:15:20] CHART LATER OF ALL THE GCCM PROJECTS
[00:15:23] THAT THE PORT'S DOING IN THE NEXT FEW
[00:15:24] YEARS AND THE WORK THAT NEEDS TO BE DONE
[00:15:27] IN THOSE. WE ALSO USE AN OUTSIDE FIRM
[00:15:30] FOR THAT THAT WE PARTNER WITH AND WE'LL
[00:15:33] TALK ABOUT THAT, KNOW WHERE POSSIBLE.
[00:15:35] WE PROVIDE ADVISORY SERVICES TO THE
[00:15:37] PORT. WE SEE A LOT WE HAVE A LOT OF
[00:15:39] EXPERIENCE WITH OUR TEAM AND WE,
[00:15:47] YOU KNOW, THANK YOU.
[00:15:50] NO WORRIES. GLAD YOU'RE HERE.
[00:15:56] ONE OF THE THINGS WE DO IS IF THERE'S A
[00:15:59] PROCESS BROKEN OR SOMEONE NEEDS HELP
[00:16:01] WITH SOMETHING, THEY'LL COME TO US AND
[00:16:02] THEY'LL ASK US, CAN YOU HELP US WITH
[00:16:05] THIS? AND FROM TIME TO TIME,
[00:16:08] WE'LL RECOMMEND AND WE'LL HELP THEM
[00:16:10] IMPROVE THEIR PROCESS. AND THEN ONE OF
[00:16:13] THE CRITICAL THINGS TO BEING A GOOD
[00:16:16] INTERNAL AUDIT FUNCTION IS YOU DON'T
[00:16:19] REPORT INTERNALLY TO SOMEONE IN HOUSE.

[00:16:21] YOU REPORT FUNCTIONALLY TO AN AUDIT
[00:16:23] COMMITTEE. SO YOUR WORK ISN'T YOU DON'T
[00:16:25] WANT SOMEONE IN MANAGEMENT REWRITING
[00:16:27] YOUR AUDIT REPORTS AND JUST
[00:16:31] LETTING THE GOOD STUFF COME OUT TO THE
[00:16:32] PUBLIC. I MEAN, THINGS THAT ARE
[00:16:36] SCRUBBED. SO BY REPORTING TO THE AUDIT
[00:16:39] COMMITTEE FUNCTIONALLY AND
[00:16:41] ADMINISTRATIVELY TO STEVE, WE MAINTAIN
[00:16:43] OUR INDEPENDENCE AND OBJECTIVITY. NEXT
[00:16:47] SLIDE, PLEASE, MICHELLE.
[00:16:50] SO, 2024, WHAT ARE WE DOING? WHAT ARE
[00:16:54] OUR MAJOR INITIATIVES? FIRST OFF, WE
[00:16:57] WANT TO BE ABLE TO CONTINUE TO DO OUR
[00:16:58] GCCM AUDITS BECAUSE I THINK THE PORT
[00:17:01] SCALING UP FOR THIS. AND AS I
[00:17:05] THINK STEVE METRUCK, THE EXECUTIVE
[00:17:07] DIRECTOR, HAS KIND OF ANALOGIZED IT TO,
[00:17:10] WE'VE CLIMBED SMALLER MOUNTAINS, WE'RE
[00:17:11] ABOUT TO CLIMB EVEREST. SO AS WE GO TO
[00:17:16] TAKE ON ALL THESE CAPITAL PROJECTS, WE
[00:17:18] WANT TO MAKE SURE THAT FROM AN AUDIT
[00:17:20] PERSPECTIVE, WE'RE READY ALSO FOR THAT
[00:17:22] SPEND AND THAT WE CAN ADD VALUE AS WE
[00:17:24] GO. ANOTHER THING THAT
[00:17:28] WE'VE GOT AS A MAJOR ENHANCEMENT IS OUR
[00:17:31] CONCESSION AUDIT PROGRAM. SO WE
[00:17:34] HAVE MAYBE OVER 100 CONCESSIONNAIRES AT
[00:17:37] THE AIRPORT AND ON THE MARITIME SIDE, A
[00:17:40] LOT OF CONCESSIONNAIRES, A LOT OF THEIR
[00:17:42] REVENUE, WHICH IS OVER \$100 MILLION IS
[00:17:44] SELF REPORTED TO THE PORT. SO WE CYCLE
[00:17:48] THROUGH AND WE AUDIT THOSE. BUT WE WOULD
[00:17:51] LIKE TO ENHANCE OUR PROCESS AND INCREASE
[00:17:54] OUR SPEED AND VOLUME AND USE PERHAPS
[00:17:56] AUTOMATED TOOLS, FIGURE OUT HOW WE CAN
[00:17:59] HAVE MORE TOUCH POINTS AND AT THE SAME
[00:18:01] TIME MINIMIZE IMPACT TO THE
[00:18:03] CONCESSIONNAIRES. AND IT'S A WIN WIN
[00:18:06] BECAUSE A LOT OF THESE ARE SMALLER
[00:18:07] BUSINESSES ALSO. SO WE WANT TO HELP THEM
[00:18:10] EARLY ON IN THE PROCESS AND BE
[00:18:16] AS LITTLE IMPACTFUL AS POSSIBLE, BUT YET
[00:18:19] GET GOOD COVERAGE THERE. AND WE HAVE AN
[00:18:22] OPPORTUNITY THERE. AND THEN FINALLY
[00:18:25] THERE'S THE EQUITY POLICY DIRECTIVE THAT
[00:18:30] CAME OUT THIS YEAR. AND ONE OF THE
[00:18:32] THINGS BOOKDA GHEISAR, OUR SENIOR
[00:18:36] DIRECTOR OF OEDI OFFICE OF EQUITY,
[00:18:38] DIVERSITY AND INCLUSIONS, ASKED IS A
[00:18:41] PARTNERSHIP WHERE WE CAN BUILD A TOOL TO
[00:18:43] ASSURE COMPLIANCE WITH THAT, BE IT. IF
[00:18:46] WE HAVE ANTI HUMAN TRAFFIC POLICIES, IF
[00:18:48] WE HAVE A POTENTIAL THIRD PARTY CODE OF
[00:18:50] CONDUCT, HOW DO WE GO OUT AND ENFORCE
[00:18:52] THAT? ALL OUR TOUCH POINTS ARE ACTUALLY
[00:18:56] COMPLYING WITH IT. WE JUST DON'T WANT A
[00:18:58] DOCUMENT THAT'S OUT THERE THAT NOBODY
[00:19:01] FOLLOWS. SO WE WANT TO DESIGN THAT INTO
[00:19:04] OUR WORK. SO AS WE GO OUT AND TOUCH ALL
[00:19:06] OF THESE VARIOUS ENTITIES, WE'RE ALSO
[00:19:09] EDUCATING THEM AND ASSURING COMPLIANCE
[00:19:11] IN SOME WAY. BUT THAT NEEDS TO BE

[00:19:13] DESIGNED AND BUILT. SO THAT'S A MAJOR
[00:19:16] INITIATIVE AS FAR AS GOING FORWARD NEXT
[00:19:18] YEAR. NEXT SLIDE, PLEASE, PLEASE.
[00:19:21] SO HOW DO WE DO THIS? THIS IS THE TEAM,
[00:19:24] AN INTERNAL AUDIT AT THE PORT THAT DOES
[00:19:26] ALL THAT WORK. WE'VE GOT THREE
[00:19:30] GROUPS. DAN ON THE OPERATION PERFORMANCE
[00:19:33] AUDIT SIDE AND THE CONCESSION AUDIT.
[00:19:36] YOU KNOW, ALTHOUGH WE LEVERAGE OFF OTHER
[00:19:38] RESOURCES. DAN LEADS THE PERFORMANCE
[00:19:41] AUDITS AND THE CONCESSION AUDITS.
[00:19:44] SPENCER DOES ALL THE CAPITAL WORK.
[00:19:46] SPENCER BRIGHT IN THE MIDDLE. YOU KNOW,
[00:19:49] HE'S GOT THAT LOAD WITH THE GCCM AUDITS.
[00:19:52] WE DO HAVE OUTSIDE SERVICES THAT WE USE,
[00:19:55] BUT HE'S GOT TO MANAGE THOSE AS WELL AND
[00:19:57] MAKE SURE THAT THE AUDITS ARE HAPPENING
[00:20:00] AS THE LEGISLATURE INTENDED AND KEEPS
[00:20:03] PROJECTS MOVING AND MAKE SURE THAT WE'RE
[00:20:05] GOOD STEWARDS OF TAXPAYER FUNDS. AND
[00:20:08] THEN YOU HEARD A LOT FROM THE SAO AND
[00:20:11] CYBERSECURITY. RIDICA MARWAHA,
[00:20:14] OUR IT AUDIT MANAGER, DOES AUDITS
[00:20:17] OF IT AUDITS OF CORPORATE
[00:20:21] SIDE AND THE AVIATION SIDE.
[00:20:25] WHEN YOU LOOK AT THE AIRPORT AND YOU'VE
[00:20:27] GOT ALL THOSE MOVING PARTS, YOU'VE GOT
[00:20:29] BAGGAGE SYSTEMS, RUNWAY LIGHTS THAT ARE
[00:20:31] ALL MANAGED BY COMPUTERS. AND THOSE
[00:20:35] OPERATIONS TECHNOLOGY SYSTEMS ARE
[00:20:38] AUDITED JUST AS WELL AS THE FINANCIAL
[00:20:40] SYSTEMS AND ALL THE OTHER SYSTEMS WE
[00:20:42] HAVE. SO THE THREE GROUPS THERE. NEXT
[00:20:45] SLIDE, PLEASE. MICHELLE. OUR BUDGET IS
[00:20:48] RELATIVELY STRAIGHTFORWARD. LARGEST
[00:20:50] THING IS OUR SALARIES AND WAGES, WHICH
[00:20:53] JUST GOES UP WITH INFLATION. OUR
[00:20:57] HEADCOUNT IS CONSTANT. WE ALSO INVEST IN
[00:21:00] EDUCATION BECAUSE MOST OF
[00:21:03] OUR STAFF ACTUALLY, I THINK ALL OF OUR
[00:21:05] STAFF HAVE EITHER CPA LICENSES OR SOME
[00:21:09] CONSTRUCTION CERTIFICATION OR TECHNOLOGY
[00:21:12] CERTIFICATION, LIKE A CERTIFIED
[00:21:14] INFORMATION SYSTEMS AUDITOR. AND TO
[00:21:16] MAINTAIN THOSE LICENSES AND THE TRAINING
[00:21:19] THAT'S REQUIRED TO KEEP THEM FRESH.
[00:21:21] THAT GOES INTO THE TRAVEL AND
[00:21:24] OTHER EMPLOYEE EXPENSES. THAT'S PRETTY
[00:21:26] MUCH ALL THE TRAINING. OUTSIDE SERVICES.
[00:21:30] THE BIG NUMBERS THAT YOU SEE IN THE PAST
[00:21:32] ARE FROM THE GCCM AUDITS. THEY'D COME IN
[00:21:36] AND THEN THEY'D BE CAPITALIZED, AND LINE
[00:21:38] NINE WOULD SHOW THEM BEING CAPITALIZED
[00:21:40] AND COMING OUT OF EXPENSE. NOW WE'RE
[00:21:43] CAPITALIZING THEM DIRECTLY TO THE
[00:21:44] PROJECT. AND I'LL SHOW YOU A SLIDE THAT
[00:21:47] TALKS A LITTLE BIT ABOUT THAT IN MORE
[00:21:48] DETAIL. THE \$40,000 THAT YOU
[00:21:52] SEE IN THERE, WE HAVE AN INDIVIDUAL
[00:21:53] THAT'S GOING ON MATERNITY LEAVE.
[00:21:56] SHE'S ALREADY ON MATERNITY LEAVE, AND
[00:21:57] SHE'S GOING TO BE OUT FOR THE FIRST HALF
[00:22:00] OF NEXT YEAR. SO IT'S FOR SOME TEMPORARY

[00:22:02] HELP. THE OTHER THINGS ARE JUST SUNDRIES
[00:22:06] AND COMPUTER EQUIPMENT, MISCELLANEOUS
[00:22:08] ITEMS. NEXT SLIDE, PLEASE, MICHELLE.
[00:22:12] SO THIS IS THE NEW BUDGET REQUEST THAT'S
[00:22:14] OUT OF THE ORDINARY. IT'S JUST FOR SOME
[00:22:17] TEMPORARY HELP TO BACKFILL
[00:22:21] STAFF THAT'S ON MATERNITY LEAVE FOR THE
[00:22:24] FIRST PART OF NEXT YEAR. AND NEXT
[00:22:27] SLIDE. SO THIS SLIDE,
[00:22:30] COMMISSIONERS, THE AUDIT
[00:22:34] COSTS HERE DO GET APPROVED BY THE FULL
[00:22:37] COMMISSION WHEN THE PROJECT IS APPROVED.
[00:22:39] SO IT'S IN THE PROJECT PRESENTATION
[00:22:41] THAT'S MADE TO YOU. BUT FOR
[00:22:43] TRANSPARENCY, SINCE WE'RE AUDITED
[00:22:45] BREAKING THIS OUT, THE ESTIMATED
[00:22:48] CONSTRUCTION COSTS ARE EARLY ESTIMATES
[00:22:51] OF JUST THE CONSTRUCTION RELATED COSTS.
[00:22:53] SO THERE'S DESIGN COSTS AND THE PORT
[00:22:57] COSTS THAT WILL INCREASE THE COST OF
[00:23:00] THESE PROJECTS. AND THESE ARE EARLY
[00:23:01] ESTIMATES. A LOT OF THESE PROJECT COSTS
[00:23:03] WILL GO UP, BUT WE BASE OUR SPEND
[00:23:07] ON THOSE AND WE
[00:23:10] ACCORDINGLY BID OUT THE AUDIT SERVICES.
[00:23:12] THEY ARE BID OUT PUBLICLY. SOME OF THEM
[00:23:16] ARE IDIQS, WHERE IT'S A
[00:23:19] PARTICULAR CONTRACT THAT COVERS TWO,
[00:23:22] THREE PROJECTS. AND THEN SOMETIMES
[00:23:25] YOU HAVE SOMETHING BIG LIKE THE SOUTH
[00:23:27] CONCOURSE, WHICH IS GOING TO BE A
[00:23:29] BILLION DOLLAR PLUS PROJECT. AND WE'LL
[00:23:31] PROBABLY HAVE TO HAVE A DEDICATED
[00:23:32] AUDITOR ON THAT WORKING WITH US
[00:23:34] CONTINUOUSLY. IT'S A TEN YEAR PROJECT.
[00:23:36] SO WHEN YOU GO ALL THE WAY INTO
[00:23:41] 2030 SOMETHING, YOU'RE GOING TO HAVE
[00:23:47] A LOT OF SPEND AND A LOT OF CHANGE THAT
[00:23:49] OCCURS OVER THAT IN THE LIFE OF THAT
[00:23:51] PROJECT. BUT FOR TRANSPARENCY, THESE ARE
[00:23:54] ESTIMATES OF WHAT THE AUDIT COSTS WILL
[00:23:55] BE. AND I JUST WANT TO IT'S REALLY THE
[00:23:58] EXPENSE BUDGET THAT GETS APPROVED HERE.
[00:24:00] THE CONSTRUCTION PUGET HERE IS, LIKE I
[00:24:03] SAID, APPROVED BY THE FULL COMMISSIONER
[00:24:06] AND SEPARATE PRESENTATION. AND THAT
[00:24:08] CONCLUDES ACTUALLY, COMMISSIONERS, MY
[00:24:10] BUDGET PRESENTATION, IT'S RELATIVELY
[00:24:12] SIMPLE, STRAIGHTFORWARD. I'LL ANSWER ANY
[00:24:14] QUESTIONS NOW.
[00:24:18] THANK YOU. MR. FERNANDEZ, ARE THERE ANY
[00:24:20] QUESTIONS FROM OUR COMMITTEE MEMBERS AT
[00:24:23] THIS TIME?
[00:24:28] OKAY, IS THERE A MOTION AND A SECOND
[00:24:31] FOR APPROVAL OF THE 2024 PROPOSED BUDGET
[00:24:34] SO MOVED? SECOND.
[00:24:39] THE MOTION HAS BEEN MADE AND SECONDED.
[00:24:42] IS THERE ANY OBJECTION TO APPROVAL OF
[00:24:44] THE 2024 PROPOSED BUDGET HEARING?
[00:24:48] NONE. THE MOTION IS APPROVED. THANK YOU,
[00:24:51] COMMISSIONER. ABSOLUTELY. NEXT SLIDE,
[00:24:54] PLEASE. MICHELLE. SO, COMMISSIONERS,
[00:24:57] I HAVE A LITTLE BIT OF A GOOD NEWS STORY

[00:24:59] HERE. IF YOU LOOK AT THE BARS IN THIS
[00:25:01] FOLLOW UP CHART, YOU'LL SEE THAT THE
[00:25:04] BARS IN THE FAR RIGHT, MORE THAN TWO
[00:25:06] YEARS HAS COME DOWN SIGNIFICANTLY. 1
[00:25:09] SECOND, YOU'RE ON ITEM NUMBER FIVE.
[00:25:12] RIGHT? I'M SORRY. YEAH, I CAN INTRODUCE
[00:25:13] THE ITEM. YOU'RE GOOD. BUT YOU'RE
[00:25:17] AHEAD. THIS IS GREAT. ITEM NUMBER FIVE
[00:25:20] ON THE AGENDA IS A REVIEW OF THE OPEN
[00:25:23] ISSUES STATUS REPORT. GLENN, PLEASE
[00:25:26] PROCEED WITH THE PRESENTATION. AGAIN.
[00:25:28] APOLOGIES, COMMISSIONER. I'M JUMPING
[00:25:30] AHEAD. BUT LIKE I SAID, IT'S A GOOD
[00:25:33] NEWS STORY. AND ONE
[00:25:37] OF THE THINGS WE DID OVER THE LAST
[00:25:41] QUARTER PLUS ACTUALLY, OVER THE LAST
[00:25:44] YEAR, WE'VE BEEN WORKING DILIGENTLY WITH
[00:25:45] MANAGEMENT, ESPECIALLY ON THE
[00:25:47] INFORMATION TECHNOLOGY SIDE, TO IDENTIFY
[00:25:49] THINGS THAT ARE FIXED OR THINGS THAT ARE
[00:25:51] NOT. GOING TO BE DONE AND MITIGATED SOME
[00:25:53] OTHER WAY IF A SYSTEM IS TOTALLY
[00:25:57] GOING TO BE REPLACED BECAUSE EVERYTHING
[00:25:59] CHANGES VERY QUICKLY, IN SOME CASES JUST
[00:26:02] OTHER MITIGATION WAS PUT IN PLACE. OR
[00:26:04] HAS MANAGEMENT ACCEPTED THE RISK? THERE
[00:26:07] ARE SOME CASES WHERE WE'VE DECIDED WE'RE
[00:26:10] GOING TO DO SOMETHING ELSE, BUT POST
[00:26:14] COVID, A LOT OF WORK'S BEEN DONE AND A
[00:26:17] LOT OF ITEMS HAVE BEEN CLOSED OUT. SO WE
[00:26:19] FLUSHED THAT OUT. AND TO MS.
[00:26:22] HOLMSTROM'S EARLIER REQUEST IN
[00:26:26] THE APPENDIX, WE HAVE ALL THE DETAILS ON
[00:26:29] ALL OF THESE ISSUES. SO THE ISSUE, THE
[00:26:32] STATUS, AND A LITTLE BIT MORE DETAIL ON
[00:26:34] THEM. SO YOU DO KNOW WHAT'S IN THESE
[00:26:37] BARS AND WHAT MAKES UP THE BARS.
[00:26:46] WE DO HAVE AN OPEN ISSUE IN
[00:26:48] ARCHITECTURAL AND ENGINEERING SERVICES
[00:26:49] THAT WE'LL TALK A LITTLE BIT ABOUT
[00:26:51] LATER. THERE'S A COMMENT IN THERE THAT I
[00:26:53] HAVE THAT SAYS THIS APPEARS TO BE IN THE
[00:26:55] PROCUREMENT COUNCIL AGENDA IN SEPTEMBER.
[00:26:57] THAT IS NOT ON THE AGENDA. SO THAT
[00:27:00] COMMENT NEEDS TO BE STRUCK. BUT
[00:27:01] EVERYTHING ELSE, IT'S STILL AN OPEN
[00:27:03] ISSUE.
[00:27:05] QUESTIONS ON FOLLOW UP,
[00:27:10] ARE THERE ANY QUESTIONS FROM THE
[00:27:11] COMMITTEE MEMBERS AT THIS TIME?
[00:27:15] MY MIC'S NOT ON. EVERYONE IN
[00:27:19] HERE HEARD ME. I NEVER QUESTION GOOD
[00:27:21] NEWS. THAT'S RIGHT. I MUST SAY THAT
[00:27:24] THE GRAPH HAS CHANGED SIGNIFICANTLY. I
[00:27:26] POINTED TO SARAH, YOU'VE MADE THAT POINT
[00:27:30] SEVERAL TIMES. WHY ARE THERE SO MANY
[00:27:32] OPEN ISSUES? AND SO IT'S GREAT TO SEE
[00:27:34] THIS UPDATED GRAPH. THANK YOU.
[00:27:38] OKAY, SO HEARING NO FURTHER QUESTIONS,
[00:27:41] WE CAN MOVE ON TO ITEM NUMBER SIX ON THE
[00:27:43] AGENDA, WHICH IS AN UPDATE ON THE 2023
[00:27:47] AUDIT PLAN. GLENN, PLEASE PROCEED WITH
[00:27:49] THE PRESENTATION ON THIS ITEM. THANK

[00:27:53] YOU, COMMISSIONER. SO,
[00:27:56] A QUICK STATUS UPDATE ON OUR PLAN AND
[00:27:58] WHERE WE STAND. A LOT OF
[00:28:01] THIS IS ON TRACK. WE HAVE A FEW
[00:28:05] CHANGES. WE PUSHED THE EQUITY POLICY
[00:28:08] DIRECTIVE AUDIT THAT WAS SCHEDULED FOR
[00:28:10] THIS YEAR INTO 2024, PRIMARILY AT A
[00:28:14] REQUEST OF THE DIRECTOR OF OEDI,
[00:28:17] BECAUSE THE DIRECTIVE WAS SIGNED,
[00:28:21] INITIATED JUST IN 2024. AND SHE HASN'T
[00:28:24] HAD REALLY TIME TO SHE
[00:28:28] NEEDS A LITTLE MORE TIME BEFORE WE CAN
[00:28:30] COME BACK AND LOOK AT IT AND MAKE SURE
[00:28:31] THAT PROCESSES HAVE BEEN SET UP. SO IT
[00:28:35] MADE MORE SENSE TO MOVE THAT OUT. SO WE
[00:28:37] DID MOVE THAT OUT. WE DID PULL IN A
[00:28:38] CONTINGENCY AUDIT THAT THE AUDIT
[00:28:41] COMMITTEE HAD APPROVED EARLIER ON THE
[00:28:43] POLICE DEPARTMENT. SO WE'LL BE FOCUSING
[00:28:45] ON THE POLICE DEPARTMENT EVIDENCE ROOM,
[00:28:48] AND WE MOVED THAT UP IN LIEU OF THE
[00:28:51] EQUITY POLICY DIRECTIVE JUST FOR
[00:28:54] TRANSPARENCY. THE STATE AUDITORS AT THIS
[00:28:56] TIME ALSO DOING AN AUDIT OF THE POLICE
[00:28:59] DEPARTMENT. THEY'RE LOOKING PRIMARILY AT
[00:29:03] SEIZURES AND THEY'RE LOOKING STATEWIDE
[00:29:05] AT POLICE DEPARTMENT SEIZURES TO MAKE
[00:29:08] SURE THAT THEIR
[00:29:12] SEIZURES ARE EQUITABLE AMONGST DIFFERENT
[00:29:14] DEMOGRAPHICS. SO I WILL ASK THEM
[00:29:18] TO COME PRESENT TO THIS COMMISSION AS TO
[00:29:22] THEY'RE DOING IT STATEWIDE, SO THEY WILL
[00:29:24] PRESENT TO JLARK AS WELL, AND THEN
[00:29:26] THEY'LL PRESENT TO THIS COMMISSION WHEN
[00:29:27] THEY'RE DONE. BUT OUR WORK IS DISTINCT
[00:29:30] FROM THEIRS AND FOCUSES SPECIFICALLY ON
[00:29:32] THE EVIDENCE ROOM AND OUR CONTROLS OVER
[00:29:36] THAT. ON THE
[00:29:40] CAPITAL FRONT, THE POST,
[00:29:43] IF REALIGNMENT AT THE BOTTOM, WAS A
[00:29:47] LITTLE BEHIND SCHEDULE ON THE
[00:29:49] CONSTRUCTION SIDE. SO WE'VE MOVED OUR
[00:29:51] AUDIT ALSO, AND OUR AUDIT WORK INTO
[00:29:53] 2024. IN LIEU OF THAT, WE'VE MOVED UP
[00:29:57] CONCOURSE THE BUILDING EXPANSION
[00:30:01] FOR THE DELTA LOUNGE. SO THAT'S IN
[00:30:05] PROCESS RIGHT NOW, AND WE'LL REPORT ON
[00:30:07] THAT IN THE FOURTH QUARTER. SO THAT WAS
[00:30:08] A SWAP OUT. AND THEN ON THE
[00:30:12] INFORMATION TECHNOLOGY SIDE, THE NETWORK
[00:30:16] INFRASTRUCTURE MANAGEMENT AUDIT WILL BE
[00:30:18] MOVED TO 2024. AND WE'RE NOT PULLING
[00:30:21] ANYTHING IN FOR THAT. THAT'LL JUST BE
[00:30:22] DONE IN 2024. AND THAT'S PRIMARILY
[00:30:24] BECAUSE BRUCE CLAUSAL, WHO WAS OUR IT
[00:30:27] AUDIT MANAGER, RETIRED EARLIER THIS
[00:30:29] YEAR. AND WHILE WE'RE FILLING AYE.
[00:30:31] POSITION, WE HAVE FILLED AYE. POSITION
[00:30:33] WITH RIDICA MARWAHA, BUT WE HAVE AN
[00:30:36] OPENED AUDITOR POSITION. AND WHILE WE'RE
[00:30:38] FILLING THAT, WE'RE EXPECTING LATE
[00:30:41] SEPTEMBER TO HAVE THAT FILLED. WE JUST
[00:30:43] WON'T HAVE TIME TO GET IT DONE FOR THIS.

[00:30:50] IT IS POSTED, YES. AND I BELIEVE MID
[00:30:54] SEPTEMBER WE'RE SCHEDULED TO HAVE
[00:30:56] INTERVIEWS FOR THE POSITION CANDIDATES.
[00:30:59] SO ALL OUR OPEN POSITIONS ARE POSTED AND
[00:31:02] PEOPLE GROW, PEOPLE DEVELOP, PEOPLE
[00:31:05] RETIRE, PEOPLE MOVE ON. YOU'VE GOT A
[00:31:08] CONSTANT, CONSTANT, AND IT'S THERE
[00:31:12] WILL COME A TIME YOU CAN GROW, BUT YOU
[00:31:14] CAN'T RETIRE, MOVE ON.
[00:31:19] NEXT SLIDE, PLEASE, MICHELLE. SO THIS
[00:31:22] SHOWS IT'S A GANTT CHART THAT SHOWS YOU
[00:31:24] WHERE WE STAND WITH OUR AUDIT PLAN. THE
[00:31:27] ONES IN RED, AS I MENTIONED, ARE THE
[00:31:29] ONES THAT ARE GETTING PUSHED INTO 2024.
[00:31:31] AND UP ABOVE, WE'VE GOT A FEW MORE THAT
[00:31:34] WE'VE PULLED INTO 2023 THAT WE'LL BE
[00:31:36] DOING SO WITH THAT. COMMISSIONER,
[00:31:39] I'LL TAKE ANY QUESTIONS ON OUR AUDIT
[00:31:41] PLAN BEFORE WE JUMP INTO BUT YEAH. IS
[00:31:44] THERE ANY QUESTIONS FROM OUR COMMITTEE
[00:31:46] MEMBERS AT THIS TIME?
[00:31:49] NO QUESTIONS. I CAN MOVE US ON TO THE
[00:31:52] NEXT ITEM ON THE AGENDA. WE'RE NOW
[00:31:55] AT THE PERFORMANCE AUDIT SECTION OF THE
[00:31:58] AGENDA. ITEM NUMBER SEVEN IS A REPORT ON
[00:32:01] THE C CONCOURSE EXPANSION PROJECT.
[00:32:04] GLENN, YOU HAVE THE FLOOR. PLEASE
[00:32:06] INTRODUCE OUR SPEAKERS. THANK YOU,
[00:32:08] COMMISSIONER MOHAMED. SO I'M GOING TO
[00:32:10] ASK SPENCER BRIGHT TO COME UP TO THE
[00:32:14] PODIUM. HE'S OUR CAPITAL AUDIT MANAGER,
[00:32:16] AND I'M ALSO ON THE LINE ON
[00:32:20] TEAMS. WE'VE ALSO GOT DEBBIE TOWNSEND
[00:32:24] FROM RL. TOWNSEND AND ASSOCIATES AND
[00:32:28] PATRICIA PHARRELL SHEARER FROM RL.
[00:32:32] TOWNSEND AND ASSOCIATES. NOW, RL.
[00:32:34] TOWNSEND AND ASSOCIATES IS A WMBE
[00:32:35] BUSINESS THAT ACTUALLY THEY'RE EXPERTS
[00:32:39] IN CONSTRUCTION MANAGEMENT. THEY'RE
[00:32:41] NATIONALLY KNOWN. AND ON THESE GCCM
[00:32:45] AUDITS, ON THREE OF THEM,
[00:32:48] THEY'VE WON THE CONTRACT TO DO THE
[00:32:52] INDEPENDENT AUDITS AS REQUIRED BY THE
[00:32:54] RCW. SO ALTHOUGH THEY'RE LOOKING AT
[00:32:56] SUBCONTRACTORS,
[00:32:59] THEY PARTNER WITH US ON
[00:33:05] THESE AUDITS, AND SPENCER'S GOT A LONG
[00:33:07] WORKING RELATIONSHIP WITH THEM AS WELL.
[00:33:10] SO I'M GOING TO PROVIDE A LITTLE BIT OF
[00:33:12] AN OVERVIEW, AND I'LL INTRODUCE OUR
[00:33:14] FIRST ISSUE, AND THEN WE'LL TALK
[00:33:18] THROUGH THE FIRST TWO ISSUES. AND THEN
[00:33:20] I'LL ASK MANAGEMENT TO COME UP AND SPEAK
[00:33:22] AND RESPOND AS WELL.
[00:33:27] THIS IS PRECONSTRUCTION. SO IT'S A SEA
[00:33:30] CONCOURSE EXPANSION PROJECT. AND BEFORE
[00:33:33] WE ACTUALLY START THE BUILDING OF THE
[00:33:35] FACILITIES, WE HAVE TURNER,
[00:33:39] THE WINNING BIDDER, COME IN AND DO A
[00:33:41] LITTLE BIT OF PRECONSTRUCTION WORK. SO
[00:33:44] IN THIS CASE,
[00:33:48] WE'RE EXPANDING THE SEA CONCOURSE
[00:33:52] BY ADDING MORE THAN 20,000

[00:33:57] ALASKA LOUNGE ACCESS. WE'RE TAKING
[00:34:02] 81,000 SQUARE FOOT BUILDING AND
[00:34:05] CONVERTING IT INTO A 226,000 SQUARE FOOT
[00:34:07] FACILITY. WE'RE GROWING UPWARDS, IN
[00:34:09] ESSENCE, ALSO BECAUSE WE'RE RUNNING OUT
[00:34:11] OF SPACE AT THE AIRPORT. SO THIS IS JUST
[00:34:14] A PRELIMINARY WORK, WHICH WILL TURN INTO
[00:34:17] 100 MILLION DOLLAR PLUS PROJECT,
[00:34:19] OR QUITE A BIT OVER THAT.
[00:34:23] THIS WORK STARTED IN 2020 AND WILL RUN
[00:34:26] OUT ALL THE WAY TO THE END OF THIS YEAR.
[00:34:30] SO IT SHOULD BE DONE AT THE END OF THIS
[00:34:31] YEAR. AND THEN WE'LL GO INTO MAJOR
[00:34:33] CONSTRUCTION FROM THERE. TURNER. AS YOU
[00:34:36] SEE THERE, TURNER CONSTRUCTION COMPANY
[00:34:38] WAS SELECTED AS THE GCCM OR THE GENERAL
[00:34:42] CONSTRUCTOR CONSTRUCTION MANAGEMENT
[00:34:44] MANAGER. AND THEY'LL
[00:34:50] LIKELY BE CONTINUING ON WITH THIS
[00:34:52] PROJECT. NEXT SLIDE, PLEASE.
[00:34:56] SO, BECAUSE THIS IS PRECONSTRUCTION,
[00:35:02] YOU'RE LOOKING AT ABOUT A \$4.4 MILLION
[00:35:06] PRICE TAG, WHICH YOU LOOK AT
[00:35:10] ALMOST 2 MILLION IN CHANGE ORDERS. A
[00:35:12] LARGE PART OF THIS IS CHANGE ORDERS THAT
[00:35:15] HAVE COME IN AFTER THE FACT.
[00:35:17] SO YOU'RE GOING FROM 4.4 TO ABOUT FROM
[00:35:22] TWO TO FOUR, ROUGHLY. NOW, THIS DOES
[00:35:25] FALL INTO THE RCW 39 TEN,
[00:35:28] 385 CATEGORY. THAT REQUIRES AN
[00:35:31] INDEPENDENT AUDITOR TO LOOK AT
[00:35:35] SUBCONTRACTOR COSTS, PRIMARILY. AND AS I
[00:35:38] INTRODUCED, RL. TOWNSEND DID A LOT OF
[00:35:40] THE WORK, IS DOING THE WORK ON THAT.
[00:35:42] NOW, THIS PARTICULAR AUDIT THAT WE'RE
[00:35:44] TALKING ABOUT, OUR INTERNAL TEAM,
[00:35:46] SPENCER DID THE WORK ON IT AND AYE. TEAM.
[00:35:48] HOWEVER, WE'RE LEVERAGING OFF THE
[00:35:50] EXPERTISE OF R. L. TOWNSEND AND
[00:35:52] ASSOCIATES.
[00:35:55] SO OUR WORK IN THIS AUDIT ALSO FOCUSED
[00:35:58] ON THE EXPENSES THAT WE PAID TO TURNER,
[00:36:01] TO THE GCCM, AND WE WANTED TO
[00:36:05] MAKE SURE THAT THOSE EXPENSES WERE
[00:36:06] ACCURATE AND THAT THEY WERE
[00:36:10] IN COMPLIANCE WITH THE CONTRACT. AND
[00:36:12] THEN WE TOOK IT ONE STEP FURTHER AND PUT
[00:36:14] ON A PERFORMANCE AUDIT. HAT LIKE THIS IS
[00:36:18] WHERE YOU DON'T JUST LOOK AT COMPLIANCE,
[00:36:20] BUT IS WHAT YOU'RE PAYING REASONABLE?
[00:36:24] AND ARE THE MODELS THAT WE'RE USING
[00:36:25] REASONABLE? AND IT'S CALLED A
[00:36:27] PERFORMANCE AUDIT, REALLY. SO WE LOOKED.
[00:36:31] AT LABOR RATE ANALYSIS AND WE'RE GOING
[00:36:33] TO TALK ABOUT OUR FIRST ISSUE AND HOW WE
[00:36:35] BUILT THAT UP INTO THE CONTRACT.
[00:36:38] NEXT SLIDE, PLEASE, MICHELLE.
[00:36:44] SO ONE OF THE THINGS THAT
[00:36:48] HAPPENED IS IN THE CONTRACT, IN THE BACK
[00:36:50] OF THE CONTRACT WAS A TABLE. AND THE
[00:36:52] TABLE HAD ALL THE STAFF FROM TURNER
[00:37:01] WORKING ON THE PROJECT OR SCHEDULED TO
[00:37:03] WORK ON THE PROJECT AND A RATE FOR THEM.

[00:37:06] AND THAT'S THE AGREED UPON RATE PER HOUR
[00:37:08] THAT YOU'LL PAY FOR THESE INDIVIDUALS.
[00:37:16] THE DETAIL WASN'T, I GUESS, FROM WHAT I
[00:37:19] UNDERSTAND, IT SHOULDN'T HAVE BEEN IN
[00:37:21] THE CONTRACT, BUT IT WAS THERE.
[00:37:24] IT SHOWED YOU THE BUILDUP TO HOW TO GET
[00:37:26] TO THAT RATE AND IT WAS TURNER'S WORK
[00:37:29] FOR EACH OF THE INDIVIDUALS BY JOB TITLE
[00:37:32] AND BY POSITION NAME. SO WE TOOK A LOOK
[00:37:35] AT THE DETAIL IN THERE AND THEN WE ALSO
[00:37:38] GOT MORE DATA FROM TURNER. WE CLEANED UP
[00:37:41] SOME OF THE DATA AND WE DID IN ESSENCE,
[00:37:43] A COST PLUS ANALYSIS, A COST PLUS
[00:37:45] APPROACH. SO THERE'S TWO WAYS TO DO
[00:37:50] MEAN TO COME UP WITH A RATE. THERE'S A
[00:37:52] RATE TOOL THAT WE HAVE IN HOUSE, A
[00:37:54] MARKET RATE ANALYSIS WHICH USES OUR IN
[00:37:57] HOUSE BUILDUP AND SOME MODEL THAT WAS
[00:37:59] CREATED IN HOUSE AND WITH THE HELP, I
[00:38:01] BELIEVE, OF BCG, I MIGHT BE,
[00:38:05] YOU KNOW, IT'S AN IN HOUSE MODEL. SO WE
[00:38:08] HAVE THIS IN HOUSE MODEL AND THEN
[00:38:11] THERE'S ALSO A COST PLUS APPROACH AND
[00:38:13] WHAT WE USE IS A COST PLUS APPROACH
[00:38:15] WHERE YOU ADD UP ALL THE COSTS THAT
[00:38:20] MAKE UP THE RATE AND THEN YOU ADD A
[00:38:22] MARKUP ON THAT. THAT'S REASONABLE AND
[00:38:24] THAT'S PRETTY STANDARD. AND IN A LITTLE
[00:38:27] BIT I'LL LET DEBBIE AND PATRICIA TALK A
[00:38:29] LITTLE BIT ABOUT THAT AS WELL BECAUSE
[00:38:30] THEY SEE IT AND THEY'RE EXPERTS AT IT.
[00:38:34] CPO USED THEIR RATE TOOL THAT CAME UP
[00:38:36] WITH THE RATES. BUT WHEN WE RECALCULATED
[00:38:39] EACH POSITION, WE FOUND SOME THINGS AND
[00:38:43] SOME OPPORTUNITIES WHICH WE THOUGHT WERE
[00:38:46] THAT LED US TO CONCLUDE THAT MAYBE WE
[00:38:48] NEED TO TAKE A SECOND LOOK AT OUR RATE
[00:38:50] TOOL, LOOK AT THE INPUTS AND SEE IF
[00:38:52] THERE'S AN OPPORTUNITY TO FINE TUNE THAT
[00:38:54] A LITTLE BIT. AND I THINK BY DOING THAT,
[00:38:56] ESPECIALLY AS YOU SCALE UP ON THESE
[00:38:58] PROJECTS, REMEMBER, RIGHT NOW WE'RE AT
[00:39:00] LIKE 4 MILLION. THIS IS GOING TO GO TO
[00:39:02] 100 MILLION PLUS AND ALL OF THESE GCCMS
[00:39:05] ARE GOING TO BE USING A SIMILAR PROCESS.
[00:39:07] IN ADDITION, WE HAVE A LOT OF CAPITAL
[00:39:09] COMING AND A LOT OF SPEND THAT'S ON THE
[00:39:11] TABLE. SO HOW DO WE MAKE SURE OUR
[00:39:15] MODELS ARE UP TO DATE? THE FINAL
[00:39:19] RATE, LIKE I MENTIONED ON THE CONTRACT,
[00:39:22] IN COMPLIANCE WITH THE CONTRACT, WE PAID
[00:39:24] THE RATE, BUT THAT BUILD UP TO THE RATE
[00:39:26] IS WHAT WE'RE QUESTIONING AND WE'RE
[00:39:29] SAYING THERE'S AN OPPORTUNITY TO IMPROVE
[00:39:31] THE INPUTS IN THE MODEL. NEXT SLIDE,
[00:39:34] PLEASE.
[00:39:37] SO THE TOP ILLUSTRATES OUR INTERNAL RATE
[00:39:40] TOOL THAT GIVES YOU THE NEGOTIATED RATE
[00:39:43] BY POSITION AND INDIVIDUAL. AND THEN THE
[00:39:45] RIGHT YOU HAVE TURNER'S RATE BUILD UP
[00:39:48] WHICH WE ESSENTIALLY USED
[00:39:51] AND DID A COST PLUS ANALYSIS OF AND
[00:39:53] BUILT KNOW THEY BOTH

[00:39:57] COME UP TO A RATE THAT'S THEN USED IN
[00:39:59] THE CONTRACT AND THEN WE PAY THAT RATE
[00:40:02] FOR A POSITION PER HOUR THAT THEY WORK
[00:40:04] AT THE PORT. SO IF THEY WORK FOR 100
[00:40:06] HOURS AND THEY CHARGE US \$170 AN HOUR,
[00:40:09] DO THE MULTIPLICATION, THAT'S WHAT WE
[00:40:11] PAY THEM FOR. THAT IN THE BUILD UP,
[00:40:15] IF YOU DO A COST PLUS, YOU HAVE THEIR
[00:40:17] SALARIES, THEIR WAGES, EVERYTHING'S
[00:40:20] COVERED. YOU HAVE THEIR OVERHEAD, THEIR
[00:40:22] PROFIT. ALL THE KEY ELEMENTS
[00:40:26] SHOULD BE EITHER IN THE COST PLUS BUILD
[00:40:28] UP OR COVERED BY THE RATE TOOL. THERE'S
[00:40:30] NOTHING OUTSIDE THAT. SO AFTER THAT, AT
[00:40:33] THE END OF THE DAY, THOSE ELEMENTS ARE
[00:40:34] WHAT YOU'RE PAYING ON, AND THERE'S A
[00:40:36] PROCESS AND A WAY TO DO THAT. SO,
[00:40:40] LIKE, YOU KNOW, WE'VE GOT A SERIES OF
[00:40:43] ITEMS IN MY THIRD BULLET HERE THAT WE
[00:40:45] LOOKED AT THAT WOULD BE QUESTIONED IF WE
[00:40:48] USED A COST PLUS APPROACH. AND THAT'S
[00:40:50] HOW SPENCER CAME UP WITH AYE. DIFFERENCE
[00:40:52] ON POTENTIAL SAVINGS. AND AT THIS POINT,
[00:40:55] RATHER THAN GO THROUGH THE DETAIL HERE,
[00:40:57] I'M GOING TO LET THE EXPERTS TALK. SO,
[00:40:59] PATRICIA AND KNOW,
[00:41:02] IF YOU CAN UNMUTE AND WHOEVER WANTS TO
[00:41:04] TAKE THE STAGE AND TALK A LITTLE BIT
[00:41:06] ABOUT THESE, I WOULD APPRECIATE IT. AND
[00:41:09] INTRODUCE YOURSELF AS YOU COME ONLINE.
[00:41:14] GOOD MORNING. MY NAME IS PATRICIA
[00:41:16] FARRELL SHEARER, AND I'M A PROJECT
[00:41:18] EXECUTIVE WITH EARL TOWNSEND ASSOCIATES.
[00:41:20] AND DEBBIE TOWNSEND, OUR PRESIDENT, IS
[00:41:23] ALSO HERE, SO SHE MAY CHIME IN FROM TIME
[00:41:26] TO TIME. IN TERMS OF THE RATE BUILDUP,
[00:41:30] THERE WERE SOME ITEMS THAT I BELIEVE
[00:41:33] INTERNAL AUDIT IDENTIFIED AS POTENTIAL
[00:41:36] NON COMPLIANCE WITH THE AUDIT, PERHAPS
[00:41:39] NON REIMBURSABLE COSTS. AND FROM AN
[00:41:42] INDUSTRY STANDARD PERSPECTIVE,
[00:41:45] THE BENEFITS THAT WE IDENTIFY AS NON
[00:41:49] REIMBURSABLES ARE TYPICALLY WHAT IA HAD
[00:41:52] DONE AS WELL. SO, FOR INSTANCE, TUITION
[00:41:55] REIMBURSEMENT WE TYPICALLY SEE WITHIN
[00:41:57] THE INDUSTRY. KNOW THE CONTRACT REQUIRES
[00:42:01] SKILLED EMPLOYEES, AND THAT WOULD BE
[00:42:04] SOMETHING THAT WOULD BE COVERED BY THEIR
[00:42:05] GENERAL OFFICE OVERHEAD EXPENSE AND OR
[00:42:08] FEES. AND THEN BONUSES,
[00:42:12] OBVIOUSLY, ARE DISCRETIONARY. AND SO
[00:42:14] STAFF RETENTION, WE HAVE FOUND IN THE
[00:42:17] MARKETPLACE, THERE'S A LOT OF
[00:42:18] FLUCTUATION RIGHT NOW IN TERMS OF STAFF
[00:42:21] RETENTION. HOWEVER, WE WOULD LOOK
[00:42:25] AT THAT AS SOMETHING, AGAIN, THAT THE
[00:42:27] PORT MAY NOT HAVE TO PAY FOR
[00:42:31] IN THE MARKET RATE.
[00:42:34] EMPLOYEE ASSISTANT PROGRAMS,
[00:42:37] THINGS LIKE OUTSIDE
[00:42:42] EDUCATIONAL PROGRAMS, IN WHAT HAVE YOU
[00:42:45] FOR THE ASSISTANT PROGRAMS THAT THE
[00:42:47] EMPLOYEES MAY GO THROUGH. SO THE YEAR

[00:42:51] END PREMIUM PAY AGAIN, WE IDENTIFY THAT
[00:42:54] TYPICALLY AS DISCRETIONARY, AS SOMETIMES
[00:42:57] A BONUS AND OR OTHER AREAS
[00:43:01] WHERE THE YEAR END PAY IS HIGHER
[00:43:04] THAN THAT, WHICH WOULD BE THE NORMAL
[00:43:06] SALARY ABOVE AND BEYOND THE
[00:43:12] OTHER AREAS THAT INTERNAL AUDIT HAD
[00:43:15] IDENTIFIED. I THINK WHEN WE MET WITH
[00:43:16] SPENCER WAS A GENERAL LIABILITY
[00:43:18] INSURANCE RATE THAT APPEARED TO BE
[00:43:21] EXCESSIVE. AND HE SOUGHT OUR COUNSEL.
[00:43:25] AND WE HAVE A TENDENCY TO AGREE WITH AYE.
[00:43:28] IN THAT ACCORDING TO OUR DATABASES,
[00:43:32] HISTORICAL DATA THAT WE HAVE, WE
[00:43:34] TYPICALLY FIND THE INDUSTRY STANDARD TO
[00:43:36] RANGE BETWEEN 0.5 AND .75.
[00:43:39] AND SO, OF COURSE, THAT RAISES THOSE
[00:43:42] RATES THAT ARE BILLABLE FROM THE
[00:43:44] CONTRACTORS.
[00:43:48] WHAT WAS SOMEWHAT SURPRISING IN THE
[00:43:51] FINDINGS WAS THAT THE VIRTUAL DESIGN,
[00:43:54] WHICH IS A MODELING SYSTEM, IT'S A
[00:43:57] SOFTWARE PRODUCT THAT ALLOWS THE
[00:44:00] CONTRACTOR TO LOOK AT THE MECHANICAL AND
[00:44:03] THE ELECTRICAL DESIGN TO DETERMINE
[00:44:06] WHETHER THERE WILL BE CONFLICTS DURING
[00:44:08] THE CONSTRUCTION PHASE. AND SO THAT
[00:44:10] VIRTUAL DESIGN AND CONSTRUCTION SOFTWARE
[00:44:13] IS IN FACT A REIMBURSABLE.
[00:44:16] HOWEVER, IT WOULD BE SOMETHING THAT WE
[00:44:19] WOULD TYPICALLY SEE TO BE SOMEWHAT
[00:44:21] REASONABLE ONCE THEY INVEST IN THIS
[00:44:24] EQUIPMENT, INVEST IN THE SOFTWARE. WE
[00:44:27] DON'T SEE IT AS A RECURRING COST. I
[00:44:30] BELIEVE IN THIS PARTICULAR CASE, THE
[00:44:32] AVERAGE RATE SHOULD HAVE BEEN
[00:44:34] APPROXIMATELY \$6.14.
[00:44:38] HOWEVER, THE AUDIT IDENTIFIED AREAS
[00:44:42] WHERE THE RATES WERE BETWEEN FIVE AND
[00:44:44] 75, WHICH WE DON'T TYPICALLY SEE WITHIN
[00:44:47] THE INDUSTRY FOR THAT PARTICULAR ROLE.
[00:44:52] AND THE BNO TAX PRETTY SIMPLE. I BELIEVE
[00:44:55] THAT THE BNO TAX FOR THE STATE OF
[00:44:58] WASHINGTON THAT WE HAVE USED FROM TIME
[00:45:01] TO TIME, OF COURSE, IS ZERO POINT 41%.
[00:45:05] AND THAT WAS ELEVATED AS WELL IN
[00:45:09] THE INTERNAL AUDITS REVIEW.
[00:45:16] DEBBIE, IF YOU HAVE SOMETHING WHEN
[00:45:21] WE LOOK AT THIS, WE WOULD RECOMMEND
[00:45:25] THIS IS AN ALTERNATIVE METHODOLOGY OF
[00:45:27] ESTABLISHING REASONABLE RATES FOR
[00:45:31] PROJECT MANAGEMENT THAT IS DOING
[00:45:33] PRECONSTRUCTION ALONG WITH DURING THE
[00:45:36] CONSTRUCTION PHASE. AND THAT WOULD BE
[00:45:38] SOMETHING THAT WE WOULD RECOMMEND TO THE
[00:45:40] PORT IN TERMS OF ESTABLISHING SOMETHING
[00:45:44] THAT YOU HAVE ACTUAL COST EVALUATIONS TO
[00:45:47] COME UP WITH SOMETHING THAT'S
[00:45:49] REASONABLE. AND DEBBIE,
[00:45:52] I'M THINKING MAYBE THROUGH THE DURATION
[00:45:55] OF THE PROJECT AS WELL, THAT MAY BE
[00:45:58] SOMETHING THAT IF THE COST, OBVIOUSLY
[00:46:00] THEY ARE GOING TO BE INCREASES AND WHAT

[00:46:03] HAVE YOU. AND SO IF, IN FACT, YOU CAN
[00:46:05] ESTABLISH A RATE THAT'S BASED ON ACTUAL
[00:46:08] COSTS OR INFORMATION THAT'S WITHIN THE
[00:46:11] INDUSTRY AND ESTABLISH THOSE RATES,
[00:46:15] THAT WOULD BE REASONABLE FOR THE
[00:46:16] DURATION OF THE PROJECT.
[00:46:20] RIGHT, I WAS GOING TO ADD TO THAT.
[00:46:24] WE'VE BEEN IN BUSINESS FOR OVER 30
[00:46:26] YEARS, AND WE ONLY DO
[00:46:30] CONSTRUCTION AUDITING. SO WE HAVE QUITE
[00:46:32] A BIT OF HISTORY ON THIS TYPE OF
[00:46:35] AUDITING. MOST OF THE TIME,
[00:46:39] GENERALLY, OUR GO TO POSITION IS ACTUAL
[00:46:41] COST FOR LABOR. WE FIND THAT ANYTIME
[00:46:45] YOU USE A FIXED RATE, ESPECIALLY IF
[00:46:48] IT'S NOT AUDITED, YOU END UP PAYING
[00:46:53] MAYBE 15, 20% MORE THAN WHAT YOU
[00:46:57] WOULD EXPECT TO.
[00:47:00] WE BELIEVE THAT CONTRACTORS SHOULD BE
[00:47:02] PAID FAIRLY AND REASONABLY. AND I THINK
[00:47:05] YOU CAN DO THAT VIA THE AUDIT PROCESS,
[00:47:08] OR IT DOESN'T MATTER. IT DOESN'T
[00:47:10] AUDITORS HAVE TO DO IT. BUT WHOEVER
[00:47:12] REVIEWS TO MAKE SURE THAT THEY
[00:47:15] UNDERSTAND THE COMPONENTS IN THESE LABOR
[00:47:17] RATES AND PAY IN A
[00:47:20] REASONABLE AMOUNT, I THINK THAT'S REALLY
[00:47:24] THE OBJECTIVE OF WHAT I WOULD THINK THE
[00:47:26] PORT WOULD WANT TO GO TOWARDS.
[00:47:34] DEBBIE, WE ALSO USED REDUCED THE FEE
[00:47:38] FROM I BELIEVE IT WAS, WE SET IT AT
[00:47:42] FIVE TO 15% IS THAT WHAT YOU USED?
[00:47:45] FIVE TO 12%. FIVE TO 12% THAT SPENCER
[00:47:48] USED. I JUST WANT YOU TO COMMENT ON THAT
[00:47:50] AND SEE IF THAT'S REASONABLE AS WELL.
[00:47:53] RIGHT. WHEN WE REVIEWED WHAT SPENCER DID
[00:47:56] ORIGINALLY VERSUS SORT OF THE FINAL
[00:48:00] KNOW, I THINK HE HAS BEEN EXTREMELY
[00:48:03] FAIR AND CONSERVATIVE. THOSE FEE
[00:48:08] THAT GLENN JUST MENTIONED ARE REALLY
[00:48:12] ON THE VERY HIGH END OF
[00:48:15] WHAT WE TYPICALLY SEE.
[00:48:18] 5.5% IS PROBABLY A
[00:48:23] GOING RATE RIGHT NOW, MAYBE EVEN A
[00:48:25] LITTLE ON THE HIGH SIDE. BUT I WOULD
[00:48:27] SAY, CONSIDERING THE TIMES, THAT'S
[00:48:29] PROBABLY NOT UNUSUAL,
[00:48:33] ESPECIALLY IN THE WASHINGTON AREA. BUT
[00:48:36] ANYTHING HIGHER, 15%. I HAVE NEVER
[00:48:40] SEEN ANY ON A BIG PROJECT LIKE THIS,
[00:48:43] HAVEN'T SEEN FEES THAT HIGH. SO I
[00:48:48] THINK THAT THE WORK I
[00:48:52] THOUGHT THE WORK DONE WAS LOOKED
[00:48:56] AT FAIRNESS FOR THE CONTRACTOR.
[00:48:59] AND I WILL TELL YOU, WE'VE AUDITED
[00:49:01] TURNER FOR YEARS AND HAVE A VERY GOOD
[00:49:03] UNDERSTANDING OF THEIR FINANCIAL SYSTEM,
[00:49:06] THEIR LABOR AND LABOR.
[00:49:10] YOU KNOW, I THINK WHAT SPENCER DID
[00:49:13] PRETTY MUCH FELL IN LINE WITH WHAT WE
[00:49:14] WOULD KNOW COMMENTED
[00:49:18] ON AS WELL.
[00:49:22] QUESTIONS? WELL, THANK YOU TO THE STAFF

[00:49:26] FOR THIS REPORT AND PATRICIA AND
[00:49:30] DEBBIE, THANK YOU FOR OFFERING YOUR
[00:49:32] EXPERTISE AND ALL OF THE INFORMATION
[00:49:35] THAT YOU TWO HAVE SHARED TODAY. ARE
[00:49:38] THERE ANY QUESTIONS FROM THE COMMITTEE
[00:49:40] MEMBERS AT THIS TIME? I HAVE ONE
[00:49:43] GENERAL QUESTION. I THINK ONE THING THAT
[00:49:45] STOOD OUT TO ME IN A PRESENTATION ON THE
[00:49:47] C CONCOURSE WAS THE \$1.94 MILLION IN
[00:49:50] CHANGE ORDERS. AND I HAVE NO SENSE OF
[00:49:52] WHETHER OR NOT THAT'S A LOT OR A LITTLE.
[00:49:53] BUT OFTENTIMES I FEEL LIKE THERE'S
[00:49:56] ALWAYS THIS DEBATE, ESPECIALLY AROUND
[00:49:58] PROJECT MANAGEMENT, OVER HOW
[00:50:01] YOU GO ABOUT THE PROJECT, WHETHER IT'S
[00:50:03] GCCM OR DESIGN BUILD OR DESIGN
[00:50:06] BID BUILD. AND I'M CURIOUS IF WE'VE EVER
[00:50:09] LOOKED AT THE DATA AROUND HOW MUCH WE
[00:50:12] GET IN CHANGE ORDERS RELATIVE TO
[00:50:15] HOW WE'RE MANAGING THE PROJECT. AND
[00:50:18] OBVIOUSLY EVERY PROJECT IS A LITTLE
[00:50:20] DIFFERENT AND THE PROJECT COST IS
[00:50:21] DIFFERENT. BUT IT WOULD BE INTERESTING
[00:50:23] FOR ME TO SEE WE'RE SEEING A LOT MORE
[00:50:26] CHANGE ORDERS IN GCCM PROJECTS OR IN
[00:50:29] DESIGN BUILD PROJECTS,
[00:50:34] BECAUSE I THINK IT'S IMPORTANT FOR US TO
[00:50:37] UNDERSTAND AND BE ABLE TO FORECAST WHAT
[00:50:39] OUR COSTS ARE. AND IF WE CONTINUE TO GET
[00:50:42] RECURRING, IF WE SEE A PATTERN OF MORE
[00:50:45] CHANGE ORDERS IN CERTAIN TYPES OF
[00:50:46] PROJECTS THAN OTHERS, THEN MAYBE THAT'S
[00:50:48] REASON FOR US TO CONSIDER TAPERING THOSE
[00:50:52] KINDS OF PROJECTS. I ALSO HAVE A THEORY
[00:50:54] THAT CERTAIN PROJECTS ARE PROBABLY GOOD
[00:50:55] FOR DESIGN BUILD AND CERTAIN PROJECTS
[00:50:56] ARE GOOD FOR GCCM AND CERTAIN PROJECTS
[00:50:59] ARE GOOD FOR DESIGN BID BUILD. AND IT
[00:51:01] MIGHT JUST BE MY IGNORANCE ON HOW WE
[00:51:03] DECIDE WHICH ROUTE WE'D GO, BUT I
[00:51:07] WOULD IMAGINE THAT ANALYSIS ON THE
[00:51:09] CHANGE ORDERS AND WHATNOT COULD INFORM
[00:51:12] US ON THAT TOO. SO I SEE JANICE IS
[00:51:14] COMING, BECAUSE JANICE CAN ANSWER THAT.
[00:51:16] I DO KNOW JUST ONE COMMENT. I KNOW THE
[00:51:18] PORT HAD A LOT OF SUCCESS WITH GCCMS,
[00:51:21] AND ALSO IF YOU HAVE A LUMP SUM, IT'S
[00:51:25] NOT AUDITABLE. SO A LOT OF THESE THINGS
[00:51:26] THAT WE'RE TALKING ABOUT ARE JUST LUMPED
[00:51:28] TOGETHER, CHARGED TO THE PORT IN ONE,
[00:51:30] AND YOU CAN'T PICK IT APART FROM AN
[00:51:31] AUDIT PERSPECTIVE. SO THERE'S AN
[00:51:33] ADVANTAGE TO GCCMS FROM THAT
[00:51:36] PERSPECTIVE. AND I'LL LET JANICE TALK
[00:51:37] ABOUT WHETHER 1.94 IS REASONABLE AND
[00:51:39] CHANGE ORDERS. YEAH, THANK YOU VERY MUCH
[00:51:42] FOR YOUR QUESTION. I WOULD SAY THAT AS
[00:51:44] WE CONTINUE TO USE MORE GCCM, WE HAVE
[00:51:47] LEARNED A LOT IN THE LAST FOUR OR FIVE
[00:51:50] GCCM. THESE ONES YOU'RE SEEING HERE,
[00:51:54] THE NEXT ONE WITH THE MAIN TRAUMA, LOW
[00:51:56] VOLTAGE WAS AWARDED IN 2019, THIS ONE IN
[00:51:59] 2020. WHAT WE ARE LEARNING IS

[00:52:02] THE BENEFITS OF THE GCCM IN
[00:52:04] PRECONSTRUCTION. SO THESE EARLIER ONES,
[00:52:08] WE DID NOT HAVE ENOUGH MONEY IN THE PRE
[00:52:10] CONSTRUCTION FOR SOME OF THE SITE
[00:52:12] INVESTIGATION AND THE HELP THAT THEY DO
[00:52:14] WITH OUR DESIGNERS IN THIS EARLY PART OF
[00:52:18] THE DESIGN WORK. SO THAT'S WHY YOU'RE
[00:52:21] SEEING THE LARGE CHANGE ORDERS IN MAIN
[00:52:24] TERM, LOW VOLTAGE HAD AN INCREASE C
[00:52:27] CONCOURSE. AND THEN AS WE'VE MOVED ALONG
[00:52:30] IN OUR NEWER GCCM, WE'RE HAVING
[00:52:32] DISCUSSIONS TO REALLY UNDERSTAND FROM
[00:52:35] OUR LESSONS LEARNED, WHAT SHOULD WE HAVE
[00:52:38] AS A PRECONSTRUCTION CONTRACT VALUE THAT
[00:52:41] ACCOUNTS FOR THE SCOPE OF WORK THAT WE
[00:52:43] WANT DONE? BECAUSE THE REASON WE USE
[00:52:45] GCCM AND THE RCW 39 TEN IS
[00:52:50] BASED ON IS THAT EARLY INTERACTION OF
[00:52:53] THE CONTRACTOR TO HELP US VET AND REDUCE
[00:52:57] RISK AND UNDERSTAND THE SITUATION AND
[00:53:00] SITE CONDITIONS. AND I WOULD SAY THAT
[00:53:02] OVER THE FIRST COUPLE OF THEM THAT YOU
[00:53:04] ARE SEEING NOW, WE UNDERESTIMATED THE
[00:53:07] BENEFITS OF THE GCCM. AND SO THOSE
[00:53:09] INITIAL CONTRACTS, WE ISSUED CHANGE
[00:53:12] ORDERS TO INCREASE THE VALUE SO WE COULD
[00:53:14] GET MORE EFFORT OUT OF THE GCCM. AND CAN
[00:53:17] YOU REMIND ME WAS IF GCCM OR WAS THAT
[00:53:19] DESIGN BUILD? IT WAS PROGRESSIVE DESIGN
[00:53:22] BUILD. THAT'S WHAT I THOUGHT. OKAY.
[00:53:24] THANKS,
[00:53:29] SARAH.
[00:53:32] OKAY, ON THIS RECOMMENDATION, I GUESS
[00:53:35] I'M STILL TRYING TO PIECE TOGETHER SOME
[00:53:36] OF THIS. SO, LIKE THE GENERAL LIABILITY
[00:53:39] RATE AND THESE THREE ITEMS AT THE BOTTOM
[00:53:42] OF THIS PAGE, IS THAT IN
[00:53:45] OUR CPO MODEL THAT THESE ARE WRONG,
[00:53:49] OR IS THIS IN WHAT TURNER SUBMITTED THAT
[00:53:52] WAS THESE NUMBERS? NO. SO TURNER HAD
[00:53:54] SOMETHING ATTACHED ACTUALLY TO THE BACK
[00:53:56] OF THE CONTRACT. IT WAS A RATE BUILDUP
[00:53:58] TABLE. AND AN EXAMPLE IS IN THE ACTUAL
[00:54:01] AUDIT REPORT WHERE THEY LISTED OUT ALL
[00:54:03] OF THESE CHARGES AND LITERALLY THEY PUT
[00:54:05] THE RATES ON THERE AND HOW THEY CAME UP
[00:54:07] WITH THE FINAL CHARGE PER POSITION. SO
[00:54:10] THE TABLE WILL SAY, THESE ARE THE
[00:54:12] BENEFITS WE'RE CHARGING YOU. THIS IS THE
[00:54:15] VIRTUAL DESIGN COST, THIS IS OUR
[00:54:17] INSURANCE, THIS IS OUR TAX. AND IF YOU
[00:54:20] PUGET ALL OF THOSE, IT COMES UP TO A
[00:54:21] RATE, AND THAT RATE IS WHAT ENDS UP
[00:54:24] BEING CHARGED TO THE PORT. NOW, WHEN WE
[00:54:27] ASKED CPO WHY WAS THIS IN, THEY SAID THE
[00:54:30] TABLE SHOULDN'T HAVE BEEN IN THE
[00:54:31] CONTRACT. WE AGREED TO THIS RATE IN THE
[00:54:33] CONTRACT, SO WE SHOULD BE PAYING BASED
[00:54:35] ON THE RATE. AND THEY SAID OUR
[00:54:42] MODEL COMES UP WITH THE SAME RATE, SO
[00:54:43] OUR MODEL SAID THE RATE IS OKAY. AND
[00:54:46] THAT'S KIND OF WHERE WE OKAY. SO THAT'S
[00:54:48] WHY THE RECOMMENDATION IS FOCUSING ON

[00:54:50] OUR TOOL AND OUR CURRENT
[00:54:54] RATE TOOL, BECAUSE WE'RE SAYING BASED ON
[00:54:56] WHAT TURNER SUBMITTED, THESE ARE CLEARLY
[00:54:59] IS THIS DOESN'T LEAVE A LOT OF QUESTION
[00:55:02] MARK. I MEAN, LIKE, THE B O TAX RATE IS
[00:55:04] VERY CUT AND DRY. SO I GUESS I DON'T
[00:55:06] UNDERSTAND HOW I MEAN, FROM TURNER'S
[00:55:08] PERSPECTIVE, I GUESS THERE'S
[00:55:12] A PROFITABILITY ASPECT, OBVIOUSLY,
[00:55:15] BUT FROM OUR SIDE, WHY WOULD WE I
[00:55:19] CAN'T IMAGINE WE HAD THE RATE WRONG. SO
[00:55:21] DO WE HAVE SOMEWHERE ELSE IN OUR TOOL
[00:55:23] THAT IS TOO HIGH, THAT IS
[00:55:27] ACCOUNTING FOR HOW WE CAME UP WITH THE
[00:55:29] SAME RATE? LIKE, IF THE BNO TAX I CAN'T
[00:55:31] IMAGINE WE HAVE SOMETHING DIFFERENT THAN
[00:55:33] THE ZERO POINT 47 1%.
[00:55:36] CLEARLY TURNER'S DID. AND IF WE'RE
[00:55:38] SAYING OUR RATE TOOL CAME UP WITH THE
[00:55:39] SAME RATE, THEN WE'VE GOT PROBLEMS
[00:55:41] ELSEWHERE WITHIN OUR TOOL THAT WE NEED
[00:55:43] TO FIGURE OUT WHERE THEY ARE. DO WE KNOW
[00:55:45] WHERE THOSE ARE? WELL, THAT'S MY
[00:55:47] RECOMMENDATION. I HAVE SOME THEORIES,
[00:55:49] BUT I THINK YOU HAVE TO GO BACK AND LOOK
[00:55:51] AT THE TOOL. AND I THINK MY CONCERN WITH
[00:55:53] THE TOOL IS THAT WE'VE GOT THREE
[00:55:56] COMPONENTS THE MARKET RATE ANALYSIS,
[00:55:58] HISTORICAL, AND WHAT OTHER INFORMATION
[00:56:02] WE HAVE FROM THAT COMPANY. NORA IS GOING
[00:56:04] TO TALK ABOUT THIS IN A RESPONSE IF
[00:56:05] YOU'D LIKE HER TO RESPOND NOW. YES. AND
[00:56:08] YOU ALSO HAVE THE RL TOWNSEND
[00:56:11] FOLKS THAT CAN ANSWER ANY QUESTIONS FOR
[00:56:13] YOU. NORA, WOULD YOU LIKE AND KYLE,
[00:56:16] WOULD YOU LIKE TO RESPOND TO THAT?
[00:56:17] THANKS, COMMISSIONER. PUBLIC MEMBER. MY
[00:56:21] NAME IS KYLE DOBERT. I'M THE SENIOR
[00:56:22] MANAGER OF CONSTRUCTION CONTRACTING, SO
[00:56:24] I'M IN CHARGE OF THE GROUP THAT MANAGED
[00:56:26] THIS CONTRACT. JUST A COUPLE THINGS
[00:56:29] ABOUT THE RATE TOOL. SO, ONE,
[00:56:31] THE TABLE THAT TURNER PROVIDE WAS
[00:56:34] INFORMATIONAL. SO IT WASN'T IN THERE
[00:56:36] INCORRECTLY, BUT IT WAS FOR INFORMATION
[00:56:38] ONLY. WE DIDN'T USE THE RATE BUILDUP TO
[00:56:41] NEGOTIATE THE RATES, SO WE WERE LOOKING
[00:56:43] FOR A FAIR AND REASONABLE RATE BASED ON
[00:56:46] MARKET RATES. SO WE HAVE INFORMATION
[00:56:49] ABOUT WHAT A FAIR AND REASONABLE RATE
[00:56:50] FOR, LIKE, A PROJECT MANAGER ONE WAS.
[00:56:53] WE DIDN'T GO DOWN TO THE LEVEL OF BNO
[00:56:55] TAXES XYZ, SO WE KNEW THAT A PROJECT
[00:56:59] MANAGER ONE IN THIS AREA MIGHT MAKE,
[00:57:01] LET'S SAY, \$100 FULLY BURDENED. TURNER
[00:57:04] SUBMITTED A RATE. WE USED THAT
[00:57:06] INFORMATION TO NEGOTIATE WHAT WE
[00:57:08] CONSIDERED IS A FAIR AND REASONABLE
[00:57:10] RATE. SO GLENN'S REFERRING TO NOW GOING
[00:57:13] BACK AND RECREATING THE RATE AS A COST
[00:57:16] PLUS FIXED FEE CONTRACT,
[00:57:19] THAT'S NOT HOW WE CAME UP WITH THE RATE.
[00:57:21] SO THAT'S WHY THERE'S MAYBE A

[00:57:23] DISCREPANCY WITH WHAT THEY'RE SAYING AND
[00:57:25] WHAT OUR TOOL MIGHT HAVE. OUR TOOL
[00:57:26] WOULDN'T USE THIS INFORMATION.
[00:57:30] SO I GUESS CAN YOU ELABORATE ON WHAT THE
[00:57:32] TOOL USES FOR THE FAIR MARKET RATE?
[00:57:35] WHAT ARE THE INPUTS FOR THAT, THEN,
[00:57:40] YEAH, FOR THE MARKET RATE,
[00:57:43] WE GET A NUMBER OF DATA POINTS FROM
[00:57:46] DIFFERENT MARKET BOOKS. I DON'T HAVE THE
[00:57:49] MANAGER HERE WHO HAS ACTUALLY CREATED
[00:57:51] THE DOES THE INPUTS AND STUFF. SO
[00:57:53] BASICALLY WE GO AND ON AN ANNUAL BASIS,
[00:57:56] THERE ARE A NUMBER OF REFERENCE GUIDES
[00:57:58] THAT WE USE THAT WE INPUT THAT
[00:58:00] INFORMATION AND THEN WE BREAK IT DOWN BY
[00:58:04] JOB CLASSIFICATION. WE DO, I THINK IT'S
[00:58:07] A ONE THROUGH TEN GRADE,
[00:58:11] SO TO SPEAK. SO IT CAN BE A PM ONE UP
[00:58:13] THROUGH A PM TEN. AND SO WE USE THE
[00:58:16] MARKET DATA TO CREATE A CALCULATION IN
[00:58:19] ORDER TO COME UP WITH WHAT THE MARKET
[00:58:20] RATE IS. I THINK IT'S IMPORTANT TO ALSO
[00:58:23] UNDERSTAND WE DON'T JUST USE ONE TOOL,
[00:58:25] WE DON'T USE ONE DATA POINT. SO WHEN
[00:58:27] WE'RE LOOKING AT THIS, WE LOOK AT THE
[00:58:30] INFORMATION THAT COMES FROM OUR
[00:58:31] DIFFERENT RATE BOOKS AND CREATE THAT
[00:58:34] CALCULATION THROUGH THE TOOL. WE ALSO
[00:58:36] LOOK AT HISTORICAL INFORMATION,
[00:58:41] AND I'M NOT NECESSARILY CERTAIN IN THIS
[00:58:43] INSTANCE, A LOT OF TIMES WE CAN LOOK AT
[00:58:45] OTHER INVOICES WHAT OTHER AGENCIES,
[00:58:47] WHAT OTHER COMPANIES PAY IN ORDER TO
[00:58:49] UNDERSTAND SORT OF WHAT ARE ALL THOSE
[00:58:50] DIFFERENT DATA POINTS. IN ORDER TO
[00:58:52] DETERMINE WHAT IS A FAIR AND REASONABLE
[00:58:54] BILLING RATE, WE SPECIFICALLY CHOSE
[00:58:58] NOT TO DO A COST REIMBURSEMENT.
[00:59:01] IT'S NOT COMMON TO DO THOSE ON GCCM TYPE
[00:59:04] CONTRACTS.
[00:59:09] OKAY, SO I GUESS MY CONCERN IS THE
[00:59:13] SPECIFIC ITEMS IDENTIFIED HERE SEEM
[00:59:15] PRETTY BLACK AND WHITE. AND WHEN WE'RE
[00:59:17] LOOKING AT COMPARING TO A FAIR MARKET
[00:59:21] RATE THAT WE ARE UPDATING ANNUALLY, IT
[00:59:23] SOUNDS LIKE WE ARE LOOKING AT THOSE EACH
[00:59:25] YEAR. OBVIOUSLY,
[00:59:29] THE ECONOMY AND DEMAND AND AVAILABILITY
[00:59:33] OF RESOURCES OF THESE TYPE OF PEOPLE IS
[00:59:35] GOING TO MAKE A BIG DIFFERENCE IN THAT.
[00:59:39] AND THEN HISTORIC TRENDS, I GUESS
[00:59:43] WITHOUT TRYING TO GET TOO MUCH INTO THE
[00:59:44] DETAILS, I'M TRYING TO UNDERSTAND HOW
[00:59:46] THE TOOL SO YOU HAVE THESE RATE BOOKS
[00:59:48] THAT GIVE YOU, HEY, THIS IS A PM ONE,
[00:59:51] THIS IS THEIR RATE, WE INPUT THAT. HOW
[00:59:53] DOES HISTORIC PLAY INTO THAT AND DOES
[00:59:57] IT AVERAGE ALL THOSE? AND WHEN YOU GUYS
[01:00:00] LOOK AT IT, LIKE TURNER SAID, OKAY,
[01:00:02] THIS IS \$50 AN HOUR. OUR TOOL SAYS
[01:00:05] BETWEEN 30 AND 50 IS REASONABLE. SO DO
[01:00:08] YOU GUYS JUST SAY, OKAY, WE'RE OKAY WITH
[01:00:09] 50? CAN YOU TELL ME A LITTLE BIT MORE

[01:00:11] ABOUT THAT PART TOO?
[01:00:19] THE FOLKS WHO ARE NEGOTIATING THIS LOOK
[01:00:21] AT ALL THE DIFFERENT DATA POINTS, AND IT
[01:00:23] IS ASSESSING THOSE DATA POINTS USING
[01:00:25] SORT OF THEIR UNDERSTANDING OF THE WORK.
[01:00:29] IT'S NOT JUST CPO. SO WE ALSO PULL IN
[01:00:32] JANICE'S TEAM, THE PROJECT MANAGEMENT
[01:00:34] TEAM, AND SO THE TEAM AS A WHOLE LOOKS
[01:00:36] AT ALL OF THE DIFFERENT DATA POINTS THEY
[01:00:38] ARE GIVEN. SO ON THE HISTORICAL
[01:00:40] INFORMATION, WE CAN DIG DOWN AND SEE HOW
[01:00:43] MANY TIMES IT'S BEEN USED. WE CAN LOOK
[01:00:44] AT WHAT THE AVERAGE IS. AND SO WE ARE
[01:00:47] LOOKING AT MULTIPLE LAYERS OF SORT OF
[01:00:49] THE DATA IN ORDER TO DETERMINE WHAT WE
[01:00:52] BELIEVE IS AN APPROPRIATE BILLING RATE.
[01:00:56] AND ONE FOLLOW UP, YOU HAD ASKED A GOOD
[01:00:59] QUESTION AROUND. IF OUR TOOL IS SAYING
[01:01:02] THIRTY DOLLARS TO FIFTY DOLLARS, AND
[01:01:03] IT'S \$50, DO WE JUST APPROVE IT?
[01:01:06] GENERALLY? NO. WE HAVE A NEGOTIATION
[01:01:08] STRATEGY THAT SETS A REPORT TARGET, AND
[01:01:11] WE WILL PUSH TO THAT TARGET. AND
[01:01:13] GENERALLY IT'S NOT ON THE HIGH END OF
[01:01:15] WHATEVER OUR RANGE IS. FOR THIS
[01:01:17] CONTRACT, FOR EXAMPLE, WE REDUCE RATES
[01:01:19] TOTALLY DOWN 7% FROM WHAT WAS INITIALLY
[01:01:22] REQUESTED. SO, FOR EXAMPLE, IF THEY HAD
[01:01:24] REQUESTED \$100 WORTH OF RATES, WE
[01:01:26] ACTUALLY NEGOTIATED IT, AND THE CONTRACT
[01:01:28] ENDED WITH \$93 WORTH OF RATES ON
[01:01:32] AVERAGE. SO THERE'S SOMEONE ONLINE WHO
[01:01:35] HAS A HAND UP, MAYBE SARAH, THEY'LL BE
[01:01:36] ABLE TO ANSWER YOUR QUESTIONS.
[01:01:37] ADDITIONALLY, I DON'T SEE THE NAME OR
[01:01:42] OH, YOU DON'T KNOW WHO IT IS?
[01:01:48] YOU'RE WELCOME TO ANSWER IF YOU HAVE A
[01:01:51] COMMENT. HELLO, THIS IS MANDELA. CAN YOU
[01:01:54] GUYS HEAR? YEAH. YES. OKAY, A COUPLE
[01:01:58] COMMENTS AROUND THE SPECIFICS. I AM
[01:02:00] WORKING. MY NAME IS MANDELA THOMAS. I
[01:02:03] HELP RUN THE ANALYTICS TEAM
[01:02:07] THAT HELPS DO THESE RATES. I WORK FOR
[01:02:09] NORA. SO THE SOURCES, WHERE DOES THE
[01:02:12] MARKET DATA? I WANTED TO SPEAK TO THAT,
[01:02:14] AND THEN I CAN ALSO COMMENT ON SOME OF
[01:02:15] THE HISTORICAL QUESTIONS AROUND HOW THE
[01:02:18] HISTORICAL NUMBERS ARE USED. SO AMERICAN
[01:02:22] COUNCIL OF ENGINEERING COMPANIES,
[01:02:25] THAT'S WHERE WE GET SOME MARKET
[01:02:27] INFORMATION. WE LOOK AT THE BUREAU OF
[01:02:29] LABOR STATISTICS. WE LOOK AT THE
[01:02:31] AMERICAN SOCIETY OF CIVIL ENGINEERS AND
[01:02:35] A COUPLE OF OTHER SOURCES. SO THOSE ARE
[01:02:36] THE TYPES OF MARKET INFORMATION THAT WE
[01:02:39] COLLECT AND SYNTHESIZE. AND THEN FROM
[01:02:42] THE HISTORICAL PERSPECTIVE,
[01:02:47] WE DO LOOK AT THE AVERAGE OF WHAT WE'VE
[01:02:50] PAID HISTORICALLY OVER A PERIOD OF TIME.
[01:02:52] AND IF THAT AVERAGE, IF WE HAVE MAYBE
[01:02:54] TWO OR THREE INSTANCES OF THAT
[01:02:57] PARTICULAR RATE, THEN THAT HAS LESS OF A
[01:02:59] SIGNIFICANCE. BUT IF WE HAVE, SAY, 150

[01:03:03] INSTANCES OF HISTORICAL DATA, THEN WE
[01:03:06] KEY IN AND PAY A LITTLE BIT MORE
[01:03:08] ATTENTION TO THAT. SO THE NICE THING
[01:03:11] ABOUT THE MARKET DATA IS IT GIVES US A
[01:03:12] LOT OF INFORMATION, BUT IT IS THE
[01:03:16] AVERAGE. SO YOU'RE GOING TO HAVE
[01:03:17] OUTLIERS THAT ARE ABOVE AND OUTLIERS
[01:03:19] THAT ARE BELOW. AND THE MARKET NUMBERS
[01:03:22] WILL FIT VERY WELL FOR A BULK OF IT,
[01:03:25] BUT THERE ARE INSTANCES WHERE IT DOESN'T
[01:03:27] FIT. AND THEN THAT'S WHY IF THE
[01:03:31] MARKET INFORMATION ISN'T MAKING SENSE,
[01:03:33] THEN WE SAY, OKAY, WELL, WHAT'S HAPPENED
[01:03:35] AT THE PORT HISTORICALLY? BECAUSE WE
[01:03:37] HAVE DIFFERENT REQUIREMENTS AT THE PORT.
[01:03:38] AND SO WE LIKE TO UNDERSTAND WHERE THAT
[01:03:41] HAS BEEN IN THE PAST, AND THAT CAN HELP
[01:03:42] US INFORM HOW WE GO. BUT WE DON'T LOOK
[01:03:45] AT SOLELY STRICTLY MARKET AND ONLY THAT
[01:03:47] WE DON'T LOOK AT SOLELY HISTORICAL, BUT
[01:03:50] THESE ARE REFERENCE POINTS TO HELP US GO
[01:03:53] INTO A NEGOTIATION INFORMED.
[01:03:58] DOES THAT ANSWER THE QUESTIONS AROUND
[01:04:00] THE HISTORICAL AND THE DIFFERENT
[01:04:02] SOURCES? YEAH, THAT'S SUPER HELPFUL.
[01:04:04] THANKS FOR GIVING SOME DETAIL. I GUESS
[01:04:06] IF I TAKE A STEP BACK HERE, WHAT I WOULD
[01:04:09] ULTIMATELY SAY IS BASED ON WHAT INTERNAL
[01:04:11] AUDIT FOUND OF SAVING APPROXIMATELY 160
[01:04:14] TO 257,000, WHEN YOU LOOK AT FULLY
[01:04:18] BURDENED, LIKE DOING LIKE A COST PLUS
[01:04:19] METHODOLOGY. I UNDERSTAND YOU GUYS SAID
[01:04:21] THAT'S NOT TYPICALLY HOW WE DO THESE
[01:04:23] GCCMS, AND I GET THAT. BUT I THINK AT A
[01:04:25] MINIMUM, THIS BEGS THE QUESTION OF WE
[01:04:28] PROBABLY NEED TO LOOK AT THE WAY WE'RE
[01:04:30] PUTTING THIS TOGETHER BECAUSE IT SEEMS
[01:04:31] LIKE WE'RE MISSING SOMETHING. IF THE
[01:04:33] FULLY BURDENED COST IS COMING UP WITH
[01:04:34] THIS KIND OF DISPARITY BETWEEN WHAT OUR
[01:04:37] MODEL IS SPITTING OUT, IT SEEMS LIKE AT
[01:04:39] THE END OF THE DAY WE'RE MISSING
[01:04:40] SOMETHING OR WE'RE LEAVING SOMETHING ON
[01:04:41] THE TABLE THAT IS COSTING THE PORT
[01:04:43] MONEY. YEAH, THANKS FOR THAT. I'D LIKE
[01:04:46] TO JUST RESPOND QUICKLY. CERTAINLY WE
[01:04:49] THINK COST PLUS OR COST REIMBURSEMENT
[01:04:51] MODELS ARE AN OPTION FOR THE PORT. IT'S
[01:04:53] SOMETHING WE CONSIDER ON EVERY CONTRACT
[01:04:55] THAT WE DO. BUT THERE IS CERTAINLY SOME
[01:04:59] INAPPROPRIATENESS ABOUT COMPARING THIS
[01:05:02] COST REIMBURSEMENT MODEL WITH THE WAY
[01:05:04] THAT WE DID IT. ONE IS RISK MANAGEMENT.
[01:05:06] SO THE RISK PROFILES ARE CONSIDERABLY
[01:05:08] DIFFERENT BETWEEN THE TWO CONTRACT
[01:05:10] TYPES. SO A COST REIMBURSEMENT CONTRACT
[01:05:13] THROUGHOUT THE LIFE OF THE CONTRACT WILL
[01:05:15] PAY ACTUAL COSTS. YOU HAVE NO PROTECTION
[01:05:18] AGAINST INDIRECT COST RATES GOING
[01:05:21] CONSIDERABLY HIGHER AND THEY ARE
[01:05:23] ADMINISTRATIVELY CONSIDERABLY
[01:05:24] BURDENSOME. THE TIME TO VERIFY
[01:05:28] THOSE COSTS THAT THE CONTRACTOR

[01:05:32] IS SUBMITTING TAKES CONSIDERABLE TIME
[01:05:35] AND IT MAKES US SLOWER FOR PROJECT
[01:05:38] DELIVERY. SO THOSE ARE CERTAINLY
[01:05:39] QUESTIONS THAT WE CONSIDER WHEN WE PICK
[01:05:41] A CONTRACT TYPE. I ACTUALLY ALSO HAVE
[01:05:43] CONCERNS WITH THE POTENTIAL COST SAVINGS
[01:05:46] THAT WE'VE LISTED IN THIS. SO ONE GOOD
[01:05:49] EXAMPLE IS THE GENERAL LIABILITY
[01:05:51] INSURANCE COST REIMBURSEMENT MODEL.
[01:05:53] CONTRACTS PAY ACTUAL COSTS. SO WE'VE
[01:05:56] CHOSEN TO SAY INDUSTRY STANDARDS 0.5%.
[01:05:59] THEY BILLED US 1.2%, BUT WE DON'T LIKE
[01:06:02] THAT BECAUSE INDUSTRY STANDARDS 0.5, IT
[01:06:04] COULD BE 10%. IF THAT'S WHAT IT COSTS
[01:06:07] TURNER, THEN THAT'S WHAT IT COSTS US IN
[01:06:09] A COST REIMBURSEMENT MODEL. SO WE CHOSE
[01:06:11] FOR OUR ANALYSIS TO REDUCE COSTS THAT
[01:06:14] SHOULD NOT HAVE BEEN REDUCED. ANOTHER
[01:06:17] EXAMPLE OF THIS IS THE BENEFITS CHARGE
[01:06:19] WHERE WE REDUCED A LOT OF THINGS THAT WE
[01:06:22] SAID ARE SOMETIMES NOT ALLOWABLE THAT
[01:06:26] NEEDS TO BE NEGOTIATED AND FIGURED OUT.
[01:06:27] WE SHOULDN'T HAVE JUST WIPED THOSE OFF
[01:06:29] THE BOARD. AND THEN FINALLY THE FEE AT
[01:06:33] FIVE AND A HALF PERCENT THAT THEY
[01:06:34] INCLUDED, THAT IS CERTAINLY STANDARD FOR
[01:06:37] CONSTRUCTION. I AGREE WITH THAT. THIS IS
[01:06:39] NOT EXACTLY A CONSTRUCTION CONTRACT.
[01:06:41] PRECONSTRUCTION CONTRACTS ARE MORE
[01:06:43] SIMILAR TO A PROFESSIONAL SERVICES
[01:06:45] CONTRACT. THEY DON'T HAVE MATERIAL COSTS
[01:06:47] AND MARKUP ON THOSE AND THINGS THAT A
[01:06:49] CONSTRUCTION CONTRACT WILL MAKE. AND
[01:06:51] THERE ARE MANY REFERENCES THROUGH ACEC
[01:06:53] OR EVEN FEDERAL LEGISLATION LIKE 23 CFR
[01:06:56] THAT LISTS COST PLUS FEE CONTRACTS
[01:06:59] GENERALLY ARE EIGHT TO 15%. WE CHOSE TO
[01:07:02] USE 5% FOR THE PURPOSE OF SHOWING A COST
[01:07:05] SAVINGS. THAT IS PROBABLY INAPPROPRIATE,
[01:07:14] I GUESS, HEARING THAT FEEDBACK. ONE
[01:07:17] THING. I GUESS I WOULD DIRECT THIS TO
[01:07:19] GLENN AND TEAM. WHAT IS OUR PROCESS FOR
[01:07:22] LIKE WHEN THERE'S DEBATE AMONG STAFF
[01:07:26] THAT WE'RE KIND OF WORKING ON THIS AND
[01:07:27] THE PEOPLE WORKING ON THIS VERSUS WHAT
[01:07:28] WE FOUND, IT SEEMS LIKE WE'RE NOT ON THE
[01:07:30] SAME PAGE AND WE'RE BRINGING THIS
[01:07:32] FORWARD TO BE PRESENTED WITH THESE
[01:07:35] SPECIFIC NUMBERS. BUT IT SOUNDS LIKE
[01:07:37] THEY HAVE SOME PRETTY SIGNIFICANT
[01:07:38] CONCERNS OR IDEAS AROUND WHY THEY DID
[01:07:41] WHAT THEY DID. SO WHEN WE PUT THIS
[01:07:44] TOGETHER, WHERE DOES IT GO? WHAT IS THE
[01:07:47] PROCESS HERE? I GUESS I DON'T KNOW. SO
[01:07:49] I'LL PROVIDE AN OVERVIEW. WE DO HAVE A
[01:07:51] DISAGREEMENT ON IT. THAT'S CLEAR.
[01:07:55] I THINK THIS PROCESS STARTED PROBABLY
[01:08:00] ABOUT SIX MONTHS AGO, AND WE CHOSE NOT
[01:08:03] TO BRING IT TO THE LAST AUDIT COMMITTEE
[01:08:05] MEETING BECAUSE WE HADN'T IRONED OUT
[01:08:06] SOME OF THE THINGS. BUT OUR POSITION
[01:08:10] STILL IS THAT THIS TIES TO THE
[01:08:14] RATE TOOL. WE THINK THERE'S AN

[01:08:16] OPPORTUNITY THAT NEEDS TO BE ADDRESSED.
[01:08:19] I THINK WE'RE SPENDING TOO MUCH. OUR
[01:08:21] RATE TOOL NEEDS TO BE RECALIBRATED, AND
[01:08:25] THAT CAME FROM A PRIOR AUDIT WHERE WE
[01:08:27] TOOK IT APART AND WE IDENTIFIED
[01:08:29] OPPORTUNITIES FOR IMPROVEMENT. SO THE
[01:08:31] OLD AUDIT ISSUE STILL STANDS. IT HASN'T
[01:08:33] BEEN ADDRESSED. NOW,
[01:08:37] WE DISAGREE IN SOME THINGS. I THINK
[01:08:39] THAT'S WHY ON THE RATES, THERE'S STILL
[01:08:41] MONEY IN THE TABLE. BUT I BELIEVE THAT'S
[01:08:44] WHY WE HAD DEBBIE TOWNSEND AND PATRICIA
[01:08:48] SPEAK A LITTLE BIT ABOUT WHAT THEY'RE
[01:08:49] SEEING AND WHY THEY THINK RATES ARE
[01:08:51] DIFFERENT. WHEN WE TALK ABOUT GLI.
[01:08:54] YEAH, THEY MIGHT HAVE AN ACTUAL GLI OF
[01:08:56] 10%, BUT THAT'S UNREALISTIC. I MEAN, I
[01:08:58] THINK THEY KNOW WHAT TURNER'S GLI IS,
[01:09:00] AND THAT'S WHY THEY WORK WITH TURNER
[01:09:02] EVERY DAY, AND THAT'S WHY THEY BROUGHT
[01:09:04] THAT UP. RIGHT.
[01:09:07] AND WE CAN ASK THEM AS WELL. SPENCER,
[01:09:09] IS THERE ANYTHING YOU'D LIKE TO ADD TO
[01:09:11] THAT? YEAH, MAYBE. I'LL JUST EVEN AT A
[01:09:14] HIGHER LEVEL OF PROCESS THROUGHOUT THE
[01:09:17] ENGAGEMENT, AS WE'RE FORMULATING
[01:09:20] CONCLUSIONS, WHAT WE'RE SEEING AT THE
[01:09:22] TIME, WE WORK WITH THE DEPARTMENTS.
[01:09:27] IN THIS PARTICULAR CASE, OF COURSE,
[01:09:30] THERE'S A DISAGREEMENT ON THE
[01:09:33] CONCLUSIONS, BUT IN MOST CASES,
[01:09:36] THROUGHOUT THE ENGAGEMENT OF CONTINUOUS
[01:09:39] MEETINGS AND UPDATES, USUALLY THE
[01:09:44] CONCLUSIONS OF THE AUDITS ARE AGREED
[01:09:46] UPON. WOULD YOU GUYS AGREE THAT UNDER
[01:09:50] MOST CIRCUMSTANCES GLENN JUST ADDING
[01:09:54] ON TO WHAT SARAH HAS ALREADY SAID, AND
[01:09:55] YOU ASKED WONDERFUL QUESTIONS TODAY THAT
[01:09:57] WERE REALLY HELPFUL. SO I JUST WANT TO
[01:09:59] THANK YOU FOR YOUR CONTRIBUTIONS.
[01:10:02] IT'S CLEAR THERE'S A DISAGREEMENT. SO I
[01:10:04] WONDER IN THIS CASE, WHAT ARE OTHER
[01:10:06] AGENCIES DOING AROUND THE STATE, AND HOW
[01:10:09] DOES THIS COMPARE TO WHAT THOSE AGENCIES
[01:10:12] ARE DOING? WOULD WE BE ABLE TO GET SOME
[01:10:14] DATA OR SOME INFORMATION THAT PROVIDES A
[01:10:16] COMPARABLE ABSOLUTELY.
[01:10:19] GO AHEAD. YES. ESPECIALLY WHEN IT COMES
[01:10:23] TO GCCM PROJECTS
[01:10:26] THROUGHOUT ALL AGENCIES, THEY ALL HAVE
[01:10:29] TO FOLLOW THE SAME RCW.
[01:10:32] SO THERE'S A LOT OF THESE TYPE OF
[01:10:35] PROJECTS OUT THERE AMONGST AGENCIES AND
[01:10:40] EXTERNAL INDEPENDENT AUDIT,
[01:10:41] CONSTRUCTION AUDIT FIRMS THAT ARE
[01:10:44] PERFORMING VERY SIMILAR WORK. SO THE
[01:10:47] INFORMATION IS DEFINITELY AVAILABLE.
[01:10:52] IS IT IN ALIGNMENT WITH WHAT YOU GUYS
[01:10:53] ARE FINDING? IS OTHER AUDITORS. FINDING
[01:10:55] SIMILAR CONCERNS. WELL, SO WHEN
[01:10:59] WE LOOKED AT THE A E RATE TOOL THE FIRST
[01:11:02] TIME AND HOW WE COME UP WITH THE RATES
[01:11:05] WE FOUND, YOU KNOW, IT WAS ACTUALLY

[01:11:08] RAISED TO US FROM INSIDE CPO. SOMEBODY
[01:11:10] HAD RAISED A CONCERN TO US SAYING THE
[01:11:12] TOOL ISN'T FUNCTIONING AS INTENDED. SO
[01:11:15] WE DID OUR FIRST AUDIT. WE ALSO LOOKED
[01:11:18] AT WHAT THE STATE AUDITOR WAS DOING.
[01:11:22] THE STATE AUDITOR HAD DONE AN AUDIT, A
[01:11:24] SIMILAR TYPE OF AUDITS, AND RATES ON
[01:11:28] THE COLUMBIA CROSSING BRIDGE. SO WE USE
[01:11:30] LEVERAGE OFF THAT WE TALKED TO WSDOT AT
[01:11:33] THE TIME, AND WE STILL THINK THERE'S AN
[01:11:36] OPPORTUNITY TO IMPROVE IN HOUSE. AND
[01:11:38] THAT'S KIND OF WHY WE'VE GOT IT ON THE
[01:11:40] KNOW. THERE'S A CERTAIN POINT WHERE DO
[01:11:43] YOU LET THE AUDIT ISSUE GO AWAY OR DO
[01:11:45] YOU KIND OF KEEP IT OPEN ON THE TABLE
[01:11:46] AND SAY THERE'S AN OPPORTUNITY TO
[01:11:48] IMPROVE, BUT IF WE'RE
[01:11:51] NOT GOING TO ADDRESS ANYTHING ON IT,
[01:11:53] THEN THAT'S FINE. WE DID WANT TO BRING
[01:11:56] IT FORWARD AND NOT PART OF WHAT WE
[01:11:59] DO AS NODDERS. WE'RE NOT ALWAYS GOING TO
[01:12:01] AGREE. LIKE I SAID, NINE OUT OF TEN
[01:12:04] TIMES, WE DO AGREE, OR 99% OF THE TIME
[01:12:06] WE DO AGREE, BUT THERE ARE TIMES WHERE
[01:12:07] WE DON'T. BUT WE'LL RAISE IT.
[01:12:11] IF MANAGEMENT ACCEPTS THE RISK, WE CLOSE
[01:12:13] THE ISSUE OUT AND MOVE FORWARD. I THINK
[01:12:15] IT'S REALLY STILL VERY CONCERNING HOW
[01:12:18] ELEVATED THESE NUMBERS ARE. AND I ALSO
[01:12:21] THINK ABOUT THE HISTORICAL INFORMATION
[01:12:23] THAT WE'RE USING. AND I KNOW THAT YOU
[01:12:25] GUYS HAVE SAID YOU USE A RATE BOOK AND
[01:12:27] THERE'S A LOT OF OTHER INFORMATION
[01:12:29] THAT'S BEING CONSIDERED. BUT ULTIMATELY
[01:12:31] WHATEVER IS COMING OUT AS AVERAGE I FEEL
[01:12:34] LIKE IS ON THE HIGHER END. WE'RE KIND OF
[01:12:36] GETTING THE SHORT END OF THE STICK HERE
[01:12:37] IS HOW I FEEL. AND SO IT MAKES ME THINK
[01:12:41] THAT WHAT COULD WE BE DOING BETTER IS
[01:12:43] THAT WHEN WE'RE CONSIDERING THINGS LIKE
[01:12:46] HISTORICAL NUMBERS AND NOT FOCUSED ON
[01:12:48] JUST THE MARKET RATE IN ITSELF, I FEEL
[01:12:50] LIKE WE'RE PROVIDING A LOT OF GRACE AND
[01:12:53] NOW WE'RE TALKING ABOUT MONEY. AND ARE
[01:12:55] THOSE OTHER CONTRACTORS WILLING TO
[01:12:58] ACCOUNT FOR HISTORICAL NUMBERS? IF THOSE
[01:13:01] NUMBERS HAVE BEEN LOWER IN THE PAST,
[01:13:03] WOULD THEY HONOR SOMETHING LIKE THAT?
[01:13:04] AND I WOULD DOUBT THAT. AND SO
[01:13:08] WHAT IS THE USE OF THAT, IS WHAT I
[01:13:11] WONDER. AND IS IT ULTIMATELY, BY
[01:13:14] INCLUDING THAT IN OUR CONSIDERATION,
[01:13:16] ARE WE ENDING UP HAVING TO PAY MORE AND
[01:13:19] SHOULD THAT BE REMOVED? AND SO I DON'T
[01:13:21] THINK THE SITUATION IS LIKE, WE DISAGREE
[01:13:23] AND WE BOTH LEAVE THE TABLE SORT OF
[01:13:25] THING, BUT WE GOT TO GO BACK TO THE
[01:13:27] DRAWING BOARD AND FIGURE OUT WHERE ARE
[01:13:30] THE ROOMS TO MAKE IMPROVEMENTS AND IF
[01:13:32] OTHER AGENCIES ARE DOING THE EXACT SAME
[01:13:34] THING. I DO THINK WE SHOULD HEAR THAT
[01:13:36] BACK AS A COMMISSION TO SAY THAT, OKAY,
[01:13:39] THERE'S ALL OF THESE AGENCIES THAT ARE

[01:13:40] DOING THIS, AND IT IS BEST PRACTICE,
[01:13:42] IT'S BEEN PROVEN, AND THIS IS THE ONLY
[01:13:45] WAY THAT WE CAN MANAGE SOMETHING LIKE
[01:13:46] THIS. I DON'T THINK THAT THIS IS A DONE
[01:13:49] THING, AND I KNOW YOU WANT TO RESPOND.
[01:13:52] YEAH, PLEASE, GO AHEAD. THANK YOU. AND
[01:13:54] MAYBE MANDELA WOULD EVEN LIKE TO CHIME
[01:13:56] IN AS WELL. BUT I DO SIT ON THE PROJECT
[01:14:00] REVIEW COMMITTEE AT THE STATE. I KNOW
[01:14:01] JANICE SITS ON CPARB, WHICH IS THE
[01:14:03] PARENT COMMITTEE OF THAT THAT SEES
[01:14:05] ALTERNATIVE PUBLIC WORKS AS A DELIVERY
[01:14:07] METHOD, AND AGENCIES COME TO GET
[01:14:09] APPROVAL FOR THAT. SO I DO HAVE SOME
[01:14:11] INSIGHT INTO WHAT SOME OTHER AGENCIES
[01:14:13] ARE DOING, AT LEAST FOR GCCM. AND
[01:14:15] ACTUALLY, MOST ARE NOT EVEN THIS ROBUST,
[01:14:18] SO A LOT OF THEM DO JUST COMPETE THEM AS
[01:14:21] PART OF THE RFP PROCESS. PLEASE TELL US
[01:14:23] WHAT YOUR RATES ARE ON THE PM, AND WE'LL
[01:14:25] USE IT AS A VERY SMALL PART OF THE
[01:14:27] ANALYSIS FOR SELECTING THE WINNING
[01:14:30] CONTRACTOR. AND THEN THAT RATE,
[01:14:32] REGARDLESS IF IT'S HIGH OR NOT, GETS
[01:14:34] INCLUDED IN THE CONTRACT. SOME DO A
[01:14:37] NEGOTIATED PROCESS LIKE WE'RE DOING,
[01:14:38] BUT THEIR TOOLS ARE GENERALLY NOT AS
[01:14:41] ROBUST. IT GENERALLY DOES SCALE WITH THE
[01:14:43] SIZE OF THE AGENCY AND HOW SOPHISTICATED
[01:14:45] THEY ARE. I'M NOT AWARE OF ANY THAT DO
[01:14:48] COST REIMBURSEMENT MODELS, BUT THEY
[01:14:50] COULD BE OUT THERE. JEZ, I'M NOT SURE IF
[01:14:53] YOU HAVE ANYTHING ELSE TO ADD, AND
[01:14:55] MANDELA MIGHT LIKE TO TALK A LITTLE BIT
[01:14:57] MORE ABOUT AYE. PROCESS, SPECIFICALLY TO
[01:15:00] YOUR COMMENTS, COMMISSIONER. YEAH.
[01:15:03] THANK YOU, KYLE. I WAS ACTUALLY JUST
[01:15:05] LOOKING. WE HAVE TWELVE PUBLIC AGENCIES
[01:15:07] AROUND THE STATE THAT ARE CERTIFIED TO
[01:15:09] USE GCCM, AND CERTAINLY WE CAN DO SOME
[01:15:12] OUTREACH TO SEE WHAT THEY'RE DOING.
[01:15:15] CPARB ACTUALLY ALSO HAS A GCCM BEST
[01:15:18] PRACTICES COMMITTEE WHERE WE'RE IN THE
[01:15:20] MIDDLE OF TRYING TO FINALIZE THE BEST
[01:15:22] PRACTICES GUIDE, AND WE CAN TAKE A LOOK
[01:15:25] TO SEE IF WITHIN THE GUIDE THIS
[01:15:28] PARTICULAR ITEM HAS BEEN ADDRESSED. AND
[01:15:29] IF NOT, MAKE SURE THAT WE BRING THAT UP
[01:15:32] BECAUSE I THINK IT'S AN IMPORTANT
[01:15:33] DISCUSSION ABOUT WHAT ARE
[01:15:37] THE BEST PRACTICES AROUND THIS. AND
[01:15:39] CERTAINLY LOOKING AROUND THE STATE TO
[01:15:42] SEE WHAT OTHERS ARE DOING WOULD BE
[01:15:43] IMPORTANT. JANICE AND THE OTHER THING
[01:15:45] THAT'S REALLY HELPFUL, AND IF YOU GUYS
[01:15:47] CAN COME BACK TO US WITH THAT
[01:15:48] INFORMATION, THAT WOULD BE GREAT. THIS
[01:15:50] WHOLE MODEL. I ALSO DO WONDER, HOW DOES
[01:15:53] THIS APPLY WHEN WE'RE DEALING WITH WMBE
[01:15:55] BUSINESSES? IS THE SAME LEVEL OF SORT OF
[01:15:57] GRACE AND INFORMATION BEING ACCOUNTED
[01:16:00] FOR? YEAH, I CAN ANSWER THAT QUESTION.
[01:16:05] WE USE THE DIFFERENT DATA POINTS FOR ALL

[01:16:08] OF OUR FIRMS, AND SO THAT WAY WE ARE
[01:16:10] TRYING TO BE CONSISTENT AMONGST THEM ALL
[01:16:12] AND TAKE INTO ACCOUNT THE NUANCES OF THE
[01:16:14] DIFFERENT FIRMS. SO SOMETIMES WMBE
[01:16:16] FIRMS WILL GIVE US, IN ADDITION TO
[01:16:20] OUR MODEL, IN ADDITION TO HISTORIC, IF
[01:16:22] THEY HAVE INVOICES WHERE THEY CAN SHOW
[01:16:24] THAT OTHER AGENCIES ARE PAYING. SO, SAY
[01:16:26] IF OUR MODEL IS LOWER, OUR HISTORICAL
[01:16:29] SHOWS LOWER. IF THEY CAN SHOW THAT THEY
[01:16:31] HAVE A CONSISTENT PRACTICE OF GETTING
[01:16:33] PAID AT A DIFFERENT RATE, WE WILL LOOK
[01:16:35] AT THOSE INVOICES AND TAKE THAT INTO
[01:16:37] ACCOUNT WHEN WE ARE NEGOTIATING THE
[01:16:40] BILLING RATES WITH THEM. INTERESTING.
[01:16:42] OKAY, WELL, THANK YOU GUYS FOR
[01:16:46] PRESENTING. I DON'T THINK WE HAVE
[01:16:47] THANKS. DO WE HAVE ANY ADDITIONAL
[01:16:48] INFORMATION? I WANT TO THANK THE STAFF
[01:16:50] FOR THE REPORT AND TO THE TEAMS THAT ARE
[01:16:54] MANAGING THIS. THANK YOU FOR THE
[01:16:56] INFORMATION THAT YOU'VE SHARED. SO I
[01:16:59] WILL MOVE US ALONG. COMMISSIONER,
[01:17:02] THERE'S A COUPLE MORE ISSUES IN THIS
[01:17:04] REPORT THAT WE HAVE TO MOVE THROUGH.
[01:17:05] OKAY, GREAT. AND THEN WE'LL MOVE TO THE
[01:17:07] NEXT SPENCER,
[01:17:12] MICHELLE. NEXT SLIDE, PLEASE. LET'S MOVE
[01:17:15] ONE MORE FORWARD. AND ONE MORE.
[01:17:20] OKAY, PERFECT. AND SPENCER IS GOING TO
[01:17:22] TALK ABOUT THIS ONE. THANK YOU, GLENN.
[01:17:25] COMMISSIONER. MS. HOLMSTROM. THE SECOND
[01:17:29] ISSUE IS SIMILAR TO WHAT WE WERE JUST
[01:17:32] DISCUSSING ON THE PREVIOUS ONE. THIS IS
[01:17:35] RELATED TO DURING OUR TESTING,
[01:17:39] IN SOME OF THE INSTANCES WE NOTICED,
[01:17:41] THERE WAS A LACK OF DOCUMENTATION THAT
[01:17:45] SUPPORTED THE APPROVED RATES THAT HAMD
[01:17:48] EXCEEDED THE PORT PORTS MARKET MAXIMUM.
[01:17:53] SOME OF THE REASONS PROVIDED TO US WERE
[01:17:55] THAT IN CERTAIN CASES, THIS IS A
[01:17:58] PERMISSIBLE PRACTICE, PROVIDING THAT
[01:18:03] A CONTRACTOR PROVIDES DOCUMENTATION
[01:18:07] JUSTIFYING THE REQUESTED
[01:18:11] HIGHER RATE, AND ADDITIONAL
[01:18:16] REASONS PROVIDED WHY DOCUMENTATION
[01:18:19] WAS ABSENT. WAS THE PERSON THE RATE
[01:18:23] ANALYST THAT WAS RESPONSIBLE FOR
[01:18:25] APPROVING THE RATES AT THIS TIME? THIS
[01:18:28] WAS 2020 TIME FRAME SO
[01:18:32] THAT THAT RATE ANALYST WAS NO LONGER AT
[01:18:34] THE PORT AND DOCUMENTATION COULD
[01:18:38] NOT BE FOUND.
[01:18:42] NEXT SLIDE, PLEASE.
[01:18:46] HERE'S OUR RECOMMENDATIONS, AND KYLE
[01:18:51] AND NORA CAN PROVIDE THEIR MANAGEMENT
[01:18:55] RESPONSE AND ANSWER ANY
[01:18:59] QUESTIONS. TWO MORE.
[01:19:03] IN ESSENCE, IT'S A DOCUMENTATION ISSUE.
[01:19:06] WHEN WE WENT TO LOOK FOR THE
[01:19:07] DOCUMENTATION, IT WASN'T THERE NO
[01:19:10] RESPONSE FROM US. WE APPRECIATE THE
[01:19:12] AUDIT,

[01:19:17] AND I DO THINK OVERALL CPO IS VERY
[01:19:20] FOCUSED ON PROCESS IMPROVEMENT, MAKING
[01:19:22] SURE WE HAVE THE RIGHT DOCUMENTATION,
[01:19:24] AND ALSO MAKING SURE THAT WE'RE TAKING
[01:19:27] INTO SORT OF THE REASONABLENESS OF THE
[01:19:29] DOCUMENTATION AND STUFF. AND SO AS WE
[01:19:32] PROGRESS FORWARD, WE DO WANT TO MAKE
[01:19:34] SURE WE HAVE THE RIGHT LEVEL OF
[01:19:36] DOCUMENTATION.
[01:19:41] ANYWAY, THIS IS MANDELA QUICK
[01:19:45] COMMENT TO THAT. THOSE FILES WERE ON
[01:19:48] SOMEBODY'S HARD DRIVE. THEY LEFT, AND
[01:19:50] THE FILES DISAPPEAR TODAY. WE HAVE THEM
[01:19:52] STORED ON A SHARED LOCATION, AND THAT'S
[01:19:55] BEEN IN PLACE FOR THE LAST COUPLE OF
[01:19:56] YEARS, BUT IT WAS NOT IN PLACE IN THAT
[01:19:59] 2020 TIME FRAME.
[01:20:09] I HAVE A QUICK QUESTION, GLENN. DOES
[01:20:11] THAT MEAN YOU GO BACK AND LOOK AT THOSE
[01:20:12] DOCUMENTATION? NO, WHAT MANDELA SAID IS
[01:20:16] HE DOESN'T HAVE IT ANYMORE, SO THERE'S
[01:20:18] NOTHING HE SAID THEY FIXED IT GOING
[01:20:20] FORWARD, BUT GOING BACK, I SEE THEY
[01:20:22] DON'T HAVE AN ADDRESS. JUST A QUICK
[01:20:25] QUESTION. I WANT TO MAKE SURE I
[01:20:26] UNDERSTAND THIS. SO WE DID THE RATE
[01:20:28] NEGOTIATION. THE NEGOTIATION LIKE IT WAS
[01:20:30] OVERALL 7% THAT YOU HAD MENTIONED, LESS
[01:20:33] THAN WHAT THEY HAD SUBMITTED. SO ARE WE
[01:20:35] SAYING THAT IN THIS SPECIFIC ISSUE,
[01:20:39] THAT RATE THAT WE AGREED TO, WE HAD SOME
[01:20:41] THAT CAME IN HIGHER, AND THERE WASN'T
[01:20:42] DOCUMENTATION OF THAT? IS THAT WHAT
[01:20:44] WE'RE SAYING?
[01:20:48] AS PART OF THE 7% PROCESS, WE NEGOTIATED
[01:20:51] EVERY SINGLE RATE. SOME OF THEM WE HAD A
[01:20:54] PORT TARGET THAT WE DIDN'T AYE., SOME WE
[01:20:56] EXCEEDED THE PORT TARGET AND WENT EVEN
[01:20:58] LOWER THAN THE PORT TARGET. AND THIS IS
[01:21:00] SAYING IN SOME OF THOSE INSTANCES WHEN
[01:21:02] WE WENT ABOVE THE PORT TARGET, THERE
[01:21:04] WASN'T THE LEVEL OF DOCUMENTATION THAT
[01:21:06] AUDIT PREFERRED. WE THOUGHT WHEN YOU
[01:21:09] LOOK AT THE MATERIALITY OF THE NUMBERS,
[01:21:11] MAYBE OUR DOCUMENTATION WAS OKAY, BUT
[01:21:13] THAT WE WOULD ALWAYS LOOK AND MAKE SURE
[01:21:15] THAT GOING FORWARD OUR DOCUMENTATION IS
[01:21:17] AS ROBUST AS WE SHOULD HAVE IT. OKAY,
[01:21:20] SO YOU'RE SAYING THE NEGOTIATED RATE WAS
[01:21:23] HIGHER THAN THE TARGET WE HAD, BUT WE
[01:21:25] STILL NEGOTIATED AND AGREED TO THAT
[01:21:27] RATE, BUT WE DIDN'T KEEP IT. OKAY.
[01:21:28] THAT'S WHAT I UNDERSTAND.
[01:21:38] THANKS, KYLE. THANK YOU.
[01:21:43] AND THEN THE THIRD ISSUE THAT WE
[01:21:47] IDENTIFIED, WE IDENTIFIED OPPORTUNITIES
[01:21:52] TO STRENGTHEN CONTROLS DURING THE PAY
[01:21:55] APPLICATION REVIEW PROCESS. IN SOME
[01:21:58] OF OUR REVIEW, WE NOTICED THAT
[01:22:03] INSTANCES WHERE, SAY, CONTRACTUAL
[01:22:06] REQUIREMENTS WERE NOT FOLLOWED. FOR
[01:22:09] EXAMPLE, BEGINNING ON PAY APPLICATION
[01:22:11] NUMBER TWELVE, THE PORT STOPPED

[01:22:14] REQUIRING TURNER CONSTRUCTION TO SUBMIT
[01:22:19] TIMESHEETS WITH THEIR PAY APPLICATIONS,
[01:22:21] WHICH WAS A REQUIREMENT OF THE CONTRACT.
[01:22:25] OF COURSE, THE RISK ASSOCIATED WITH NOT
[01:22:27] REQUIRING TIMESHEETS IS THAT THE
[01:22:30] CONTRACTOR COULD BILL FOR TIME NOT
[01:22:32] WORKED OR A HIGHER BILLABLE RATE THAN
[01:22:36] WHAT WAS APPROVED. WE ALSO IDENTIFIED
[01:22:41] A SMALL DOLLAR AMOUNT OF OVERBILLINGS.
[01:22:46] TURNER CONSTRUCTION DID MAKE THAT
[01:22:48] ADJUSTMENT ON ONE OF THE LATER PAY
[01:22:50] APPLICATIONS AFTER WE BROUGHT IT TO
[01:22:52] THEIR ATTENTION. ANOTHER AREA IS THE
[01:22:55] PORT ALLOWED FORECASTED PAYMENTS,
[01:23:00] WHICH WAS EVERY MONTH. TURNER WOULD
[01:23:03] SUBMIT AN AMOUNT OF
[01:23:06] ANTICIPATED WORK THAT WOULD BE PERFORMED
[01:23:09] THE FOLLOWING MONTH. THE CONTRACT
[01:23:12] ONLY ALLOWED REIMBURSEMENT OF ACTUAL
[01:23:15] COSTS. WE DID PERFORM A TEST TO
[01:23:19] RECONCILE PREPAYMENTS TO MAKE SURE THAT
[01:23:21] THEY WERE CREDITED BACK TO THE PORT.
[01:23:25] WE WERE ABLE TO DO THAT WITHOUT
[01:23:26] EXCEPTION. SO ALL THE PREP PAYMENTS WERE
[01:23:29] DECREASED THE FOLLOWING MONTH.
[01:23:32] AND THEN FOR CONTRACTOR PERSONNEL
[01:23:35] CHANGES,
[01:23:38] MANAGEMENT WAS UNABLE TO PROVIDE US WITH
[01:23:44] SUPPORT THE SUPPORTING DOCUMENTATION
[01:23:46] THAT WAS REQUIRED BY CONTRACT FOR
[01:23:49] APPROVAL OF ANY OF THOSE CHANGES. FOR
[01:23:52] MOST OF THOSE PERSONNEL, WE WERE ABLE TO
[01:23:55] OBTAIN SUPPORTING DOCUMENTATION FROM
[01:23:57] TURNER CONSTRUCTION ON APPROVED RATES.
[01:24:02] NEXT SLIDE, PLEASE.
[01:24:06] AND HERE'S OUR RECOMMENDATION. AND
[01:24:09] JANICE CAN PROVIDE THE RESPONSE OF
[01:24:13] MANAGEMENT. YEAH. SO I APPRECIATE OUR
[01:24:16] PARTNERSHIP WITH INTERNAL AUDIT. SO THIS
[01:24:20] WAS A CONTRACT FROM 2020,
[01:24:22] AND THE PIECE
[01:24:26] AROUND THE DOCUMENTATION WHEN THEY HAVE
[01:24:28] A CHANGE IN PERSONNEL HAS HAPPENED ON A
[01:24:30] COUPLE OF OUR PROJECTS. AND SO WE'VE
[01:24:32] TRAINED OUR STAFF TO MAKE SURE THEY'RE
[01:24:34] REALLY CLEAR ABOUT THE STANDARD
[01:24:36] OPERATING PROCEDURES. AND THE SAME WITH
[01:24:39] THE PAY ESTIMATES THAT ALTHOUGH THEY
[01:24:41] MIGHT HAVE THOUGHT THAT THAT WAS
[01:24:43] ACTUALLY TO THE BENEFIT OF HAVING THESE
[01:24:45] FORECASTED PAYMENTS THAT THEN ARE
[01:24:47] RECONCILED THE NEXT MONTH WITH ACTUAL,
[01:24:49] THAT IS NOT OUR STANDARD OPERATING
[01:24:51] PROCEDURE. SO WE HAVE MADE SURE THAT OUR
[01:24:53] STAFF ARE REALLY CLEAR ABOUT OUR
[01:24:55] PROCEDURES AND THAT THEY DON'T GET TO
[01:24:58] CHOOSE ON THEIR OWN WHEN THEY MIGHT WANT
[01:25:00] TO DEVIATE FROM THAT. THEY MIGHT BE WELL
[01:25:03] INTENTIONED, BUT THAT IS NOT HOW WE WANT
[01:25:05] TO CONDUCT BUSINESS. SO WE THANK THEM
[01:25:07] FOR IDENTIFYING THAT AND WE'VE RECTIFIED
[01:25:10] THE SITUATION.
[01:25:14] OKAY,

[01:25:19] NEXT SLIDE, PLEASE. MICHELLE.
[01:25:24] LAST CONSTRUCTION AUDIT THAT WE'RE GOING
[01:25:26] TO TALK ABOUT IS THE MAIN TERMINAL LOW
[01:25:29] VOLTAGE PROJECT. SO THIS ONE, AGAIN,
[01:25:32] ANOTHER GCCM WITH MORTENSEN
[01:25:36] AS THE GENERAL CONTRACTOR CONSTRUCTION
[01:25:39] MANAGER. THIS IS
[01:25:43] ABOUT, YOU KNOW, IT'S PRECONSTRUCTION
[01:25:44] AGAIN. SO IT'S ABOUT \$3 MILLION IN TOTAL
[01:25:47] THAT WE'VE GOT. AND LOW
[01:25:51] VOLTAGE IS ESSENTIALLY 110, 220 VOLTS
[01:25:56] AT THE PORT. AND I BELIEVE IT'S PRETTY
[01:25:58] OLD AND NEEDS TO BE REPLACED. SO WE'RE
[01:26:00] GOING THROUGH THIS MASSIVE PROJECT TO
[01:26:03] UPGRADE THE LOW VOLTAGE AT THE PORT.
[01:26:07] WHEN ALL SAID AND DONE, THIS IS AGAIN
[01:26:09] GOING TO BE A LARGE PROJECT IN TOTAL,
[01:26:12] NOT JUST PRECONSTRUCTION, BUT IT'LL BE
[01:26:14] OVER \$100 MILLION AND THERE'LL BE SOME
[01:26:17] WMBE WORK AS WELL DONE IN THIS. SO I'LL
[01:26:21] LET SPENCER TALK ABOUT THE ISSUE AND THE
[01:26:23] OPPORTUNITIES FOR IMPROVEMENT. AND AS
[01:26:25] ALWAYS, LIKE JANICE SAYS, IN KNOW, WE
[01:26:27] FIND OPPORTUNITIES AND JANICE JUMPS
[01:26:30] RIGHT ON A GOOD THAT'S A GOOD
[01:26:32] PARTNERSHIP.
[01:26:36] ONE OF THE FINDINGS HERE IS VERY SIMILAR
[01:26:39] PAY APPLICATION REVIEW PROCESS,
[01:26:42] JUST TO GIVE SOME MORE
[01:26:46] PROBABLY MORE BACKGROUND OR SOMETHING
[01:26:51] FOR THE WORK THAT WE'RE PERFORMING IS
[01:26:54] QUITE DETAILED. AND SO
[01:26:58] FOR THESE FINDINGS, AS EVEN IN THE CASE
[01:27:00] THAT I'LL BE DISCUSSING SHORTLY ON THIS,
[01:27:05] FAIRLY LOW AMOUNTS IN CONSIDERATION OF
[01:27:08] THESE ARE MILLION DOLLAR PAY
[01:27:11] APPLICATIONS EVERY MONTH. SOME CAN BE 50
[01:27:16] PAGES LONG. SO I DON'T WANT
[01:27:19] IT TO COME ACROSS AS THERE'S NO INTERNAL
[01:27:22] CONTROLS AT ALL BECAUSE THESE ARE PRETTY
[01:27:24] MINOR IN THE GRAND SCHEME OF THINGS.
[01:27:26] JUST TO PUT THAT OUT THERE, THE RESULTS
[01:27:30] THAT WE SAW ON THIS, THERE WERE \$1,200
[01:27:33] IN UNALLOWABLE COSTS,
[01:27:36] 7400 IN OVERPAYMENTS BRINGING
[01:27:41] THIS JUST BECAUSE,
[01:27:44] ALTHOUGH SMALL AMOUNTS, IT COULD
[01:27:47] POSSIBLY PERMEATE THROUGH THE REST OF
[01:27:50] THE PROJECT IF NOT CORRECTED
[01:27:56] BEFORE OR CORRECTED AS
[01:27:59] SOON AS POSSIBLE.
[01:28:02] WE NOTICED THAT THE PORT'S APPROVAL OF
[01:28:04] KEY PERSONNEL CHANGE WAS NOT MAINTAINED.
[01:28:08] THAT'S A CONTRACT REQUIREMENT.
[01:28:11] AND THERE'S TWO BUDGETS,
[01:28:15] CONTINGENCY AND OTHER STIPULATED DIRECT
[01:28:18] COST BUDGETS. THESE WERE MUTED FOR
[01:28:21] EXPENSES RELATED TO COMPLETING
[01:28:24] PRECONSTRUCTION AREA OF WORK,
[01:28:27] INSTEAD OF EXPENSES THAT WERE ALLOWABLE
[01:28:33] AS OUTLINED IN CONTRACT. OR THERE WAS A
[01:28:37] RELATED CHANGE ORDER. TOTAL CHARGED
[01:28:40] WAS \$85,000 TO BOTH BUDGETS.

[01:28:44] AND AGAIN, THAT \$85,000 ISN'T
[01:28:47] QUESTIONING IT AS UNALLOWABLE PAYMENTS
[01:28:52] OR WORK THAT WAS NOT PERFORMED. IT WAS
[01:28:55] JUST CHARGED TO INCORRECT BUDGETS,
[01:28:59] WHICH COULD HAVE BEEN COVERED BY A
[01:29:02] CHANGE ORDER OR SOMETHING.
[01:29:06] NEXT SLIDE, PLEASE.
[01:29:10] HERE'S OUR RECOMMENDATIONS AND JANICE
[01:29:14] CAN PROVIDE ANY ADDITIONAL INFORMATION.
[01:29:16] YEAH, SO SIMILAR TO THE LAST ONE, WE
[01:29:19] AGREE WITH THE RECOMMENDATIONS. THIS ONE
[01:29:20] WAS ACTUALLY AWARDED 18 MONTHS BEFORE
[01:29:24] THE ONE YOU HEARD PREVIOUSLY. SO A LOT
[01:29:26] OF THESE RECOMMENDATIONS WE'VE BEEN
[01:29:27] TRAINING OUR STAFF ON ALREADY. AND THE
[01:29:30] ONLY THING I WILL ADD IS THAT WE JUST
[01:29:32] HAD OUR QUARTERLY MEETING WITH THE
[01:29:36] ASSOCIATED GENERAL CONTRACTORS. SO WE
[01:29:38] HAVE A QUARTERLY BEST PRACTICES MEETING
[01:29:41] WITH THEM, AND WE SHARED WITH THEM THESE
[01:29:43] TWO AUDITS, PLUS THE ONE THAT CAME TO
[01:29:47] YOU IN JUNE. BECAUSE A BIG PART OF WHAT
[01:29:49] WE WANT TO MAKE SURE IS THAT THE
[01:29:52] CONTRACTORS ARE SUBMITTING FACTUALLY
[01:29:54] CORRECT INFORMATION SO THAT WE ACTUALLY
[01:29:57] ARE STOPPING THE MISINFORMATION FROM THE
[01:30:00] VERY SOURCE OF THE INFORMATION THAT
[01:30:02] COMES TO US. SO, AGAIN, JUST APPRECIATE
[01:30:05] THE PARTNERSHIP AND CONTINUOUS
[01:30:07] IMPROVEMENT. THIS ONE, JUST LIKE YOU
[01:30:10] ASKED BEFORE, COMMISSIONER CHO, ABOUT
[01:30:12] THE CHANGE ORDER AMOUNT, THIS ONE ALSO
[01:30:16] WAS UNDERESTIMATED IN TERMS OF HOW MUCH
[01:30:18] WORK WE WERE GOING TO BE DOING WITH THE
[01:30:20] CONTRACTOR. REALLY TRYING TO MAP OUT
[01:30:22] SOME VERY OLD INFRASTRUCTURE RELATED TO
[01:30:25] OUR LOW VOLTAGE INFRASTRUCTURE THAT WE
[01:30:28] WERE REPLACING.
[01:30:34] THANK YOU, JANICE, AND THANKS FOR
[01:30:37] SHARING YOUR RESPONSES AND ALWAYS BEING
[01:30:39] PROACTIVE AROUND THIS.
[01:30:43] ARE THERE ANY QUESTIONS FROM THE
[01:30:44] COMMITTEE MEMBERS AT THIS TIME?
[01:30:48] AND THIS WAS ITEM EIGHT, SO IF THERE'S
[01:30:51] NO QUESTIONS OR ADDITIONAL COMMENTS, I
[01:30:53] CAN MOVE US ALONG TO ITEM NUMBER NINE.
[01:30:56] SO ITEM NUMBER 910 AND ELEVEN ON THE
[01:31:00] AGENDA ARE INFORMATION TECHNOLOGY AUDIT
[01:31:03] ITEMS. THESE ITEMS ARE SECURITY
[01:31:05] SENSITIVE AND WILL BE DISCUSSED IN NON
[01:31:08] PUBLIC SESSIONS.
[01:31:17] WE HAVE ONE LIMITED CONTRACT COMPLIANCE
[01:31:20] AUDIT ON OUR AGENDA TODAY. THIS IS ITEM
[01:31:23] NUMBER TWELVE. GLENN, PLEASE PROCEED
[01:31:26] WITH THE REPORT. THANKS, COMMISSIONER.
[01:31:28] THIS IS A CLEAN AUDIT. SO IT'S JUST A
[01:31:30] LITTLE BACKGROUND ON THE GRAIN TERMINAL
[01:31:32] THAT YOU SEE AT TERMINAL 86 OUT THERE.
[01:31:37] IT'S AN OLD COMPANY, LOUIS DREYFUS AND
[01:31:39] COMPANY, THAT'S BEEN MOVING GRAIN AND
[01:31:42] AGRICULTURE SINCE 1909. SO THE
[01:31:49] VOLUME IS QUITE IMPRESSIVE. AND COTTON,
[01:31:52] SOYBEANS, WHEAT, CORN ARE MOVED.

[01:31:57] THEY CAN STORE UP TO 4 MILLION BUSHELS
[01:32:01] OR 100 METRUCK TONS, WHICH IS
[01:32:04] ENORMOUS. AND THERE'S INDEPENDENT
[01:32:08] GRAIN CERTIFICATION, QUALITY
[01:32:10] CERTIFICATION THAT GOES ON OVER THERE.
[01:32:12] NEXT SLIDE, PLEASE. JUST IN
[01:32:15] VOLUME. IF YOU LOOK AT THE VOLUME OF
[01:32:19] METRUCK TONS THAT OCCURRED THIS YEAR AND
[01:32:21] IN THE PRIOR COUPLE OF YEARS, THIS IS
[01:32:23] THE PRIMARY ITEMS THAT THEY MOVE.
[01:32:24] YELLOW CORN. NOW SOYBEANS AND GRAIN
[01:32:27] SORGHUM WAS MOVED AND ABOUT 4 MILLION
[01:32:30] METRUCK TONS. SO QUITE A
[01:32:33] BIT. NEXT SLIDE, PLEASE. AND AS
[01:32:36] YOU CAN SEE, WE GET A LOT OF MONEY FROM
[01:32:38] THEM ALSO. SO ABOUT \$6 MILLION A YEAR IN
[01:32:40] REVENUES THAT COME TO THE PORT. SO FROM
[01:32:44] EVERY FIVE, SIX YEARS OR SO, WE'LL GO IN
[01:32:46] AND LOOK AT THEM AND MAKE SURE THAT THEY
[01:32:48] ARE PAYING US THE CORRECT AMOUNT.
[01:32:51] SO JUST A LITTLE OVERVIEW THERE THAT I
[01:32:54] WANT TO PROVIDE. MY NEXT SLIDE
[01:32:57] JUST SAYS THAT THEY MATERIALLY COMPLIED
[01:32:59] WITH THE LEASE AND WE HAVE NO FINDINGS.
[01:33:01] AND THAT CONCLUDES OUR AUDIT
[01:33:03] PRESENTATION FOR TODAY. SO BACK TO YOU.
[01:33:06] GREAT. WE LOVE A CLEAN AUDIT.
[01:33:09] ARE THERE ANY QUESTIONS FROM THE
[01:33:10] COMMITTEE MEMBERS AT THIS TIME? HEARING
[01:33:14] NONE. MR. FERNANDEZ, DO YOU HAVE ANY
[01:33:15] CLOSING COMMENTS FOR THE COMMITTEE
[01:33:17] TODAY? NO, I DO NOT. I JUST WANTED TO
[01:33:20] SAY THANKS TO PATRICIA AND DEBBIE FOR
[01:33:22] SPEAKING TODAY. ALSO, THEIR WEALTH OF
[01:33:24] KNOWLEDGE AND ALL THOSE DISAGREEMENT.
[01:33:29] THEY HAVE CLOSER INPUT AND A
[01:33:32] RELATIONSHIP WITH TURNER SINCE
[01:33:36] THEY'VE WORKED WITH TURNER FOR YEARS.
[01:33:38] THEY KNOW GLI RATES ARE NOT 10%,
[01:33:40] THEY'RE 0.5 OR WHATEVER SHE QUOTED,
[01:33:43] AND I SEE THEM ON THE SCREEN. SO THANK
[01:33:46] YOU VERY MUCH AND THANK YOU TO THE
[01:33:47] COMMISSION FOR BEING WITH US TODAY.
[01:33:49] THANK YOU. ARE THERE ANY CLOSING
[01:33:51] COMMENTS FROM THE COMMITTEE MEMBERS AT
[01:33:52] THIS TIME?
[01:33:56] WELL, I JUST WANT TO SAY THANK YOU TO
[01:33:58] YOUR ENTIRE AUDIT TEAM AND EVERYONE WHO
[01:34:01] PRESENTED TODAY AND THANKS FOR JOINING
[01:34:03] US. PATRICIA AND DEBBIE, YOU SHARED A
[01:34:06] WEALTH OF INFORMATION AND APPRECIATED
[01:34:08] YOUR COMMENTS AS WELL. SO, HEARING NO
[01:34:11] FURTHER COMMENTS, WE ARE NOW RECESSING
[01:34:15] INTO THE NON PUBLIC PORTION OF OUR
[01:34:17] MEETING AND THE TIME IS 10:44
[01:34:21] A.M. TO DISCUSS THE THREE AUDIT RELATED
[01:34:24] ITEMS THAT ARE SECURITY SENSITIVE
[01:34:27] INFORMATION. THE NON PUBLIC PORTION OF
[01:34:30] THE MEETING WILL LAST APPROXIMATELY 30
[01:34:33] MINUTES AND THE MEETING WILL ADJOURN
[01:34:35] WITH NO FURTHER BUSINESS AFTER THAT
[01:34:38] TIME. PARTICIPANTS JOINING THE PUBLIC,
[01:34:40] NON PUBLIC PORTION OF THE MEETING VIA

[01:34:43] TEAM, PLEASE CLOSE OUT OF THIS MEETING
[01:34:45] LINK AND JOIN THE 11:00 A.M.
[01:34:48] TEAMS MEETING. AVIATION FOR EVERYONE
[01:34:51] JOINING IN THE PHYSICAL MEETING ROOM,
[01:34:54] PLEASE PROCEED TO THE THIRD FLOOR
[01:34:57] CONFERENCE ROOM THREE CC THREE. THE
[01:35:00] CURRENT TIME IS 10:45.

END OF TRANSCRIPT