

Date: May 18, 2023

To: Glenn Fernandes, Director, Internal Audit

From: Heather Munden, Interim Assistant Director of Engineering – Construction

Subject: Final Cost Audit for International Arrivals Facility

The Port of Seattle Construction Management Team has worked in partnership with Port Internal Audit and HPM over the last several months to assist in the audit of the International Arrivals Facility (IAF) Project. As detailed in the report, the audit primarily focused on and reviewed Clark Construction's own documentation and accounting, with supplemental documentation from the Port records.

The IAF was both the first Progressive Design Build alternative delivery project and the highest cost construction project completed by the Port of Seattle to date. The Design Build Contract was executed in July of 2015, spanning nearly 8 years thus far. The facility opened to passengers in April of 2022. The Guaranteed Maximum Price (GMP) was executed in September of 2018 for approximately \$774M and is currently \$782M.

Like other mega projects of this scale around the country, there were many complexities and challenges faced throughout the planning, design, construction, and the change management process. Given the volume of documentation required to perform the audit, the project team was engaged with the auditors to provide comments and clarification throughout the audit process. This is demonstrated from the evolution of the audit documents/report, from the draft report presented at the December 8, 2022 Audit Committee Meeting to the Final Report.

The project team has appreciated the opportunity to assist in the audit of the contractor's documentation as well as the Port process and procedures used throughout the project. As an organization committed to continuous improvement, we provide the following response to the four opportunities highlighted by Internal Audit:

Port Engineering – Construction Management will collaborate with the Central Procurement Office, Project Management, and Legal to review these observations and thoughtfully consider modifications to the way we evaluate and pay labor rates, whether we collect subcontractor change orders (SCO), and whether to institute a new process utilizing a readiness assessment. We will provide Internal Audit with the results of the cross-department analyses and any Contract or SOP revisions we adopt.

While existing Contract requirements and internal Standard Operating Procedures (SOP) were followed, we appreciate the feedback with ideas to improve the processes. As always, we thank Internal Audit and HPM for their partnership during this audit.