

INTERNAL AUDIT REPORT

Limited Contract Compliance Audit
BF Foods, LLC

January 2023 – June 2023

Issue Date: March 3, 2025
Report No. 2025-04

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Executive Summary

Internal Audit (IA) completed a limited scope audit of the Lease and Concession Agreement (Agreement) between BF Foods, LLC, and the Port of Seattle (Port). The period audited was January 1, 2023, through June 30, 2023.

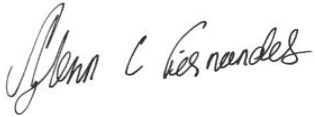
The audit was performed to determine whether concession fees were complete, properly calculated, and remitted timely to the Port.

We concluded that BF Foods, LLC under-reported revenue and owes additional monies to the Port. This issue is described below with more detail on page six.

(Medium) Revenue categories titled “bag fees” and “retail” were not reported and captured as revenue. For the six-month period beginning January through June 2023, \$12,963 in revenue was underreported and \$1,555 in percentage fees were underpaid.

We have requested “bag fees” and “retail” revenues for 2022 through 2024 and will calculate the total amount due to the Port for the years allowable per the contract.

We extend our appreciation to management and staff of Aviation Commercial Management and the Accounting & Financial Reporting Departments for their assistance and cooperation during the audit.



Glenn Fernandes, CPA
Director, Internal Audit

Responsible Management Team

Lisa Lam, Director, Accounting and Financial Reporting
Khalia Moore, Assistant Director, Aviation Commercial Management
Jeff Wolf, Director, Aviation Commercial Management

Background

On August 1, 2017, the Port entered into a lease agreement (AIR002232) with BF Foods, LLC. The lease has an expiration date of October 31, 2028. BF Foods, LLC, operates Poke to the Max.

According to, ExplorerSEA.org:

“Award winning chef, author, and proclaimed, ‘God Father of Poke’ Chef Sam Choy offers a true taste of Hawai’i! All the menu dishes represent the various fusions that makes Hawai’i’s food so ONO! Don’t be fooled by the name, because they serve more than just fresh poke. Stop in for Spam Musubi, Loco Moco, their famous Garlic Chicken, and much more. Escape with Poke to the Max and enjoy local style plate lunch, with a little Aloha in every bite.”

The Minimum Annual Guarantee (MAG) is 85% of the total paid by the concessionaire to the Port, for the previous calendar year. The annual MAG for 2023 was \$519,922.94. At the end of the lease year, a reconciliation is performed comparing the Percentage Fees due to the Port, to the Agreement Year’s MAG. Any amount of the Percentage Fees that fall below the MAG is due to the Port.

Percentage Fees are 12% of annual gross sales.

The table below reflects 2023’s Gross Sales and Percentage Fees:

Period	Gross Sales	Percentage Fee
January – June 2023	\$2,444,034	\$293,284
July – December 2023	2,527,151	303,258
	\$4,971,185	\$596,542

Audit Scope and Methodology

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

The period audited was January 2023, through June 2023 and included the following procedures:

- Validated that the percentage fees were calculated correctly and in accordance with the lease revenue thresholds.
- Agreed Concessionaire's monthly general ledger sales data to what was provided to the Accounting & Financial Reporting Department.
- Agreed point of sale summary reports to the general ledger.
- Obtained the Annual Gross Sales Report prepared by BF Foods, and compared the report to year-end gross sales data reported to AFR.
- Reviewed the Profit & Loss statements for variances.
- Reviewed a random sample of invoices to determine if they were paid on-time and for the full amount billed.
- Validated that concessionaire was certified through the Office of Minority and Women's Business Enterprises (OMWBE) and confirmed with management that they are reflected as such on the Airport Concessions Disadvantaged Business Enterprise (ACDBE) participation report submitted to the Federal Aviation Administration (FAA).

Schedule of Observations and Recommendations

1) Rating: Medium

Revenue categories titled “bag fees” and “retail” were not reported and captured as revenue. For the six-month period beginning January through June 2023, \$12,963 in revenue was underreported and \$1,555 in percentage fees were underpaid.

Section 1.18 of the Agreement states, gross sales include sales “from the sale or delivery of any food, beverages, or merchandise or the performance of any services...” Below is a breakdown by month of the bag and retail fees not reported as revenue.

Month	Retail	Bag Fee	Total
January	\$1,214	\$633	\$1,847
February	1,229	706	1,935
March	1,354	803	2,157
April	846	862	1,708
May	1,167	956	2,123
June	2,052	1,141	3,193
Total			\$12,963

Recommendations:

We recommend collecting monies owed, once we determine the additional amounts in bag and retail fees after we are provided with the documents from the broader scope.

Management Response:

We agree with the audit finding and will pursue billing and collection of the additional monies related to the bag and retail fees, including those amounts which may be due under the broader scope, no later than September 30, 2025.

DUE DATE: 9/30/2025

Appendix A: Risk Ratings

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

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