

INTERNAL AUDIT REPORT

Limited Contract Compliance Audit
Gate Gourmet, Inc.

January 2023 – June 2023

Issue Date: December 20, 2024
Report No. 2025-01

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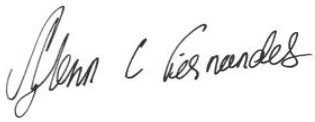
Executive Summary

Internal Audit (IA) completed a limited scope audit of the Lease and Concession Agreement (Agreement) between Gate Gourmet, Inc., 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 to the Port.

We concluded Gate Gourmet, Inc. materially complied with the terms of the agreement. No exceptions were identified.

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

Geoffrey Foster, Assistant Director, AV Business Development

Jeff Wolf, Director, Aviation Commercial Management

Background

On August 8, 1989, the Port entered into the original lease agreement (AIR000042) with United Air Lines, Inc. The term was established at 40 years with an ending date of July 31, 2029. In 1993, the lease was assigned to Dobbs International Services, Inc. a subsidiary of parent company Gate Gourmet Holding AG (Gate Gourmet).

A concession fee of seven percent (7%) was established on gross receipts from the sale of food catering services. Gross receipts include whether paid or unpaid, cash or credit, without offset or deduction of any kind, except for sales taxes or any other tax on merchandise and/or services rendered. A minimum annual guarantee (MAG) is not used in this agreement.

The table below reflects 2022 and 2023 Gross Sales and Percentage Fees:

Year	Gross Sales	Percentage Fee
2022	\$44,124,957	\$3,088,747
2023	59,405,783	4,158,405
Total	\$103,530,740	\$7,247,152

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.

In some instances, we used judgmental sampling methods to determine the samples selected for our audit test work. In those cases, the results of the work cannot be projected to the entire population.

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

- 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 and compared the report to year-end gross sales data reported to AFR
- Reviewed the Profit & Loss statements for variances
- Validated that concessionaire was not certified through OMWBE WA and confirmed with management that they were not reflected as such on the ACDBE participation report submitted to the FAA

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