

INTERNAL AUDIT REPORT

Operational Audit
Community Initiatives - ANEW

July 2023 – May 2025



Issue Date: June 20, 2025
Report No. 2025-11

This report is a matter of public record, and its distribution is not limited. Additionally, in accordance with the Americans with Disabilities Act, this document is available in alternative formats on our website.

TABLE OF CONTENTS

Executive Summary..... 3

Background..... 4

Audit Scope and Methodology..... 5

Schedule of Observations and Recommendations 6

Appendix A: Risk Ratings 9

Executive Summary

Internal Audit (IA) completed an audit of the Port of Seattle's (Port) Community Initiatives, specifically the community-based organization (CBO) Apprenticeship and Nontraditional Employment for Women (ANEW), for the period July 2023, through May 2025. The audit was conducted to determine whether services performed and deliverables submitted to the Port, met the requirements of the contracts.

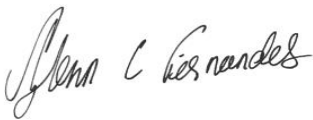
ANEW is a non-profit organization dedicated to improving the access and advancement of women in non-traditional career pathways, such as construction and manufacturing. Since its inception, ANEW has expanded some programs to all genders. The Port has two ongoing contracts with ANEW, worth a total maximum amount of nearly \$1,449,000, and as of May 31, 2025, has paid approximately \$408,000. These programs primarily aim to provide workforce development services, such as community outreach, pre-apprenticeship training, job placement and retention, as well as leadership development opportunities, for women and black, indigenous, and people of color (BIPOC) in economically vulnerable communities.

IA reviewed ongoing contracts with ANEW by interviewing the Port Program Manager, as well as the ANEW staff and Executive Director. We conducted walkthroughs to assess documentation, reporting procedures, and activities undertaken to meet contract obligations and deliverables.

In general, the reports and invoices provided to the Port accurately reflected the services and deliverables provided by ANEW. However, our audit identified an opportunity where internal controls could be enhanced or developed. This opportunity is listed below and discussed in more detail beginning on page six of this report.

1. **(Medium)** Deliverables within the contracts are modified and changed verbally without evidence of written documentation and appropriate review.

In addition, there was no formal procedure in place to verify the accuracy of reports and invoices submitted to the Port. The Port relied primarily on trust in ANEW's reporting and self-attestation. As such, there was one invoice (\$19,500) that was incorrectly paid before the required services had been performed. This issue is currently being addressed by management, as a result of a prior audit report published in October 2024.



Glenn Fernandes, CPA
Director, Internal Audit

Responsible Management Team

Bookda Gheisar, Sr. Director Equity, Diversity and Inclusion
Anna Pavlik, Director Workforce Development

Background

Apprenticeship and Nontraditional Employment for Women (ANEW) was founded in 1980 with the goal of improving the access and advancement of women in non-traditional career pathways such as construction and manufacturing. As the oldest, continuously running pre-apprenticeship program in the nation, ANEW offers a wide variety of programs and services, primarily to women and BIPOC in economically disadvantaged communities. These include: Pre-Apprenticeship Training Programs like Pre-Apprenticeship Construction Education (PACE) and a Trades Rotation Program (TRP), a Youth Exploration Program (YEP), a Commercial Driver's License (CDL) Licensing Program, and Forklift Certification.

The Port has two active contracts with ANEW, as outlined in the table below:

Contract No. & Name	Contract Start Date	Term	Full Amount	Amount Paid (as of 5/31/25)	Scope of Work Areas
P-00321657 Workforce Development Leadership Development	11/21/2023	1 Year; with the option to extend for up to 2 optional years in 1-year increments (Note: Contract was extended on 11/20/24 for another year)	\$ 199,000	\$ 76,500	1) Program Development & Industry Employer Engagement 2) Recruitment, Outreach, and Screening 3) Enrollment, Training, and Retention 4) Placement 5) Management Support 6) Annual Reporting
P-00321390 Construction Worker Outreach, Training, Placement, and Retention Services	7/7/2023	3 Years; with the option to extend for up to 4 optional years in 1-year increments	\$ 1,249,996	\$ 331,471	1) Apprenticeship Programs and Employer Engagement 2) Recruitment 3) Pre-Apprenticeship Screening, Enrollment, and Training 4) Placement 5) Case Management and Career Navigation 6) Retention 7) Work-Related Wraparound Services 8) Collaboration 9) Annual Reporting

For each work area in the table above, there is a corresponding deliverable due (e.g. written reports, compiled responses, a spreadsheet with detailed numerical information, word document templates, learning curriculum, questionnaires, etc.) from ANEW, with a pre-determined unit cost for each deliverable. Together with the deliverables and any supporting documentation, ANEW submits an invoice and narrative summary to the Port detailing what was performed during the period and what deliverables have been provided. If any adjustments to the invoices are needed, these will be returned to ANEW for corrections before being finalized and processed in the Port's Accounts Payable (AP) system.

Audit Scope and Methodology

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) and The Institute of Internal Auditors' Global Internal Audit Standards. Due to a 2024 cyber event at the Port of Seattle, the required GAGAS triennial peer review has been delayed; however, we believe this had no impact on the engagement or the assurance provided. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides such a basis.

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 population as a whole.

The period audited was July 2023, through May 2025 and included the following procedures:

Interviews and Process Walkthroughs

- Conducted walkthroughs and inquiries with key personnel at ANEW to gain an understanding of:
 - ANEW's daily operations and how it relates to the organization's contracts with the Port
 - Contract deliverables, invoices, and monthly reports

Document Review

- Obtained and reviewed key documents, including:
 - Active contracts with ANEW, along with any contract amendments
 - Reports and invoices submitted by ANEW, along with supporting documentation

Validation

- Contract P-00321390: Construction, Outreach, and Training
 - Requested and reviewed all invoices and supporting documentation
 - Verified that the amounts paid to ANEW agree to the invoices billed
 - Judgmentally selected three invoices to perform detail testing:
 - Obtained supporting documentation for each line item invoiced
 - Sampled students from the monthly ANEW Participant Detail Report and reviewed physical student records and case files maintained at the ANEW office
- Contract P-00321657: Leadership Development
 - Requested and reviewed all invoices and supporting documentation
 - Verified that the amounts paid to ANEW agree to the invoices billed
 - Performed detail testing on 100% of the population

Schedule of Observations and Recommendations

1) Rating: Medium

Deliverables within the contracts are modified and changed verbally without evidence of written documentation and appropriate review.

Throughout the year, ANEW submits invoices to the Port for certain milestones and outcomes achieved during a specific month. Prior to the signing and start of the contracts, the deliverables required for each milestone and outcome, as well as the unit cost for each, was negotiated and agreed upon by ANEW and the Port. During our audit, we discovered instances where some elements of a specific contract deliverable requirement were modified and altered without supporting written documentation.

1.) **P-00321390:** “Annual Report”

As required by RCW 53.08.245 and per the terms of the contract, “Consultant (ANEW) shall track and report annual quantitative information on program outcomes.” As such, there is an annual report requirement that is due once a year, which includes information on certain demographics, number of workers trained, recruited, placed in jobs, and retained, types of jobs and range of compensation, number and types of businesses that are served, etc.

During our audit, we requested a copy of the Annual Report submitted by ANEW to the Port. However, no such document existed. Based on discussions with ANEW and the Port, IA discovered that instead of annually, it was determined verbally between ANEW and the Port that data would be collected and submitted monthly instead. This allowed for more timely tracking and reporting of Key Performance Indicators (KPIs) to Port Management, while also lessening and alleviating the burden on ANEW staff.

2.) **P-00321657:** “Three reports of employer requirements, capacity, and placement feasibility”

Per the terms of this contract, ANEW was tasked to engage different contractors and employers prior to the implementation of a training program. Additionally, ANEW had to identify employer requirements, capacity, and potential for placement of graduates. In relation to this, three reports of employer requirements, capacity, and placement feasibility from employers were listed as part of the deliverables.

During the audit, we requested these three reports, but they did not exist. Based on discussions with ANEW and the Port, instead of requiring three reports from three employers, IA noted that the Port allowed ANEW to compile interview responses from 12 employers who participated in two roundtable discussions instead. Since the outcome of 12 employers was deemed to be more beneficial to the Port than the initial expected requirement of three, the Port verbally allowed ANEW to submit the three documents in one combined report instead.

In both cases presented above, the overall requirements of the contracts were still being fulfilled and met, despite the change in formatting and presentation of the deliverables. As such, in all material respects, ANEW was still in compliance with its Port contracts. However, IA noted that these modifications and changes were usually merely discussed verbally between the Port and ANEW, without any written documentation and appropriate secondary review. Eventually, these undocumented adjustments may cause miscommunications and disagreements between the Port and any other CBO

in the long run, possibly resulting in tensions and friction. Additionally, this can be prevalent and widespread if these unwritten changes continue to be done across different contracts with various CBOs.

Recommendations:

- 1.) Evaluate the Port's Office of Equity, Diversity, and Inclusion's (OEDI's) current contract drafting process to determine whether language can be revised to reflect the Port's expectations and requirements more precisely.
- 2.) Continue to develop contract management standard operating procedures (SOPs) to provide better guidance for both Port and ANEW staff.
- 3.) Require written documentation and appropriate review for any modifications and changes to a contract's deliverables. This will improve transparency and prevent any potential misunderstandings.

Management Response/Action Plan:

The Office of Equity, Diversity and Inclusion has a number of activities underway to ensure the most effective, efficient and equitable investment in workforce development possible and will share some of the efforts underway in response to the specific recommendations outlined above.

1. Evaluate the Port's Office of Equity, Diversity, and Inclusion's (OEDI's) current contract drafting process to determine whether language can be revised to reflect the Port's expectations and requirements more precisely:
 - As part of our draft procurement standard operating procedures, OEDI is evaluating which components of the contract scope of work can be standardized for inclusion in Workforce Development and South King and Port Communities Fund templates. The goal is to include standardized components in templates to aid staff in efficient contract drafting, streamline performance reporting and make it easier for funded partners to understand Port expectations.
 - In June 2024, the Workforce Development Director began reviewing each draft contract to support staff development, contract standardization, etc.
 - OEDI collaborates with the Central Procurement Office (CPO) to draft contracts and continually improve the solicitations and contracts created. This ongoing partnership produces consistency in approach, clarity in expectations and successful contract outcomes.
2. Continue to develop contract management standard operating procedures (SOPs):
 - OEDI developed procurement standard operating procedures (SOPs) with assistance from CPO.
 - Contract monitoring SOPs are under review prior to implementation.
 - Additional contract management procedures for reporting, standardized deliverables, etc. will be developed in Q3 and Q4 2025.
3. Require written documentation and appropriate review for any modifications and changes to a contract's deliverables:
 - OEDI will work in partnership with CPO to determine the appropriate written documentation and review needed for modifying contract deliverables.

DUE DATE: 12/31/2025

Appendix A: Risk Ratings

Observations 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 an observation to be rated High, Medium, or Low. Low rated observations will be evaluated and may or may not be reflected in the final report.

Rating	Financial/ Operational Impact	Internal Controls	Compliance	Public	Commission/ Management
High	Significant	Missing or partial controls	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