

INTERNAL AUDIT REPORT

Limited Contract Compliance Audit
1915 KCHouse Concepts SeaTac, LLC

July 2023 – December 2023

Issue Date: June 5, 2024
Report No. 2024-05

TABLE OF CONTENTS

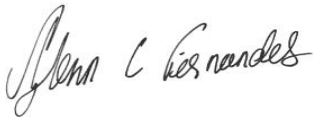
Executive Summary	3
Responsible Management Team	3
Background	4
Audit Scope and Methodology	5
Appendix A: Risk Ratings.....	6

Executive Summary

Internal Audit (IA) completed a limited scope audit of the Lease and Concession Agreement (Agreement) between 1915 KCHouse Concepts SeaTac, LLC, and the Port of Seattle (Port). The period audited was July 1, 2023, through December 31, 2023. The audit was performed to determine whether concession fees were complete, properly calculated, and remitted timely to the Port.

We concluded that KCHouse Concepts SeaTac, LLC materially complied with the terms of the Agreement. No exceptions were identified.

We extend our appreciation to management and staff of the Airport Dining and Retail, 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, Acting Director, Accounting and Financial Reporting
Khalia Moore, Senior Manager, Airport Dining and Retail
Jeff Wolf, Director, Aviation Commercial Management

Background

On October 10th, 2017, The Port of Seattle (Port) entered into a lease agreement (AIR002265) with 1915 KCHouse Concepts SeaTac LLC.

1915 KCHouse Concepts SeaTac LLC, operates Lucky Louie Fish Shack, who specializes in fish & chips and other seafood items such as freshly prepared chowders, made to order salads, seafood cocktails, seafood melts, breakfast items, children's menu, gluten free items and beverages.

Percentage fees were due in arrears, to the extent the percentage fees are higher than the monthly MAG (Minimum Annual Guarantee) which is paid in advance. Effective January 1, 2023, only the percentage fee payments are made since the MAG is not considered until the end of the lease year. Percentage Fees are 12.5% of annual gross sales. The 2023 MAG was \$461,550.26.

The table below reflects 2021, 2022, and 2023 Gross Sales and Percentage Fees:

Year	Gross Sales	Percentage Fees
2021	\$3,914,713	\$489,339
2022	4,338,340	542,293
2023	4,944,133	618,017

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 July 2023 through December 2023 and included the following procedures:

- Validated that the percentage fees for non-specialty and specialty categories 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 audited Schedules of Gross Sales Report from the Independent Certified Public Accountant, 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 charged.
- 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