

INTERNAL AUDIT REPORT

Limited Contract Compliance Audit
Stellar Bambuza SEA, LLC

January 2023 – June 2023

Issue Date: June 5, 2024
Report No. 2024-07

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Executive Summary

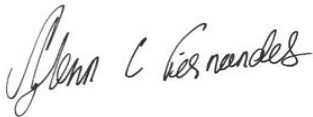
Internal Audit (IA) completed an audit of the Lease and Concession Agreement (Agreement) between Stellar Bambuza Sea, LLC and the Port of Seattle (Port).

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.

Stellar Bambuza Sea, LLC operates the Swarovski storefront, the Seattle Made storefront and the New Stand, a combined coffee, bakery, and convenience storefront.

During our audit, we identified no exceptions to our performed procedures.

We extend our appreciation to management and staff of the Airport Dining and Retail, and the Accounting & Financial Reporting (AFR) 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 4th, 2017, The Port of Seattle (Port) entered into a lease agreement (AIR002240) with Stellar Bambuza Sea, LLC.

Percentage fees were due in arrears, to the extent the percentage fees were 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 MAG is not considered until the end of the lease year. The MAG in 2023 was \$1,667,688.09.

Percentage Fees are:

- 16% of annual gross sales less than \$8,000,000
- 18% of annual gross sales between \$8,000,000 - \$9,000,000
- 20% of annual gross sales greater than \$8,000,000

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

Year	Gross Sales	Percentage Fees
2021	\$9,735,213	\$1,607,043
2022	11,509,930	1,961,986
2023	9,955,545	1,651,109

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 July 2023 and included the following procedures:

Concession Fees Completeness, Accuracy, and Timeliness

- 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 (AFR) Department.
- Agreed point of sale summary reports to the general ledger.
- Obtained the audited Schedules of Gross Sales Report, 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 is certified through OMWBE WA and confirmed with management that they are 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