

# INTERNAL AUDIT REPORT

Operational Audit  
Partner in Employment

April 2022 – July 2024



Issue Date: October 21, 2024  
Report No. 2024-17

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**INTERNAL AUDIT**

## Executive Summary

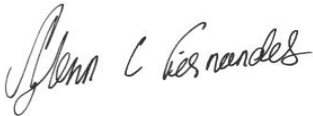
Internal Audit (IA) completed an audit of the Partner in Employment (PIE) program for the period April 2022 through July 2024. The objective of this audit was to verify that PIE delivered the services outlined in its contract with the Port of Seattle (Port) and correctly reflected those services provided, in reports submitted to the Port. The audit was initiated in response to a PIE employee's email raising concerns about the organization's fund usage. The email alleged that \$250,000 designated for Arrived Refugee and Immigrants had been either missing or misappropriated.

PIE is a non-profit organization dedicated to addressing employment challenges faced by refugees and immigrant communities in Washington State. The Port is currently running three programs with PIE, for which it has granted approximately \$509,000. These programs aim to provide job placement assistance, vocational training, educational workshops, and webinars with a focus on industries such as airport operations, green jobs, aerospace manufacturing, and forest restoration.

IA reviewed ongoing contracts with PIE by interviewing Port Program Managers to better understand the contract deliverables and the monitoring process in place prior to invoice payments. Additionally, IA interviewed PIE staff and their Executive Director. We also conducted walkthroughs to assess documentation, reporting procedures, and activities undertaken to meet contract deliverables.

Our audit concluded that certain PIE reports provided to the Port of Seattle, did not accurately reflect the services provided by PIE. This is discussed more detail beginning on page six of this report.

- 1. (High) The figures, reported by PIE, did not accurately reflect the actual number of clients served and were materially inflated. Furthermore, PIE failed to maintain sufficient supporting documentation to substantiate the numbers reported to the Port, for clients served and related expenses.**
- 2. (High) There was no formal procedure in place to verify the accuracy of reports and invoices submitted to the Port.**



Glenn Fernandes, CPA  
Director, Internal Audit

### Responsible Management Team

Bookda Gheisar, Sr. Director Equity, Diversity & Inclusion  
Dan Thomas, Chief Financial Officer

## Background

On June 19, 2024, the Port was notified of a potential misappropriation of approximately \$250,000, by a staff member at PIE. We later confirmed the misappropriation through an interview with PIE's Executive Director (ED). The misappropriation occurred between March and May 2024 and per PIE's ED, was discovered during a routine spot check in late May 2024. There were also suspicious transactions identified in the prior year, but these were pending further investigation. Following the complaint to the Port, PIE reported the fraud to the King County Sheriff's department. On July 1, 2024, PIE executives formally reported the same issue via email to the Port. The criminal investigation is ongoing and was expected to conclude in late September of 2024. According to PIE's ED, all relevant funders of PIE were notified of the fraud after the whistleblower complaint.

PIE offers a range of services in the State of Washington to support immigrants and refugees in achieving economic stability and integration. These include employment assistance (which helps clients secure high-paying jobs through case management), job training, and cultural guidance. PIE also provides homelessness prevention services, offering financial aid and counseling to low-income families at risk of losing their homes. Their youth programs equip immigrant and refugee youth with skills training and education to enhance employment opportunities. To further reduce barriers to employment, PIE offers social services such as rental and transportation assistance. English language support is provided through their ESL classes, helping refugees and immigrants adapt to life in the U.S.

PIE's ED stated that the fraud did not affect the organization's operational funds, as the stolen money came from their reserves. However, PIE operates with a single primary checking account where all funds from different funders are deposited, along with a separate reserve account. Due to this setup, it is not possible to determine specifically whose funds were stolen.

Given PIE's status as a non-profit organization, the IA department expressed concern that the significant loss could impact the organization's operations. To assure that PIE continues to meet its contractual obligations, IA reviewed all ongoing contracts between PIE and the Port. Currently, the Port has three active contracts with PIE, as outlined in the table below:

Contract No.	Amount	Date Executed	Term	Nature of Deliverables
P-00321145	\$250,000	07/25/2022	Base year plus 2 additional optional years	Training and Job Search assistance in: a) Aerospace Manufacturing b) Forest Restoration/Salmon Habitat Restoration
P-00321150	\$199,000	09/23/2022	2 years, plus 1 additional optional year (Management does not plan to extend after 2 years)	Job assistance at the SEA Employee Center
P-00320892	Up to \$20,000 per year	04/15/2022	Base year plus 2 additional optional years	a) Restoration of public parks in Burien, Tukwila, and Seatac b) Youth skill development and introduction to nature based opportunities

## 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. These standards require us to plan and execute the engagement to obtain sufficient, appropriate evidence to support our findings and conclusions based on the engagement objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions.

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 April 2022 through July 2024 and included the following procedures:

### Interviews and Process Walkthroughs

- Conducted interviews and process walkthroughs with Port Program Managers and PIE Program Managers for the three active contracts. The objective was to understand:
  - Contract deliverables, including the review and approval processes.
  - Related controls in place.
  - Opportunities for improvement.

### Document Review

- Reviewed key documents, including:
  - Active and past contracts with PIE, along with contract amendments.
  - Progress Reports submitted by PIE, along with supporting documentation.
  - Physical case files maintained at the PIE office.

### Validation

- P-00321145
  - Requested monthly, semi-annual, and annual reports.
  - Selected March 2024 – July 2024 for review, as this period included the primary months when the fraud occurred, and requested supporting documentation for the numbers reported to the Port.
  - Conducted a site visit to review case files of clients placed in airport jobs.
  - Reviewed data for clients who attended trainings, workshops, and webinars.
- P-00321150
  - Requested monthly reports to verify services provided according to the contract deliverables.
  - Selected April 2024 – June 2024 as a sample and requested supporting documentation for the numbers reported.
  - Reviewed sign-in sheets provided for one of the deliverables and selected a sample of 30 clients each month. The total for the three months was approximately 900 clients. Contacted clients to gather feedback on services received from PIE.
  - Conducted a site visit to review support for other deliverables.
- P-00320892
  - Requested all invoices and supporting documentation.
  - Compared the amounts paid with the invoices.
  - Reviewed the provided supporting documentation.

## Schedule of Observations and Recommendations

### 1) Rating: High

The figures, reported by PIE, did not accurately reflect the actual number of clients served and were materially inflated. Furthermore, PIE failed to maintain sufficient supporting documentation to substantiate the numbers reported to the Port, for clients served and related expenses.

#### P-00321145

This contract focused on Aerospace Manufacturing and Forest Restoration jobs and trainings.

We met with two PIE program managers responsible for contract reporting, who walked us through the numbers reported in the monthly reports. They informed us that the figures submitted to the Port were significantly higher than the actual numbers, as they included organization-wide data rather than limiting data to contract-specific information.

The program managers also noted that most case managers are funded by other programs, and their primary focus was on those areas. The contract required a dedicated case manager which is outlined in the scope of work section. Accordingly, this requirement of the contract was not being met. The reported job placement numbers were materially incorrect and mostly included the numbers from other programs. Additionally, they disclosed that their Executive Director instructed them to follow a script when speaking with Internal Audit, which they believed to be misleading and improper.

They provided an Excel report with the actual numbers they believed were in accordance with the contract terms. Below is a comparison of the reported versus actual figures submitted to the Port over a three-month period. However, it is important to note that the supporting documentation for the actual numbers was also insufficient. Therefore, we cannot verify the accuracy of the adjusted figures provided.

Month Report Data	April 2024		May 2024		June 2024	
	Reported	Actual	Reported	Actual	Reported	Actual
Number of Clients/participants served	45	10	68	10	71	10
Number of clients participating in training sessions	10	10	10	10	18	10
Number of Job Placements	21	0	18	1	18	0
Number of participants recruited	0	0	0	0	15	0
Number Retained in Employment	15	5	73	0	55	1
Number of Webinars or Workshops offered	10	10	26	3	11	5

Additional deliverables included detailed monthly allocations, providing a cost breakdown for all work related to wraparound services, such as support for work-related transportation and clothing needs, as determined by the case manager. It also covered adult stipend allocations, paid aerospace manufacturing training in partnership with the Machinist Institute, and forest/salmon habitat restoration efforts in collaboration with the City of Burien, SeaTac, Tukwila, and Seattle Parks and Recreation Departments. However, we found no supporting documentation for these efforts and were unable to verify the extent of the work completed in these areas.

#### P-00321150

This contract focused on outreach related to SEA airport jobs and providing training to support those roles. PIE submitted sign-in sheets as evidence for the clients they served in-person. We sampled 30 clients each month from April 2024 to June 2024 and contacted them for feedback on the services they received. We encountered multiple phone numbers that were disconnected or went straight to voicemail.

For the clients who responded, the following details were recorded:

Month	Total	Sample	Answered				Total Answered	No Answer
			Confirmed Received Services	Confirmed No Services Received	Translation Issues	Other*		
April	360	30	5	3	6	3	17	13
May	342	30	3	2	2	5	12	18
June	334	30	6	6	9	0	21	9
Total		90	14	11	17	8	50	40

\* Included people who did not wish to participate.

The results of the review showed that the sign-in sheets included everyone who visited their office, not just those seeking assistance with SEA airport jobs and training. The program manager confirmed this and acknowledged that there is no process to distinguish between the different services. Additionally, the reported numbers in the monthly reports did not match the sign-in sheets, and the program manager was unable to explain the discrepancy. The other deliverables also lacked adequate supporting documentation. The program managers noted that the contract's goals were set too high and were proving difficult to achieve.

#### P-00320892

This contract focused on training immigrant and refugee youth in technical skills to complete environmental restoration projects in airport community parks. PIE engaged volunteers to work on park improvements at Hilltop Park in Burien. While payment for youth hours was made in 2022, PIE provided an Excel report detailing youth hours, dates, and payment amounts. However, we were unable to validate this information due to missing supporting documentation.

In conclusion, the primary issue identified across all three contracts is the significant discrepancy between the reported figures and the actual work performed, compounded by a lack of sufficient and appropriate supporting documentation to validate the reported outcomes. In several instances, the reports included inflated data by incorporating clients and services from unrelated programs, which misrepresented the true impact of these contracts. Furthermore, key contractual requirements, such as the provision of a dedicated case manager and accurate reporting of job placements, were not met. The inability to verify essential deliverables, raises concerns about the reliability of the data submitted. These issues highlight a need for improved transparency, clearer reporting processes, and stronger oversight to assure future contracts fulfill their intended objectives.

#### **Management Response/Action Plan:**

Bookda Gheisar, Sr Director of Office of Equity and Anna Pavlik, Director of Workforce Development to hold an in-person meeting with the Executive Director of PIE, Hien Kieu on Thursday Oct 17, 2024. We will review the issues we are concerned about, go over the highlights of the findings of the audit, and ask for a very careful review of their reports and numbers before they are submitted again. In the future, we see a need to strengthen our systems and process improvement and clarification of deliverables with all organizations.



**2) Rating: High**

**There was no formal procedure in place to verify the accuracy of reports and invoices submitted to the Port.**

For the three active contracts with PIE, interviews with the Port's program managers indicated that there was no formal process in place to validate the reports submitted by PIE. As a result, the Port relied primarily on trust in PIE's reporting, and disbursed funds according to the timeline outlined in the contract. While the program managers noted that they occasionally conducted site visits and attended workshops to observe the work, there was no active, ongoing monitoring in place. All managers recognized that similar issues were present in other contracts with comparable organizations and concurred on the need for a formal oversight process for PIE and similar contractors.

**Recommendations:**

1. Establish a formal process for reviewing reports and approving invoices from PIE and similar contractors, incorporating both desk monitoring and site visits.
2. Provide training and guidance to PIE on deliverables, this may include regular check-ins.
3. Include clear language in future contracts, specifying the required documentation to support invoices and defining deliverables more explicitly.

**Management Response/Action Plan:**

SKCF and WFD is planning to develop the following for all organizations we work with:

- Standardized report template (underway)
- Invoice templates (underway)
- Report and invoice review procedures (i.e. desk monitoring) (underway)
- Site visit procedures, checklists and communication templates (underway)
- Contract performance evaluation template
- Consultant onboarding plans and materials to review contract expectations
- Recommendations for consequences if monitoring results in non-compliance findings
- Recommendations for solicitation and personal services contract language updates to better articulate deliverables, reporting expectations, supporting documentation and contract monitoring plans
- Expectations for all monitoring and enforcement to be done with an equity-informed, community-minded strengths-based approach

This will be carried out in phases, with completion anticipated between January and December 2025.

**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
<b>High</b>	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
<b>Medium</b>	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
<b>Low</b>	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