



## Agenda

- Reports issued
- Internal Control Matters
- Areas of Audit Effort
- Required Communication
- Other Communication



Presentation to the

# Port of Seattle Audit Committee

## Results of 2011 Audit

May 15, 2012

**MOSS ADAMS** LLP

Certified Public Accountants | Business Consultants

*Acumen. Agility. Answers.*

# Reports Issued

- Report on financial statements
  - Unqualified opinion on the financial statements, which encompass separate statements of the Enterprise Fund and the Warehousemen's Pension Trust Fund
- Audit and report on Schedule of Net Revenues Available for Revenue Bond Debt Service
- Audit and report on Schedule of Passenger Facility Charges (PFC's), receipts and expenditures and related internal controls
- Audit and report on Federal Financial Assistance Programs and related internal controls and compliance in accordance with Federal OMB Circular A-133 (Single Audit)



# Internal Control Matters

- No material weaknesses or significant deficiencies in internal controls identified
- Report on Internal Controls in accordance with *Government Auditing Standards*
  - SAO finding pertaining to Aviation High School was posted
- Observations for process improvements
  - Timely closing of construction projects
  - Minor discrepancies in federal grant reporting for the Law Enforcement Officer (LEO) Reimbursement Agreement Program
  - Information technology matter
    - Routine review of segregation of duties of system and database administrators



# Areas of Audit Effort

- Internal control environment
  - Understand and test the design and implementation of key controls surrounding all significant financial statement accounts and administrative processes and compliance requirements
  - Assess information technology general controls and certain application controls
  - Test sample of transactions of the capital assets related systems, payroll, cash disbursements and procurement systems, and leases
  - Treasury and investment, debt, cash, budget, third party transactions, environmental remediation liability, and financial close and reporting cycles tested through observations, inquiries and walkthroughs of each system and controls
- Management estimates
  - Environmental remediation liability, legal and insurance contingencies/ recoveries, depreciation, allowance for doubtful accounts, grant receivables, self insurance liabilities, actuarial valuations for the Warehousemen's Pension Trust amounts and disclosures



# Areas of Audit Effort - continued

- Revenue recognition
  - Operating revenue analysis using business indicators such as landed weight, enplanements, gate usage, crane movements, and boat counts
  - Ad valorem tax levy, investment income, PFC, CFC, and federal grants
  - Consideration of the collectability of related receivables
- Signatory lease and operating agreement
  - Revenue requirements for landing fees and terminal rents according to the agreement
  - Cost elements - debt service allocation and operating and maintenance expense
- Accounting for leases
  - Airport concessions and fuel system, Seaport, and Real Estate leases
  - Testing of lease terms, payments and appropriate accounting treatment and disclosures



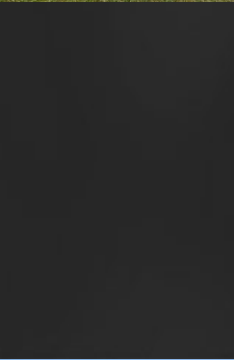
# Areas of Audit Effort - continued

- Bonds and related accounts
  - Arbitrage liability, capitalized interest, discounts and premiums, new debt issuance, debt repayments, compliance with covenants, and audit of Net Revenue Schedule
- Capital assets
  - Consideration of capitalization policies and potential impairment as well as testing of additions, retirements, overhead application, capitalized interest, depreciation
- Net assets
  - Consideration of classification for unrestricted, restricted, and invested in capital assets, net of related debt
- Warehousemen's Pension Trust Fund
  - Separate materiality and procedures



# Areas of Audit Effort - continued

- Administration of federal awards and related administrative controls and compliance
  - Total federal expenditures of \$22.7 million
  - Two major programs
    - Airport Improvement Program - \$19.5 million
    - LEO Reimbursement Agreement Program - \$1.0 million
  - Tested major programs for compliance with OMB-Circular A-133 and grant specific requirements
  - No findings of noncompliance or questioned costs noted
  
- Passenger Facility Charge (PFC) Program Audit
  - Schedules of Passenger Facility Charge Program Receipts and Expenditures
  - Tested internal controls and compliance with PFC requirements
  - No findings of noncompliance or questioned costs noted



# Required Communications

- Auditor and Management responsibilities for financial statements under Generally Accepted Auditing Standards
  - Auditor: To form and express an opinion about whether the financial statements are fairly presented; to plan and perform the audit in accordance with generally accepted auditing standards and *Government Auditing Standards*
  - Our audit does not relieve management and the Commission of its responsibilities
- Audit was performed according to the planned scope
- Significant accounting policies
  - Summarized in Note 1 to the financial statements
  - Certain Fuel Hydrant activities were reclassified to ‘non-operating’ rather than ‘operating’
- Financial Statement disclosures were consistent, clear and understandable
- There were no proposed or passed audit adjustments





# Required Communications

- Representations were requested and received from management
- Disagreements with management (none)
- Consultation with other independent auditors (none of which we are aware)
- Difficulties encountered during the audit (none)
- Illegal acts (none noted)
- Ability to continue as a going concern (no disclosure necessary)
- Consideration of fraud in a financial statement audit
  - Procedures performed:
    - Journal entry testing
    - Interviews of personnel
- Moss Adams is independent with respect to the Port of Seattle



# Other Communications

- All significant audit issues and new accounting pronouncements were addressed early in the audit process
- Weekly meetings were held between Moss Adams and Port management and staff throughout the audit term
- The audits progressed on time and in an orderly fashion
- All Port personnel were courteous, responsive and fulfilled all of our requests in a timely manner
- As planned, Branch Richards & Co. personnel were an integral part of our audit team. Approximately ten percent of our audit hours are contributed by this small business firm on an annual basis

