

October 6, 2015



# Port of Seattle

## *2015 Engagement Service Plan*

**MOSS ADAMS** LLP




Certified Public Accountants | Business Consultants

*Acumen. Agility. Answers.*




# AGENDA

- Moss Adams Service Team Leaders
- Services to be Provided
- Responsibilities (Auditor / Management)
- Phases and Timing of the Audit
- Our Audit Approach
- Areas of Audit Emphasis
- Auditing and Accounting Standards Update


# YOUR 2015 AUDIT SERVICE TEAM LEADERS

Team Member	Responsibilities
 <p>Laurie Tish, Partner</p>	<p><b>Engagement Reviewer</b> - Laurie will serve as your lead client service partner, overseeing all projects we perform for the Port.</p>
 <p>Olga Darlington, Senior Manager</p>	<p><b>Concurring Reviewer</b> - Olga will serve as the second reviewer of the financial statements and our reports and, as necessary, will consult on technical issues or key elements of the audits.</p>
 <p>Tyler Reparuk, Manager</p>	<p><b>Manager</b> - Tyler will oversee the engagement team and will review testing performed during the audit.</p>

# YOUR 2015 AUDIT SERVICE TEAM LEADERS

Team Member	Responsibilities
 <p data-bbox="542 572 703 648">Lisa Dion, Manager</p>	<p data-bbox="738 444 1769 546"><b>Manager</b> - Lisa will supervise our staff in the field and manage each of the audits we perform.</p>
 <p data-bbox="471 876 703 952">Chris Kradjan, Partner</p>	<p data-bbox="738 679 1756 896"><b>Moss Adams Advisory Services Partner</b> - Chris will lead our audit procedures covering the Port's Information Technology (IT) systems, including general computer controls.</p>
 <p data-bbox="448 1212 703 1288">Kimberly Koch, Senior Manager</p>	<p data-bbox="738 1043 1808 1198"><b>IT Consulting</b> - Kim will oversee and lead the IT testing procedures, which is a significant part of our audits.</p>

# YOUR 2015 AUDIT SERVICE TEAM LEADERS

Team Member	Responsibilities
 <p data-bbox="423 582 705 661">Kevin Villanueva, Senior Manager</p>	<p data-bbox="738 425 1821 644"><b>IT Consulting</b> - A Qualified Security Assessor, Kevin will serve as an additional reviewer of our IT procedures and will oversee and perform audit procedures related to IT security and related issues.</p>

# YOUR 2015 AUDIT SERVICE TEAM

- The following individuals will also serve on the Port of Seattle Engagement Team:
  - Chris Wyckoff, *Business Assurance Senior*
  - Abby Barr, *Business Assurance Staff*
  - Anna Waldren, *Business Assurance Staff*
  - Maribelle Clear, *IT Senior Consultant*
  - Fiona Deng, *Branch Richards & Co; Subcontractor, Business Assurance Staff*

# SUMMARY OF OUR SERVICES

- Audit and report on financial statements for both the Enterprise Fund and the Warehousemen's Pension Trust Fund to be included in the Port's Comprehensive Annual Financial Report
- Audit and report on internal control and compliance over financial reporting in accordance with *Government Auditing Standards*
  - Issue a management letter of recommendations and observations, as necessary
- Audit and report on compliance related to the Airport Improvement Program (AIP) and other Major Federal Award Program(s), the Schedule of Expenditures of Federal Awards and related internal controls in accordance with the OMB Uniform Guidance (*formerly OMB A-133*)
- Audit and report on the schedule of Passenger Facility Charge (PFC) program receipts and expenditures and related internal controls
- Audit and report on the schedule of net revenue available for revenue bond debt service
- Perform Agreed Upon Procedures and report to State of Washington Department of Ecology relating to Terminal 91 Facility

# OUR RESPONSIBILITIES

- Ensure the Audit Committee is aware of any significant deficiencies or material weaknesses
- Communicate those matters that have come to our attention as a result of the performance of the audit
- Immediately inform management and the Audit Committee about any information indicating illegal acts or fraud that may have occurred
- Conduct the audit in accordance with generally accepted auditing standards (GAAS) and generally accepted government auditing standards (GAGAS)
- Express an opinion on the Port's financial statements based on our audit and issue other reports as noted on the previous slide
- Report any non-compliance with federal and state laws as required by Uniform Grant Guidance (Single audit)
- Read other information contained in audited financial statements and consider whether the information is materially consistent with the information in the financial statements (such as bond issuance documents)



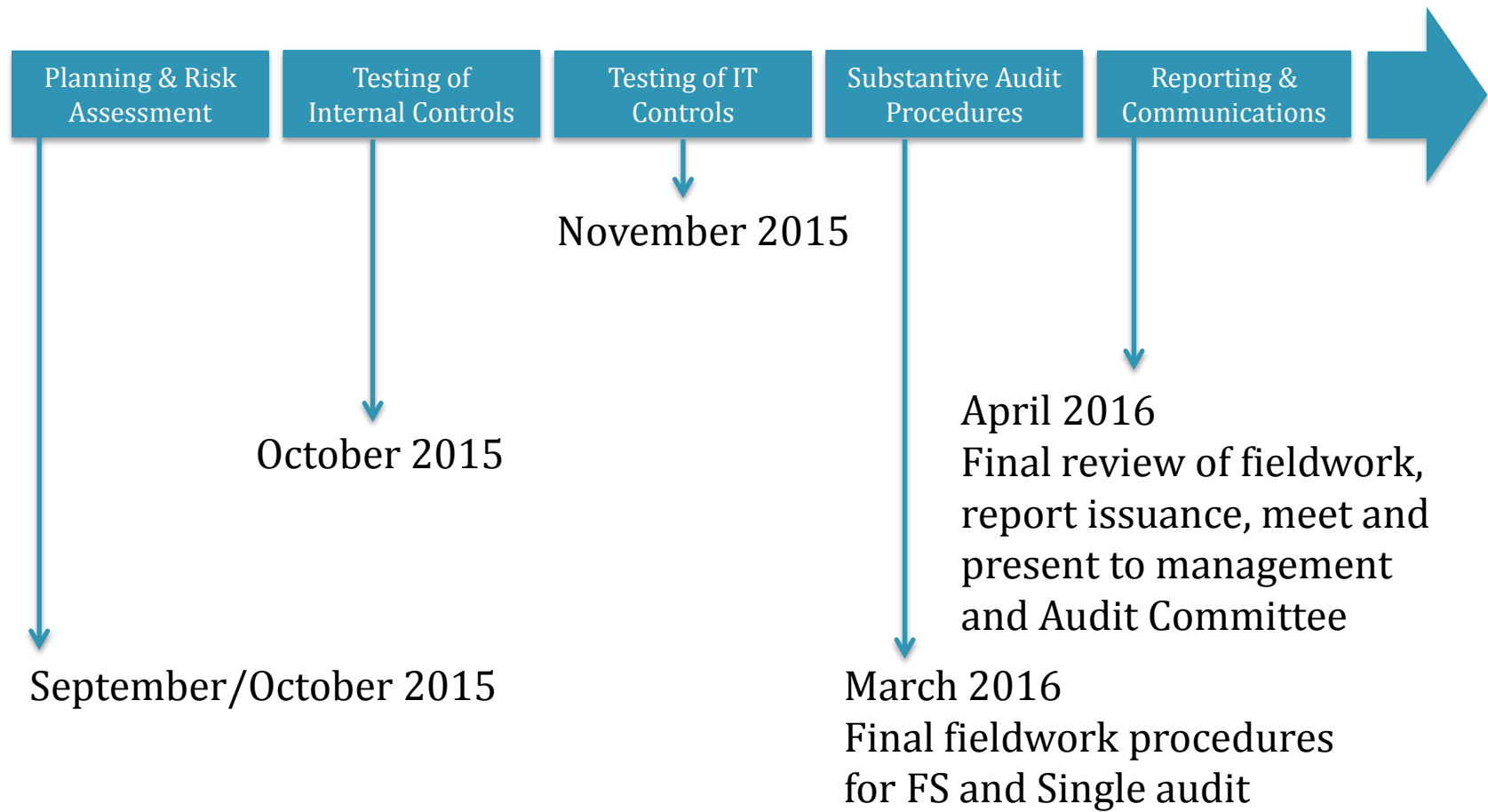
# MANAGEMENT'S RESPONSIBILITIES

- Establish and maintain adequate records and internal controls over financial reporting
- Prepare financial statements that are materially correct and in compliance with applicable accounting standards
- Provide written representations about management's responsibilities and assertions prior to issuance of our reports
- Make accurate and complete financial statement information available to us
- Make entity personnel available to us
- Inform us about all known or suspected fraud affecting the entity
- Identify and ensure compliance with laws and regulations applicable to the entity's activities

# PHASES OF THE AUDIT

- Planning and risk assessment
- Assessment and evaluation of internal controls
  - Including Information Technology general computer and application controls
  - Including administrative controls pertaining to federal awards
- Substantive audit procedures
- Reporting and presentation of audit results

# AUDIT TIMELINE



# PLANNING AND RISK ASSESSMENT

- Audit risk involves the risk of material misstatement in the financial statements
  - Inherent risk, control risk and detection risk
- Audit is designed to provide reasonable – not absolute – assurance that the financial statements are free of material misstatements
- Audit scope and approach is determined based upon results of risk assessment

# EVALUATION OF INTERNAL CONTROLS

- Evaluate components of internal controls
- Top-down approach
- Significant Accounts and Processes considered
  - Billings and accounts receivable, leases, capital assets and projects, procurement, cash disbursements, payroll, debt, treasury, environmental remediation liability and contingencies, financial close and reporting
- IT Controls
  - Application controls
  - General computing controls
- Administration of federal awards (Single audit)
  - Includes tests of compliance

# SUBSTANTIVE AUDIT PROCEDURES

## Tests of Details

- Directed testing and audit sampling
- Random and judgmental sampling methods are used
- Compliance with requirements of the major federal awards and the PFC program

## Analytical Procedures

- Comparison of current and prior year results, and actual to budgeted amounts
- Analysis of detailed changes within certain accounts such as capital assets, long term debt and investments
- Predictive analytics for income statement accounts, based upon history , data independent of accounting department, and industry expectations
- Holistic review of overall financial statements

# AREAS OF AUDIT EMPHASIS

- Internal control cycles
  - Key controls identified and tested
  - Capital assets, payroll, cash disbursements are tested via attribute sampling
  - All systems tested via inquiry and walkthroughs
- Management estimates
  - Environmental remediation liability, depreciation, allowance for doubtful accounts, grant receivables, legal claims
- Bond accounts
  - Arbitrage liability, capitalized interest, compliance with covenants, new issuances, refunding or defeasances
- Accounting for leases
- Revenue recognition
  - Airport lease agreement, seaport and real estate leasing arrangements, other operating revenues, taxes, PFC and federal awards, investment income
- Capital assets
- Net position classification
- Pension liability (GASB 68)
- Environmental remediation liability
- Other Postemployment Benefits
  - Disclosures and reliance upon calculations performed by specialists

# AREAS OF AUDIT EMPHASIS - SINGLE AUDIT

- Streamlines the Federal guidance on Administrative Requirements, Cost Principles, & Audit requirements for Federal awards (Uniform Guidance)
  - Limits allowable costs, provides consistent and transparent treatment of costs
  - Eliminates duplicative and conflicting guidance,
  - Targets audit requirements on risk of waste, fraud, and abuse
  - Focuses on performance rather than just compliance
- Audit requirements
  - More emphasis on risk and audit threshold increases from \$500K to \$750K
  - Allows for additional auditor judgment when selecting federal programs for testing



# ACCOUNTING PRONOUNCEMENTS (GASB)

- **GASB 68** - Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 (effective Fiscal Year 2015)
- **GASB 71** - Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68 (effective Fiscal Year 2015)
- **GASB 72** - Fair Value Measurement and Application – (effective Fiscal Year 2016)
- **GASB 73** - Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68– (effective Fiscal Year 2016)
- **GASB 74** - Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans– (effective Fiscal Year 2017)
- **GASB 75** - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions– (effective Fiscal Year 2018)
- **GASB 76** - The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments - (effective Fiscal Year 2016)

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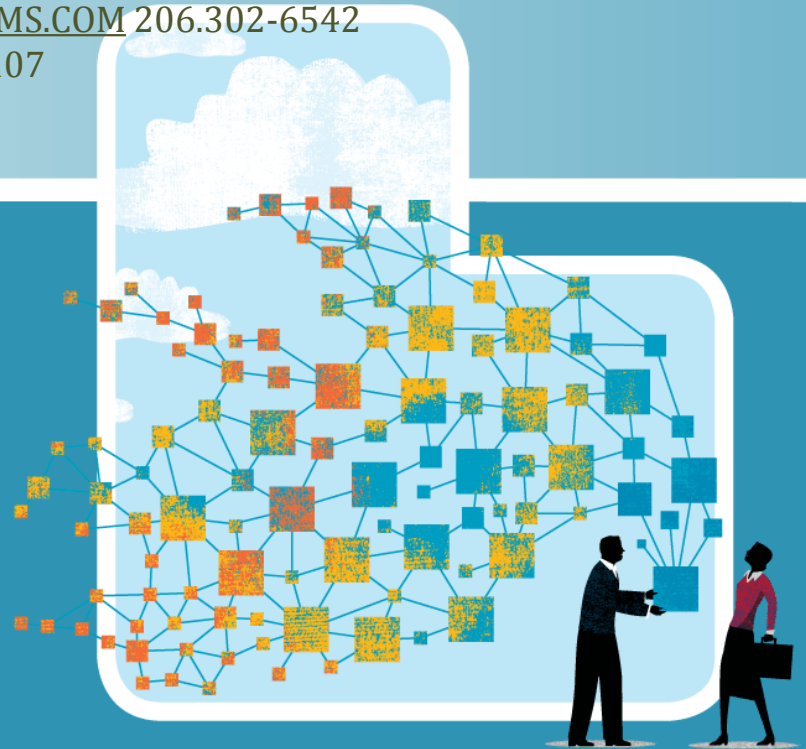
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# Questions?



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