

# THE NORTHWEST SEAPORT ALLIANCE AUDIT COMMITTEE 2020 AUDIT DECEMBER 10, 2020

Presented by Lisa T. Wilson, CPA and Kayla Lipston

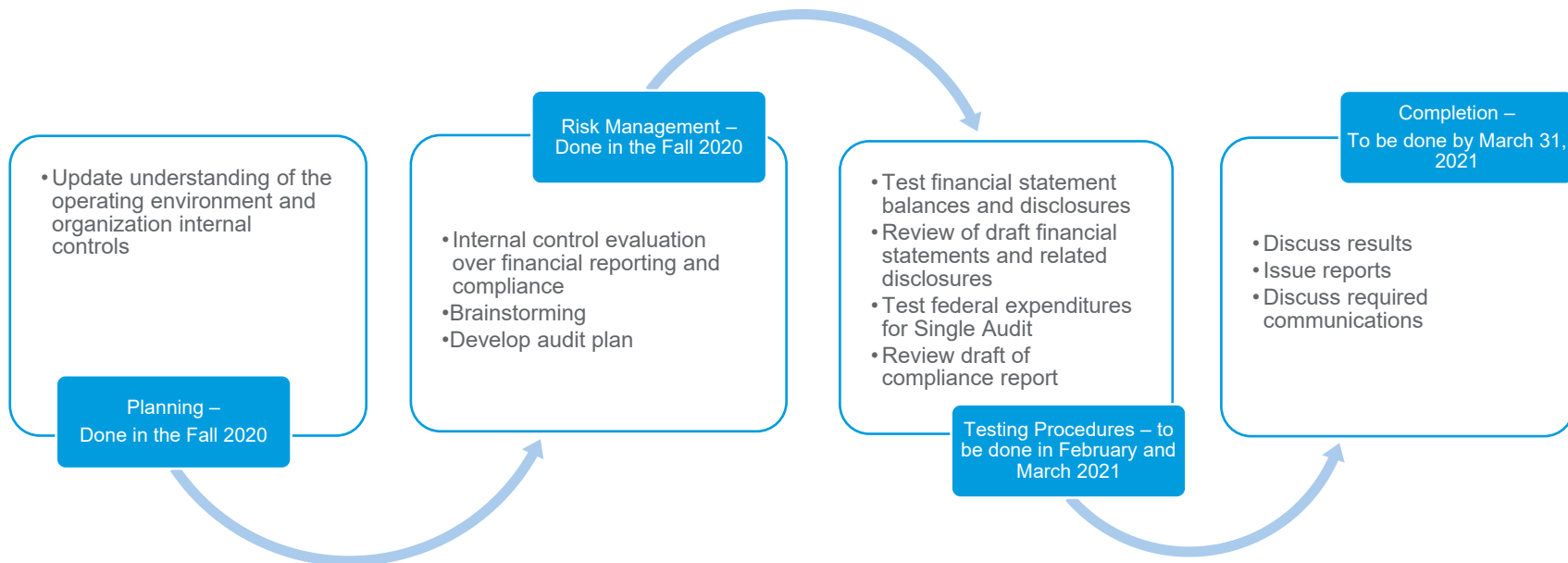


# Scope of Work

- To form an opinion on the fairness of presentation of the financial results of the Northwest Seaport Alliance for the year ended December 31, 2020 in accordance with Government Auditing Standards
- To form an opinion on internal control over financial reporting and on compliance in accordance with Government Accounting Standards
- To form an opinion on compliance for the Alliance's major federal program and report on the schedule of expenditures of federal awards required by Uniform Guidance
- Issue a management letter with recommendations related to the Alliance's control environment

# Audit Approach-Status of 2020 audit

- Audit is proceeding as scheduled in the timeline we developed with management



# Planning and risk assessment

- Audit risk involves the risk of material misstatement in the financial statements
- Audit is designed to provide reasonable—not absolute—assurance that the financial statements are free of material misstatements
- Audit risk model – assessed at high, medium or low
  - Inherent risk
  - Control risk
  - Detection risk
- Audit scope and approach is determined based upon results of risk assessment

# Materiality

- The maximum level of misstatement that can be tolerated in the financial statements without causing a reasonable person's judgment about them to be significantly changed or influenced
- Determination considerations
  - Needs and expectations of readers of financial statements
  - Quantitative and qualitative factors
  - Level is re-evaluated throughout audit and at conclusion of audit
- Quantitative elements
  - Critical components to users of financial statements are analyzed
  - A benchmark percentage is calculated
- A threshold is determined for purposes of proposing adjusting journal entries

# Evaluation of internal controls

Internal control is a process designed to provide reasonable assurance regarding the achievement of defined objectives

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations

Five components of internal control

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring

# Our approach to internal control understanding and assessment

## Top-down approach

- Assess entity-level controls and information technology related (general computer) controls
- Identify significant accounts and processes
- Obtain an understanding of internal controls for all main transaction cycles and perform walkthroughs on key controls
- Identify internal control deficiencies, if any

# Significant accounts and processes

- Billings, cash receipts, and receivables
- Procurement, cash disbursements, and payables
- Lease transactions
- Payroll and non-payroll expenses
- Capital projects
- Treasury and investments
- Financial close and reporting
- Information technology (general computer controls)
- Expenditures of federal awards



## GASB Pronouncements Effective This Year (2020)

- GASB 87: Leases – Single model for accounting for leases based on the principle that leases are financings of the right of use an underlying asset
  - Lessor: Recognize a lease receivable and a deferred inflow of resources
  - Lessee: Recognize a lease liability and an intangible right-to-use lease asset

# GASB Pronouncements Effective In Future Years

- Effective in 2022 with portions effective immediately
  - GASB 97: Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32

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