

Item No.: 4A

Date of Meeting: December 3, 2018

THE NORTHWEST SEAPORT ALLIANCE AUDIT COMMITTEE 2018 AUDIT DECEMBER 3, 2018

Presented by Liane K. Williams, CPA, Brianna Turk, 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, 2018 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 Port's control environment

Status of 2018 audit

- Audit is proceeding as scheduled in the timeline we developed with management
- Phases of the audit
 - Planning and risk assessment Completed
 - Assessment of internal controls Completed
 - Substantive audit procedures Feb/Mar 2019
 - Reporting and presentation of audit results
 - Audit on schedule to be issued early April 2019
 - Final audit presentation schedule Spring 2019

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 are 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
- Capital projects
- Treasury and investments
- Financial close and reporting
- Information technology (general computer controls)
- Expenditures of federal awards

GASB pronouncements effective in future years

- Effective in 2020
 - GASB 87: Leases - Single model for accounting for leases based on the principle that leases are financings of the right to 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



This document contains general information, may be based on authorities that are subject to change, and is not a substitute for professional advice or services. This document does not constitute audit, tax, consulting, business, financial, investment, legal or other professional advice, and you should consult a qualified professional advisor before taking any action based on the information herein. RSM US LLP, its affiliates and related entities are not responsible for any loss resulting from or relating to reliance on this document by any person. Internal Revenue Service rules require us to inform you that this communication may be deemed a solicitation to provide tax services. This communication is being sent to individuals who have subscribed to receive it or who we believe would have an interest in the topics discussed.

RSM US LLP is a limited liability partnership and the U.S. member firm of RSM International, a global network of independent audit, tax and consulting firms. The member firms of RSM International collaborate to provide services to global clients, but are separate and distinct legal entities that cannot obligate each other. Each member firm is responsible only for its own acts and omissions, and not those of any other party. Visit rsmus.com/aboutus for more information regarding RSM US LLP and RSM International.

RSM® and the RSM logo are registered trademarks of RSM International Association. *The power of being understood®* is a registered trademark of RSM US LLP.

© 2015 RSM US LLP. All Rights Reserved.