

THE NORTHWEST SEAPORT
ALLIANCE
AUDIT COMMITTEE
2019 AUDIT
OCTOBER 31, 2019

Presented by Lisa 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, 2019 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 2019 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 2020**
 - Reporting and presentation of audit results
 - Audit on schedule to be issued early April 2020
 - Final audit presentation schedule Spring 2020

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

New GASB Pronouncements Effective This Year (2019)

- GASB 84: Fiduciary Activities – improving guidance regarding the identification of the fiduciary activities for accounting and financial reporting purposes.
- GASB 90: Majority Equity Interests – an amendment of GASB No. 14 and No. 61. Primary objective is to improve consistency and comparability of reporting a government's equity interest in a legally separate organization.

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



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