



# Seattle Public Utilities 2015 Audit Plan

Seattle Public Utilities and Neighborhoods  
February 23, 2016

**MOSS ADAMS**<sub>LLP</sub>  
Certified Public Accountants | Business Consultants

*Acumen. Agility. Answers.*

# SCOPE OF AUDITS

- Role of auditor and SPU management
- Concept of materiality
- Reports to be issued:
  - Report on the audit of the financial statements of:
    - Water
    - Drainage & Wastewater
    - Solid Waste
  - Report on Internal Control, if significant deficiencies or material weaknesses are noted
  - Letter of recommendations and observations on internal controls and related matters

## TIMING & PHASES OF AUDIT

- Audit Planning (September/October 2015)
  - Develop initial audit plan based on information obtained from management;
- Audit Fieldwork
  - Internal control testing (September/October 2015 & January 2016)
    - Revenue/Cash Receipts, Expenses/Disbursements, Payroll
    - Work Order System and Utility Plant related systems
    - General Computer Controls – January 2016

# TIMING & PHASES OF AUDIT

- Audit Fieldwork
  - Audit final fieldwork (March-April 2016)
    - Substantive analytical review & tests of details
    - Review of Management Discussion & Analysis and Notes to Financial Statements
- Report Preparation & Issuance (April 29, 2016)
  - Audit opinions, reports on significant deficiencies or material weaknesses, if applicable, and management recommendations



## RISK ASSESSMENT

- Primary risk areas
  - Revenue recognition
  - Regulatory charges and accounts
  - Plant/work order classification and accounts
  - Management estimate accounts
  - Implementation of new pension accounting
  
- Final audit plan to be developed based upon results of testing transactions and internal controls



## AREAS OF AUDIT EFFORT

- Utility plant and related accounts:
  - Capitalization policies
  - Impairment assessment
  - Work order system - sample of transactions
- Bond-related accounts:
  - Compliance with covenants
  - Debt refunding and defeasance
- Accrued Liabilities & Contingencies
  - Environmental/pollution remediation liability
  - Litigation and claims

## AREAS OF AUDIT EFFORT

- Regulatory accounts
- Cash and investments
- Accounts and other receivables
- Operations:
  - Retail and wholesale sales
  - Operating expenses
  - Capital and operating contributions and grants
- Net position classification (equity accounts)
- Management Discussion & Analysis and note disclosures

# NEW ACCOUNTING PRONOUNCEMENTS

- New accounting standards effective for 2015:
  - GASB 68 – *Accounting and Financial Reporting for Pensions*
    - Requires all employers to record their proportionate share of the net pension liability/asset for each plan it participates in
    - A third party will be responsible for providing SPU their portion of the City's retirement plan's net pension liability (NPL); SPU is responsible for determining how the NPL should be allocated amongst the three funds
    - Standard was effective January 1, 2015 and will be reflected as a cumulative adjustment to beginning net position, not a restatement to all prior years



# NEW ACCOUNTING PRONOUNCEMENTS

- New accounting standards effective for 2015:
  - GASB 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*
    - Provided additional guidance on the accounting treatment of employer contributions that were made to the City retirement plan subsequent to the measurement date used to determine the net pension liability
    - Will likely result in additional deferred outflows/inflows being recognized
    - Is effective in 2015 and adopted in conjunction with GASB 68



## AUDIT TEAM CONTACTS

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