



Seattle Public Utilities 2016 Audit Plan

Civil Rights, Utilities, Economic Development
& Arts Committee

December 13, 2016

MOSS ADAMS LLP

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 (December 2016)
 - Develop initial audit plan based on information obtained from management
- Audit Fieldwork
 - Internal control testing (December 2016 & January 2017)
 - Revenue/Cash Receipts, Expenses/Disbursements, Payroll
 - Work Order System and Utility Plant related systems
 - General Computer Controls

TIMING & PHASES OF AUDIT

➤ Audit Fieldwork

- Audit final fieldwork (March-April 2017)
 - Substantive analytical review & tests of details
 - Review of Management Discussion & Analysis and Notes to Financial Statements

➤ Report Preparation & Issuance

- Audit opinions, reports on significant deficiencies or material weaknesses, if applicable, and management recommendations
- Delivery of audit reports on or before April 28, 2017



RISK ASSESSMENT

- Primary risk areas
 - Revenue recognition
 - Regulatory charges and accounts
 - Plant/work order classification and accounts
 - Management estimate accounts
 - Implementation of new billing system

- 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 2016:
 - GASB 72 – *Fair Value Measurement and Application*
 - Provides guidance for determining fair value of investments and other items reported at fair value
 - Expanded footnote disclosures related to SPU's investments, including hierarchy classifications of investments by fair value input level (Level 1, 2 and 3)
 - Will impact the footnote disclosure requirements only



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