



Seattle Public Utilities 2017 Audit Plan

Civil Rights, Utilities, Economic
Development & Arts Committee

December 12, 2017



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 Controls, 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 (August and September 2017)
 - Developed initial audit plan based on information obtained from management

- Audit Fieldwork
 - Internal control testing (October and December 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 2018)

- 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 27, 2018



RISK ASSESSMENT

- Primary risk areas
 - Revenue recognition
 - Regulatory charges and accounts
 - Plant/work order classification and accounts
 - Management estimate accounts

- 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:
 - Accrued Compliance with covenants
 - Debt refunding and defeasance

- 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 wholesales
 - Operating expenses
 - Capital and operating contributions and grant
- Net position classification (equity accounts)
- Management Discussion & Analysis and note disclosures



NEW ACCOUNTING PRONOUNCEMENTS

- **GASB 75** – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions – (effective in 2018)*; Addresses accounting and financial reporting issues related to other postemployment benefit plans.
- **GASB 82** – *Pension Issues - amendment of GASB Statements No. 67, No. 68, and No. 73 (effective in 2018)*: Addresses accounting and financial reporting clarifications related to issues identified in statements Nos. 67, 68, and 73.
- **GASB 83** - *Certain Asset Retirement Obligations (effective in 2019)*: Addresses accounting and financial reporting for certain asset retirement obligations.
- **GASB 84** – *Fiduciary Activities (effective in 2019)*: Addresses the improvement of guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.
- **GASB 85** – *Omnibus 2017 (effective in 2018)*: Addresses practice issues that have been identified during implementation and application of certain GASB Statements.
- **GASB 87** – *Leases (effective 2020)*: Addresses the accounting change for the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the underlying contract.



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