



Office of the Washington State Auditor

Pat McCarthy

Entrance Conference: Port of Seattle

The Office of the Washington State Auditor's vision is increased trust in government. Our mission is to provide citizens with independent and transparent examinations of how state and local governments use public funds, and develop strategies that make government more efficient and effective.

The purpose of this meeting is to share our planned audit scope so that we are focused on the areas of highest risk. We value and appreciate your input.

Audit Scope

Based on our planning, we will perform the following audit:

Accountability audit for January 1, 2018 through December 31, 2018.

We will examine the management, use and safeguarding of public resources to ensure there is protection from misuse and misappropriation. In addition, we will evaluate whether there is reasonable assurance for adherence to applicable state laws, regulations and policies and procedures.

We plan to evaluate the following areas:

- *Follow-up of recommendations issued in prior year audit (management letter and exit recommendations):* we will gain an understanding of corrective actions taken by the Port. We will evaluate the responses to determine if actions taken address the prior audit recommendations. We will perform testing of corrective action, as applicable, to verify the Port's implementation of the recommendations.
- *Self insurance programs:* state law and SAO audit policy requires an examination of all self-insurance programs at least once every two years. Our office last reviewed this area during the FY16 accountability audit. We will review schedule 21 (Risk Management) and gain an understanding of controls over the self-insurance programs to ensure that state law requirements were met.
- *Electronic Fund Transfers:* we will gain an understanding of controls over EFT disbursements to ensure adequate safeguarding of public resources. We will review selected EFT transactions, based on auditor judgment, to determine whether transactions are valid and supported with adequate documentation.
- *Procurement of professional services (A&E) contracts:* we will gain an understanding of controls over the procurement of professional service contracts at the Port. We will review selected contracts, based on auditor judgement, to ensure compliance with state law requirements and Port policies and procedures.
- *Payroll – Fire department overtime:* we will gain an understanding of controls over the overtime payroll process at the Port, specifically for the Fire department. We will review selected overtime payments, based on auditor judgement, to ensure payments are allowable, valid, and supported with adequate documentation.

- *Industrial Development Corporation* – January 1, 2016 through December 31, 2018 : SAO audit policy requires an examination of Industrial Development Corporations at least once every three years. Our office last reviewed the Port’s IDC for fiscal years 2013-2015. We will perform an assessment audit of the IDC’s activities for fiscal years 2016-2018 to ensure state law requirements were met.

Engagement Letter

We have provided an engagement letter that confirms both management and auditor responsibilities, and other engagement terms and limitations. Additionally the letter identifies the cost of the audit, estimated timeline for completion and expected communications.

Work of Other Auditors

A financial statement and single audit of the Port was performed by Moss Adams.

In accordance with professional standards, we considered the audit report and audit work performed by the other auditors in the planning of our audit. This includes communicating with the other auditors, evaluating the quality and results of the other auditor’s work, and identifying areas that could affect our audit, including those in which we could leverage the work already performed.

Accountability audits differ in scope from financial statement and single audits. Financial statement audits determine if amounts reported in the financial statements are fairly stated, while single audits determine compliance with specific federal grant requirements. In contrast, accountability audits determine compliance with laws, regulations and the government’s policies in areas selected for testing, as well as determine if public assets are safeguarded against loss or misuse.

The accountability audit may examine some of the same areas covered in the financial statement and single audit. However, due to the objective for accountability audits, the audit will approach and test these differently and not duplicate work already performed.

Levels of Reporting

Findings

Findings formally address issues in an audit report. Findings report significant deficiencies and material weaknesses in internal controls; misappropriation; and material abuse or non-compliance with laws, regulations or policies. You will be given the opportunity to respond to a finding and this response will be published in the audit report.

Management Letters

Management letters communicate control deficiencies, non-compliance or abuse that are less significant than a finding, but still important enough to be formally communicated to the governing body. Management letters are referenced, but not included, in the audit report.

Exit Items

Exit items address control deficiencies or non-compliance with laws or regulations that have an insignificant effect on the audit objectives. These issues are informally communicated to management.

Important Information

Confidential Information

Our Office is committed to protecting your confidential or sensitive information. Please notify us when you give us any documents, records, files, or data containing information that is covered by confidentiality or privacy laws.

Audit Costs

The cost of the audit is estimated to be approximately \$101,000, plus travel expenses.

Expected Communications

During the course of the audit, we will communicate with Debbi Browning, Assistant Director of General Accounting and Business Technology on the audit status, any significant changes in our planned audit scope or schedule and preliminary results or recommendations as they are developed.

Please let us know if, during the audit, any events or concerns come to your attention of which we should be aware. We will expect Debbi to keep us informed of any such matters.

Audit Dispute Process

Please contact the Audit Manager or Assistant Director to discuss any unresolved disagreements or concerns you have during the performance of our audit. At the conclusion of the audit, we will summarize the results at the exit conference. We will also discuss any significant difficulties or disagreements encountered during the audit and their resolution.

Loss Reporting

State agencies and local governments are required to immediately notify our Office in the event of a known or suspected loss of public resources or other illegal activity. These notifications can be made on our website at www.sao.wa.gov/report-a-concern/how-to-report-a-concern/fraud-program/.

Peer Reviews of the Washington State Auditor's Office

To ensure that our audits satisfy *Government Auditing Standards*, our Office receives external peer reviews every three years by the National State Auditors Association (NSAA). The most recent peer review results are available online at www.sao.wa.gov/about-sao/who-audits-the-auditor/. Our Office received a “pass” rating, which is the highest level of assurance that an external review team can give on a system of audit quality control.

Working Together to Improve Government

Audit Survey

When your report is released, you will receive an audit survey from us. We value your opinions on our audit services and hope you provide us feedback.

Local Government Support Team

This team provides support services to local governments through technical assistance, comparative statistics, training, and tools to help prevent and detect a loss of public funds. Our website and client portal offers many resources, including a client Help Desk that answers auditing and accounting questions. Additionally this team assists with the online filing of your financial statements.

The Center for Government Innovation

The Center is a resource for local governments that want to solve problems, innovate, and improve the value of their services to citizens. The Center is available by phone, online, or in person to offer assistance, programs, and tools – at no additional charge. You can contact the Center for more information at center@sao.wa.gov.

Audit Team Qualifications

Kelly Collins, CPA, Director of Local Audit – Kelly has been with the Washington State Auditor’s Office since 1992. In her role, she oversees the audit teams which perform the audits for over 2,200 local governments. She serves on the Washington Finance Officers Association Board and is a member of the Washington Society of Certified Public Accountants’ Government Auditing and Accounting Committee. Phone: (360) 902-0091 or Kelly.Collins@sao.wa.gov

Mark Rapozo, CPA, Assistant Director of Local Audit – Mark has been with the Washington State Auditor’s Office since 1983. In his role as Assistant Director he assists with the statewide oversight and management of all the audits for local government. He also served as the chairman of the Local Records Committee of the Washington State Archives for 10 years. Phone: (360) 902-0471 or Mark.Rapozo@sao.wa.gov

Joe Simmons, CPA, Program Manager – Joe has been with the State Auditor’s Office since 1987 and became Audit Manager of Team Central King County in November of 2015. In his prior role as Assistant Audit Manager on two different teams he worked on audits of state and local governments throughout Pierce, Kitsap, Mason, Clallam, and Jefferson counties. He has also provided support as one of our Office’s county and city subject matter specialists and is currently the CPA audit Program Manager. Phone: (206) 263-2838 or simmonsj@sao.wa.gov

Aron Keleta, Assistant Audit Manager – Aron has been with the State Auditor’s Office since 2015. During his time with the Office, Aron has performed financial and accountability audits for several cities, fire districts, water districts, and school districts. Aron has a Bachelor’s degree in Business Administration, with an emphasis in Accounting from Washington State University. Phone: (206) 684-0672 or keletaa@sao.wa.gov

Sandy Nguyen, CPA, Audit Lead – Sandy has been with the State Auditor’s office since 2016. In her role as an Assistant State Auditor, Sandy has worked on the financial statement, federal grant, and accountability audits for the City of Seattle and Port of Seattle. Sandy has a Bachelor’s degree in Economics from the University of Washington. Phone: (206) 615-0555 or Sandy.Nguyen@sao.wa.gov

Angela Funamori, Assistant State Auditor – Angela has been with the State Auditor’s Office since 2017. Angela has a Bachelor’s degree in Accounting from Central Washington University. In her role as an Assistant State Auditor, she has worked on the financial statement, federal grant compliance, and accountability audit for King County.

Ava Taylor, Assistant State Auditor – Ava has been with the State Auditor’s Office since 2019. Ava graduated from the University of Washington with a Master of Professional Accountancy. In her role as an Assistant State Auditor, Ava has worked on the financial statement and accountability audits for the City of Seattle.