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 audits:

**Accountability audit for January 1, 2024 through December 31, 2024**

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 will share the specific areas we plan to evaluate after we complete our planning procedures.

**Assessment Audit of Port of Seattle Industrial Development Corporation for January 1, 2022 through December 31, 2024**

SAO audit policy requires an examination of the Port of Seattle Industrial Development Corporation (IDC) at least once every three years. Our office last reviewed the Port's IDC for fiscal years 2019-2021. We will perform an assessment audit of the IDC's activities for fiscal years 2022-2024 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 federal single audit of the Port was performed by Moss Adams (now Baker Tilly).

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/or 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 results of the audit, such as 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, misappropriation, 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, non-compliance with laws or regulations, or errors 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 $141,000.

### Expected Communications

During the course of the audit, we will communicate with Andrew Cartica, CPA, Assistant Director of Capital Services and Financial Systems, and Diana Benson, CPA, Assistant Director over General Accounting, 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 Andrew and Diana 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

Washington state law requires all state agencies and local governments to immediately notify SAO if staff know or suspect loss of public resources, or of other illegal activity including a cyber-attack if it resulted in a loss of public resources or potentially impacted financial records or systems. State and local government employees should alert us to suspected fraud through the online Report a Suspected Fraud or Loss form below. These notifications can be made on our website at www.sao.wa.gov/report-a-concern/how-to-report-a-concern/fraud-program.

### Cybersecurity Loss Reporting

State and Local governments may also be required to report cybersecurity issues to the Washington State Attorney General's Office (AGO) or to the State Auditor's Office, including security breaches and cyber fraud. To learn more about when to report cybersecurity issues, please visit our website at https://sao.wa.gov/has-your-government-experienced-a-cybersecurity-issue-here-is-when-and-how-to-report/.

### 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 the Budget, Accounting, and Reporting System (BARS) and annual online filing technical assistance, provides accounting, reporting and BARS training. Our website and client portal offers many resources, including a client Help Desk that answers auditing and accounting questions, updated BARS manuals, access to resources and recorded trainings, and additional accounting and reporting resources. Additionally, this team assists with the online filing of your financial statements.

Stay informed on current and upcoming accounting implementations at https://sao.wa.gov/sites/default/files/bars--files/GASB_Accounting_Changes.pdf

### The Center for Government Innovation

The Center for Government Innovation of the Office of the Washington State Auditor offers services designed to help you, help the residents you serve at no additional cost to your government. What does this mean? They provide expert advice in areas like building a Lean culture to help local governments find ways to be more efficient, effective and transparent. The Center also provides financial management technical advice and best practices and resources. These can be accessed from the "Improving Government" tab of our SAO website and help you act on accounting standard changes, comply with regulations, protect public resources, minimize your cybersecurity risk and respond to recommendations in your audit. The Center also offers the Financial Intelligence Tool, better known as FIT, to help you assess and monitor your finances and compare your financial operations to other local governments like you. You can email the Center for a personal training session to learn all the benefits using the FIT tool can provide. The Center understands that time is your most precious commodity as a public servant, and wants to help you do more with the limited hours you have. Learn more about how the Center can help you maximize your effect in government at https://sao.wa.gov/improving-government/center-government-innovation.

Explore the latest resources in our Resource Library at https://sao.wa.gov/improving-government/resource-library.

## Audit Team Qualifications

**Tina M. Watkins, CPA, Director of Local Audit** – Tina has been with the Washington State Auditor's Office since 1994. In her role, she oversees the audit teams that perform the audits for over 2,200 local governments. She serves on the Washington Finance Officers Association Board. She served as Assistant Director of Local Audit for 8 years prior to becoming the Director of Local Audit. Phone: (360) 260-6411 or Tina.Watkins@sao.wa.gov

**Wendy Choy, Assistant Director of Local Audit** - Wendy has been with the Washington State Auditor's Office since 2002. In her role as Assistant Director, she assists with statewide oversight and management of all the audits for local government. She is also the program manager for public hospital districts. She served as an Audit Manager for six years prior to becoming an Assistant Director of Local Audit. Phone: (425) 502-7067 or Wendy.Choy@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 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 also serves as the Office's statewide Program Manager for CPA Reviews, Public Facilities Districts, Public Development Authorities, and Air Pollution Control Authorities. Phone: (206) 613-7628 or Joseph.Simmons@sao.wa.gov

**Sophia Sullam, Assistant Audit Manager** – Sophia joined the Washington State Auditor's Office in 2016. Sophia has supervised and worked on financial statement, federal grant compliance, and accountability audits for local governments such as King County, the City of Seattle, Seattle School District, Sound Transit, and several public development authorities. Phone: (206) 613-7629 or Sophia.Sullam@sao.wa.gov

**Sonia Khokhar, Audit Lead -** Sonia has been with the Washington State Auditor's Office since 2020. In her role as an Assistant State Auditor, she has worked on financial statements, federal grant compliance and accountability audits for a variety of governments in the Seattle area, including King County, the City of Seattle, Seattle School District, the Port of Seattle, King County Regional Homeless Authority and other local governments. Sonia also serves as one of the team's fraud specialists. Phone (206) 613-7639 or Sonia.Khokhar@sao.wa.gov