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# Washington State Auditor's Office

Exit Conference

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## City of Seattle

January 1, 2009 through December 31, 2009

June 21, 2010



WASHINGTON  
**BRIAN SONNTAG**  
STATE AUDITOR

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## Audit Information

### Audit Scope

Our audit was planned and conducted using a risk-based approach covering the following general areas for the period beginning January 1, 2009 and ending December 31, 2009:

- Financial statements

In keeping with general auditing practices, we did not examine every transaction, activity or area. Instead, our procedures focused on identifying and examining those transactions, activities or areas that posed the highest risk.

### Financial Statements

We performed an audit of the financial statements in accordance with *Government Auditing Standards* to conclude whether the statements were presented fairly in all material respects. Our audit was conducted on a test basis and cannot be relied upon to identify every instance of misstatement, fraud or noncompliance in the financial statements.

As part of our audit of the financial statements, we obtained an understanding of internal controls over financial reporting. *Government Auditing Standards* also required us to test compliance with any provisions of laws, regulations, and contracts and grant agreements that could materially affect financial statement amounts or data significant to the audit.

At the request of the City, we performed additional procedures related to information included in the City's Comprehensive Annual Financial Report (CAFR).

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## Audit Reports

### Financial Statement Reports

This report includes our opinion on the financial statements. An unqualified opinion will be issued which means the financial statements are presented fairly, in all material respects.

It also includes our report on internal control over financial reporting and on noncompliance and other matters as required by *Government Auditing Standards*. That report includes findings for significant deficiencies in internal controls over financial reporting identified during our and other auditors' audits.

We also issued a separate report with our opinion on the financial statements for the City's Comprehensive Annual Financial Report.

These reports are expected to be issued June 30, 2010. We now offer a free subscription service that allows you to be notified by email when audit reports are released or posted to our Web site. You can sign up for this convenient new service on our website at:

[www.sao.wa.gov/EN/News/Subscriptions](http://www.sao.wa.gov/EN/News/Subscriptions)

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## Other Required Communications

In addition to our audit reports, we are required by professional auditing standards to communicate other significant issues to the City Council as follows:

- There were no significant difficulties encountered or disagreements with entity management during the audit.
- There were material misstatements corrected by management during the audit.
- Uncorrected misstatements in the audited financial statements are summarized on the attached schedule. We agree that these misstatements are immaterial to the fair presentation of the financial statements.

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## Audit Results

### Audit Recommendations

We will issue three findings for the fiscal year 2009 audit.

Finding No. 1 – we identified significant deficiencies in internal control over preparation of annual financial reports. Accounting Services takes ownership of the financial statements and should take ownership of the errors they contain.

Finding No. 2 – other auditors identified significant deficiencies over financial reporting at Seattle Employees' Retirement System. This is a repeat of issues reported in 2008 audit because the conditions persisted during most of 2009 but have since been addressed.

Finding No. 3 – other auditors identified significant deficiencies over preparation of management estimates for financial reporting at Seattle Public Utilities. The other auditors reported similar condition in 2008 at a lower reporting level but elevated the reporting to significant deficiency in 2009.

### Status of Prior Audit Recommendations

<i>Prior Audit Findings</i>	<i>Resolved</i>	<i>Unresolved</i>
SAO – internal control over financial statement preparation		<b>Finding No. 1</b>
SAO – internal control over reporting grant revenues and expenses	<b>X</b>	
SAO – omission of federal funds from annual reports		<b>Finding No. 1</b>
Other Auditors – SCERS controls over investments and financial statements		<b>Finding No. 2</b>
Other Auditors – SCL controls over inventory	<b>X</b>	

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## Concluding Remarks

We thank officials and employees for their helpfulness and timely response to our audit requests. We will be sending an e-mail to Accounting Services contacts regarding an on-line customer service survey. This email will be from "State Auditor's Office [WA-StateAuditor@sao.wa.gov](mailto:WA-StateAuditor@sao.wa.gov)." Please take a few minutes to complete this survey. Your feedback is important to our on-going commitment to continually develop and improve our audit process.

Your next audit is scheduled to be conducted in 2010 and will cover the following general areas:

- Federal Programs – ongoing at this time, expected completion in August and exit conference with the Council in September.
- Accountability for Public Resources – audit work will begin in September.
- Financial Statement – planning work will begin in late 2010.