



MOSS ADAMS_{LLP}

Libraries, Utilities & Center Committee

2011 Audit Plan
Seattle Public Utilities
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Scope of Audits

- Role of auditor and SPU management
- Concept of materiality
- Reports to be issued:
 - Report on audit of financial statements
 - 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 of Audits

- Planning procedures and interim testing are complete
- Substantive audit fieldwork is scheduled for March 5 through April 6, 2012
- We plan to issue our audit reports by April 30, 2012
- Council Committee presentation planned for May 2012
 - Required communications will be made
 - Review of audit opinions and other reports issued

New Accounting Pronouncements

- The following standards are effective for the 2011 financial statements:
 - GASB 54 - *Fund Balance Reporting and Governmental Fund Type Definitions* –
 - Clarifies fund balance classifications and definitions of fund types
 - No impact to SPU as it has limited applicability to proprietary funds
 - GASB 59 - *Financial Instruments Omnibus* –
 - Modifies reporting of certain financial instruments and external investment pools
 - No impact expected by the adoption of this statement due its limited applicability
- There are additional GASB statements (GASB No.'s 57, 60, 62, 63 and 64) that have been released with effective dates starting in 2012. SPU and its funds are still reviewing each statement to determine applicability, and do not intend to early adopt any of these statements

Phases of Audit

- Audit Planning (October 2011)
 - Develop initial audit plan based on information obtained from management; provide the ‘client prepared’ schedules listing
- Audit Fieldwork
 - Internal control testing (October-December 2011)
 - Revenue/Cash Receipts, Expenses/Disbursements, Payroll
 - Work Order System and Utility Plant related systems
 - General Information Technology Controls
 - Audit final fieldwork (March-April 2012)
 - Substantive analytical review & tests of details
 - Review of Management Discussion & Analysis and Notes to Financial Statements
- Report Preparation & Issuance (April 2012)
 - Audit opinions, reports on significant deficiencies or material weaknesses, if applicable, and management recommendations

Areas of Audit Effort

- Utility plant and related accounts:
 - Capitalization policies
 - Impairment assessment
 - Work order system
- Bond-related accounts:
 - Arbitrage liability
 - Capitalized interest
 - Compliance with covenants
 - Debt refunding and defeasance
- Accrued Liabilities & Contingencies
 - Environmental/pollution remediation liability
 - Landfill postclosure liability
 - Litigation

Areas of Audit Effort

- Deferred charges
- Cash and investments
- Accounts and other receivables
- Operations:
 - Retail and wholesale sales
 - Operating expenses
 - Capital and operating contributions and grants
- Net asset classification
- Management Discussion & Analysis and note disclosures

- Risk assessment
 - Primary risk areas
 - Revenue recognition
 - Deferred accounts
 - Plant/work orders
 - Management estimate accounts
- Fraud and risk related inquiries
 - Inquiries will be performed throughout SPU departments
 - Inquiries will be performed in the CCSS Billing department
 - Discussion on risk of fraud, errors, and potential misstatements in financial statements

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