



Seattle Public Utilities 2014 Audit Plan

Seattle Public Utilities and Neighborhoods
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Acumen. Agility. Answers.

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 Control, 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 (October 2014)
 - Develop initial audit plan based on information obtained from management;
- Audit Fieldwork
 - Internal control testing (October 2014 & January 2015)
 - Revenue/Cash Receipts, Expenses/Disbursements, Payroll
 - Work Order System and Utility Plant related systems
 - General Computer Controls – January 2015

TIMING & PHASES OF AUDIT

- Audit Fieldwork
 - Audit final fieldwork (March-April 2015)
 - Substantive analytical review & tests of details
 - Review of Management Discussion & Analysis and Notes to Financial Statements
- Report Preparation & Issuance (April 30, 2015)
 - Audit opinions, reports on significant deficiencies or material weaknesses, if applicable, and management recommendations



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:
 - Compliance with covenants
 - Debt refunding and defeasance
- Accrued 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 wholesale sales
 - Operating expenses
 - Capital and operating contributions and grants
- Net position classification (equity accounts)
- Management Discussion & Analysis and note disclosures



NEW ACCOUNTING PRONOUNCEMENTS

- One new accounting standard effective for 2014:
 - GASB 70 – *Accounting and Financial Reporting for Non-exchange Financial Guarantees* –
 - SPU to identify if they guarantee debt of any other entity.



AUDIT TEAM CONTACTS

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