

Entrance Conference

Port of Everett

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April 13, 2023



Office of the
Washington
State Auditor
Pat McCarthy

Disclaimer: This presentation is intended to be viewed in conjunction with the complete packet of entrance materials provided. A copy of those materials may be requested by contacting the presenters listed or by emailing PublicRecords@sao.wa.gov.

Audits that Matter



Accountability

Financial

Performance Audits

Cybersecurity Audits

Unauditable
Governments

Citizen Hotlines

Federal

Fraud/ Whistleblower
Investigations

Other Engagements



Pat McCarthy
State Auditor

2,448 audits conducted
(January 1, 2022– December 31, 2022)

Accountability Audit

January 1, 2021 through December 31, 2022

Using a risk-based audit approach for the Port, we plan to evaluate the following areas:

- Open public meetings – compliance with minutes, meetings and executive session requirements
- Financial condition – reviewing for indications of financial distress
- Remaining areas to be determined after we finish planning procedures



Financial Statement Audit

January 1, 2022 through December 31, 2022



Opinion Issuance

- Opinion will be issued in accordance with U.S. GAAP
- Audit conducted in accordance with *Government Auditing Standards*

Internal Control and Compliance over Financial Reporting

- Assess adequacy of accounting and financial statement preparation processes at preventing material misstatements
- Identify whether there are instances of material noncompliance

Special Areas of Focus for 2022

New Accounting Standard

GASB 87 – Leases:

- Establishes a single model for lease accounting; requiring the lessee to report a lease asset and lease liability.
- It will require recognition of asset and liabilities for leases that previously were operating leases.
- Changes presentation and measurement of previously reported capital leases, and changes disclosure of leases



Federal Grant Compliance Audit

January 1, 2022 through December 31, 2022



Opinion Issuance

- Opinion will be issued in accordance with *Government Auditing Standards* and the Uniform Guidance

Internal Control and Compliance over Major Programs

- Assess adequacy of federal grant processes at preventing non-compliance
- Identify whether there are instances of material non-compliance

Related Audit Work



Port of Everett Industrial Development Corporation Assessment Audit

- January 1, 2022 through December 31, 2022
- Procedures to be performed:
 - Verifying annual reports are complete and filed timely in compliance with state law
 - Corroborating financial information reported by the Corporation by comparing it to third-party sources



Levels of Reporting



Findings

Management
letters

Exit items

Important Information

Confidential
Information

Audit Costs

Audit
Dispute
Process

Loss
Reporting



Reporting Cybersecurity Issues

Reporting to the Attorney General's Office (AGO)

- Reporting required for single security incidents affecting >500 Washington residents
- Find out more about reporting requirements and how to report at www.atg.wa.gov/data-breach-notifications

Reporting to the State Auditor's Office (SAO)

- Reporting may be required for cyber-security events involving financial records or finances, regardless of number of affected parties.
- To learn more, please visit <https://sao.wa.gov/has-your-government-experienced-a-cybersecurity-issue-here-is-when-and-how-to-report/>



Peer Reviews of Washington State Auditor's Office



“Who audits the State Auditor?”

- To ensure our audits satisfy government auditing standards, our Office receives external peer reviews every three years by the National State Auditors Association (NSAA)
- Most recent peer review results are available online at www.sao.wa.gov/about-sao/who-audits-the-auditor/
- Rating received: “Pass”, the highest level of assurance that an external review team can provide

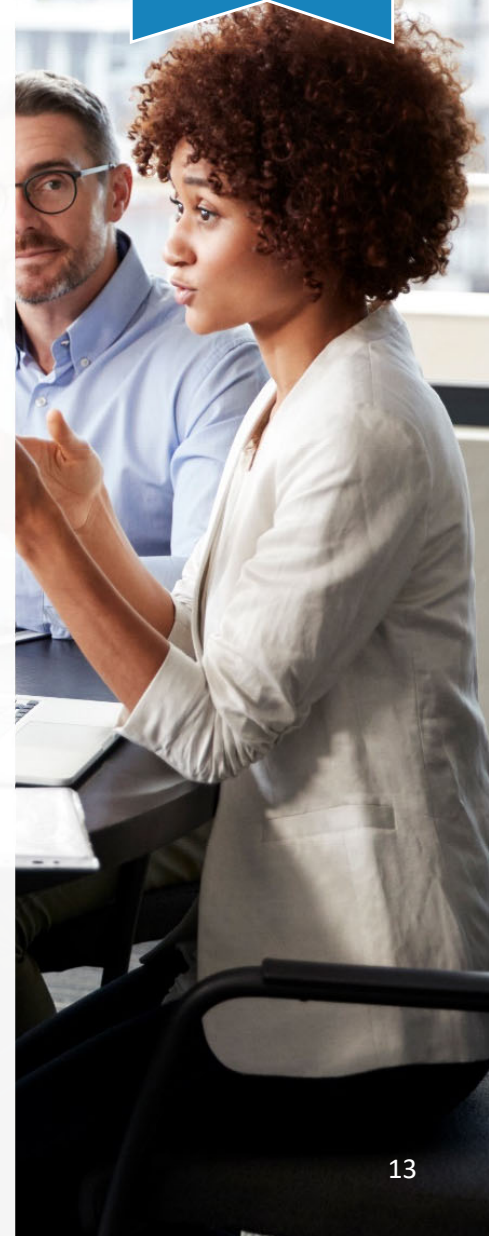
Working Together to Improve Government

Local Government Support Team

- BARS & Annual Online Filing
- Accounting and Reporting Training
- Client portal, including helpdesk

The Center for Government Innovation

- Process improvement facilitations
- Team-building & leadership workshops
- Financial Intelligence Tool (FIT)



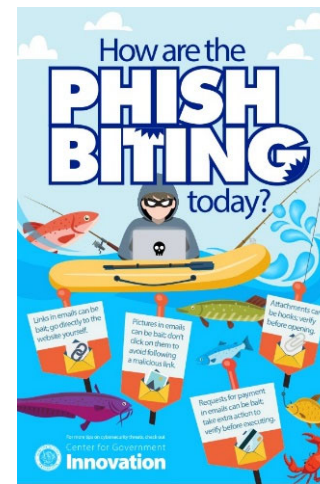
Center for Government Innovation Resources



Strengthening internal controls



Minimizing cybersecurity risks

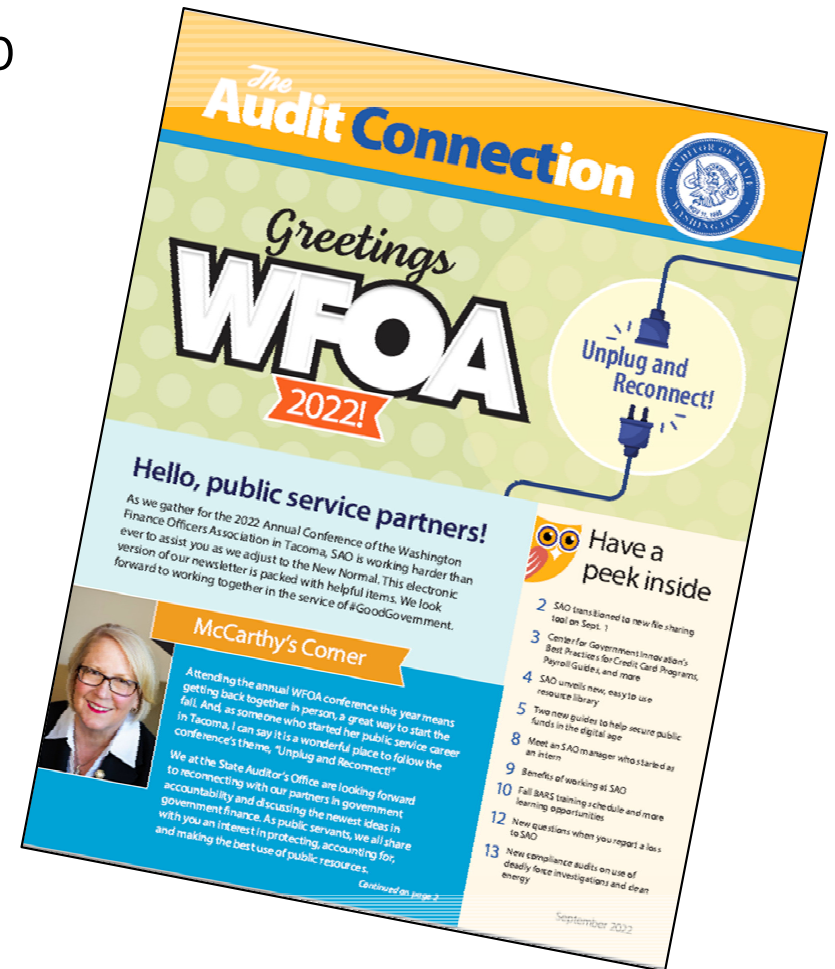


Emerging Issues Affecting Local Governments:



Audit Connection (September 2022) includes articles designed to keep you up to date. Topics include:

- New file sharing tool
- Buying and Bidding Guide
- Center for Government Innovation tools
- SAO training resources

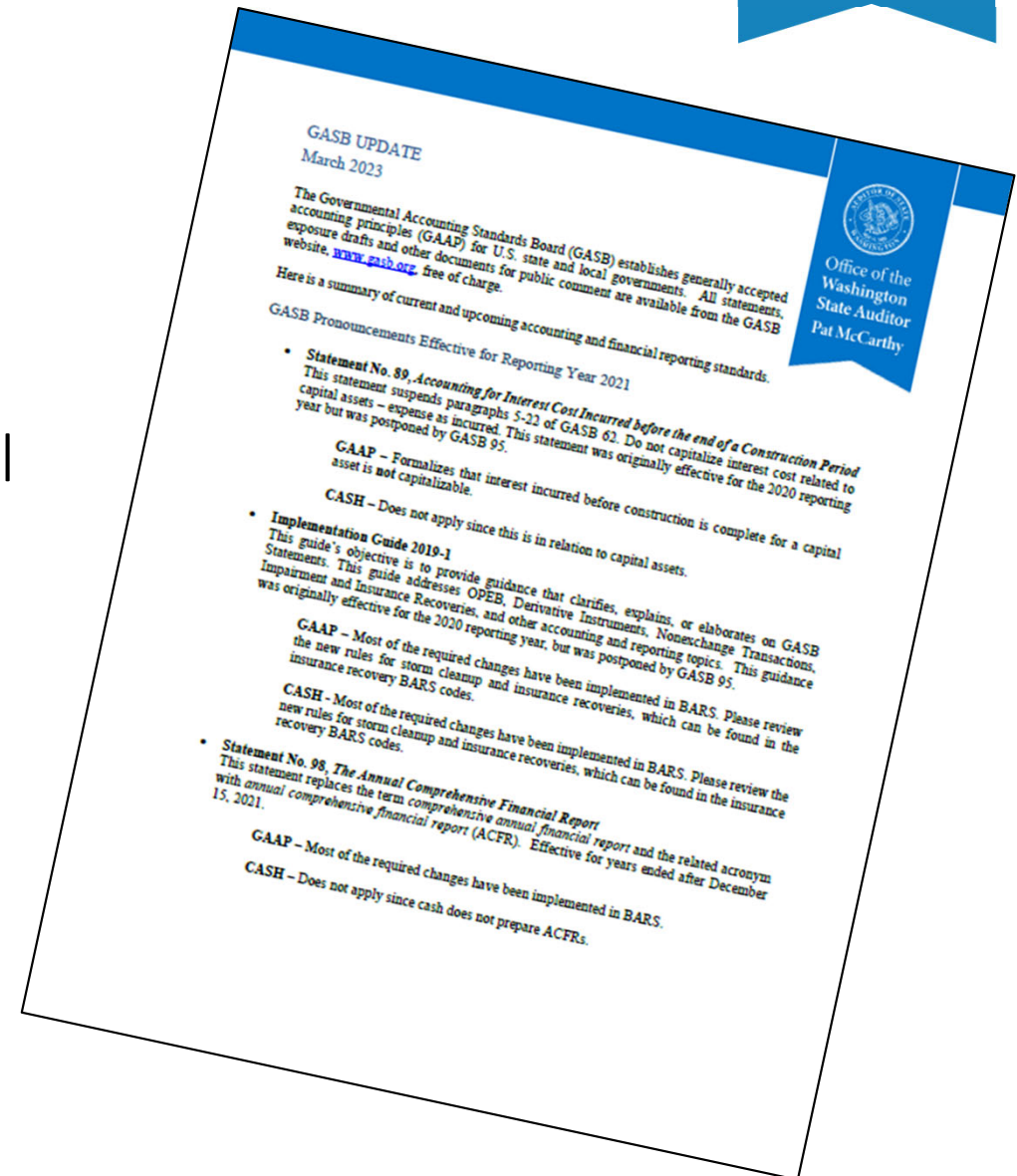


Emerging Issues Affecting Local Governments:



GASB Updates

A summary of current and upcoming accounting and financial reporting standards.



Fraud-prevention resource for elected officials and appointed board members



The guide is organized into three sections:

- **Preventing fraud:** Includes tips to consider when establishing a fraud policy and assessing your risk
- **Detecting fraud:** Offers tips for improving your fraud-detection abilities, including a list of three review strategies
- **Responding to fraud:** Provides guidance on developing a fraud response plan, communicating to the media and public, and reporting known and suspected losses to SAO



Emerging Issues Affecting Local Governments:



Our cyber checkups diagnose gaps that could leave your government vulnerable to common threats and offer recommendations for improving your defenses.



Questions?



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