

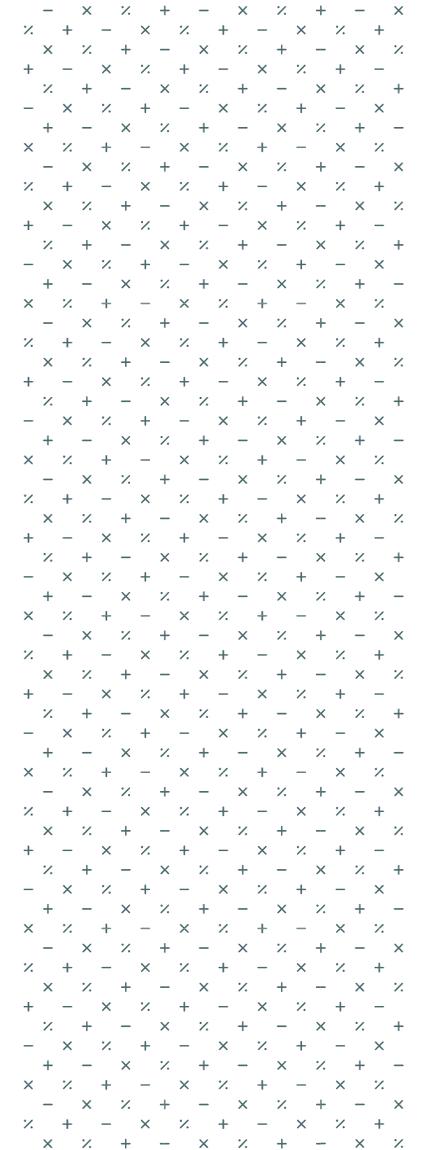


2019 Engagement Service Plan

Sound Transit

Presentation to Finance and Audit Committee

March 19, 2020





Finance and Audit Committee

SOUND TRANSIT

Dear Committee Members:

Thank you for your engagement of Moss Adams LLP, the provider of choice for transit and municipal enterprises. We're pleased to present our audit plan for Sound Transit for the year ending December 31, 2019.

We welcome any questions or input you may have regarding our audit plan, and we look forward to working with you.

A handwritten signature in black ink that reads "Laurie G. Fish".



Your Dedicated Leadership Team



Laurie Tish
*Lead Client Service
Partner*



Olga Darlington
*Concurring Reviewer
Partner*



Amy Sutherland
Senior Manager



Sasha Correnti
Senior Manager



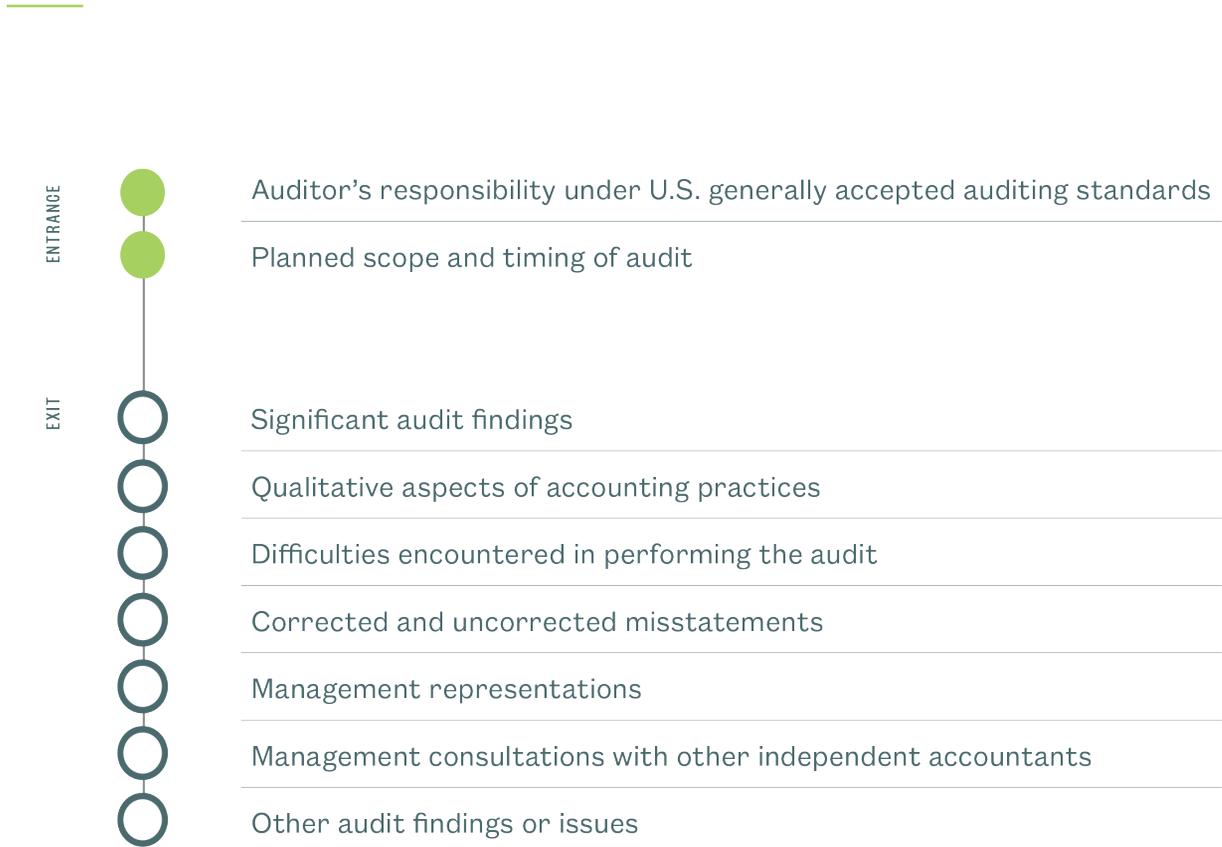
Maria Braun
Senior Manager, IT



Audit Deliverables

- Report of Independent Auditors' on the financial statements
- Report of Independent Auditors' on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- Report of Independent Auditors' on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with Uniform Grant Guidance
- Schedule of Findings and Questioned Costs
- Agreed-upon procedures reports associated with the Federal Transit Administration National Transit Database Report
- Agreed-upon procedures report for Schedule of Sources and Uses of Funds by Subarea

Required Communications to Those Charged with Governance



Our Responsibility Under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*



1

To express our opinion on whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, and in accordance with U.S. GAAP. However, our audit does not relieve you or management of your responsibilities.

2

To perform an audit in accordance with generally accepted auditing standards issued by the AICPA and *Government Auditing Standards* issued by the Comptroller General of the United States, and design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement.

3

To consider internal control over financial reporting and internal control over compliance as a basis for designing audit procedures but not for the purpose of expressing an opinion on its effectiveness or to provide assurance concerning such internal control.

4

To communicate findings that, in our judgment, are relevant to your responsibilities in overseeing the financial reporting process and administering federal awards. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Audit Process



Internal Controls

- IT General & Application Controls
- Revenue Cycle – ORCA system receipts, taxes, grants
- Disbursement Cycle
- Payroll Cycle
- Financial Close & Reporting
- Compliance with Federal Awards

Analytical Procedures

- Revenue and expenses
- Accruals and management estimate accounts
- Trends, comparisons, and expectations

Substantive Procedures

- Confirm account balances
- Vouch to supporting documentation
- Examine objective evidence
- Tests of details
- Representations from attorneys and management



What is Materiality?

It's the amount of a misstatement that could influence the economic decisions of users, taken on the basis of the financial statements.



It's calculated using certain **quantitative** (total assets or total revenues) and **qualitative** factors (covenants, expectations of stakeholders, and industry factors)

It identifies:

- 1 Significant risk areas
- 2 Nature, timing, extent, and scope of test work
- 3 Findings or misstatements



What's new this year?

Implementation of Governmental Accounting Standards Board (GASB) Statement No. 84: *Fiduciary Activities*

- Objective of the statement is to improve the guidance pertaining to the accounting and reporting of fiduciary activities
- Fiduciary activities for Sound Transit scoped into this standard include the defined contribution money purchase plan and trust (401a plan) and a deferred compensation plan (457 plan)
- Total assets held are approximately \$241 million and \$52 million, respectively
- Impact of this standard will be to add a fiduciary set of financial statements into the reporting entity of Sound Transit

Areas of Audit Emphasis



Internal controls over financial reporting and administration of federal awards



Statement of Financial Position: *Testing areas include cash and investments, taxes receivable, capital assets, accounts payable and accrued liabilities, bonds payable, classification of net position accounts, and related financial statement disclosures*



Statement of Activities: *Testing areas include passenger fares, tax revenues, operating and non operating expenses, and governmental grants*



Fiduciary Fund Statements: *Reviewing management's assessment of fiduciary activities related to implementation of GASB Statement 84, Fiduciary Activities, and preparation of new fiduciary fund statements. Testing areas include cash and investments, benefits payable, contributions received, benefit payments made.*



Federal Grant Audit (Uniform Grant Guidance): *Direct and material compliance requirements related to Department of Transportation Programs (TIFIA and National Infrastructure Investment Grant).*



Financial Statements and Disclosures

Consideration of Fraud



To identify fraud-related risks of material misstatement, we:

- Brainstorm internally with team
- Conduct personnel interviews
- Document understanding of internal controls
- Consider unusual or unexpected relationships identified in planning and performing the audit

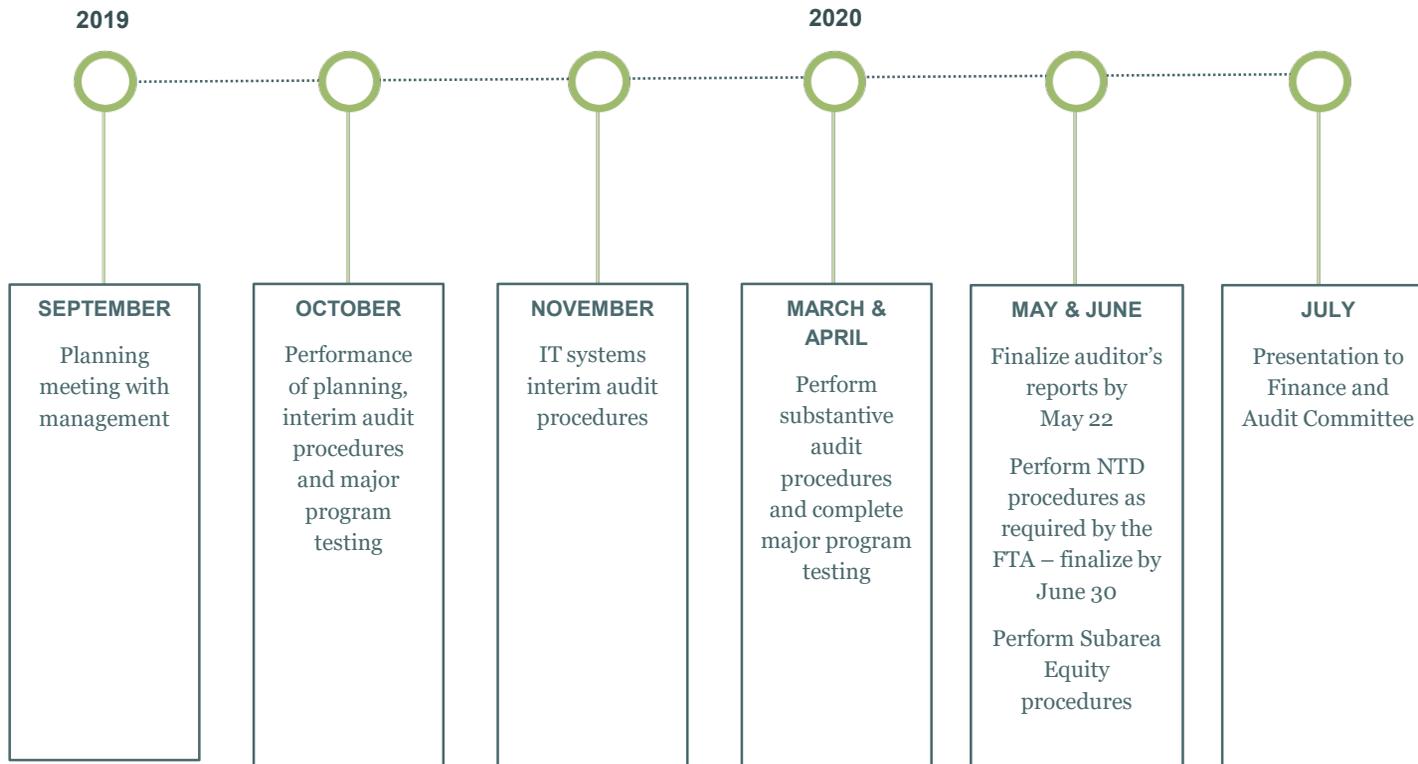


Auditors must consider fraud to “improve the likelihood that auditors will detect material misstatements due to fraud in a financial statement audit.”

Procedures we perform:

- Examine general journal entries for nonstandard transactions
- Evaluate policies and accounting for revenue recognition
- Unpredictable procedures
- Test and analyze significant accounting estimates for biases
- Evaluate rationale for significant unusual transactions

Audit Timing





Communications

- What concerns, if any, does the Finance and Audit Committee have regarding the audit this year?
- Are there any areas that the Finance and Audit Committee feel present heightened risk this year?
- What expectations does the Finance and Audit Committee have for on-going communications from the audit team prior to the exit conference?



Contact Us



Laurie.Tish@mossadams.com
(206) 302-6466

Amy.Sutherland@mossadams.com
(206) 302-6468

Sasha.Correnti@mossadams.com
(206) 302-6451

Spencer.Stevenson@mossadams.com
(206) 302-6489



THANK
YOU