

OBSERVER REPORT FORM

Port of Tacoma Audit Committee

Date: 22 April 2021

Observer: Lydia Zepeda

Meeting called to order at 2:45 pm

Present: Deanna Keller (Secretary), Richard Marzano (President)

Others present: Eric Johnson (Executive Director of Port), Juliet Campbell, Darren Arakaki (Port auditor), Saundra Groshong (State audit manager) Gus Ramos (State audit supervisor) and Dave Smolko (State Audit lead), Lisa Wilson (RSM) Kayla Lipston (RSM audit supervisor)

APPROVAL OF THE MINUTES of Dec 10, 2020. Minutes approved but were not available for public review.

SLIDES FOR THE REMAINING ITEMS ARE AVAILABLE AT

<http://portal.veconnect.us/AgendaViewer.aspx?p=portoftacoma&i=320b9892dee2e2bfc90ace78142c34b4>

2019 STATE AUDITOR'S OFFICE (SAO) ACCOUNTABILITY AUDIT RESULTS - SAO staff

The audit was for Jan 1-Dec 31 2019. It indicated that the Port complies with state laws, regulations, and port policies. The audit reviewed cost allocation; contract compliance with lease; procurement; payroll; self-insurance for health and welfare, unemployment and workers compensation; use of restricted funds (economic development fund); and accounts payable.

The State reviewed the audit performed by RSM US LLP. They did not find anything that caused concern or any instances of financial misstatements. SAO.WA.GOV has a tracker for prior audits. The report will be published on the website.

The audit costs were in line with the budget in December, about \$37,000. Next year it will be about the same.

2020 FINANCIAL AUDIT RESULTS - RSM US LLP (accounting firm)

The audit of the financial statements resulted in a "clean" opinion. No material weaknesses or significant deficiencies were identified. The audit showed compliance with government standards.

All significant account balances are tested, additional work is done on environmental liabilities, depreciation, fair value of investments, and unusual transactions/entries/future commitments. Auditors verified that all appropriate disclosures were reflected in the audited financial statements.

Significant transactions that were identified: bond refunding and direct borrowings; impact of Covid-19 on Port operations; status of GASB 87 effective 1/1/21.

GASB 87 redefines how leases are categorized on financial statements. Essentially it moves leases greater than five years from operating to capital budget. Although there is no impact on bottom line, it affects how income is recorded within financial statements.

Opinion of RSM - no difficulties in audit, no disagreements, no major issues, no internal controls deficiencies, no audit adjustments

Significant pending issue: The IRS is changing how to report 457 plans for deferred compensation. The Port will need to assess any impacts on reporting.

The Port is wrapping up the 2020 annual report and the Comprehensive Annual Financial Report.

FINANCIAL AUDIT CONTRACT EXTENSION

RSM was awarded a contract in 2016 for three years through 2020, renewable. They also were awarded the audit contract of the Seaport Alliance.

Scope of the 2021 audit will be: annual financial audit, single audit if required, Comprehensive Annual Financial Report, Agreed Upon Procedures – ecology financial assurance.

Motion to request authorization to extend contract number 070171 for financial audit services with RSM US LLP, for one year in the amount of \$113,500 (total contract value of \$651,000 for six years). The amendment will be filed with the Port of Tacoma Commission for authorization per Master Policy Resolution No. 2021-08-PT, section IV. E.(2). Richard Mazano moved, Deanna Keller seconded. Motioned carried unanimously.

2021 AUDIT COMMITTEE CALENDAR REVIEW

April 2021 -begin RFP for audit for 2022-26, Keller agrees to review the RFP.

September 2021 - auditor approval for 2022-26

November 2021

- 2021 financial audit introduction, external auditors
- 2020 State Auditor's Office Accountability Entrance Conference, SAO
- 2022 Draft Audit Committee Calendar

Commissioners Keller and Marzano commended the staff on a clean audit.

Adjourned at 3:28 pm.