

## AUDIT OVERVIEW

# Port of Oakland

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PRESENTED BY:

**Macias Gini & O'Connell LLP**

July 18, 2019

**AUDIT COMMITTEE:**

## **Port of Oakland**



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**We are pleased to present our audit plan for the Port of Oakland for the fiscal year ended June 30, 2019. In addition, we would like to discuss any significant activities and new accounting standards that will affect our audit.**

**We appreciate the opportunity to meet with you to discuss the audit plan, especially as a two-way dialogue can provide valuable information for the audit process. We look forward to working with you!**

# Your Dedicated Team:



Caroline Walsh  
Technical Review  
Partner



Annie Louie  
Engagement  
Partner



Guian Chhim  
Senior Manager



Jon Waller  
Senior Associate



Jasmine Costa  
IT Manager

# Required Communications

with Those Charged with Governance



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## Planning

- Auditor's responsibility under generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance
- Planned scope and timing of audit

## Results

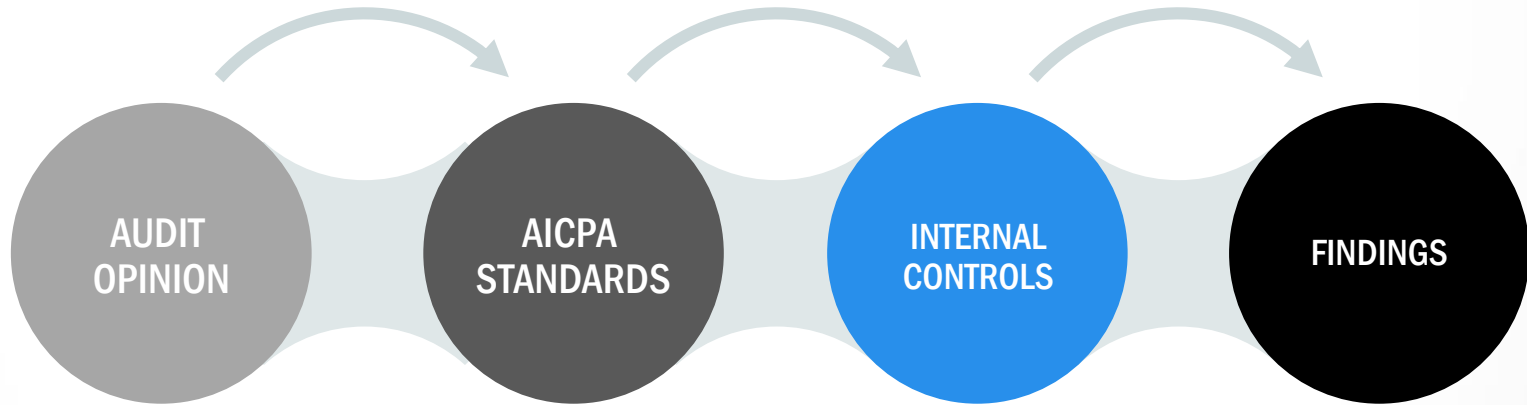
- Significant audit findings
- Qualitative aspects of accounting practices
- Difficulties encountered in performing the audit
- Corrected and uncorrected misstatements
- Management representations
- Management consultations with other independent accountants
- Other audit findings or issues

# Our Responsibility



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Our responsibility under U.S. Generally Accepted Auditing Standards.



To express our opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and *Government Auditing Standards*. This does not relieve you or management of your responsibilities.

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

To obtain an understanding of the Port and its environment, including internal controls over financial reporting and compliance, as a basis for designing our audit procedures, but not for the purpose of expressing an opinion on its effectiveness.

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

# The Annual Financial Audit

## Audit Plan and Approach

- Tailored to the Port
- Risk-based approach
- Identify and research key issues



# What is Materiality?

## Materiality

*The amount of a misstatement  
that could influence the  
economic decisions of users,  
taken on the basis of the  
financial statements.*

### How It's Calculated:

Using certain quantitative (e.g., total assets, total revenues, or other financial information) and qualitative factors (e.g., covenants, expectations, or industry factors)

### It's Used To Identify:

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

# Significant Audit Areas



- Pension and OPEB accounting and financial reporting requirements
- Self-Insured Risks
- Debt Covenant Compliance
- Single Audit – Uniform Guidance and Other Compliance reporting with Federal Aviation Administration (FAA) and State



# Consideration of Fraud

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

## How we gather information to identify fraud-related risks of material misstatement:

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

## Procedures to be performed:

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

# Deliverables

**We will issue the following reports for the fiscal year ended June 30, 2019:**

- Audit report on the Comprehensive Annual Financial Report (CAFR) of the Port of Oakland
- Audit report on the Port's compliance with federal award programs in accordance with Uniform Guidance
- Audit reports on the Port's compliance with the State's CFC Code and the FAA's PFC Guide
- Audit report on the Port's Deferred Compensation Plan
- Report to those Charged with Governance
  - Communicating required matters and matters related to internal controls and compliance with laws, regulations, contracts and agreements



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# Audit Timing



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**INTERIM AUDIT PROCEDURES**

**FINAL FIELDWORK**

**REPORTING AND PRESENTATION**

**COLLABORATION**

# Accounting Update



**GASB 83**

**Certain Asset Retirement Obligations (AROs)**

- AROs are legally enforceable liability associated with the retirement of a tangible capital asset.
- Legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability and requires disclosure of information about the nature of the AROs, the methods and assumptions used for the estimates.

**GASB 88**

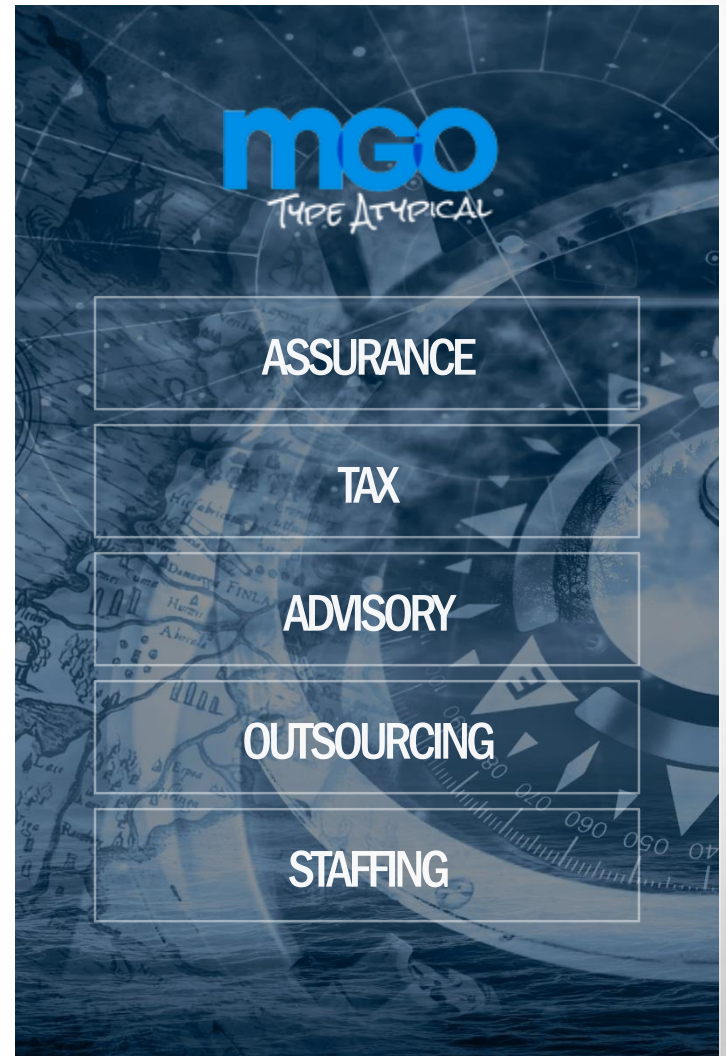
**Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements**

- This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default or termination events with finance related consequences, and significant subjective acceleration clauses.



# About MGO

One of the fastest growing professional services firms in the U.S., MGO combines deep industry expertise with proven accounting and advisory solutions to deliver tangible results. Our clients range from global aerospace and technology leaders to innovative start-ups and not-for-profit organizations – from the largest government entities in the country, to the biggest names in entertainment.



# Thought Leadership



- AICPA State and Local Government Expert Panel
- AICPA Government Performance and Accountability Committee
- GASB Advisory Committee for Comprehensive Implementation Guide
- GASB Task Forces:
  - GASB 34 Financial Reporting
  - Implementing GASB 43 and 45
  - Pension Disclosure Task Force
  - Sales and Pledges Task Force
- Executive Committee of AICPA Governmental Audit Quality Center
- Government Finance Officers' Association Review Committee
- CalCPA State Governmental Accounting and Auditing Committee

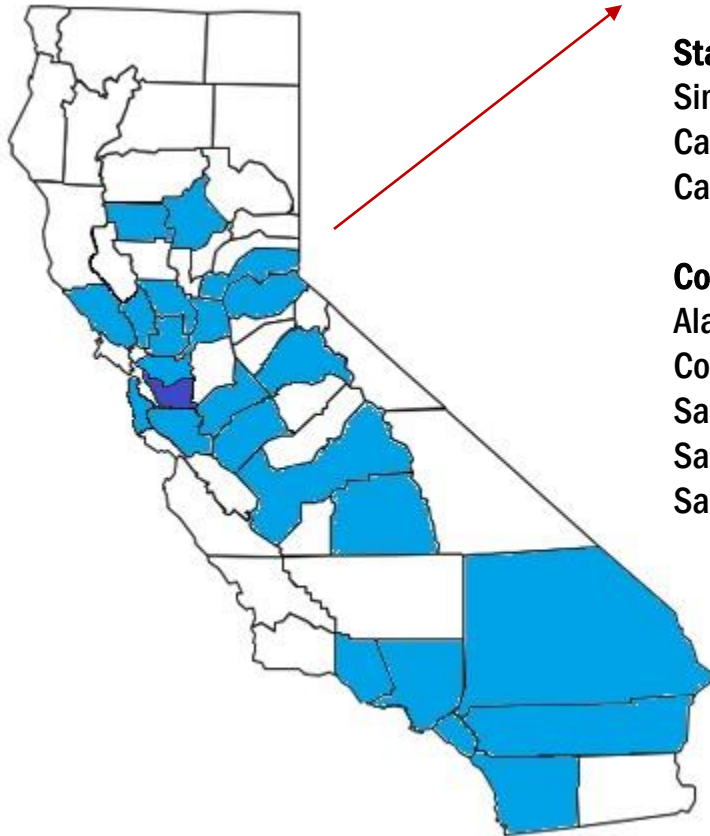


# Relevant Experience



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## Select Bay Area Clients



### State

Single Audit  
CalPERS  
CalPIA

### Counties

Alameda  
Contra Costa  
San Francisco  
San Mateo  
Santa Clara

### Cities

Fremont  
Mountain View  
Oakland  
Palo Alto  
Pleasant Hill  
Rohnert Park  
San Francisco  
San Jose  
Santa Rosa  
Sunnyvale

### Special Districts and

JPA's  
ACWD  
BART  
CCTA  
CCJPA  
Monterey Airport  
OACCA  
Port of Oakland  
SFBRA  
VMC



MARKETING OVERVIEW

# Questions?



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