

August 24, 2022

PRIVATE

City and County of San Francisco
San Francisco Municipal Transportation Agency
1 S. Van Ness Avenue, Floor 8
San Francisco, California 94103

Board of Supervisors, Municipal Transportation Agency Board of Directors and Bond Oversight Committee of the City and County of San Francisco, and management of SFMTA

Attention: Jonathan Rewers, Acting Chief Financial Officer

Ladies and Gentlemen:

This engagement letter (Engagement Letter) sets forth our understanding of the terms and objectives of our engagement and the nature and limitations of the services KPMG LLP ("KPMG") will provide.

We will apply the following agreed-upon procedures to San Francisco Municipal Transportation Agency's (SFMTA) bond series accounts as of June 30, 2022 for the intended purpose of reporting to the Bond Oversight Committee. SFMTA is responsible for its compliance with the requirements as presented in the *Bond Oversight Committee Bylaws*, as set forth, in *Article IV Section 2: Report*. SFMTA acknowledge that the procedures are appropriate for the intended purpose. Consequently, we make no representation regarding the appropriateness of the procedures either for the purpose for which our report has been requested or for any other purpose. Execution of this Engagement Letter will signify SFMTA's agreement to the procedures and that the procedures are appropriate for the intended purpose of the engagement.

Procedures over the High Dollar Value and Assorted Small Dollar Samples

1. We will obtain the general ledger detail related to bond series 2013, 2014, 2017, and 2021 from management for all transactions recorded related to the bond series 2013, 2014, 2017, and 2021C. We will select the 25 highest dollar amounts by filtering for Expenditure type under "Account Lvl 2 Code" column and sorting the transaction amount in the detail from highest to smallest. We will randomly select 15 additional expenditures that were not within the highest dollar amounts.
2. For the sampled items selected in procedure #1, we will validate the uses are solely for purposes per authorization resolution and applicable laws by comparing the project description on the approved invoice and encumbrance payment require form to the respective bond authorization and resolution to verify whether the respective bond authorization and resolution includes the projects' purpose.
3. For the sampled items selected in procedure #1, we will validate the project expenditures and encumbrances are for authorized capital projects by obtaining the approved invoice and Certificate of Progress Payment and determine if the invoice and progress payment are signed by the project manager and contract administrator to indicate authorization.
4. For the sampled items selected in procedure #1, we will validate the transactions are properly supported based on City and Departmental policies and are processed in accordance with SFMTA's internal procedures, by obtaining the approved invoice, encumbrance payment request form, the Peoplesoft screen

shot showing the amount paid prior to reimbursement, Certificate of Progress Payment, request for progress payment memorandum, and bank statement. For each selection, we will agree the amount in the progress payment memorandum to the amount in the encumbrance payment request form. We will review the Certificate of Progress Payment and determine if it was signed by the project manager and contract Name City and County of San Francisco administrator. We will calculate the number of days between receipt date and date of payment to determine whether payment was made within the 30-day payment rule per CCSF's Prompt Payment Guideline, where applicable.

5. For the direct salary sampled items selected in procedure #1, we will obtain the labor distribution system report and select one employee from the labor distribution system report. We will obtain the respective timesheet and agree the hours from the timesheet to the labor distribution report. We will obtain the payroll register and agree the pay rate to the pay rate on the labor distribution report. We will recalculate the payroll expense, where applicable.

6. For the indirect cost and fringe benefit sampled items in procedure #1, we will recalculate the indirect cost and fringe benefit amounts.

7. For the journal entry adjustment sampled items in procedure #1, we will obtain the Peoplesoft screenshot and agree the amount to the screenshot. We will compare the preparer name on the screenshot to the approver name on the screenshot to ensure the approver name is different from the preparer name. We will check the approved date on the screenshot is after the prepared date.

Procedures over the Interdepartmental Charges Samples

8. Using the same general ledger data file in procedure #1, we will select the 15 interdepartmental charges by filtering the general ledger data file by department group code and selecting samples that are not identified as 'MTA'.

9. For the sampled items selected in procedure #8, we will validate the uses are solely for purposes per authorization resolution and applicable laws by obtaining the SFMTA Work Authorization to DPW form, the Peoplesoft Screen Shot, project description and project cost details provided by DPW. We will compare the project descriptions on each support to the capital projects respective bond authorization and resolution.

10. For the sampled items selected in procedure #8, we will validate the project expenditures and encumbrance are for authorized projects by obtaining the work authorizations forms to the DPW forms and compare the project descriptions from the work authorization forms and DPW forms to the respective bond authorization and resolutions. We will use the SFMTA's Work Authorization Procedures as a guide which outlines the process for approval and compared the work authorizations to the process to confirm compliance. We will obtain the respective invoices submitted by DPW, encumbrance amount (provided by management), Certificate of Progress Payment and progress payment report (SBE form No. 7). We will agree the encumbrance amount to the progress payment report, agree the invoice amount to the encumbrance and to the subcontractor or contractor payment (check copy or wire transfer form). We will obtain the SFMTA Work Authorization to DPW to verify if these are interdepartmental transfers by comparing the project descriptions on the Work Authorization to the project descriptions on the general ledger detail.

11. For the sampled items selected in procedure #8, we will validate the transactions are properly supported based on City and Departmental policies and are processed in accordance with SFMTA's internal procedures by performing the following:

a. Obtain the Work Authorization and review whether it is signed by a SFMTA project manager to verify documentation for charges is correct, that the charges are in line with the project scope, schedule and budget, and progress of work reasonably equates to the percentage of the budget expended.

- b. Calculate if the SFMTA project manager approved the charges within 30 days of the month end for the applicable charges
- c. Verify if the Work Authorization has a project description and project code to which the expenditures can be charged for tracking purposes.
- d. Obtain the invoices and Work Authorizations and compare the project descriptions to the project descriptions in the general ledger detail and to confirm that expenditures were for capital projects per authorization of bond revenues.
- e. Confirm if the invoices and supporting documents were submitted by DPW within 15 days of the month end for the applicable charges.

Procedures over the Budget (Funding) Samples

- 12. We will obtain an expenditure budget query report related to bond series 2013, 2014, 2017, and 2021 from management that includes Commitment Control Detail Ledger. From this report's transaction detail, we will filter the column name "Fund description" for any Sustainable Streets (SS) and Transit (TS) Capital Revenue Bond as well as "Budget Ledger Name" for Commitment Control Detail Budget. Then, select 2 budget (funding) transfers from the filtered data.
- 13. For the sampled items selected in procedure #12, we will validate the uses are solely for purposes per authorization resolution and applicable laws by obtaining the SFMTA Work Authorization Request and compare the project description to the respective bond authorization and resolution.
- 14. For the sampled items selected in procedure #12, we will validate the project expenditures and encumbrances are for authorized capital projects by obtaining the SFMTA Work Authorization Request and confirm it was signed by a project manager prior to the creation of the Peoplesoft entry recorded by the SFMTA accounting staff.
- 15. For each selection selected in procedure #12, we will validate the transactions are properly supported based on City and Departmental policies and are process in accordance with SFMTA's internal procedures, by obtaining the work authorization request and review whether it has a project description and a project code. We will review if the SFMTA project manager signed the request form prior to transactions being entered into the Peoplesoft system. We will agree the Peoplesoft screenshot to the amount on the work authorization request.

Procedures over the Trustee Payments Samples

- 16. We will obtain a listing of all bond debt service payments to trustee related to bond series 2013, 2014, 2017, and 2021 from management and select 5 payments from this listing.
- 17. For the sampled items selected in procedure #16, we will validate the trustee payments for debt service were made in accordance to terms by performing procedures on whether the amounts paid were correct and the payments were paid by the due date. To validate, we will obtain the debt service schedules for Series 2013, 2014, 2017, and 2021 bonds that was used as part of the fiscal year 2021 audit and agree each amount to the debt service schedule and then for each sample, we will obtain the monthly payment request and agree the interest and principle payment amounts to the bank statement. We will obtain the bank statements and compare the payment date per the bank statement to the due date.
 - i) For the sampled items selected in procedure #16, will validate if bond balances are correct and if they are supported with a payment by obtaining the bank statement and will utilize our results in the financial statement audit to confirm the bond balances for each series agree to the debt roll forward and debt service schedule provided by

SFMTA acknowledges its responsibility for SFMTA's compliance with the specified requirements as identified above. At the conclusion of the engagement, SFMTA agrees to supply us with a representation letter that will include:

- a. a statement that it is responsible for complying with the specified requirements as identified above and for establishing and maintaining effective internal control over compliance,
- b. a statement that management has performed an evaluation of SFMTA's compliance with the specified requirements as identified above,
- c. if applicable, management's interpretation of any specified requirements as identified above that have varying interpretations,
- d. a statement that it agrees to the procedures performed and acknowledges that they are appropriate for the intended purpose of the engagement,
- e. a statement that it obtained agreement to and acknowledgement of the procedures from all necessary parties and provided written acknowledgement from those parties to us, if applicable,
- f. a statement that it has provided us with all relevant information and access, as applicable,
- g. a statement that all known matters contradicting SFMTA's compliance with the specified requirements as identified above and any communication from regulatory agencies or others affecting SFMTA's compliance with the specified requirements as identified above have been disclosed to us, including communications received between the end of the period addressed by the subject matter and the date of our report,
- h. a statement that it is not aware of any material misstatements in the subject matter,
- i. a statement that it has disclosed to us all known events subsequent to the period (or point in time) of the subject matter being reported on that would have a material effect on the subject matter,
- j. a statement that any known noncompliance occurring subsequent to the period covered by our report have been disclosed to us, and
- k. other matters as we may deem appropriate.

If such a representation letter is not provided, it may be necessary for us to withdraw from the engagement.

Our engagement to apply agreed-upon procedures will be performed in accordance with the attestation standards established by the American Institute of Certified Public Accountants. Because the agreed-upon procedures referred to above do not constitute an examination or review, we will not express an opinion or conclusion on SFMTA's compliance with the specified requirements as identified above. Our report will include a statement to that effect. In addition, we have no obligation to perform any procedures beyond those referred to above.

Our written independent accountants' agreed-upon procedures report will include a list of the procedures performed and the related findings. Our report will also contain a paragraph indicating that had we performed additional procedures, other matters might have come to our attention that would have been reported to you. We have no responsibility to update our report for events and circumstances occurring after the date of such report.

Our report is intended solely for the use of specified parties and is not intended for use by those who have not agreed to and acknowledged the appropriateness of the procedures. Our report will include a statement to that effect. If you request that additional specified parties of the report be added, we will require that they

acknowledge, in writing, their agreement with the procedures and appropriateness of the procedures for their purpose.

Our report will include identification of the intended purpose of the engagement and a statement that the report may not be suitable for any other purpose. Our report may also include statements that SFMTA have acknowledged that the procedures are appropriate for their purposes, that no other party acknowledged the appropriateness of the procedures, and that we make no representation regarding the appropriateness of the procedures either for the purpose for which our report has been requested or for any other purpose.

Professional standards require that we report all findings as a result of performing the procedures. Accordingly, if during our engagement we are provided with preliminary subject matter and the subject matter is revised based on differences identified from our procedures, we will disclose that fact in our report.

If we are unable to complete the agreed-upon procedures referred to above, we will discuss the matter with you during the engagement. In such circumstances, we may conclude that we will not issue a report as a result of this engagement.

Because of the importance of management's representations to the effective performance of our services, SFMTA hereby releases KPMG and its personnel from and against any and all claims, liabilities, costs, and expenses relating to our services under this Engagement Letter attributable to any misrepresentations in the representation letter referred to above. The provisions of this paragraph shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss asserted, whether in contract, statute, tort (including but not limited to negligence) or otherwise.

SFMTA will indemnify, defend, and hold KPMG and its personnel harmless from and against any and all claims, liabilities, costs, and expenses asserted against KPMG by any third party to the extent resulting from or attributable to (i) that party's use or possession of, or reliance upon, KPMG's report or reference to KPMG's services hereunder as a result of SFMTA's disclosure of such report or reference thereto other than to the specified party(ies) or (ii) any misrepresentations in the representation letter referred to above. The foregoing indemnification obligation shall apply regardless of whether the third party claim alleges a breach of contract, violation of statute or tort (including without limitation negligence) by KPMG.

Other Matters

This Engagement Letter shall serve as SFMTA's authorization for the use of e-mail and other electronic methods to transmit and receive information, including confidential information, between KPMG and SFMTA and between KPMG and outside specialists or other entities engaged by either KPMG or SFMTA. SFMTA acknowledges that e-mail travels over the public Internet, which is not a secure means of communication and, thus, confidentiality of the transmitted information could be compromised through no fault of KPMG. KPMG will employ commercially reasonable efforts and take appropriate precautions to protect the privacy and confidentiality of transmitted information.

In an effort to facilitate efficient communication between KPMG and SFMTA related to the attest engagement and to track engagement progress, KPMG may provide SFMTA with access to certain on line tools. If such access is provided to SFMTA, SFMTA shall be responsible for: (i) its users' access and use of such tools (including the information its users may upload to such tools and compliance with all laws and regulations applicable to use or access by SFMTA's users outside of the United States (e.g. export control and data privacy laws and regulations)), and (ii) protecting the security of the account credentials in its possession for each user including timely informing KPMG when SFMTA individuals' access should be removed. SFMTA acknowledges that it shall not provide third parties (agents or contractors) with access to such tools without KPMG's written consent, use such tools as a system of record, nor use such tools other than for purposes of the attest engagement. The KPMG online tools include technology licensed from Microsoft, and SFMTA's use of such Microsoft technology is subject to the Microsoft End-User Terms available at

http://www.kpmqinfo.com/N_DPPS/media/docs/144210-1_A_NAS_MicrosoftEnd-UserTerms.pdf.

Except as permitted by law or as set forth in this paragraph, neither party shall acquire hereunder any right to use the name or logo of the other party or any part thereof, and any such use shall require the express written consent of the owner party. SFMTA agrees that KPMG may list SFMTA as a client in KPMG's internal and external marketing materials, including KPMG websites and social media, indicating the general services rendered (e.g., "SFMTA is an attest client of KPMG LLP"). Further, for purposes of the services described in this Engagement Letter only, SFMTA hereby grants to KPMG a limited, revocable, non-exclusive, non-transferable, paid up and royalty-free license, without right of sublicense, to use all logos, trademarks and service marks of SFMTA solely for presentations or reports to SFMTA or for internal KPMG presentations and intranet sites.

SFMTA and KPMG acknowledge and agree that each shall comply with all applicable United States export control laws and regulations in the performance of each party's respective responsibilities under the Engagement Letter. Unless requested by KPMG to allow it to complete its attest engagement, SFMTA will not provide KPMG, or grant KPMG access to, (a) information (including technical data or technology), verbally, electronically, or in hardcopy, (b) software or (c) hardware, that is controlled for export by the United States government under the Arms Export Control Act of 1976, Export Control Reform Act of 2018, the International Traffic in Arms Regulations ("ITAR"), Export Administration Regulations ("EAR"), Department of Energy Part 810 Regulations or Nuclear Regulatory Commission Part 110 Regulations, except information, software or hardware that is classified as EAR99 under the EAR ("Export Controlled Information"). If KPMG requests Export Controlled Information from SFMTA, SFMTA shall provide KPMG with notice of provision of Export Controlled Information at least 48 hours prior to providing such Export Controlled Information to KPMG.

KPMG is a limited liability partnership comprising both certified public accountants and certain principals who are not licensed as certified public accountants. Such principals may participate in the engagements to provide the services described in this Engagement Letter.

The documentation for this engagement is the property of KPMG. If KPMG receives a subpoena; other validly issued administrative, judicial, government or investigative regulatory demand or request; or other legal process requiring it to disclose SFMTA's confidential information ("Legal Demand"), KPMG shall, unless prohibited by law or such Legal Demand, provide prompt written notice to SFMTA of such Legal Demand in order to permit it to seek a protective order. So long as KPMG gives notice as provided herein, KPMG shall be entitled to comply with such Legal Demand to the extent required by law, subject to any protective order or the like that may have been entered in the matter. In the event KPMG is requested or authorized by SFMTA, or is required by law, rule, regulation or Legal Demand in a proceeding or investigation to which KPMG is not a named party or respondent, to produce KPMG's documents or personnel as witnesses or for interviews, or otherwise to make information relating to the service under the Engagement Letter available to a third party, or SFMTA, SFMTA shall reimburse KPMG for its professional time, at its then-current standard hourly rates, and expenses, including reasonable attorneys' fees and expenses, incurred in producing documents or personnel or providing information pursuant to such requests, authorizations or requirements.

KPMG, as an accounting firm, has an obligation to comply with applicable professional standards. Certain professional standards, including AICPA Code of Professional Conduct Section 1.700, "Confidential Client Information Rule," adopted by the American Institute of Certified Public Accountants and similar rules adopted by the boards of accountancy of many states, prohibit the disclosure of client confidential information without client consent, except in limited circumstances. KPMG represents to SFMTA that KPMG will treat SFMTA's confidential information in accordance with applicable professional standards.

In addition, KPMG uses third party service providers within and outside of the United States to provide, at its direction, back-office administrative and clerical, or analytical services to KPMG and these third party service providers may in the performance of such services have access to your confidential information. In particular, KPMG's technologies, software productivity tools and certain technology infrastructure and, necessarily, your confidential information, may be hosted in cloud environments operated by KPMG Parties or such third-party

service providers. In addition, KPMG Parties may have access to certain of your information in respect to engagement acceptance and other professional responsibilities such as maintaining independence and performing conflict checks. KPMG represents that it has technical, legal and/or other safeguards, measures and controls in place to protect your confidential information from unauthorized disclosure or use.

Except as otherwise provided for in this Engagement Letter, neither party may assign, transfer or delegate any of its rights, obligations, claims or proceeds from claims arising under or relating to this Engagement Letter (including by operation of law, in which case the assigning party will, to the extent legally permissible, give as much advance written notice as is reasonably practicable thereof) without the prior written consent of the other party, such consent not to be unreasonably withheld. Any assignment in violation hereof shall be null and void.

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This Engagement Letter and any exhibits, attachments and appendices hereto, and amendments thereto agreed in writing by the parties, shall supplement the Agreement between KPMG and the City and County of San Francisco dated July 1, 2016.

DRAFT

We shall be pleased to discuss this Engagement Letter with you at any time. For your convenience in confirming these arrangements, we enclose a copy of this Engagement Letter. Please sign and return it to us.

Very truly yours,

KPMG LLP

Lisa Avis
Managing Director

PTR:ekd

Enclosures

cc: Jonathan Rewers, San Francisco Municipal Transportation Agency

This Engagement Letter correctly sets forth the understanding of SFMTA.

ACCEPTED

City and County of San Francisco
San Francisco Municipal Transportation Agency

Jonathan Rewers

Title

Date