

Independent Accountants' Agreed-Upon Procedures Report

Board of Supervisors,
City and County of San Francisco

Board of Directors, Bond Oversight Committee,
and the Management of SFMTA,
San Francisco Municipal Transportation Agency

We have performed the procedures enumerated in the Attachment on the San Francisco Municipal Transportation Agency's (SFMTA) sources and uses of funds related to bond series 2013, 2014, 2017, and 2021C accounts for the year ended June 30, 2022. SFMTA is responsible for its compliance with the requirements over the sources and uses of funds related to the 2013, 2014, 2017, and 2021C bonds, along with the annual reporting, as presented in the *Bond Oversight Committee Bylaws*, as set forth in Article IV, Section 2: Report.

SFMTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting users in determining whether the entity complied with the requirements over the sources and uses of funds related to the 2013, 2014, 2017, and 2021C bonds, along with the annual reporting, as presented in the *Bond Oversight Committee Bylaws*, as set forth in Article IV, Section 2: Report, for the year ended June 30, 2022. This report may not be suitable for any other purpose. No other parties have agreed to or acknowledged the appropriateness of these procedures for the intended purpose or any other purpose.

The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. We make no representation regarding the appropriateness of the procedures either for the intended purpose or for any other purpose.

We were engaged by SFMTA to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants, which involves us performing the specific procedures agreed to and acknowledged above and reporting on findings based on performing those procedures. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with specified requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent SFMTA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

[(signed) KPMG LLP]

San Francisco, California

Date

Procedures and Results:**High-dollar amounts and assorted smaller-dollar expenditures (Sample size 40):**

1. We obtained 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 selected the 25 highest dollar amounts by filtered for Expenditure type under "Account Lvl 2 Code" column, and sorted the transaction amounts in the detail from highest to smallest. We then randomly selected 15 additional expenditures that were not within the highest dollar amounts.

Results: KPMG selected a total of 40 sample items, which comprised the followings:

- 25 expenditures with the high-dollar amounts
 - 15 assorted expenditures for small-dollar amounts
2. For the sampled items selected in procedure #1, we validated that the uses are solely for purposes per authorization resolution and applicable laws by comparing the project description on the approved invoice and encumbrance payment form to the respective bond authorization and resolution in order to verify whether the respective bond authorization and resolution includes the projects' purpose.

To validate that uses are solely for purposes per the respective bond's authorizing resolution and applicable laws:

- a. We obtained and inspected the following bond resolutions that describe the authorized uses, purposes, and projects authorized to be paid with the respective bond proceeds to use as a basis for determining that the debt proceeds (the sources) were used in accordance with the bond resolutions, as detailed below:
 - Board of Supervisors Resolutions for series 2013, 2014, 2017, and 2021C bonds and Municipal Transportation Agency Board Resolutions for Series 2013, 2017, and 2021C "New Money" bonds
 - SFMTA Procurement Procedures
 - City and County of San Francisco (CCSF) Accounting Policies and Procedures
 - Capital Funding Recommendations.
- b. We obtained and inspected the following bond resolutions that describe management's intention of the bond proceeds and interest income for the source, intended use, and expenditure and balances of bond revenue to use as a basis of determining that the debt proceeds and interest income were recorded correctly, as detailed below:
 - The SFMTA Board of Directors Resolutions 13-205, 16-0464, and 201215-110 resolving to issue series 2013, 2017, and 2021 "New Money" (2021C) revenue bonds, respectively, for the purpose of financing (as capital projects) the cost of transportation projects
 - The SFMTA Board of Directors Resolutions 13-206 and 16-044, which allow SFMTA to be reimbursed for costs for the above range of capital projects from the proceeds of revenue bond series 2013 and 2017

- CCSF Board of Supervisors Resolutions 337-13, 92-15, 231-16, and 023-21 authorizing the issuance of series 2013, 2014, 2017, and 2021C bonds, respectively, in concurrence with the resolutions passed by the SFMTA Board of Directors
 - CCSF Board of Supervisors Resolutions 207-13, 92-15, 212-15, and 105-16 required to appropriate the revenue collected from the bond issuances for the various capital projects to be undertaken by the Department of Public Works (DPW) on behalf of SFMTA.
3. For the sampled items selected in procedure #1, we validated that the project expenditures and encumbrances are for authorized capital projects by obtaining the approved invoice and Certificate of Progress Payment and determining 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 validated that the transactions are properly supported based on CCSF 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, bank statement, and further requested for progress payment memorandum. For each selection, we agreed the amount in the progress payment memorandum to the amount in the encumbrance payment request form. Moreover, we reviewed the Certificate of Progress Payment and verified if it was signed by the project manager and CCSF administrator. We also calculated 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 obtained the labor distribution system report and selected one employee from the labor distribution system report. We then obtained the respective timesheet and agreed the hours from the timesheet to the labor distribution report. We also obtained the payroll register and agreed the pay rate to the pay rate on the labor distribution report. Lastly, we recalculated the payroll expense, where applicable.
 6. For the indirect cost and fringe benefit sampled items in procedure #1, we recalculated the indirect cost and fringe benefit amounts.
 7. For the journal entry adjustment sampled items in procedure #1, we obtained the Peoplesoft screenshot and agreed the amount to the screenshot. We compared the preparer name on the screenshot to the approver name on the screenshot to ensure the approver name is different from the preparer name as the indicator for the existence of segregation of duties. Lastly, the approved date on the screenshot occurred after the prepared date.

In applying procedures #2 through #7 to the 40 selected samples, we further noted the following:

- Of the 40 samples selected, 25 were from the highest dollar values (which comprised of 6 personnel and 19 nonpersonnel costs), and 15 were from the assorted small-dollar value sample (made up of 3 personnel costs and 12 nonpersonnel costs).
- Of the personnel services expenditure transactions selected for the high-dollar values and the assorted small-dollar category, six stemmed from the high-dollar values (samples #3, #16, and #22–25) and three were from the assorted small-dollar category (samples #28, #35, and #39). Details based on testwork results, further categorized by the type of personnel services expenditures transaction, were as follows:

- Samples #3, #22, and #28 and pertain to the respective allocation of the 95.20% Transit (TS) Division and/or 21.10% TS Department Overhead costs along with the Mandatory Fringe Benefit cost incurred in relation to Project No. 10011861 – MT Procurement of New Light Rail to the Fund Code 22395 for the 2017 Revenue Bonds Series.
- Samples #23–25 pertain to the allocation of the 95.20% TS Division Overhead costs incurred in relation to Project No. 10032900 – MT Train Control System Upgrade to the Fund Code 22396 for the 2021C Revenue Bonds Series.

As such, these transactions are not subject to the same procedural requirements (procedures #3–5 detailed above) as those were designed to assess regular nonpersonnel or the actual direct payroll expenditures incurred in relation to the authorized projects funded by bond revenue. In lieu of those procedures, we applied procedures #6 and #7 from above by recalculating and inspected the PeopleSoft screenshots to agree the amount and viewed the preparer and approver dates, noting that the approver date was after the preparer's date.

- Samples #35 and #39 pertain to the direct salary expenditure transactions, with charges posted at the batch level, based on FY2022 pay period end (PPE) dates 4/29/2022 and 12/24/2021, for Project Nos. 10038770 – MT 10032900 Train CTL Upgrade and 10011832 – MT Operator Convenience-CPT729, respectively. Funding arrangements for these two direct salary samples stemmed from the 2021C Revenue Bond Series, via Fund Code 22396, and the 2014 Revenue Bond Series, via Fund Code 22380, respectively.

For the testing of these direct salary samples, specifically sample #35, we further drilled into the batch total for the posted transaction detail at the employee names level, and sampled for the time charged by a Project Manager 3 (Job Code No. 5506) for the 16 hours worked on the project, and requested payroll support. With respect the latter sample #39, the original sampled amount represented the 4 hours charged to the project by a Junior Engineer (Job Code No. 5201). In terms of applying the procedures for the testing of these samples, we considered SFMTA's clarification provided in the prior year that progress payment memos, invoices, progress reports, or SBE Form 7 are not applicable for salary types of transactions. Additionally, we further noted that there were no specific encumbrances and, as payroll processing is a part of the routine process, therefore the 30-day payment rule does not apply. Consequently, we only applied procedures #2 and #5 detailed in the earlier section for these samples and verified the transaction description details to ensure that it was for the authorized capital project and recalculated payroll amount based on the times charged, as per the employee's timesheet screenshot taken for the respective PPE date, along with supporting details from the accompanied Payroll Register – By Employee supports from the HCPRD database.

- Sample #16 pertains to the payroll adjustment entry made to reclass the Permanent Salaries portion, incurred as part of the PPE date 10/2/21 & 11/12/21 for Project No. 10011861 – MT Procurement of New Light Rail from Fund Code 22480 – MTA TS Capital Unallocated Projects to that of the Fund Code 22395, as established for the 2017 Revenue Bonds Series.

Similarly, these transactions are not subject to the same procedural requirements (procedures #3 through #6 detailed above) as those were designed to assess either the regular nonpersonnel, the actual direct or indirect payroll expenditures incurred in relation to the authorized projects funded by bond revenue. Rather, as it is an adjusting journal entry, we applied procedure #7 from above by inspected the PeopleSoft screenshots to agree the

amount and viewed the preparer and approver dates, noting that the approver date was after the preparer's date.

- Likewise, for the nonpersonnel services expenditure transactions selected for the high-dollar values and the assorted small-dollar category, 19 stemmed from the high-dollar values (Samples #1-2, #4-15, and #17-21) and 12 were from the assorted small-dollar (Samples #26-27, #29-34, #36-38, and #40). Details based on testwork results, further categorized by the type of nonpersonnel expenditures transaction and vendors, were as follows:

- Samples #1, #2, #4, #5, and #19 pertain to construction contract expenditures incurred for services rendered in relation to Project No. 10011740–MT Van Ness Ave BRT-CPT640; Project No.10031332–MT 14 Mission: Mission & SVN; and Project No.10009750–PK Sfgo Van Ness Corr Mgt from Walsh Construction Company II, LLC for the allocated core item costs out the aggregate progress payment application total. Funding sources for the first two projects listed derived from Fund Code 22395, as established for the 2017 Revenue Bond Series, while the latter was funded via Fund Code 22960, as established for the 2014 Revenue Bond Series.
- Sample #29 pertains to the Final Progress Payment Application No. 38 from S.J. Amoroso Construction Co., Inc., for a construction contract expenditure, incurred for services rendered in relation to Project No. 10011572–PW Islais Creek Ops Bldg Const. Of the aggregate final billing total, roughly 11% was funded by the 2014 Revenue Bond Series, via Fund Code 22380.

For the construction contract expenditures above, we applied procedures #2 through #4 detailed in the prior section. Accordingly, based on cross-verification between the Progress Payment Report prepared by the vendor (i.e., SFMTA SBE Form No. 6) and the accompanied SFMTA Memorandum for payment processing supports reviewed for the Walsh Construction Company billings, we noted that there were certain billing items rejected and/or disputed by SFMTA resulting from the review of billing costs, such that the actual total approved by the Project Manager (PM) for payment is less than the total presented on SBE Form No. 6. We did not note such recurring pattern whereby the actual processed payment is less than the billed amount with the S.J. Amoroso Construction final progress billing. Lastly, we noted that the projects for these selected samples were funded via a combination of Fund Codes for the invoiced amount. Funding allocation arrangements were set up in PeopleSoft such that the allocation funding source to that of the expenditures are applied automatically, as per the established purchase order. As the selected sample represented only the eligible expenditure item that is authorized by the corresponding revenue bonds series, we verified for the existence and accuracy of the expenditure item via the invoice and performed recalculation of the itemized invoice and agreed the aggregate invoice total to that of the issued payment amount.

- Samples #6, #7, #18, #20, #21, and #37 pertain to as-needed specialized engineering service expenditures incurred for services rendered in relation to Project No. 10032900–MT Train Control System Upgrade from WSP USA for various months during FY2022. The partial 74.04% funding source for this type of expenditure for the project derived from Fund Code 22396, as established for the 2021C Revenue Bond Series.

Considering the engineering services detailed above were not related to that of the capital construction expenditures, we therefore reviewed the description for both the project and invoice plus the supporting documentation (e.g., monthly progress report, invoice billings to

vendor from subcontractor, etc.) for each vendor to confirm the item qualified as an approved expenditure using Bond Resolution descriptions. Additionally, we reviewed the SBE Form and agreed the invoiced amounts to the progress payment. Specifically, per applicable Payment Processing Guidelines, we agreed the sample amount to the PeopleSoft screenshots and the invoices. We further verified that payments were properly authorized and that payments were made in timely manner. We confirmed that the vendor/contractor submitted a request for progress payment/payment and the certificate of progress payment was signed by the SFMTA project manager and contract administrator. Per the CCSF's Prompt Payment Guideline, the agency must pay contractors within 30 business days of receiving billing. We noted this is accomplished via EFT. We then agreed the amount and date to the Paymode-X Payment Detail. Of the six selected samples from this vendor, we noted that there were billing delays for samples #6, #7, #18, #20, and #21, which covered the progress billings #4–8 from this vendor, whereby payments were made more than 30 business days from that of the service period and/or invoice date. Through further review of the underlying supports, we noted that there was a letter issued by the WSP USA vendor, dated 6/2/2022, to provide justification for the late submission of its invoice billing for the months of October 2021 through December 2021 (i.e., Samples #6, #7, and #18) due to the needs for the revisions of the payroll records that it had originally submitted and verified by SFMTA. WSP discovered the error as part of its verification process that did not begin until January 2022. As part of this revision and resubmission, the billings for the months of January–April 2022 have also been delayed. Additionally, other cause for the payment processing delay was due to WSP having to further incorporate its subconsultants and project partners, Parsons and Capitol GCS, services portion for progress billings #4 and #5 (i.e., Samples #20 and #21).

- Samples #8, #10–15, #17, #27, #30–#34, and #38 pertain to equipment purchase expenditures incurred in relation to Project No. 10037860 – PK Parking Meter Replacement from MacKay Meters, Inc. Items invoiced include the variation of the completed batches of the Tango paystation equipment, auxiliary battery upper cabinet 32A, installation services for the paystations, trainings, and the assessed 8.625% sales tax for the applicable invoiced item. Funding source for this project derived from Fund Code 22961, as established for the 2021C Revenue Bond Series.

These equipment purchases were not related to that of the capital construction expenditures. Therefore, we reviewed the description for both the project and invoice plus the supporting documentation (e.g., monthly progress report, invoice billings to vendor from subcontractor, etc.) for each vendor to confirm the item qualified as an approved expenditure using Bond Resolution descriptions. Consistent with the prior year, management had confirmed that unlike the engineering service type, the SBE support form is not applicable for samples pertaining to the procurement of equipment. Additionally, we agreed the invoiced amounts to the progress payment. Specifically, per applicable Payment Processing Guidelines, we agreed the sample amount to the PeopleSoft screenshots and the invoices. We further verified that payments were properly authorized and that payments were made in timely manner. We confirmed that the vendor/contractor submitted a request for progress payment/payment and the certificate of progress payment was signed by the SFMTA project manager and contract administrator. Per the CCSF's Prompt Payment Guideline, the agency must pay contractors within 30 business days of receiving billing. We noted this is accomplished via EFT. We then agreed the amount and date to the Paymode-X Payment Detail. Of the 15 selected samples from this vendor, other

than Samples #8 and #30, we noted that there were billing delays for the remaining 13 samples, which comprised the following individual or shared invoice numbers:

- 1061034
- 1061075
- 1061077
- 1061105
- 1061176
- 1061247
- 1061287
- 1061309
- 1061385
- 1061570.

The payments for these invoices were made more than 30 business days from that of the service period and/or invoice date. Through further review of the underlying supports, we noted that the delay occurred due to the vendor failing to properly submit a copy of liability insurance that matched with its business name and making its annual business registration payment with the CCSF on time in order to avoid sustaining delinquent status. As such, when SFMTA made the payment processing, there was a validation issues that required the vendor to submit a rushed check payment delivery to CCSF Office of the Treasurer & Tax Collector–Bureau of Delinquent Revenue on 6/17/2022 along with email follow-up with the CCSF's Senior Collection Officer on 6/21/2022 in order to clear its delinquent status.

- Samples #26 and #40 pertain to internal billing for services rendered from the CCSF, City Attorney's Office Department, incurred in relation to Project No. 10038770 – MT 10032900 Train CTL and Project No. 10011861 – MT Procurement of New Light Rail. Funding sources for these project derived from Fund Codes 22396, as established for the 2021C Revenue Bond Series, and 22395, as established for the 2017 Revenue Bond Series, respectively.
- Sample #36 pertains to adjusting journal entry made to the previously booked State, County, and Special Sales Tax portion of the Voestalpine Nortrak Inc. material and supplies expenditures. Paid invoice had been erroneously booked to Dept. Code No. 207781 and now reclassified to that of the correct Dept. Code No. 13867, for Project No. 10030658–MT UCSF Platfrm Ext & C-CPT735. This invoice was funded by the 2021C Revenue Bond Series, via Fund Code 22395.

For the internal service billing and the adjusting journal entry for the previously paid invoice, as these were neither construction billings, professional services contracting, or equipment procurements, we applied procedure #2 from above to verify that costs incurred were for authorized projects along with procedure #7 and inspected the PeopleSoft screenshots to agree the amount, and viewed the preparer and approver dates noting that the approver date was after the preparer's date.

Figure 1–Summary of High-Dollar and Assorted Small-Dollar Samples Selection

<u>Sample No.</u>	<u>Project Code No.</u>	<u>Project Description</u>	<u>Transaction Type</u>	<u>Transaction Amount (\$)</u>
1	10011740	MT Van Ness Ave BRT-CPT640	High-Dollar Value	2,647,728
2	10009750	PK Sfgo Van Ness Corr. Mgt	High-Dollar Value	1,650,570
3	10011861	MT PROCUREMENT OF NEW LIGHT RA	High-Dollar Value	333,807
4	10009750	PK Sfgo Van Ness Corr. Mgt	High-Dollar Value	333,234
5	10009750	PK Sfgo Van Ness Corr. Mgt	High-Dollar Value	331,274
6	10032900	MT Train Control System Upgrad	High-Dollar Value	300,934
7	10032900	MT Train Control System Upgrad	High-Dollar Value	267,811
8	10037860	PK Parking Meter Replacement	High-Dollar Value	225,831
9	10031419	PW Denman CR Dsgn Const	High-Dollar Value	207,466
10	10037860	PK Parking Meter Replacement	High-Dollar Value	205,301
11	10037860	PK Parking Meter Replacement	High-Dollar Value	205,301
12	10037860	PK Parking Meter Replacement	High-Dollar Value	205,301
13	10037860	PK Parking Meter Replacement	High-Dollar Value	205,301
14	10037860	PK Parking Meter Replacement	High-Dollar Value	205,301
15	10037860	PK Parking Meter Replacement	High-Dollar Value	205,301
16	10011861	MT PROCUREMENT OF NEW LIGHT RA	High-Dollar Value	200,358
17	10037860	PK Parking Meter Replacement	High-Dollar Value	184,771
18	10032900	MT Train Control System Upgrad	High-Dollar Value	146,339
19	10031332	MT 14 Mission: Mission & SVN	High-Dollar Value	110,996
20	10032900	MT Train Control System Upgrad	High-Dollar Value	108,288
21	10032900	MT Train Control System Upgrad	High-Dollar Value	79,066
22	10011861	MT PROCUREMENT OF NEW LIGHT RA	High-Dollar Value	73,985
23	10032900	MT Train Control System Upgrad	High-Dollar Value	71,780
24	10032900	MT Train Control System Upgrad	High-Dollar Value	66,760
25	10032900	MT Train Control System Upgrad	High-Dollar Value	55,303
26	10038770	MT 10032900 Train CTL Upgrade	Assorted Small Dollar	43,172
27	10037860	PK Parking Meter Replacement	Assorted Small Dollar	37,500
28	10011861	MT PROCUREMENT OF NEW LIGHT RA	Assorted Small Dollar	36,655
29	10011572	PW IslaisCrk Ops Bldg Const	Assorted Small Dollar	13,126
30	10037860	PK Parking Meter Replacement	Assorted Small Dollar	11,000
31	10037860	PK Parking Meter Replacement	Assorted Small Dollar	10,265
32	10037860	PK Parking Meter Replacement	Assorted Small Dollar	10,000
33	10037860	PK Parking Meter Replacement	Assorted Small Dollar	9,000
34	10037860	PK Parking Meter Replacement	Assorted Small Dollar	4,780
35	10038770	MT 10032900 Train CTL Upgrade	Assorted Small Dollar	4,249
36	10030658	MT UCSF PlatfRm Ext & C-CPT735	Assorted Small Dollar	3,443
37	10032900	MT Train Control System Upgrad	Assorted Small Dollar	850
38	10037860	PK Parking Meter Replacement	Assorted Small Dollar	500
39	10011832	MT Operator Convenience-CPT729	Assorted Small Dollar	307
40	10011861	MT PROCUREMENT OF NEW LIGHT RA	Assorted Small Dollar	232

Results: No exceptions found as a result of applying the above procedures.

Interdepartmental charges (Sample size 15):

- Using the same general ledger data file in procedure #1, we selected 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 validated that 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 compared 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 validated whether the project expenditures and encumbrance are for authorized projects by obtaining the work authorization 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 further leveraged the SFMTA's Work Authorization Procedures as a guide that outlines the process for approval and compared the work authorizations to the process to confirm compliance. We also obtained the respective invoices submitted by DPW, encumbrance amount (provided by management), Certificate of Progress Payment, and progress payment report (SBE form No. 7). With the supporting documents obtained, we agreed the encumbrance amount to the progress payment report and agreed the invoice amount to the encumbrance and to the subcontractor or contractor payment (check copy or wire transfer form). Lastly, we obtained 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 in the general ledger detail.
11. For the sampled items selected in procedure #8, we validated whether the transactions are properly supported based on CCSF and Departmental policies and are processed in accordance with SFMTA's internal procedures by performing the following:
 - a. Obtained the Work Authorization and reviewed whether it was signed by a SFMTA project manager to verify that documentation for charges is correct; 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. Calculated if the SFMTA project manager approved the charges within 30 days of the month-end for the applicable charges.
 - c. Verified if the Work Authorization has a project description and project code to which the expenditures can be charged for tracking purposes.
 - d. Obtained the invoices and Work Authorizations and compared the project descriptions to the project descriptions in the general ledger detail to confirm that expenditures were for capital projects per authorization of bond revenues.
 - e. Confirmed if the invoices and supporting documents were submitted by DPW within 15 days of the month-end for the applicable charges.

In performing the procedures #9 and #10 detailed above over the 15 selected samples from #8, we further noted the following:

- The 15 selected interdepartmental samples (#41–#55) for this year represented the collective adjusting entries made during FY2022 to reallocate the unspent 2014 Revenue Bond Series fund to a mixture of both the prior-year personnel and nonpersonnel expense transactions that stemmed from the DPW. These were neither encumbered expenses nor payment transactions paid out to vendors during fiscal year 2022. Therefore, subcontractor payment declarations, progress payment reports, and encumbrance data do not directly apply. Rather, these pertain to the adjustments made relating to the account entry level for the previously processed expenditures at either the Fund Code and/or Authority Code levels as part of the 2013 and 2014 revenue bond series budget

cleaning up, closing out, and reallocating of unspent proceeds. For instance, notable adjustment trends noted from the testing involved the abatement of expenditures previously charged to Fund Code 22970–MTA SS CAP GOBD 2014 2015B to that of the Fund Code 22960–2014 Revenue Bond Series (i.e., Fund Code level), or, for the same Fund Code, but from Authority Code No. 10038 – Denman SRTS Con from the legacy FAMIS system to the Authority Code No. 11768–MTL Muni Fwd 22Flmr Ext MB_CE in PeopleSoft. Overall summaries, based on projects, noted from these adjustments were:

Project Code	Project Description	Related Interdepartmental Samples
10031410	PW Polk St Infra Impr	#41, #42, #43, #48, #49, #51, #55
10031419	PW Denman CR Dsgn Const	#44, #54
10031438	PW Broadway Chinatown Phase IV	#45, #46, #47, #50, #52, #53

As such, we only applied procedure #9 for these samples. Considering that these 15 selected samples were all related to the 2014 Revenue Bond Series funding reallocation, we back traced from the “Series 2013, 2014 Revenue Bonds Reallocation Letters” Memorandum that was presented as part of the 9/7/22 Bond Oversight Committee meeting and requested for the “Revenue Bond Program Series 2014 Seventh Reallocation of Proceeds” (a.k.a. Reallocation 7) as part of performing procedure #9 in the verification for authorization. We further reviewed the posted Peoplesoft journal screenshot to ensure the posted amount agreed with the sampled transaction amount. Furthermore, we also ensured that both the preparer name and the approver name on the screenshot were different from each other.

Figure 2–Summary of Interdepartmental Charges Samples Selection

Sample No.	Project Code No.	Project Description	Transaction Type	Transaction Amount (\$)
41	10031410	PW Polk St Infra Impr	Interdepartmental	14,153
42	10031410	PW Polk St Infra Impr	Interdepartmental	6,827
43	10031410	PW Polk St Infra Impr	Interdepartmental	3,991
44	10031419	PW Denman CR Dsgn Const	Interdepartmental	3,629
45	10031294	PW Conversion Project	Interdepartmental	2,429
46	10031294	PW Conversion Project	Interdepartmental	2,429
47	10031438	PW Broadway Chinatown Phase IV	Interdepartmental	2,429
48	10031410	PW Polk St Infra Impr	Interdepartmental	1,557
49	10031410	PW Polk St Infra Impr	Interdepartmental	284
50	10031438	PW Broadway Chinatown Phase IV	Interdepartmental	153
51	10031410	PW Polk St Infra Impr	Interdepartmental	64
52	10031438	PW Broadway Chinatown Phase IV	Interdepartmental	44
53	10031438	PW Broadway Chinatown Phase IV	Interdepartmental	38
54	10031419	PW Denman CR Dsgn Const	Interdepartmental	1,300
55	10031410	PW Polk St Infra Impr	Interdepartmental	335

Results: No exceptions were found as a result of applying these procedures.

Budget Funding (Sample Size 2):

12. We obtained 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, we selected two budget (funding) transfers from the filtered data.
13. For the sampled items selected in procedure #12, we validated that the uses are solely for purposes per authorization resolution and applicable laws by obtaining the SFMTA Work Authorization Request and compared the project description to the respective bond authorization and resolution.
14. For the sampled items selected in procedure #12, we validated that the project expenditures and encumbrances are for authorized capital projects by obtaining the SFMTA Work Authorization Request and confirmed whether 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 validated that the transactions are properly supported based on CCSF and Departmental policies and are processed in accordance with SFMTA’s internal procedures, by obtaining the work authorization request, and reviewed for whether it has a project description and a project code. We also reviewed to ensure that the SFMTA project manager signed the request form prior to transactions being entered into the Peoplesoft system. Finally, we agreed the Peoplesoft screenshot to the amount on the work authorization request:
 - For the selected budget funding samples #56 and #57, these were related to the 2021C Series Revenue Bond. Specifically, sample #56 pertains to the booking of \$3.49M from the approved 2021C Revenue Bond Series budget for Project No. 10032900 – Train Control Upgrade Project (TF107) as pertains to the Planning phase. Budgeted fund arrangements were as follows: \$1.30M will be spent on SFMTA Labor and Other Direct Costs for Project Management, via Activity Code 0074, and \$2.19M will be spent on Contracts, Purchase Orders, and Professional Services 3, via Activity Code 0176.
 - On the other hand, Sample #57 pertains to the booking of funding to cover contract labor for the conventional train control removal—Project No. 10032900 – Train Control Upgrade Project (TF107). We noted that the request was made for budget funding at the aggregate total of \$1.65M, of which \$1.60M will be for the SFMTA Labor and Other Direct Costs designated for SSD Engineering and Planning, via Activity Code 0007, as well as Contract/Purchase Order/Professional Services 4, via Activity Code 0028.

There were no spent down as of the FYE date for either samples. As such, KPMG noted that both procedures #13 and #14 are not applicable. In applying procedure #15 as detailed above, we noted no exceptions.

Figure 3—Summary of Budget Funding Samples Selection

<u>Sample No.</u>	<u>Project Code No.</u>	<u>Project Description</u>	<u>Transaction Type</u>	<u>Transaction Amount (\$)</u>
56	10032900	MT Train Control System Upgrad	Budget Funding	3,490,000
57	10032900	MT Train Control System Upgrad	Budget Funding	1,650,000

Results: No exceptions were found as a result of performing these procedures.

Trustee Payments (Sample Size 5):

16. We obtained a listing of all bond debt service payments to trustee related to the current bond series 2017 and 2021 from management and selected five payments from this listing.
17. For the sample items selected in procedure #16, we validated whether the trustee payments for debt service were made in accordance with terms by performing procedures to determine whether the amounts paid were correct and the payments were paid by the due date.
18. Additionally, for the sampled items selected in procedure #16, we leveraged the testing performed from the financial statement audit to confirm whether the bond balances for each series agreed to the debt rollforward and debt service schedule, as provided by management:
 - For the five trustee payments, we validated that the trustee payments for debt service amounts paid were correct and the payments were paid by the due date by obtaining the monthly payment request from the trustee and bank statements from management, and comparing the due date on the monthly payment request from the trustee to the payment date on the bank statement and to the debt maturity schedule in the respective bond resolution to show whether the payment date was before the due date. We also agreed each trustee payment amount selected to the amount on the bank statement for the principal and interest payments selected.
 - For the five trustee payments, we validated if bond liabilities as of the year-end date of June 30, 2022 were correct and if they were supported with a payment by obtaining the debt service schedules for series 2017 and 2021C bonds as part of the fiscal year 2022 audit and agreed each amount to the corresponding debt service schedule provided by management.

Figure 4–Summary of Trustee Payment Samples Selection

<u>Sample No.</u>	<u>Project Code No.</u>	<u>Project Description</u>	<u>Fund Code - Description</u>	<u>Transaction Type</u>	<u>Transaction Amount (\$)</u>
58	10001719	MT Administration	22267 - MTA TS DSF REVBN S2021A	Trustee Payment	265,029
59	10001719	MT Administration	22268 - MTA TS DSF REVBN S2021B	Trustee Payment	15,597
60	10001719	MT Administration	22267 - MTA TS DSF REVBN S2021A	Trustee Payment	253,751
61	10001719	MT Administration	22261 - MTA TS DSF REVBD S2017 (NEW)	Trustee Payment	529,978
62	10001719	MT Administration	22269 - MTA TS DSF REVBN S2021C	Trustee Payment	252,517

Results: No exceptions were found as a result of applying these procedures.