



*cutting through complexity*

# City and County of San Francisco Municipal Transportation Agency (SFMTA)

## Presentation of Audit Results

December 6, 2016

# Auditors' Required Communications

## ■ **Our Responsibility under Generally Accepted Auditing Standards (GAAS)**

- Consider internal control to the extent necessary to design an effective and efficient audit approach, not for the purpose of providing assurance on internal control
- Design and implement audit procedures based on our understanding of SFMTA to gain reasonable, not absolute, assurance as to the absence of material misstatements in the financial statements
- Perform tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts
- Opine on financial statements based on our audit
- Apply certain limited procedures to MD&A (management's discussion and analysis) as it is required to be presented to supplement the basic financial statements. No opinion is expressed and no assurance is provided on this information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## ■ **Significant Accounting Policies**

- SFMTA's significant accounting policies are described in Note 2 to the financial statements and are in accordance with generally accepted accounting principles and consistent with industry practices and standards
- Discussion of qualitative aspects of accounting practices

# Auditors' Required Communications

## ■ Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ from management's current judgments.

- SFMTA management's estimates of the accrued workers' compensation and accrued general liability are based upon a number of assumptions. These estimates are prepared by the external actuarial experts based on the information provided by management.
- The City estimates the pension liability and allocates this estimate to the departments on a consistent methodology.

We evaluated management's estimates of the workers' compensation and general liability, including possible management bias in developing the estimate, and the City's allocation of the pension liability and determined that they were reasonable in relation to the financial statements taken as a whole.

# Auditors' Required Communications

## There were no:

- Uncorrected misstatements identified during the audit
- Control deficiencies identified during the audit

## Reporting timeline

- The audit was completed and the report was issued in accordance with the set timeline

# Auditors' Required Communications

## ■ **No Disagreements or Difficulties with Management**

— There were no disagreements with management on financial accounting and reporting matters that, if not satisfactorily resolved, would have caused a modification of our report on SFMTA's financial statements, nor were there significant difficulties in dealing with management in performing our audit.

## ■ **No Consultations with Other Accountants**

— To the best of our knowledge, management has not consulted with or obtained opinions, written or oral, from other independent accountants during the past year.

## ■ **No Major Issues Discussed with Management Prior to Retention**

— We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## ■ **Material Written Communications**

— We received a representation letter provided to us by management.

This report to the Municipal Transportation Agency is intended solely for the information and use of the SFMTA Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.