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Independent Accountants' Report on Applying Agreed-Upon Procedures

San Francisco Municipal Transportation Agency (SFMTA)
Bond Oversight Committee and SFMTA Board of Directors
City and County of San Francisco, California:

We have performed the procedures enumerated in the Attachment, which were agreed to by San Francisco Municipal Transportation Agency (SFMTA), on SFMTA's sources and uses of funds related to bond Series 2012A, 2012B, 2013, 2014, and 2017 for the year ended June 30, 2020. SFMTA's management is responsible for SFMTA's sources and uses of funds related to bond Series 2012A, 2012B, 2013, 2014, and 2017 for the year ended June 30, 2020. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated in the Attachment, either for the purpose for which this report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on SFMTA's sources and uses of funds related to bond Series 2012A, 2012B, 2013, 2014, and 2017 for the year ended June 30, 2020. 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.

This report is intended solely for the information and use of City and County of San Francisco Board of Supervisors, SFMTA Board of Directors, SFMTA Bond Oversight Committee, SFMTA management, and others within SFMTA, and is not intended to be and should not be used by anyone other than the specified parties.

KPMG LLP

San Francisco, California
January 20, 2021

Procedures and Results:

1. Select a sample of expenditures from the general ledger detail (PeopleSoft data) provided by management and determine whether the debt proceeds and interest income have been recorded in the accounting system solely for uses, purposes, and projects authorized in the authorizing resolution by performing the following procedures:
 - 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 and interest income to use as a basis for determining that the debt proceeds and interest income (the sources) were used in accordance with the bond resolutions in procedure 2 below:
 - Board of Supervisors (BOS) Resolutions for Series 2012A, 2012B, 2013, 2014 and 2017 bonds and Municipal Transportation Agency Board (MTAB) Resolutions for Series 2012A, 2012B, 2013, 2014, and 2017 bonds
 - SFMTA Procurement Procedures
 - 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 in procedure 2 below:
 - The SFMTA Board of Directors Resolutions 11-150, 13-205, and 16-044 resolving to issue Series 2012A, 2012B, 2013, 2014, and 2017 revenue bonds for the purpose of financing (as capital projects) the cost of transportation projects.
 - The SFMTA Board of Directors Resolutions 11-127, 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 2012A, 2012B, 2013, 2014, and 2017.
 - CCSF Board of Supervisors Resolutions 120-12, 337-13, and 231-16 authorizing the issuance of Series 2012A, 2012B, 2013, 2014, and 2017 bonds in concurrence with the resolutions passed by the SFMTA Board of Directors.
 - CCSF Board of Supervisors Resolutions 59-12, 207-13, 92-15, 212-15, 105-16, and 16-0464 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.

Results: KPMG selected a sample of 61 items including a sample of trustee payments that included debt principal and interest amounts. No exceptions were found as a result of applying these procedures.

2. For the sample of transactions selected in procedure 1, perform the following procedures with respect to uses, expenditures, encumbrance, and balances for the year ending June 30, 2020:
 - a. Validate that uses are solely for purposes per the respective bond's authorizing resolution and applicable laws
 - b. Validate that project expenditures and encumbrances are for authorized capital projects noted in the

respective bond resolution

- c. Validate that transactions are properly supported with documents required by City and Departmental policies and are processed in accordance with SFMTA's internal procedures obtained from management
 - d. Validate that direct salary is properly supported on the respective labor distribution system reports as reported by individual employee timesheets.
 - e. Validate if the trustee payments for debt service is in accordance with the terms of the respective bond resolution, amounts are correct, and payments were made on or before the required due dates.
 - f. Validate if bond dollar amounts reported are correct and trace to supporting check/ETF.
3. As referenced in procedure 1 above, we selected a sample of 61 transactions from the PeopleSoft data, split as follows:
- 25 expenditures with the high-dollar amounts
 - 15 assorted expenditures for small-dollar amounts
 - 15 interdepartmental charges
 - 1 budget (funding) transfer between projects
 - 5 trustee payments

We obtained the PeopleSoft data related to bond Series 2012A, 2012B, 2013, 2014, and 2017 from management of all transactions recorded related to the aforementioned bond series during the year ended June 30, 2020. We selected the 25 highest dollar amounts by filtering the transaction amount in the detail from highest to smallest. Then, we selected 15 additional expenditures that were not within the highest dollar amounts.

We obtained separate work order files related to bond Series 2012A, 2012B, 2013, 2014, and 2017 from management detailing the expenditure ledger and commitment control ledger. The files were organized by transaction type and description. We selected the 15 interdepartmental charges from the expenditure ledger work order file.

We used the commitment control ledger work order file to select 1 budget (funding) transfer, between projects with transaction type of "budget setup" with description of 'project funding'. The sample selected represents 100% of the population for budget funding leaving no other items for KPMG to test to reach the 5 required per the engagement letter.

We obtained a listing of all bond debt service payments to trustee related to bond Series 2012A, 2012B, 2013, 2014, and 2017 from management. We selected 5 payments from this listing.

We performed the procedures described above in procedure 2 on samples referenced in procedure 3 as follows:

High-dollar amounts and assorted smaller-dollar expenditures (Sample Size 40) Sample numbers 1-40 (Steps 2a-d described above). For samples #1-40 listed below, we validated:

- The uses of funds were for expenditures solely for purposes per noted in the respective bond resolution and applicable laws. For purposes of the revenue bonds, applicable laws refer to the related Revenue Bond Policies and Procedures published by SFMTA to maintain compliance with the debt policy approved by the SFMTA Board of Directors. KPMG compared the project description on the approved invoice and encumbrance payment provided by management to the respective bond resolution provided by management.
- The project expenditures and encumbrances were for authorized capital projects noted in the respective bond resolution by obtaining the approved invoice and Certificate of Progress Payment that were signed by the project manager and contract administrator provided by management.
- The transactions were properly supported based on City and Departmental policies in accordance with SFMTA's internal procedures by obtaining the approved invoice, encumbrance payment request form, the general ledger detail showing the amount paid prior to reimbursement, Certificate of Progress Payment, request for progress payment memorandum, and check/EFT from management. We also agreed the amount per the progress payment memorandum to the amount in the encumbrance payment request form for each selection. Then, we agreed the amounts per the progress payment report to the respective check/EFT. For samples #2, #4-5, #8, #10-11, #26-28, #30, #35, #37, and #40, encumbrance requests were not provided because they were not direct construction costs. For these samples, we used the payment authorization or equivalent to agree the payment amount to the respective check/EFT. We also agreed the date of payment on the check/EFT to the 30-day payment rule per CCSF's Prompt Payment Guideline. For sample #1, #25, and #39 the 30-day payment rule did not apply because these transactions were journal entries that were not subject to the same procedural requirements as regular expenses funded by bonds.

We further noted the following:

- Samples #2, #4-5, #8, and #11 were with the same vendor. We were informed by management that these samples were for a Light Rail Vehicle (LRV) purchase contract. We inspected the respective invoices and purchase orders, as well as the progress payment certification memo signed by SFMTA and the contract's Project Manager and vouched the payment detail to the check/EFT.
- Samples #1, #25, and #39 are journal entries that are not subject to the same procedural requirements as regular expenses related to projects funded by bond revenue. KPMG instead viewed the approval chain on PeopleSoft. KPMG also viewed the PeopleSoft screens to agree the amount and viewed the preparer and approver dates noting that the approver dates were after the preparer dates. Lastly, we ensured the preparer name and the approver name were different.
- Samples #7, #9, #12-13, #15-19, #21-25, and #26-27 included a 5% retention amount, which is the difference between the progress payment amount and the check/EFT.
- Sample #40 is a sales tax transaction, so SBE form 7 was not required for this transaction as noted by management. KPMG instead obtained other applicable supporting documentation, including vendor invoice for equipment purchased with tax accrual amount, and SFMTA purchase order memorandum.
- Samples #29, #33, and #36 were related to division/department overhead, which are not normally an encumbered expense and do not require progress payments, therefore the 30-day payment rule does not apply. For these samples, we obtained relevant supporting documents including payroll register, timecards, and departmental overhead allocation rates to recalculate the sample amount.

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- Samples #31-32, #34 and #38 relate to salaries which are not normally encumbered expenses and do not require progress payments, therefore the 30-day payment rule does not apply. KPMG obtained the personnel's timesheets and payroll registers from SFMTA's labor distribution forms and recalculated the salaries charged.
- Sample #7, #9, #12-13, #15-19, and #21-24 were authorized by DPW, thus payment processing was performed by agreeing to Payment Authorization forms signed off by construction/contract administrator and project manager. We inspected the supporting documentation (contractor invoices, approved payment authorization, payment approval support) to determine whether all charges included in the sample amount were appropriate based on SFMTA work authorization procedures.

| <u>Sample #</u> | <u>Project Number</u> | <u>Project Title</u> | <u>Transaction Type</u> | <u>Transaction Amount</u> |
|-----------------|-----------------------|--------------------------------|-------------------------|---------------------------|
| 1 | 10011740 | MT Van Ness Ave BRT-CPT640 | High-Dollar Value | \$ 1,850,118 |
| 2 | 10011861 | MT PROCUREMENT OF NEW LIGHT RA | High-Dollar Value | 557,166 |
| 3 | 10011740 | MT Van Ness Ave BRT-CPT640 | High-Dollar Value | 547,108 |
| 4 | 10011861 | MT PROCUREMENT OF NEW LIGHT RA | High-Dollar Value | 487,373 |
| 5 | 10011861 | MT PROCUREMENT OF NEW LIGHT RA | High-Dollar Value | 479,187 |
| 6 | 10011740 | MT Van Ness Ave BRT-CPT640 | High-Dollar Value | 454,219 |
| 7 | 10031831 | PW MTA Prkg Controls Improve | High-Dollar Value | 324,628 |
| 8 | 10011861 | MT PROCUREMENT OF NEW LIGHT RA | High-Dollar Value | 283,503 |
| 9 | 10031831 | PW MTA Prkg Controls Improve | High-Dollar Value | 282,375 |
| 10 | 10030659 | MT King St Substat Upgr-CPT735 | High-Dollar Value | 277,500 |
| 11 | 10011861 | MT PROCUREMENT OF NEW LIGHT RA | High-Dollar Value | 264,831 |
| 12 | 10031831 | PW MTA Prkg Controls Improve | High-Dollar Value | 258,721 |
| 13 | 10031831 | PW MTA Prkg Controls Improve | High-Dollar Value | 239,503 |
| 14 | 10011740 | MT Van Ness Ave BRT-CPT640 | High-Dollar Value | 218,117 |
| 15 | 10031831 | PW MTA Prkg Controls Improve | High-Dollar Value | 210,784 |
| 16 | 10031831 | PW MTA Prkg Controls Improve | High-Dollar Value | 209,055 |
| 17 | 10002361 | PW Masonic Ave Infra Impr | High-Dollar Value | 183,706 |
| 18 | 10031831 | PW MTA Prkg Controls Improve | High-Dollar Value | 116,142 |
| 19 | 10031831 | PW MTA Prkg Controls Improve | High-Dollar Value | 116,142 |
| 20 | 10011740 | MT Van Ness Ave BRT-CPT640 | High-Dollar Value | 105,548 |
| 21 | 10011832 | MT Operator Convenience-CPT729 | High-Dollar Value | 90,730 |
| 22 | 10031410 | PW Polk St Infra Impr | High-Dollar Value | 90,156 |
| 23 | 10031831 | PW MTA Prkg Controls Improve | High-Dollar Value | 88,845 |
| 24 | 10031831 | PW MTA Prkg Controls Improve | High-Dollar Value | 88,845 |
| 25 | 10031626 | PW Parkridge Burnett ConvenStn | High-Dollar Value | 83,464 |

| <u>Sample #</u> | <u>Project #</u> | <u>Project Name</u> | <u>Transaction Type</u> | <u>Transaction Amount</u> |
|-----------------|------------------|--------------------------------|-------------------------|---------------------------|
| 26 | 10031831 | PW MTA Prkg Controls Improve | Small-Dollar Value | \$ 89,981 |
| 27 | 10031831 | PW MTA Prkg Controls Improve | Small-Dollar Value | 56,810 |
| 28 | 10011740 | MT Van Ness Ave BRT-CPT640 | Small-Dollar Value | 32,057 |
| 29 | 10011861 | MT PROCUREMENT OF NEW LIGHT RA | Small-Dollar Value | 26,373 |
| 30 | 10011861 | MT PROCUREMENT OF NEW LIGHT RA | Small-Dollar Value | 23,911 |
| 31 | 10011861 | MT PROCUREMENT OF NEW LIGHT RA | Small-Dollar Value | 19,182 |
| 32 | 10011861 | MT PROCUREMENT OF NEW LIGHT RA | Small-Dollar Value | 15,001 |
| 33 | 10010035 | MS TERRY FRANCOIS BLVD BIKEWAY | Small-Dollar Value | 9,928 |
| 34 | 10031831 | PW MTA Prkg Controls Improve | Small-Dollar Value | 6,477 |
| 35 | 10011861 | MT PROCUREMENT OF NEW LIGHT RA | Small-Dollar Value | 5,250 |
| 36 | 10027434 | PK Ct64 New Traffic Signals-Dd | Small-Dollar Value | 4,214 |
| 37 | 10011861 | MT PROCUREMENT OF NEW LIGHT RA | Small-Dollar Value | 3,801 |
| 38 | 10031546 | PW Masonic Ave Infra Impr | Small-Dollar Value | 2,823 |
| 39 | 10011832 | MT Operator Convenience-CPT729 | Small-Dollar Value | 2,065 |
| 40 | 10030659 | MT King St Substat Upgr-CPT735 | Small-Dollar Value | 1,913 |

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

Interdepartmental charges (Sample size 15) – Sample numbers 41-55 (Steps 2a-c described above)

- For each interdepartmental charge sample selected, we validated that the uses are solely for purposes per the respective bond authorizing resolution and applicable laws by obtaining the Department of Public Works (DPW) Payment Authorization form (DPW samples)/SFAC Payment and Encumbrance checklist (ART sample)/SFMTA Work Authorization Request to SFPUC (PUC sample), the general ledger screen shot, project description and project cost details provided by DPW/ART/PUC and noted the project descriptions on the work authorization form were for capital projects referenced in the respective bond resolution. We agreed the progress payment or work authorization amount to the amount on the contractor payment (check copy or EFT). We note none of the interdepartmental samples were related to construction costs, as such encumbrance forms were not applicable.
- For each interdepartmental charge sample selected, we validated the transactions were properly supported based on the City and Departmental policies and were processed in accordance with SFMTA's internal procedures by obtaining the work authorization from management and confirmed it was signed by a SFMTA project manager who verified that the documentation for charges was correct; the charges were in line with the project scope, schedule, and budget; and progress of work reasonably equated to the percentage of the budget expended. SFMTA's Work Authorization Procedure indicates that the SFMTA project manager is required to approve the charges related to DPW/ART/PUC within 30 days of month-end for the applicable charges and requires that expenditures have a project description and project code to which the expenditures can be charged for tracking purposes. We obtained the invoices and work authorizations from management and compared 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 and confirmed if the invoices and supporting documents were submitted by DPW within 15 days of month end for the applicable charges.

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| <u>Sample #</u> | <u>Project #</u> | <u>Project Title</u> | <u>Transaction Type</u> | <u>Transaction Amount</u> |
|-----------------|------------------|--------------------------------|-------------------------|---------------------------|
| 41 | 10031831 | PW MTA Prkg Controls Improve | Interdepartmental | \$ 324,628 |
| 42 | 10031831 | PW MTA Prkg Controls Improve | Interdepartmental | 282,375 |
| 43 | 10031831 | PW MTA Prkg Controls Improve | Interdepartmental | 258,721 |
| 44 | 10031831 | PW MTA Prkg Controls Improve | Interdepartmental | 239,503 |
| 45 | 10031831 | PW MTA Prkg Controls Improve | Interdepartmental | 210,784 |
| 46 | 10011573 | MT Islais Creek, Maintenance a | Interdepartmental | 16,588 |
| 47 | 10031546 | PW Masonic Ave Infra Impr | Interdepartmental | 500 |
| 48 | 10031831 | PW MTA Prkg Controls Improve | Interdepartmental | 67,865 |
| 49 | 10031506 | PW Transit Signal Improvement | Interdepartmental | 28,906 |
| 50 | 10031546 | PW Masonic Ave Infra Impr | Interdepartmental | 20,000 |
| 51 | 10031831 | PW MTA Prkg Controls Improve | Interdepartmental | 3,732 |
| 52 | 10031831 | PW MTA Prkg Controls Improve | Interdepartmental | 80,981 |
| 53 | 10011832 | MT Operator Convenience-CPT729 | Interdepartmental | 11,574 |
| 54 | 10031831 | PW MTA Prkg Controls Improve | Interdepartmental | 71,097 |
| 55 | 10031831 | PW MTA Prkg Controls Improve | Interdepartmental | 58,071 |

- Samples #47 was for an art project performed as part of the Masonic Avenue Infrastructure Improvement Project. As this is considered professional services, there was no encumbrance, certificate of progress payment, or payment declaration documentation. Instead, we obtained the invoice set directly from the Artist Selection Panel to SF Public Arts Commission, and agreed the amount and nature of the payment to the authorized project in the bond resolution.

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

Budget Funding (Sample Size 1) Sample number 56 (Steps 2a-c described above)

- For the budget funding sample, we validated the uses of funds were solely for purposes per the respective bond authorizing resolution and applicable laws by obtaining the SFMTA Work Authorization Request from management and compared the project description to the respective bond resolution.
- For the budget funding sample, we validated the project expenditures and encumbrances were for authorized capital projects by obtaining the SFMTA Work Authorization Request from management and confirmed the form was signed by a project manager. The sample was related to capital outlays for buildings, structures, and improvement projects included in the respective bond resolution.
- For the budget funding sample, we validated the transactions were properly supported based on City and Departmental policies and were processed in accordance with SFMTA's internal procedures by obtaining the work authorization request which requires an expenditure or encumbrance have a project description and a project code to which the expenditures can be charged for tracking purposes. All the work authorizations obtained had the project description and project code. We found the SFMTA project manager signed the request form prior to transactions being entered into the general ledger system by comparing the dates on the request form to the general ledger entry. We inspected general ledger screen shots that showed the funds authorized to be used for specific projects by code and we noted the entry to the system agreed to the amount authorized on the Work Authorization Request.

| <u>Sample #</u> | <u>Project #</u> | <u>Transaction Description</u> | <u>Transaction Type</u> | <u>Transaction Amount</u> |
|-----------------|------------------|--------------------------------|-------------------------|---------------------------|
| 56 | 10011921 | MTA Rev Bond S2014 - Transit | Budget Funding | \$ 427,130 |
| | 10011920 | MTA Rev Bond S2017 - Transit | Budget Funding | 221,790) |
| | 10011740 | MT Van Ness Ave BRT-CPT640 | Budget Funding | (427,130) |
| | 10011740 | MT Van Ness Ave BRT-CPT640 | Budget Funding | (221,790) |

- Sample #56 relates to the transferring of bond interest earned from pooled cash towards construction projects. Per the resolutions for bonds 2014 and 2017, the bonds are to be used for transit, transportation, and various capital projects, which agree to the authorized purpose of the project for MT Van Ness Ave BRT. SFMTA was not able to provide evidence of the Project Manager's approval as the approval was completed electronically through an e-workflow and is not retained once the budget initiation and revision process is completed. Emails are transmitted to the responsible parties notifying them of the approval. In lieu of the Project Manager approval, we reviewed the approval chain in PeopleSoft by the accounting staff, as the accounting staff will not input the entry prior to the Project Managers approval. We viewed the PeopleSoft screens and agreed the amounts, as well as viewed the preparer and approver dates noting the approver date was after the preparer date. Finally, we ensured the preparer ID and approver ID were different (no names were shown).

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

Trustee Payments (Sample Size 5) Sample numbers 57-61 (Steps 2d-e described above)

- 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 and bank statement from management, and comparing the due date on the monthly payment request 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, 2020 were correct and if they were supported with a payment by obtaining the debt service schedules for Series 2012A, 2013, 2014, and 2017 (2012B was not covered by the sample selection) bonds as part of the fiscal year 2020 audit and agreeing each amount to the corresponding debt roll-forward and debt service schedule provided by management.

| <u>Sample #</u> | <u>Project #</u> | <u>Transaction Description</u> | <u>Transaction Type</u> | <u>Transaction Amount</u> |
|-----------------|------------------|--------------------------------|-------------------------|---------------------------|
| 57 | 10001719 | MTA TS Op Annual Account Ctrl | Trustee Payment | \$ 571,982 |
| 58 | 10001725 | MTA SS OPR DEBT SERVICE 12A | Trustee Payment | 486,667 |
| 59 | 10001719 | MTA TS DSF REVBD 2013A (NEW) | Trustee Payment | 143,593 |
| 60 | 10001719 | MTA TS DSF REVBD S2014A (NEW) | Trustee Payment | 92,333 |
| 61 | 10001723 | MTA SS OPR DEBT SERVICE-14A | Trustee Payment | 49,237 |

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