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- San Bernardino County Transportation Commission
 - San Bernardino County Transportation Authority
 - San Bernardino County Congestion Management Agency
 - Service Authority for Freeway Emergencies
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Additional Support Material Agenda Item No. 4

General Policy Committee Meeting

August 12, 2015

9:00 a.m.

Location:

SANBAG

First Floor Lobby

1170 W. 3rd Street, San Bernardino, California 92410

Discussion Calendar

Administrative Matters

4. Status of Fiscal Year 2014/2015 Audit/Update from meeting with auditor and Executive Board

That the General Policy Committee recommend the Board receive and file update on the audit for Fiscal Year 2014/2015 and meeting with auditor and the Executive Board.

McGladrey's presentation to the Executive Board is being provided as additional support material.

San Bernardino Associated Governments

Communications with the Executive Board

Financial and Compliance Audits for the Year Ended June 30, 2015

Presented By:

Jeff Altshuler, Partner

Kelly Telford, Senior Manager

McGladrey LLP

July 7, 2015



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Agenda

- Engagement objectives
- Audit planning process
- Focus areas
- Required deliverables
- Auditor's communication with those charged with governance
- Communications with the Executive Board members
- Questions?

Engagement Objectives

- Perform an audit of SANBAG's financial statements as of and for the year ended June 30, 2015.
- The objective of an audit of financial statements is to express an opinion that the financial statements are in accordance with accounting principles generally accepted in the United States.
- Management is responsible for preparing the financial statements in referenced above.
- The audit of financial statements will be performed in accordance with auditing standards generally accepted in the United States (GAAS) and generally accepted *Government Auditing Standards (GAGAS)*.
- Those standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement whether caused by error or fraud.

Audit Planning Process

- Overview of audit approach / scope of the audit
- Risk assessment
- Understanding of internal controls to plan the audit substantive procedures
- Identification of focus areas
- Detailed audit procedures
- Communications

Focus Areas

- Cash and investments – existence & valuation
- Receivables and advances - collectability
- Interfund transactions – purpose & collectability
- Accounts payable and accrued liabilities - completeness
- Capital assets – existence & impairment
- Debt and related disclosures - completeness
- Fund balance - classifications
- Proper revenue recognition and expense cut-offs:
 - Measure I Sales Tax
 - LTF, STAF
 - Federal Grants
- Pensions – Implementation of GASB 68

Pensions – GASB 68

- The purpose of GASB 68 is to record the unfunded net pension liability on the government-wide financial statements to truly represent the additional amount needed today to provide retirement benefits to past and present employees
- This changes accounting, not funding
- The retirement systems are still managing the unfunded liabilities, this just impacts reporting
- Expanded footnote and required supplementary information compared to what was required before

Pensions – GASB 68

- Measurement of the Net Pension Liability

Net Pension Liability Equals:

Total pension liability	\$ 1,000,000,000
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Less: plan's fiduciary net position	<u>(899,000,000)</u>
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Net Pension Liability	\$ 101,000,000
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- Deferred outflows/inflows of resources
 - Certain adjustments will be made each year which will be recorded in a separate line item on the government-wide statements. These include pension contributions made after 7/1/2014.

Required Deliverables

- Audit opinion on SANBAG's basic financial statements – in accordance w/GAAS & GAGAS
- Financial & compliance reports on LTF and STAF
- Single Audit report (federal grants), includes any identified significant deficiencies and/or material weaknesses
- GANN Limit Agreed-Upon Procedures (AUP) report
- Management letter that reports any identified control deficiencies or identified areas of improvement (if applicable)
- Required communications under professional auditing standards under SAS 114 and AU-C 260

The Auditor's Communication with those Charged with Governance

- SAS 114 Communication to include:
 - Engagement objectives
 - Two-way communications
 - Independence
 - Audit planning process
 - Concept of materiality
 - Audit approach
 - Timing and procedures

Communications with Audit Subcommittee Members

- During planning, fieldwork and presentation of opinions
- Strategic decisions made that may affect the audit?
- Business risks facing SANBAG?
- Revenue/funding risks?
- Fraud risks?
- Other concerns?

Questions?

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