



CITY AND COUNTY OF
SAN FRANCISCO

Presentation to:

Government Audit and Oversight Committee

FY 2019/20
AUDIT RESULTS

FY 2020/21
AUDIT OVERVIEW

December 2, 2021



CITY AND COUNTY OF
SAN FRANCISCO

FY 2019/20 Audit Results



FY 2019/20 AUDIT RESULTS

Scope of Audits

MGO

1. Comprehensive Annual Financial Report
2. Single Audits
3. Retirement System
4. Retiree Health Care Trust Fund
5. Office of Community Infrastructure and Investment (Successor Agency of the Redevelopment Agency)
6. Health Service System (HSS)
7. General Hospital and Laguna Honda Hospital
8. Port
9. Finance Corporation
10. Automobile and Workers' Compensation Insurance Fraud Programs
11. Local Transportation Fund and Transportation Development Act
12. Appropriations Limit agreed-upon procedures

KPMG

1. Municipal Transportation Agency (MTA)
2. Public Utilities Commission (PUC)
3. San Francisco International Airport (SFO)
4. MTA Single Audit
5. MTA Agreed-Upon Procedures for National Transit Database (NTD) and Systems Review, Revenue Bond Series, Transportation Development Act (TDA) Compliance Letter
6. MTA Public Transportation Modernization, Improvement, and Service Enhancement Account Program
7. PUC Statement of Changes in the Balancing Account of the Water Enterprise Audit
8. SFO Single Audit
9. SFO Revenue Bond Series Agreed-Upon Procedures

FY 2019/20 AUDIT RESULTS

Auditors' Reports, and Material weakness and significant deficiencies in internal controls

Significant deficiency over financial reporting – ZSFG

Description	Potential Effects	Management Response
2020-001 – Evaluation of Credit Balances	Processes were in place to reconcile negative balances in the Epic electronic health record system, but the adjustments were not reflected in the financial statements in the fiscal year of the underlying transactions.	DPH will review and update its policies and procedures with regards to credit balances to ensure revenues are properly recognized, and financial statements are fairly presented.

Modified opinion and material weakness over compliance for major program – CSA

Description	Potential Effects	Management Response
2020-002 – Period of Performance	<p>Disaster Grants – Public Assistance program (CFDA no. 97.036)</p> <p>Expenditures that were incurred outside of the specified period of performance were claimed for federal reimbursement.</p>	The corrective action includes increased FEMA eligibility training for departments, leveraging information systems, and weekly collaboration meetings between the large departments and the Controller’s Office to improve communication about and staff’s understanding of the timing of using materials and incurring expenditures.

Unmodified opinions for financial statements and other major programs



FY 2019/20 AUDIT RESULTS

Material weakness in internal controls over financial reporting

Material weakness over financial reporting - SFPUC

Description	Potential Effects	Management Response
2020-001 – Inappropriate Tone at the Top	The matters involving the former GM of SFPUC demonstrated a lack of commitment to integrity and ethical values as set forth in the City’s code of conduct.	The Office of the City Attorney and Controller’s Office have set forth a series of investigations and audits related to Public Integrity, addressing organizational functions and processes identified in the alleged criminal actions of the individual. SFPUC also has a series of internal assessments related to the investigations, to identify areas requiring further improvements over internal control.

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FY 2020/21 Audit Plan



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(Same as FY 2019/20)

MGO Audit Team

CITY AND COUNTY OF SAN FRANCISCO

Board of Supervisors Government Audit and Oversight Committee

Caroline Walsh
LEAD QUALITY CONTROL
PARTNER

Cynthia Pon
LEAD PARTNER

01 AUDIT TEAM

Annie Louie
ENGAGEMENT LEAD

Annual Comprehensive
Financial Report
General Hospital
Laguna Honda Hospital
Finance Corporation
Various Grants

02 AUDIT TEAM

Craig Harner
ENGAGEMENT LEAD

Retirement System
Retiree Health Care
Trust Fund
Health Service System

03 AUDIT TEAM

David Bullock
ENGAGEMENT LEAD

Single Audit

04 AUDIT TEAM

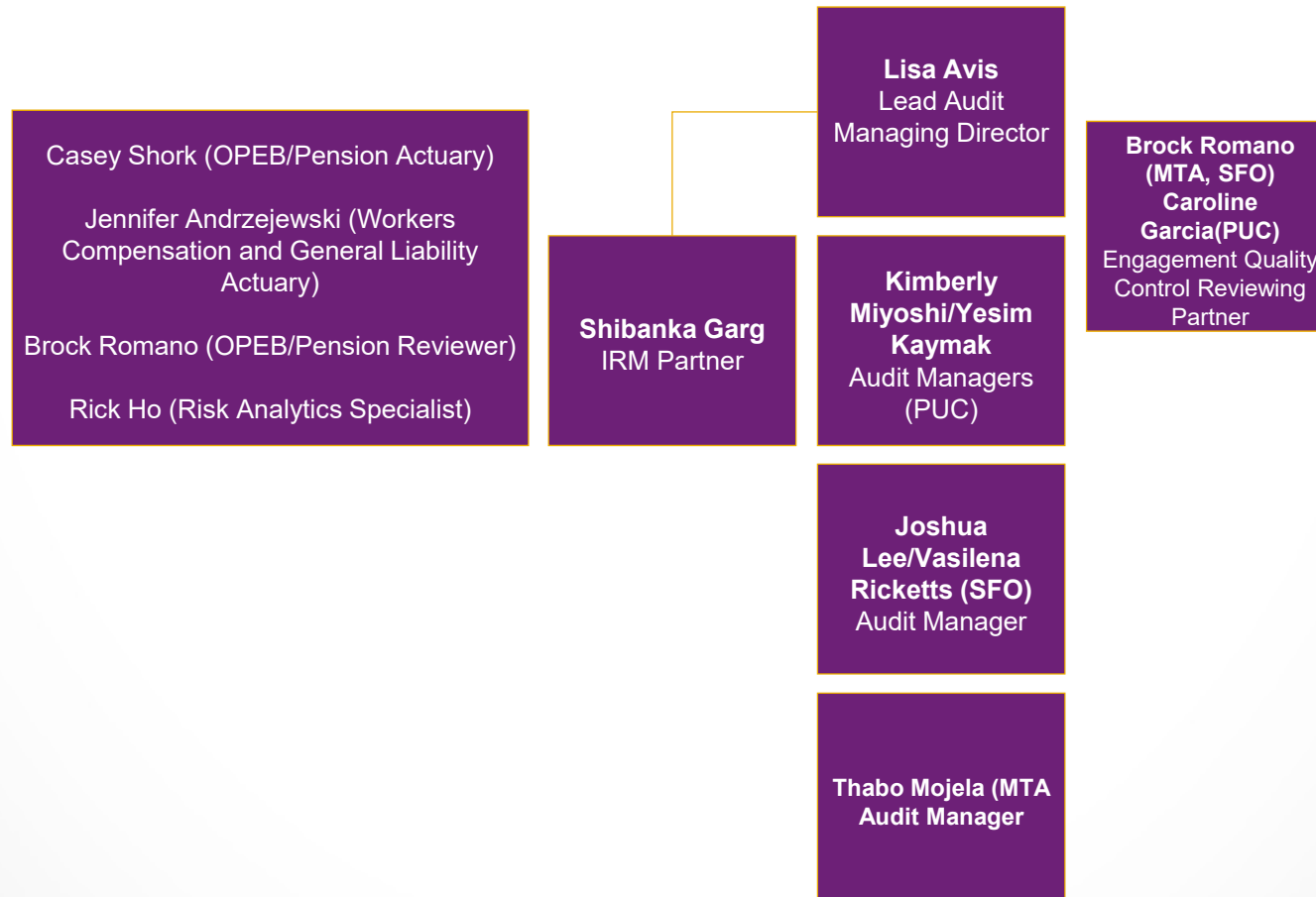
Benjamin Lau
ENGAGEMENT LEAD

Office of Community
Infrastructure and
Investments
Port of San Francisco
Appropriations Limit
agreed-upon procedures



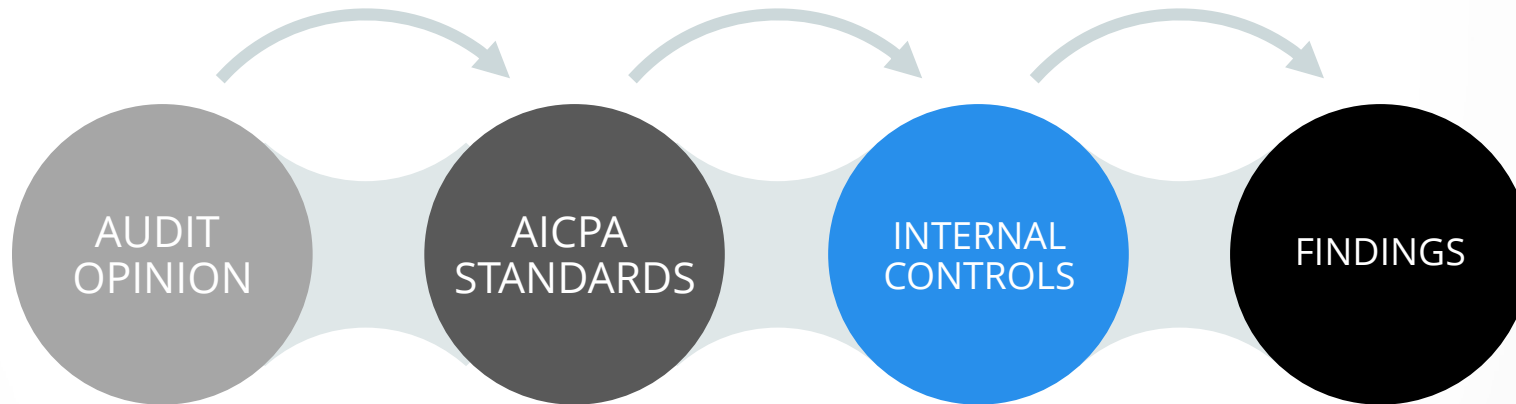
FY 2020/21 AUDIT PLAN

KPMG Audit Team



Our Responsibility

Our responsibility under U.S. Generally Accepted Auditing Standards.



To express our opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and *Government Auditing Standards*. This does not relieve you or management of your responsibilities.

To perform an audit in accordance with generally accepted auditing standards issued by the AICPA, and to design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement.

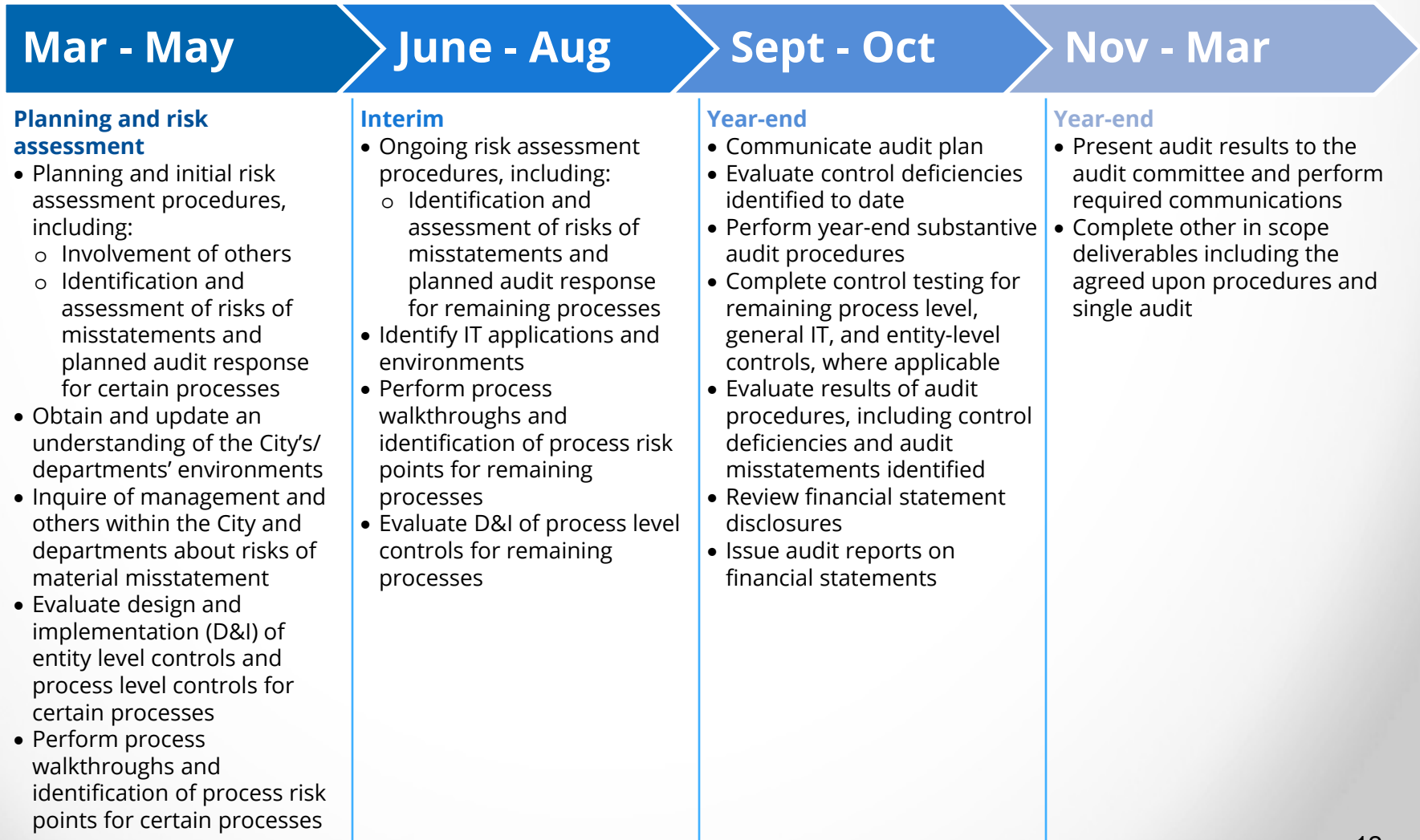
To obtain an understanding of the City and its environment, including internal controls over financial reporting and compliance, as a basis for designing our audit procedures, but not for the purpose of expressing an opinion on its effectiveness.

To communicate findings that, in our judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Management Responsibilities

Management responsibilities – Financial statements	<ul style="list-style-type: none"> Fairly presenting the financial statements, including disclosures in conformity with U.S. GAAP Adjusting the financial statements to correct material misstatements and affirming in the representation letter that the effects of any uncorrected misstatements aggregated by the auditor are immaterial, both individually and in the aggregate, to the financial statements taken as a whole
Management responsibilities – ICFR	<ul style="list-style-type: none"> Design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
Management responsibilities – Other	<ul style="list-style-type: none"> To provide the auditor with: <ol style="list-style-type: none"> access to all information of which management is aware is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters; additional information that the auditor may request from management for the purpose of the audit; and unrestricted access to persons within the entity from whom the auditor determines it necessary to obtain audit evidence Identifying and ensuring that the entity complies with laws and regulations applicable to its activities, and for informing the auditor of any known material violations of such laws and regulations Providing the auditor with a letter confirming certain representations made during the audit, that includes but is not limited to management's: <ol style="list-style-type: none"> disclosure of all significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Company's financial reporting acknowledgement of their responsibility for the design, implementation, and maintenance of internal controls to prevent and detect fraud
Audit Committee responsibilities	<ul style="list-style-type: none"> Oversight of the financial reporting process and internal control over financial reporting (ICFR) Oversight of the establishment and maintenance by management of programs and controls designed to prevent, deter, and detect fraud
Management and the Audit Committee responsibilities	<ul style="list-style-type: none"> Setting the proper tone and creating and maintaining a culture of honesty and high ethical standards Ensuring that the entity's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in the entity's financial statements.

Audit Timeline



Accounting Updates

Effective for fiscal year 2021

Statement No. 84, *Fiduciary Activities*
Statement No. 90, *Majority Equity Interests*

Effective for fiscal year 2022

Statement No. 87, *Leases*
Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
Statement No. 92, *Omnibus 2020*
Statement No. 93, *Replacement of Interbank Offered Rates*
Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*

Effective for fiscal year 2023

Statement No. 91, *Conduit Debt Obligations*
Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
Statement No. 96, *Subscription-Based Information Technology Arrangements*

Questions?

This presentation to the Government Audit and Oversight Committee is intended solely for the information and use of the Government Audit and Oversight Committee and management and is not intended to be and should not be used by anyone other than these specified parties. This presentation is not intended for general use, circulation or publication and should not be published, circulated, reproduced or used for any purpose without our prior written permission in each specific instance.

