



City and County of San Francisco Discussions with the Government Audit and Oversight Committee

Audit Results for the year ending June 30, 2019 & Audit plan and strategy for
the year ending June 30, 2020

November 2020





FY2018/2019 Audit Results



Scope of Audits



➤	MGO	KPMG
	1. Comprehensive Annual Financial Report (CAFR)	1. Municipal Transportation Agency (MTA)
	2. Single Audit	2. Public Utilities Commission (PUC)
	3. Retirement System	3. San Francisco International Airport (SFO)
	4. Retiree Health Care Trust Fund	4. MTA Single Audit
	5. Office of Community Infrastructure and Investments (Successor Agency of the Redevelopment Agency)	5. MTA Agreed-Upon Procedures for National Transit Database (NTD) and Systems Review, Revenue Bond Series, Transportation Development Act (TDA) Compliance Letter,
	6. General Hospital and Laguna Honda Hospital	6. MTA Public Transportation Modernization, Improvement, and Service Enhancement Account Program
	7. Port	7. PUC Statement of Changes in the Balancing Account of the Water Enterprise Audit
	8. Finance Corporation	8. SFO Single Audit
	9. Automobile and Workers' Compensation Insurance Fraud Programs	9. SFO Revenue Bond Series Agreed-Upon Procedures
	10. Local Transportation Fund and Transportation Development Act	
	11. Appropriations Limit agreed-upon procedures	



Audit Results



- •Comprehensive Annual Financial Report (CAFR) and Single Audits
 - CAFR – unmodified opinions
 - Single Audit – unmodified opinions
 - Internal Control over Financial Reporting – no deficiencies reported
 - Internal Control over Compliance – no deficiencies reported
- Report to the Government Audit & Oversight Committee
 - Required Communications



Status of Prior Year Recommendation



- **Item No. 2018-001 – Reliability of System-Generated Reports used for Financial Reporting**
Significant Deficiency in Internal Control over Financial Reporting

Condition

The newly implemented financial management system impacted many facets of the City's financial management processes. The creation and verification of system-generated reports required substantial time and effort. Additional reconciliations and review processes were necessary in validating system outputs and resulted in significant delays.

Management Response

The Controller's Office began to create a library of reliable system-generated reports that were developed to facilitate the FY 2017/18 year-end close, and will continue to validate system-generated reports and further evaluate business process workflows.

Status

Corrective action was implemented.



Summary: Audit results required communications and other matters



2019 Audit Results

	Response
Significant unusual transactions	No significant unusual transactions identified during the audit.
Uncorrected audit misstatements	See slide 7. Uncorrected misstatements pertained to the following: <ul style="list-style-type: none"> • Overstatement/Understatement of Pension Expenses (WTR, WWE, HHW, HHP, CPSF, MTA, and SFO) • Overstatement/Understatement of Other Post Employment Benefits (OPEB) Expenses (WTR, WWE, and CPSF) • Overstatement of Claims and Judgment (WWE Only) • Understatement of Accruals (HHP Only)
Corrected audit misstatements	No corrected misstatements identified during the audit.
Financial presentation and disclosure omissions	No matters to communicate.
Non-GAAP policies and practices	KPMG evaluated non-GAAP policies and practices on future periods and expects inconsequential impact.
Material weaknesses and significant deficiencies in internal control	See slides 8-9.
Auditors' report	See slide 10.
Changes to our planned risk assessment and audit strategy	No matters to report.
Significant accounting policies and practices	Revenue, Capital Assets, Cash and Investments, Debt, Pension, and OPEB. KPMG evaluated the policies and practices, noting no exceptions.
Significant accounting estimates	Pension, OPEB, Fair Value of Investments. KPMG evaluated the significant accounting estimates, noting no exceptions.
Significant financial statement disclosures	Pension and OPEB. KPMG evaluated the significant disclosures, noting the presentation appears reasonable.
Related parties	No matters to report.
Going concern	No matters to report.
Other information	Our responsibility with respect to information in a document does not extend beyond the financial information identified in our report, and we have no obligation to perform any procedures to corroborate other information contained in a document. However, we do have a responsibility to read the other information and consider whether such information, or the manner of its presentation, is materially inconsistent with information, or the manner of its presentation, appearing in the financial statements. As a result of our consideration of the other information, no material inconsistencies or material misstatements of facts were identified related to other information.



Summary: Audit results required communications and other matters



		Response
2019 Audit Results	Subsequent events	No matters to report.
	Illegal acts or fraud	No actual or suspected fraud involving management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements were identified during the audit.
	Noncompliance with laws and regulations	No matters to report.
	Significant difficulties encountered during the audit	No matters to report.
	Significant findings or issues discussed, or the subject of correspondence, with management	No matters to report.
	Management's consultation with other accountants	No matters to report.
	Difficult or contentious matters for which the auditor consulted	No matters to report.
	Disagreements with management	No matters to report.
	Other significant matters	No matters to report.
	Written communications	Engagement letter, management representation letters, including summary of uncorrected misstatement, internal control deficiency letter, and minutes representation letter to be distributed under separate covers.
	Independence	See slide 33
	Inquiries	See slide 35



Uncorrected audit misstatements



\$(Million)							
Description of Misstatement	Quantitative income statement effect (Rollover-Year to Date)						
	SFO	MTA	WTR	WWE	HHW	HHP	CPSF
#1: Pension Misstatement	\$ 9.4	\$ 8.7	\$ 3.5	\$ 1.4	\$ 1.1	\$ 1.4	\$.1
#2: OPEB Misstatement	-	-	10.1	4.0	-	-	.5
#3: Legal Liability Misstatement	-	-	-	7.8	-	-	-
#4: Under accrual Misstatement	-	-	-	-	-	.7	-
Total	9.4	8.7	13.6	13.2	1.1	2.1	.6
Change in Net Position	91.8	527.6	52.6	20.0	9.4	39.1	31.1
Percentage	10.2%	1.6%	25.9%	66.0%	11.7%	5.4%	1.92%



Material weaknesses and significant deficiencies in internal control over financial reporting (Financial Statement Audit)



Material weaknesses – Wastewater Only

Description	Potential effects	Status
2019-001: Incorrect Recognition of Construction in Progress	Overstatement of net position	Material weakness has been communicated to management and remediation efforts are in progress to strengthen controls over future inter-agency construction costs.

Material weaknesses – SFO, MTA, WTR, HHW, HHP, and CPSF

Description	Potential effects	Status
None identified	None identified	None identified

Significant deficiencies – SFO, MTA, WTR, HHW, HHP, and CPSF

Description	Potential effects	Status
None identified	None identified	None identified

All other deficiencies in ICFR noted during the audit that are of a lesser magnitude than a material weakness or significant deficiency have communicated to management in writing.



Material weaknesses and significant deficiencies in internal control over major programs (Uniform Guidance)



Material weaknesses – SFO and MTA

Description	Potential effects	Status
None identified	None identified	None identified

Significant deficiencies – MTA only

Description	Potential effects	Status
2019-001 Inaccurate Reporting of Cash Reimbursement Records	We found SFMTA did not have proper controls over cash draw down transactions. The process control gap resulted in inaccurate submission of reimbursement amounts. Total questioned costs is \$1,526,866.	Currently implementing effective process controls over cash draw down transactions.

All other deficiencies in ICFR noted during the audit that are of a lesser magnitude than a material weakness or significant deficiency have communicated to management in writing.



Auditors' report



Summary of Auditors' Report

- We issued a unqualified opinion on the June 30, 2019 financial statements for the San Francisco International Airport, San Francisco Municipal Transportation Agency, San Francisco Public Utilities Commission Water Enterprise, San Francisco Public Utilities Commission Wastewater Enterprise, and Hetch Hetchy Water and Power and CleanPowerSF.

Modifications

- None Noted.

Emphasis of matter or other matter paragraphs

- An emphasis of mater paragraph was added to the Wastewater Enterprise auditor's report. The paragraph was added as a result of a correction of error related to the 2018 financial statement.

Excerpt from the auditor's report:

As discussed in Note 2(t) to the financial statements, the 2018 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.



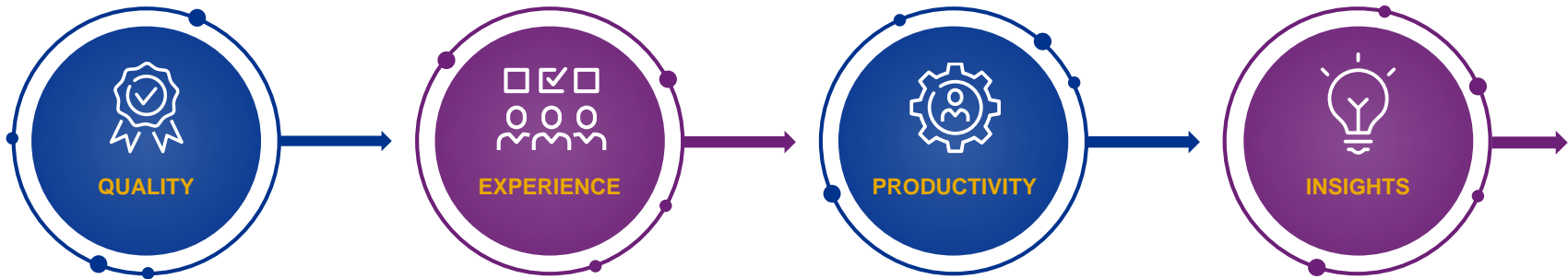
FY2019/2020 Audit Plan



Our commitment to you



We aim to deliver an exceptional client experience by focusing on



Quality in all that we do and how we deliver

We are committed to delivering a thoughtful, transparent and coordinated approach

Risk and insight-based auditing through the design, execution, and automation of our processes

Best-in-class industry and topical insights, which help our auditors make better decisions and share those relevant insights





Executive summary



2020 AUDIT PLAN





Coordinating audits during COVID-19



Business Continuity Planning

- Remote working environment for remainder of 2020 calendar year
- Heads- Up Thinking
- Virtual Audit Considerations



Key Audit/Accounting Issues

- Virtual Walkthroughs
- Physical & Virtual Inventory Observations
- Revenue-Government Aid
- Asset Impairment
- Valuation of investments
- Debt Compliance






A fresh look: Changes to our audit plan

New Risks & Key Changes To The Audit	
COVID-19-Related Audit Risks	Description
Revenue – Government Aid	<p>Accounting and reporting impacts from various government assistance sources</p> <ul style="list-style-type: none"> • CARES Act Funding • FEMA <p>Funds received through the CARES Act are subject to regulatory reporting including under the Federal Uniform Guidance. Addendum to the 2020 OMB Compliance Supplement is still yet to be distributed.</p>
Asset Impairment	Monitor financial performance for indications of permanent asset impairments.
Valuation of Investments	During an economic downturn, there may be a significant decrease in the volume or level of activity in the market, which could result in potential for impairment of equity securities or valuation challenges.
Debt Compliance	Monitor debt compliance in 2020 and projections for 2021 given impact of COVID-19 on revenues/expenses.
Other Significant Audit Risks	Description
	No new significant audit risks that affect our plan.
Other Significant Changes That Affect Our Plan	Description
	No new significant changes that affect our plan.



An intentional plan to enhance your experience: 2019 efforts

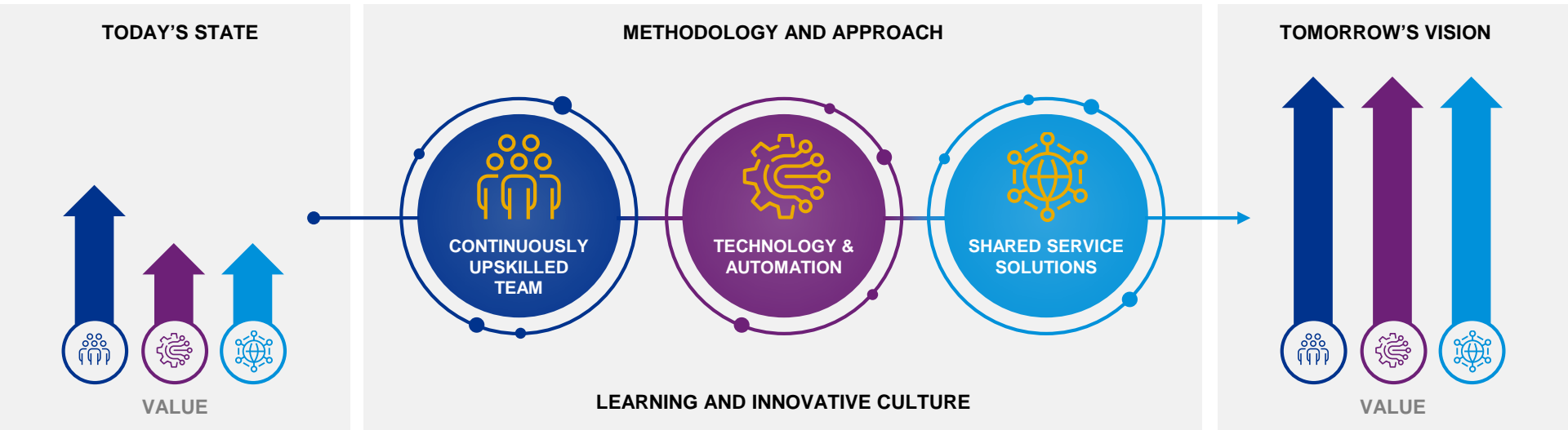
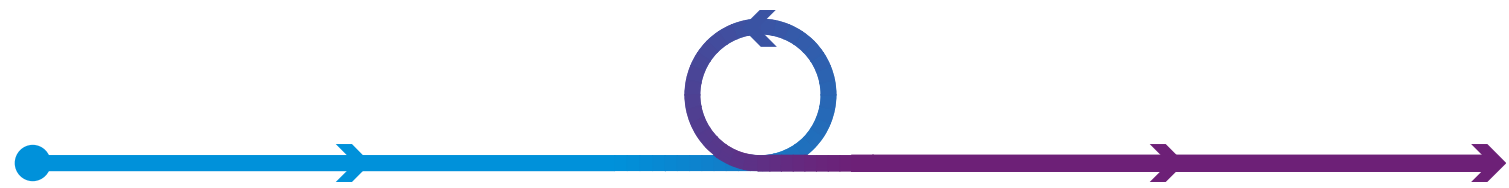
New Client Experience Efforts	Quality	Experience	Productivity	Insight
Audit Execution				
Feedback on GASB 75 adoptions	●	●	●	●
National office consultation regarding CAISO and Central Shop (PUC)	●	●	●	●
Expanded risk assessment process to optimize coverage	●	●	●	
Instituted accelerated audit execution and two-day audit close	●	●	●	
Aligning Relationship				
Conducted joint continuous improvement workshop and action plan	●	●	●	●
Early and continuous communications with Controller's office to discuss emerging issues	●	●		●
Coordinating the Audit				
Coordination and planning meeting with Controller's office, City's auditors, and KPMG internal teams	●	●	●	
Continuous improvement principles around PBC management		●	●	
KPMG Team Structure				
Team of choice		●	●	



Our vision for modernizing the audit



A multi-year journey aligned with yours



Quality	Experience	Productivity	Insight
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Digitizing our audit platform



Methodology

Our updated methodology is driving greater consistency across all of our audits and reinforcing alignment with auditing standards.

We deploy an innovative, comprehensive risk assessment that will drive the rest of the audit. These changes:

- Simplify our approach,
- Improve our risk identification and assessment, and
- Focus our audit response on that risk.

We've also taken the next step, integrating this workflow into our digital platform.

Built on an agile, integrated, and secure platform, KPMG Clara combines a client-facing portal, data extraction, a comprehensive suite of tools to evaluate and respond to risk, and a workflow to guide our teams through it all. These capabilities help us deliver with quality, efficiency, and insight, leading to an exceptional experience.

Collaboration Platform
A next-generation audit facilitated by a digitized, efficient and transparent audit process.

KPMG's risk assessment approach:
Same high standards.
More precision.
Powerful technology.
Tailored testing.
The result:
More targeted and effective audit response.



Data Extraction & Transformation
No matter your technology environment, we streamline data extraction and transformation to power the audit.

Automation Throughout Our Response
End-to-end automation enabling a consistent and efficient response.





Audit committee insights



COVID-19

- Safety and well-being of company’s employees
- Financial risks and scenario planning
- Key operational risks
- Financial reporting and disclosure impacts

Cybersecurity Threats

- COVID-19 themed spear-phishing campaigns were launched immediately in concert with the World Health Organization’s declaration
- Aligning business goals with security needs
- Digital trust and consumer authentication
- Cloud transformation and resilience
- Next wave of regulations

Accounting and Financial Reporting Impact

- COVID-19 Impact
- Virtual Walkthroughs
- Fraud Inquiries
- Leases
- Financial Statement Disclosures





Required Audit Committee Communications



Summary: Audit approach required communications and other matters



Planning & Risk Assessment

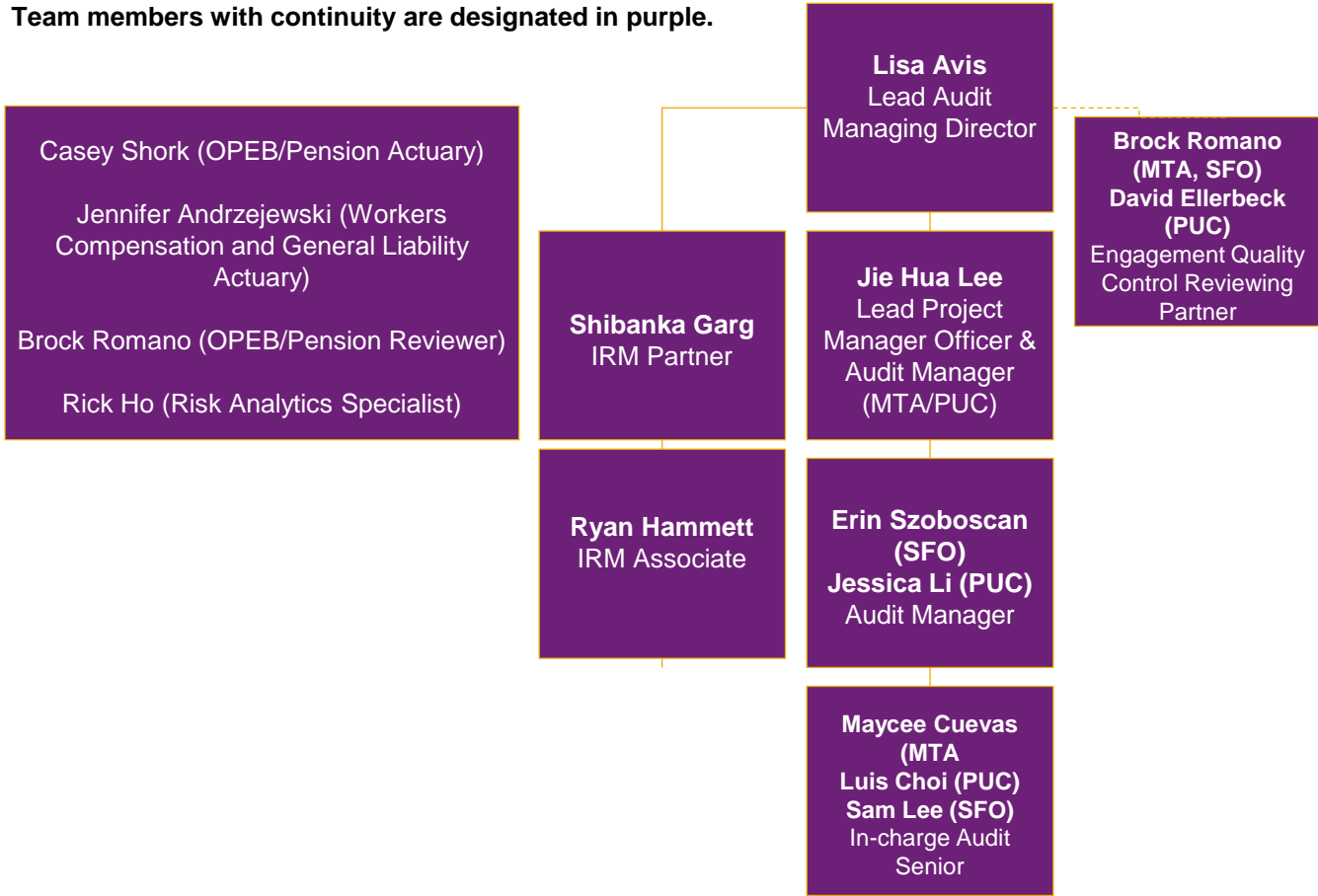
	Response
Role and identity of engagement partner	The lead audit engagement partner is: Lisa Avis.
Significant findings or issues discussed with management	No matters to report.
Scope of audit	<ul style="list-style-type: none"> Our audit of the financial statements of San Francisco International Airport (SFO), San Francisco Municipal Transportation Agency (MTA), San Francisco Public Utilities Commission Water Enterprise (Water or WTR), San Francisco Public Utilities Commission Wastewater Enterprise (Wastewater or WWE), and San Francisco Public Utilities Commission Hetch Hetchy Water and Power and CleanPowerSF (Hetch Hetchy and CPSF or HHW, HHP, or CPSF) as of and for the year ended June 30, 2020, will be performed in accordance with auditing standards generally accepted in the United States of America. Performing an audit of financial statements includes consideration of internal control over financial reporting (ICFR) as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's ICFR. <p>Other Scope of Audits:</p> <ul style="list-style-type: none"> SFO Single Audit SFO Revenue Bond Series Agreed-Upon Procedures MTA Single Audit MTA Agreed-Upon Procedures for National Transit Database (NTD), Revenue Bond Series, Transportation Development Act (TDA) Compliance Letter MTA Public Transportation Modernization, Improvement, and Service Enhancement Account Program PUC Statement of Changes in the Balancing Account of the Water Enterprise Act PUC Comprehensive Annual Financial Report
Our team and timeline	See slide 22 and 24
Risk assessment: Materiality & Significant risks	See slide 26 - 27
Risk assessment: Additional risks identified	See slide 28
Involvement of others	See slide 31
New effective accounting standards	See slide 32
Independence	See slide 33
Responsibilities	See slide 34
Inquiries	See slide 35



Client service team

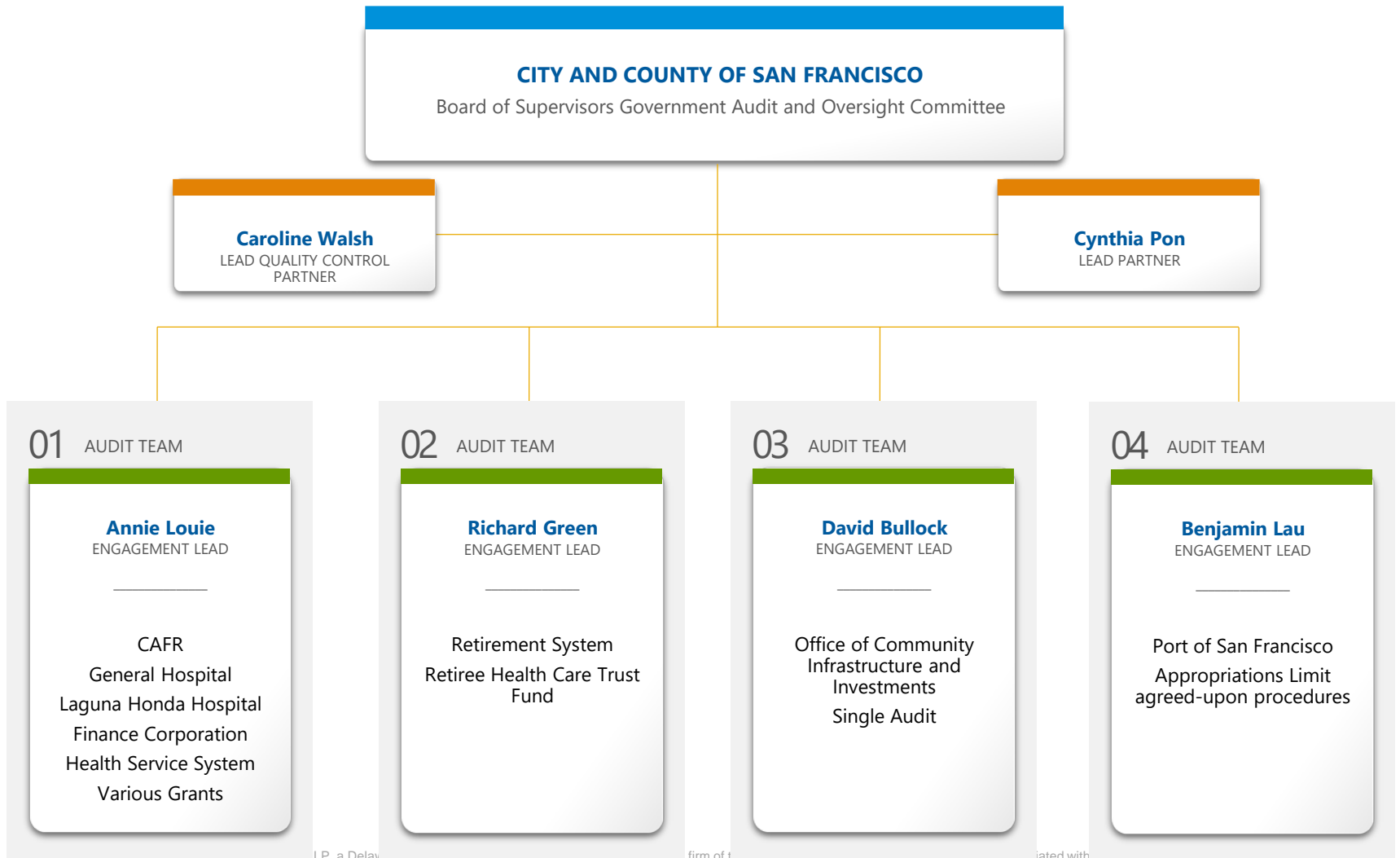


Team members with continuity are designated in purple.



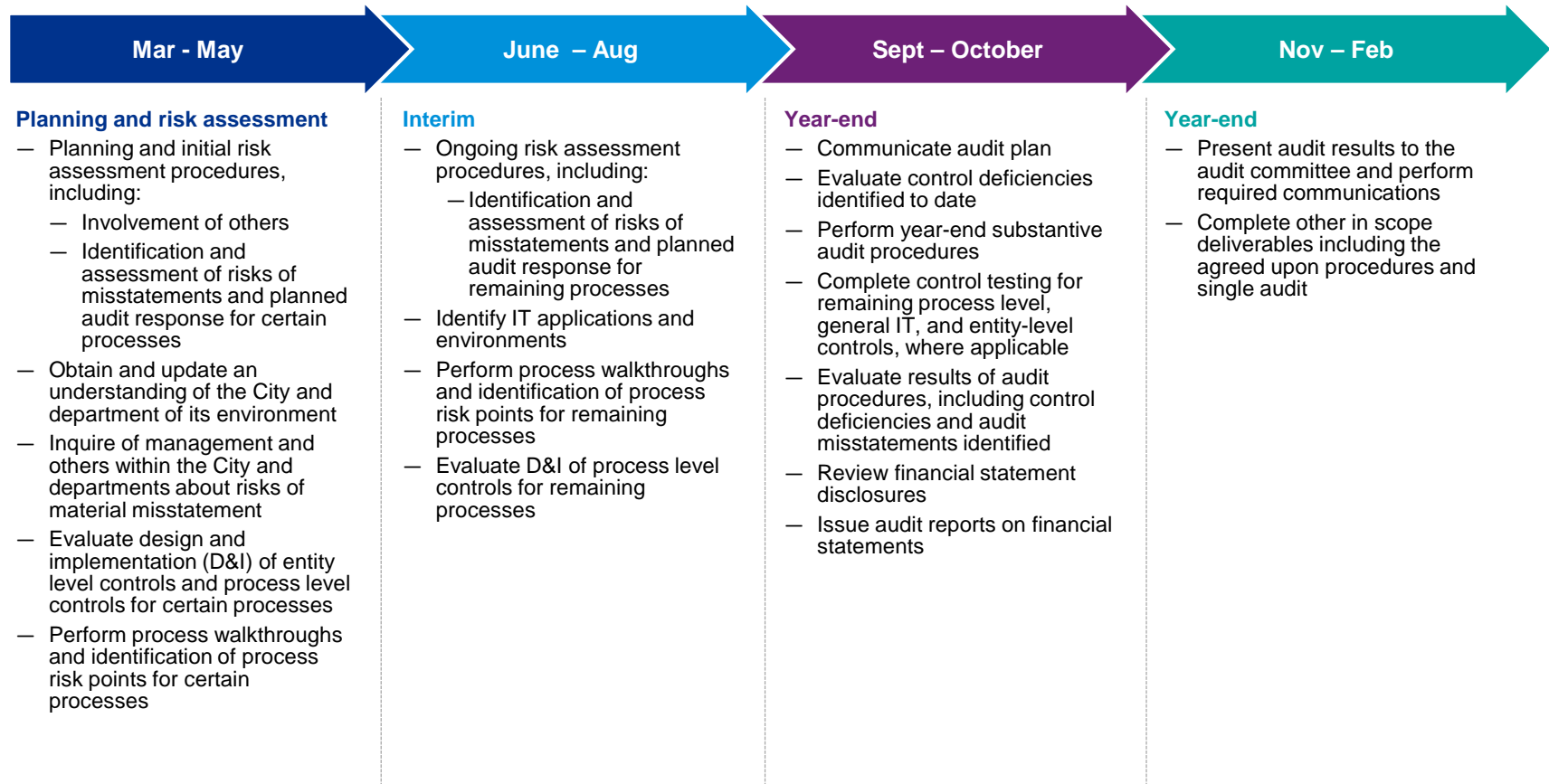


Your Dedicated Team



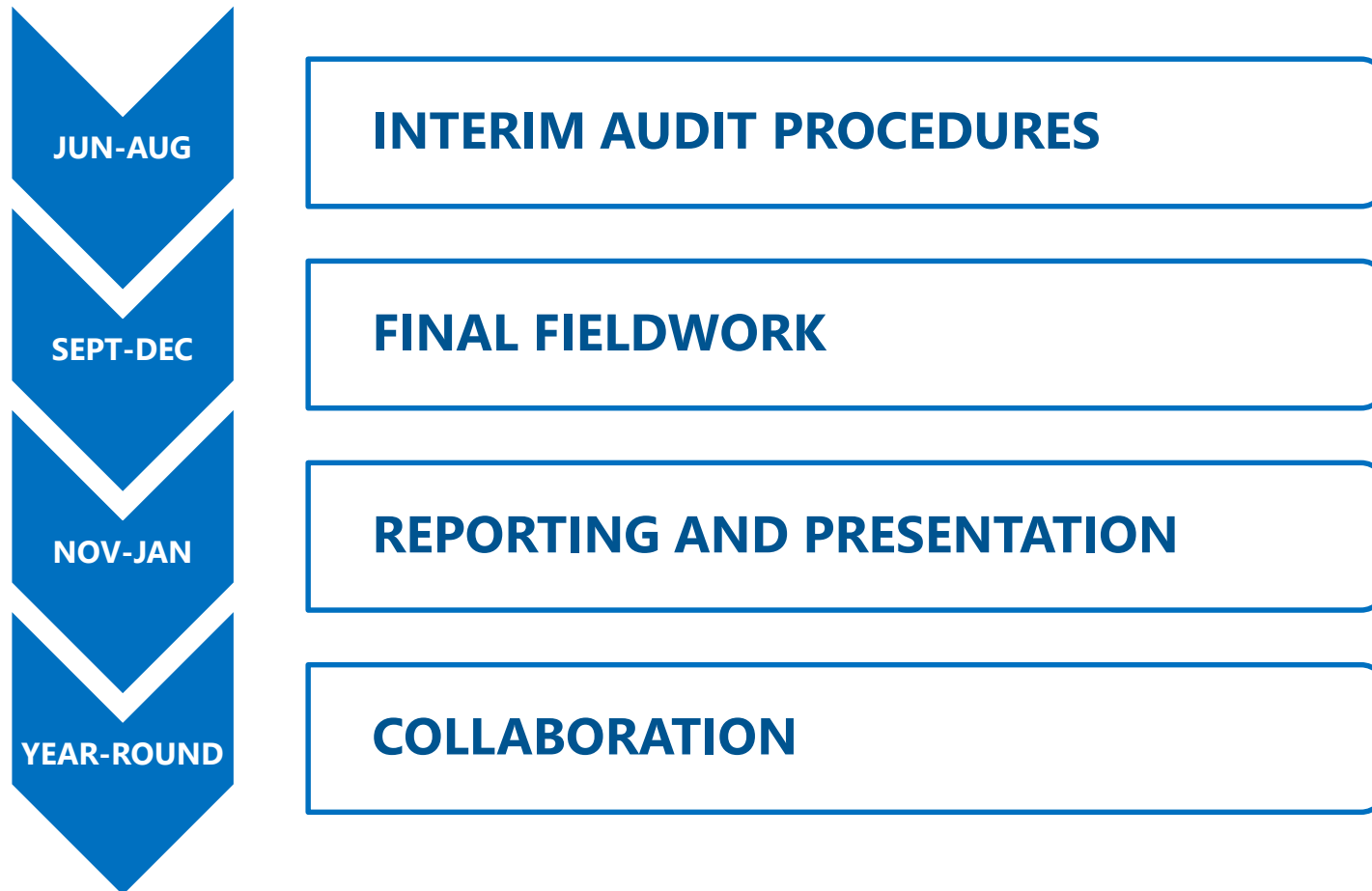


Our timeline



Filing date: Issue audit reports on financial statements – November 2020.

Audit Timing





Materiality in the context of an audit



We will apply materiality in the context of the preparation and fair presentation of the financial statements, considering the following factors:

Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Judgments about materiality are made in light of surrounding circumstances and are affected by the size or nature of a misstatement, or a combination of both.

Judgments about materiality involve both qualitative and quantitative considerations.

Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered.

Determining materiality is a matter of professional judgment and is affected by the auditor's perception of the financial information needs of users of the financial statements.

Judgments about the size of misstatements that will be considered material provide a basis for

- a) Determining the nature and extent of risk assessment procedures;
- b) Identifying and assessing the risks of material misstatement; and
- c) Determining the nature, timing, and extent of further audit procedures.



Risk assessment: Significant risks



Significant Risks

Susceptibility to:	
Error	Fraud
	Yes

Management override of controls

Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.

Significant risks	Description of significant risk	Susceptibility to:		Relevant factors affecting our risk assessment
		Error	Fraud	
No other significant risk identified.	Not applicable.	N/A	N/A	Not applicable.



Risk assessment: Additional risks identified



Additional risks identified	Relevant factors affecting our risk assessment and planned response
Pension (GASB 68) OPEB (GASB 75)	Significant monetary amount with calculations that involve future assumptions and inputs.
Workers Compensation (SFMTA only) General Liability (SFMTA only)	Significant monetary amount with calculations that involve future assumptions and inputs.



Significant Audit Areas

- **Revenue recognition and compliance requirements for COVID-19 related funding**
- **Pension and OPEB accounting and financial reporting requirements**
- **Investment valuations**
- **Contractual allowance and cost report settlements**
- **Self-insured risks**
- **Debt covenant compliance**
- **Single Audit – Uniform Guidance and other compliance requirements**

Deliverables

We will issue the following reports for the fiscal year ended June 30, 2020:

1. Comprehensive Annual Financial Report (CAFR), including General Hospital and Laguna Honda Hospital
2. Single Audit (excludes SFCTA, MTA, and Airport)
3. Retirement System
4. Retiree Health Care Trust Fund
5. Office of Community Infrastructure and Investments (Successor Agency of the Redevelopment Agency)
6. Health Service System
7. Port
8. Finance Corporation
9. Automobile and Workers' Compensation Insurance Fraud Programs
10. Local Transportation Fund and Transportation Development Act grants
11. Appropriations Limit agreed-upon procedures
12. Report to those Charged with Governance – Communicating required matters and matters related to internal controls and compliance with laws, regulations, contracts and agreements





Involvement of others



Audit of financial statements	Extent of planned involvement
Internal Audit	We do not plan on involving the City's internal audit directly in the external audit process, but we monitor internal audit results and incorporate findings into external audit scoping as appropriate.
KPMG Actuary Specialist – Workers Compensation	Engage the actuary to review the methodology used to develop the liability. Develop an independent range of estimates to assess the reasonableness of the liability.
KPMG Actuary Specialist – General Liability, Pension and Other Post Employment Benefits	Engage the actuary to review the methodology and assumptions applied to develop the liability.
KPMG Pension and Other Post Employment Benefits Reviewer	Engage the reviewer to assess the reasonableness of the pension/OPEB financial statement disclosure and related reports and schedules.
KPMG Risk Analytics Specialist	Engage the specialist to review hard to value investments.
KPMG IRM Team	Engage the IRM team to assess general IT controls and application controls over TimeControl (SFMTA only).



Newly effective accounting standards



Originally Effective for fiscal year 2020

GASB 84: Fiduciary Activities (postponed by one year of certain provisions)

GASB 90: Majority Equity Interest (postponed by one year of certain provisions)

Originally Effective for fiscal year 2021

GASB 87: Leases (postponed by 18 months)

GASB 89: Accounting for Interest Cost Incurred before the end of a Construction Period (postponed by one year of certain provisions)

Originally Effective for fiscal year 2022

GASB 91: Conduit Debt Obligations (postponed by one year of certain provisions)





Shared responsibilities: Independence



Auditor independence is a shared responsibility and most effective when management, the audit committee and audit firms work together in considering compliance with the independence rules. In order for KPMG to fulfill its professional responsibility to maintain and monitor independence, management, the audit committee, and KPMG each play an important role.

System of independence quality control

The firm maintains a system of quality control over compliance with independence rules and firm policies. Timely information regarding upcoming transactions or other business changes is necessary to effectively maintain the firm's independence in relation to:

- New affiliates (which may include subsidiaries, equity method investees/investments, sister companies, and other entities that meet the definition of an affiliate under AICPA independence rules)
- New directors, officers, owners of 10% or more of the Company's equity securities or ownership interests, and persons in key positions with respect to the preparation or oversight of the financial statements

Certain relationships with KPMG

Independence rules prohibit:

- Certain employment relationships involving directors, officers, or others in an accounting or financial reporting oversight role and KPMG and KPMG covered persons.
- The Company or its directors, officers, from having certain types of business relationships with KPMG or KPMG professionals.

In connection with our audit of the Company, KPMG and relevant KPMG professionals have complied with relevant ethical requirements regarding independence, as that term is defined by the professional standards.



Responsibilities



Management responsibilities



- Communicating matters of governance interest to those charged with governance.
- The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

KPMG responsibilities – Objectives



- Communicating clearly with those charged with governance the responsibilities of the auditor regarding the financial statement audit and an overview of the planned scope and timing of the audit.
- Obtaining from those charged with governance information relevant to the audit.
- Providing those charged with governance with timely observations arising from the audit that are significant and relevant to their responsibility to oversee the financial reporting process.
- Promoting effective two-way communication between the auditor and those charged with governance.
- Communicating effectively with management and third parties.

KPMG responsibilities – Other



- If we conclude that no reasonable justification for a change of the terms of the audit engagement exists and we are not permitted by management to continue the original audit engagement, we should:
 - Withdraw from the audit engagement when possible under applicable law or regulation,
 - Communicate the circumstances to those charged with governance, and
 - Determine whether any obligation, either legal contractual, or otherwise, exists to report the circumstances to other parties, such as owners, or regulators.
- Forming and expressing an opinion about whether the financial statements that have been prepared by management, with the oversight of those charged with governance, are prepared, in all material respects, in accordance with the applicable financial reporting framework.
- Establishing the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence.
- Communicating any procedures performed relating to other information, and the results of those procedures.



Inquiries



The following inquiries are in accordance with AU-C 260

Is the audit committee aware of:

- Matters relevant to the audit, including, but not limited to, violations or possible violations of laws or regulations?
- Any significant communications with regulators?
- Any developments in financial reporting, laws, accounting standards, corporate governance, and other related matters, and the effect of such developments on, for example, the overall presentation, structure, and content of the financial statements, including the following:
 - The relevance, reliability, comparability, and understandability of the information presented in the financial statements
 - Whether all required information has been included in the financial statements, and whether such information has been appropriately classified, aggregated or disaggregated, and presented?

Does the audit committee have knowledge of:

- Fraud, alleged fraud, or suspected fraud affecting the Company, including misconduct or unethical behavior related to financial reporting or misappropriation of assets?
 - If so, have the instances been appropriately addressed and how have they been addressed?

Additional inquiries:

- What are the audit committee's views about fraud risks in the Company?
- Who is the appropriate person (audit committee chair or full committee) for communication of audit matters during the audit?
- How are responsibilities allocated between management and the audit committee?
- What are the Company's objectives and strategies and related business risks that may result in material misstatements?
- Are there any areas that warrant particular attention during the audit and additional procedures to be undertaken?
- What are the audit committee's attitudes, awareness, and actions concerning (a) the Company's internal controls and their importance in the entity, including oversight of effectiveness of internal controls, and (b) detection of or possibility of fraud?
- Have there been any actions taken based on previous communications with the auditor?
- Has the Company entered into any significant unusual transactions?
- Whether the entity is in compliance with other laws and regulations that have a material effect on the financial statements?
- What are the other document(s) that comprise the annual report, and what is the planned manner and timing of issuance of such documents?

Other Appendices

The background of the slide features a complex network diagram. It consists of numerous small, light-blue circular nodes scattered across the teal background. These nodes are interconnected by thin, light-blue lines, creating a web-like structure. Some nodes are more prominent, appearing as larger circles with a double-ring effect, and are connected to a higher density of other nodes, suggesting they are central or hub nodes in the network. The overall aesthetic is clean and modern, with a consistent color palette of teal and light blue.



Our approach to fraud risk



Quality in all that we do

- Audit quality remains our highest priority and is critical to fulfilling our role in the capital markets.
- To deliver on our audit quality commitment, we are focused on consistently planning and executing our audits, in line with the requirements of applicable professional standards within a strong system of quality control.
- Core to actions to drive quality are a culture of integrity, innovation, including our smart audit platform KPMG Clara, and nurturing and supporting our talented professionals.

Specific Approach To Fraud Risk

- Financial fraud can be complex and sophisticated and it is essential that businesses, those charged with governance, and their auditors assess the risk of financial fraud and respond accordingly.
- The auditors' responsibility is to plan and perform an audit to provide reasonable assurance that material misstatements are detected, whether caused by error or fraud.
- At KPMG, we are focused on exercising professional skepticism, and executing fundamental audit procedures and collating robust evidence, aligned with the professional standards, to seek to detect material misstatement as a result of fraud.
 - We share our planned audit approach and responses with audit committees every year.
 - We perform robust risk assessments, including conducting interviews within the company, assessing management's fraud risk, and running analytical procedures, as appropriate under the standards.
 - And when fraud risk is identified, we perform incremental procedures at the highest level of risk.
- As part of our commitment to sustaining audit quality, we recognize nothing remains static. We are committed to continually improving the quality, consistency, and efficiency of our audits, enabled by our technology, including our approach to fraud risk.



KPMG efforts to advance racial equity and justice

Our Values – Together, For Better – Demand We Speak Out And Take Action



“Recent events have demanded that all of us speak out against racism and bigotry, listen and lift up our Black colleagues, friends and communities, and take action to bring about real, lasting change.

“After many conversations with leaders, colleagues, teams and more on these tragic events, we gathered as a firm to talk about our path forward.

We must do better as a country. We will do better as a firm. I expect to be held personally accountable for tangible change. And I will hold the KPMG leadership team accountable.

It is essential that we take actions that will lead to a better future. And not some distant future. That time is now.”

Sources: [Paul Knopp Full Post](#)
See collection of KPMG statements [here](#).

Integrity

We do what is right.

Excellence

We never stop learning and improving.

Courage

We think and act boldly.

Together

We respect each other and draw strength from our differences.

For Better

We do what matters.

KPMG new leadership



Paul Knopp
U.S. Chair and CEO

Paul brings extensive experience serving large, multinational clients in a wide variety of complex industries and is recognized for his commitment to excellence and quality, focus on driving a collaborative culture, and for leading KPMG teams with ethics and integrity. Paul previously served a five-year term on KPMG's U.S. Board of Directors in 2012. During this period, he served one-year terms as Lead Director and as Chairman of the Professional Practice, Ethics, and Compliance Committee. Paul also has served as both a board and non-board member of the nominating committee for KPMG's U.S. Board of Directors.



Laura Newinski
Deputy Chair

Laura previously served as Vice Chair of Operations and was responsible for technology, including digital transformation, data strategy, technology operations and security, as well as financial matters encompassing forecasting, planning, and monitoring the firm's financial performance. In addition, she oversaw KPMG operations areas such as pension investments, real estate, office operations, and internal audit. As a member of the KPMG U.S. Management Committee, Laura also served as Chief Operating Officer for KPMG's Americas region.



Scott Flynn
Vice Chair, Audit

Scott has served as global lead audit engagement partner for a Fortune 50 company, Engagement Quality Control Review Partner for KPMG audits of a Fortune 100 company, and as Account Executive for three other public companies. Scott also currently serves as the leader of KPMG's Board Leadership Center. Scott was elected to serve a five-year term for KPMG's U.S. Board of Directors in 2018. Scott has served as a partner-in-charge of the MidAmerica Business Unit Audit Practice, Business Unit Professional Practice Partner; and lead audit engagement partner for two leading retail companies.



Audit quality and transparency



2019 Audit Quality Report

- Highlights the steps we have taken in 2019 to evolve and enhance our audit practice and our firm
- Provides an overview of how we are strengthening our culture, continuing to invest in our people, and the new technologies that will enable our workforce



2019 Transparency Report

- Provides more granular detail on our commitment to continually enhance audit quality
- Outlines KPMG LLP’s structure, governance and approach to audit quality
- Discusses how the firm aligns with the requirements and intent of applicable professional standards



Reports and supplements available at: read.kpmg.us/auditquality



Questions?

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