

Association of Bay Area Governments

**Reports on Federal Awards in Accordance
With OMB Uniform Guidance
For the Year Ended June 30, 2018**

**Component Unit
Association of Bay Area Governments**

**EIN
94-2832478**

Association of Bay Area Governments

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Year ended June 30, 2018

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**Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards**

To the Executive Board of the
Association of Bay Area Governments:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and aggregate remaining fund information of the Association of Bay Area Governments ("ABAG") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise ABAG's basic financial statements, and have issued our report thereon dated November 16, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered ABAG's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ABAG's internal control. Accordingly, we do not express an opinion on the effectiveness of ABAG's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether ABAG's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DRAFT

San Francisco, California
November 16, 2018



Report of Independent Auditors on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With the OMB Uniform Guidance

To the Executive Board of the
Association of Bay Area Governments:

Report on Compliance for Each Major Federal Program

We have audited the Association of Bay Area Governments' ("ABAG") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of ABAG's major federal programs for the year ended June 30, 2018. ABAG's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of ABAG's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ABAG's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of ABAG's compliance.

Opinion on Each Major Federal Program

In our opinion, ABAG complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.



Report on Internal Control Over Compliance

Management of ABAG is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered ABAG's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of ABAG's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities and aggregate remaining fund information of the Association of Bay Area Governments (“ABAG”) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise ABAG’s basic financial statements. We issued our report thereon dated November 16, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

DRAFT

San Francisco, California
November 16, 2018

Association of Bay Area Governments
Schedule of Expenditures of Federal Awards
For the Year ended June 30, 2018

Federal Grantor/Pass Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed-Through to Sub-Recipients	Total Federal Expenditures
United States Environmental Protection Agency				
The San Francisco Baywater Quality Improvement Fund				
Direct Awards				
Greener Pesticides for Cleaner Waterways Campaign				
W900T97901	66.126		\$ -	\$ 18,688
Guadalupe Watershed Calcine Removal				
W999T03401	66.126		514,539	545,838
Urban Greening Bay Area				
W999T26201	66.126		303,211	342,640
W999T53101	66.126		264,491	280,927
Suisun Marsh				
W999T25701	66.126		83,530	180,038
Subtotal: CFDA 66.126			<u>1,165,771</u>	<u>1,368,131</u>
National Estuary Program				
Direct Awards				
San Francisco Estuary Program				
CE00T47801	66.456		25,868	311,970
Implementation of the Comprehensive Conservation and Management Plan				
CE99T59901	66.456		14,562	401,196
Subtotal: CFDA 66.456			<u>40,430</u>	<u>713,166</u>
Regional Wetland Program Development Grants				
Direct Awards				
Wetland Policy Climate Change Update				
CD99T34301	66.461		-	45,250
Bay Area Wetlands Regional Monitoring Program Plan				
CD99T66201	66.461		41,437	87,595
Subtotal: CFDA 66.461			<u>41,437</u>	<u>132,845</u>
Brownfields Assessment and Cleanup Cooperative Agreements				
Direct Awards				
Brownfields Assessment and Cleanup Cooperative Agreements				
BF99T45501	66.818		112,945	112,945
Subtotal: CFDA 66.818			<u>112,945</u>	<u>112,945</u>
Total United States Environmental Protection Agency			<u>1,360,583</u>	<u>2,327,087</u>

**Association of Bay Area Governments
Schedule of Expenditures of Federal Awards
For the Year ended June 30, 2018**

Federal Grantor/Pass Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed-Through to Sub-Recipients	Total Federal Expenditures
Department of the Interior				
U.S. Geological Survey				
Direct Awards				
U.S. Geological Survey Research and Data Collection				
G16AC003818	15.808		13,678	13,678
G17AC00135	15.808		49,103	49,103
G17AC00239	15.808		48,868	48,868
140G0318P0151	15.808		7,860	7,860
Subtotal: CFDA 15.808			119,509	119,509
Direct Awards				
Earthquake Hazards Program Assistance				
G16AP00172	15.807		27,190	27,190
G15AP00118	15.807		10,814	10,814
Subtotal: CFDA 15.807			38,004	38,004
Clean Vessel Act				
Pass through from California State Department of Parks & Recreation				
Clean Vessel Education & Outreach Grant	15.616	C8957414	-	200,936
	15.616	C8961418	-	30,162
Subtotal: CFDA 15.616			-	231,098
Total Department of the Interior			157,513	388,611
Department of Energy				
Conservation Research and Development				
Direct Award				
San Francisco BayREN (BRICR)				
DE-EE00075580001	81.086		87,715	152,080
Subtotal: CFDA 81.086			87,715	152,080
Total US Department of Energy			87,715	152,080
Department of Homeland Security				
Cooperating Technical Partners				
Direct Awards				
EMF2016CA00010	97.045		33,857	33,857
EMF2017CA00007	97.045		105,581	105,581
Subtotal: CFDA 97.045			139,438	139,438
Total Department of Homeland Security			139,438	139,438
Total Expenditures for Federal Awards			\$ 1,745,249	\$ 3,007,216

Association of Bay Area Governments
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

1. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the activity of all expenditures of federal awards of the Association of Bay Area Governments ("ABAG"). ABAG's reporting entity is defined in Note 1 of ABAG's Financial Statements

The Schedule is presented using the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in preparation of, the financial statements.

2. Indirect Cost Rate

ABAG applies its predetermined approved indirect cost rate when charging indirect costs to federal awards rather than the 10% de minimis indirect cost rate as described in Section 200.414 of the Uniform Guidance.

Association of Bay Area Governments

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2018

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major programs:

CFDA Number(s)
66.456

Name of Federal Program or Cluster:
National Estuary Program

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

Section II – Financial Statement Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

None noted.

Association of Bay Area Governments
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2018

The prior year audit did not disclose any findings or questioned costs required to be reported in accordance with Uniform Guidance.

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