

November 19, 2020

Management of the ABAG Finance Authority for Nonprofit Corporation
C/o Brian Mayhew, Chief Financial Officer
ABAG Finance Authority for Nonprofit Corporation
375 Beale Street, Suite 700
San Francisco, California 94105

Management of the ABAG Finance Authority for Nonprofit Corporation,

In planning and performing our audit of the financial statements of the ABAG Finance Authority for Nonprofit Corporation ("ABAG FAN") as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered ABAG FAN's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ABAG FAN's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of ABAG FAN's internal control. Matters communicated in this letter are classified as follows.

- Deficiency – A control deficiency 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.
- Significant deficiency – A deficiency, or 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.
- Material weakness – A deficiency, or 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control that we are required to or wish to communicate to you.

This communication is intended solely for the information and use of the members of the Executive Committee of ABAG FAN, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

ABAG FAN's written response to the deficiencies identified in our audit was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Crowe LLP

San Francisco, California
November 19, 2020

Cc: Therese McMillan, Executive Director

DRAFT

Proper Coding of Vendor Invoices

Classification:

Deficiency

Applicable Entities:

Bay Area Infrastructure Financing Authority (BAIFA) and ABAG Financing Authority for Nonprofit Corporations (ABAG FAN)

Observation:

MTC centrally performs the accounting and financial reporting for several entities, including BAIFA and ABAG FAN. Invoices processed should be reviewed for completeness and accuracy and recorded in the appropriate entity for which goods or services were provided. During our audit, we reviewed legal expenses and noted an invoice in the amount of \$62,000 that was related to ABAG FAN but was incorrectly charged to BAIFA.

Impact:

The vendor regularly performs work for both BAIFA and ABAG FAN and clearly documented the services performed were for the benefit of ABAG FAN. However, the reviewers of the invoice inadvertently miscoded the expense, as the vendor does perform other legal services for BAIFA. In a centralized accounting environment for several entities with vendors who likewise perform services across multiple departments, there is an increased risk of miscoding of expenses when detailed reviews are not performed on invoices provided.

Recommendation:

We recommend that management strengthen their internal controls over the review of invoices particular to vendors who perform multiple services benefiting more than one entity. The accuracy of such reviews has become increasingly important as MTC has taken on the administration, accounting and financial reporting for additional entities over time.

Management Response:

The management of the Association of Bay Area Governments (ABAG) Finance Authority for Nonprofit Corporations (FAN) concurs with the finding and recommendation. Management will add an additional layer of review on future invoices.