

Association of Bay Area Governments

Audit Results and Required Communications

November 18, 2021



Dear Members of the Finance Committee of Association of Bay Area Governments,

We are pleased to present our report on the audit of Association of Bay Area Governments (“ABAG”). Our report includes a summary of the audit results and also required auditor communications under professional standards.

Our audit is substantially completed. The remaining open items typical of this stage are the receipt of the management representation letter and standard subsequent event procedures through the date of audit report issuance.

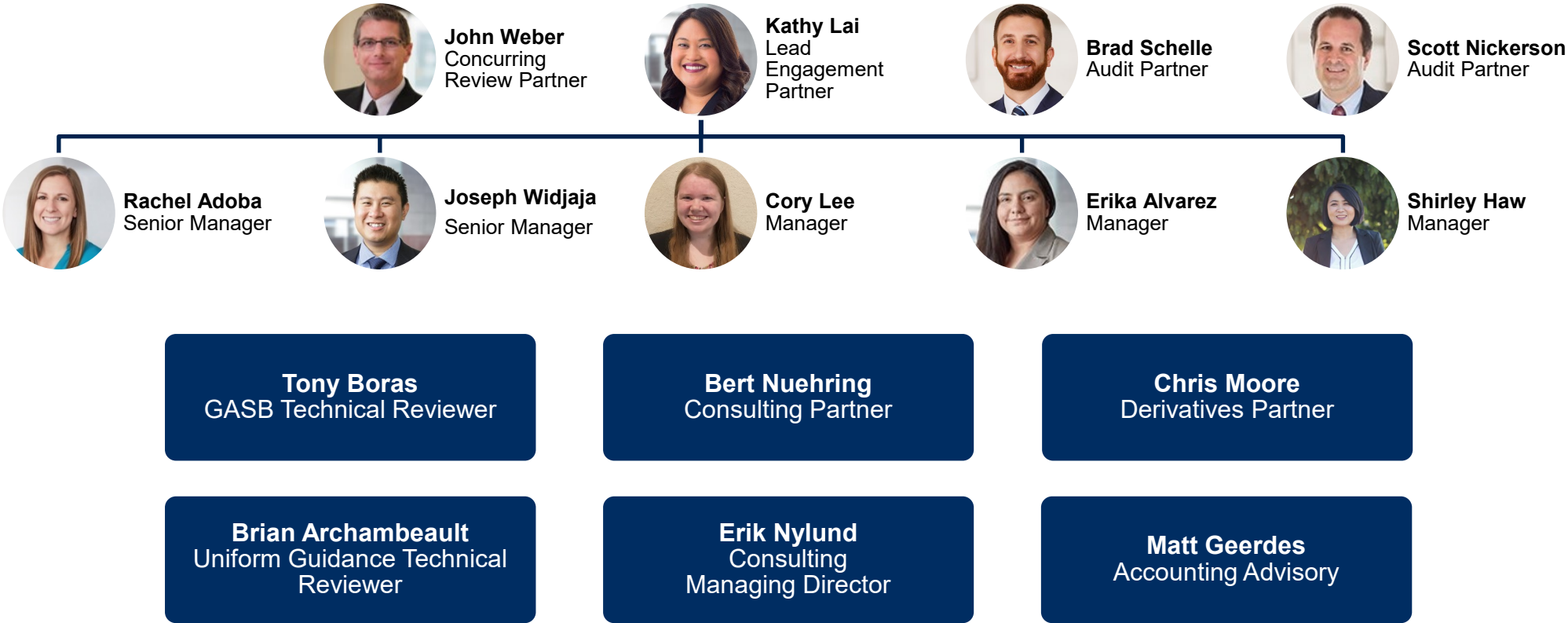
We welcome any questions you or others may have on our audit. Thank you for the opportunity to discuss the audit results.

Sincerely,

A handwritten signature in black ink that reads "Katherine V. Lai".

Katherine V. Lai
Engagement Partner

Client Service Team





Agenda

1

Audit Objectives

2

Audit Results

3

Required
Communications

Audit Objectives



Engagement Objectives

- 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.
- 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.
- Our audit includes consideration of internal controls over financial reporting, but we do not express an opinion on the effectiveness of such internal controls. Our audit includes consideration of internal controls over financial reporting, but we do not express an opinion on the effectiveness of such internal controls. Management is responsible for the design and the effectiveness of internal controls.

Audit Results

Financial Statement Audit Reports



- Independent Auditor's Report on the financial statements as of and for the year ending June 30, 2021.

Entity	Opinion
ABAG	Unmodified

- We did not identify any deficiencies, significant deficiencies, or material weaknesses during our audit.

Other Reporting- Compliance

Uniform Guidance Report (ABAG)

- San Francisco Bay Water Quality Improvement Fund.
- Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance.
 - No federal findings noted.
- Report 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*.
 - No instances of non-compliance or other matters noted.
 - No material weakness noted.



Status of ABAG Prior Year Deficiencies

- Accounting for Grants with Eligible Cost Requirements-
Implemented.



ABAG Current Year Deficiency

Management Review of Reports

Observation

- ABAG is required to submit annual Federal Financial Reports (FFR), quarterly progress reports and Minority Business Enterprise/Women Business Enterprise (MBE/WBE) Utilization Reports to the Environmental Protection Agency (EPA) by prescribed due dates.
- We noted that the FFR was submitted timely and had evidence of an individual preparer and separate reviewer prior to submission to the EPA. However, the first three quarterly progress reports compiled by project managers primarily from information provided by the financial department and partnership managers were subject to review by the grant manager, but such review procedures were not formally documented. For the 4th Quarter report, management documented their review process, noting that the project manager prepares the progress report and the Principal Environmental Planner reviewed and approved the report prior to submission to the EPA.
- In addition, a grant manager prepares and submits the annual MBE/WBE Utilization Report to the EPA by the required due date. However, there was no review by a separate individual prior to submission.
- It should be noted that for the annual FFR, quarterly reports and MBE WBE Utilization Reports inspected all were submitted timely and supported by underlying records.

Recommendation

We recommend that management establish a formal review process over the MBE/WBE Utilization Report submitted to the EPA ensuring proper segregation of duties between the preparer and reviewer. In addition, for quarterly progress reports, we recommend that the reviewer continue to document their review process, underlying supporting documentation inspected and the results of their review prior to submitting reports to the EPA.



ABAG Management Responses to Observation

Management Response FY 21:

The management of the Association of Bay Area Governments (ABAG) concurs with the finding and recommendation. Management established a written procedure to establish and document management review over Performance Reports, Minority Business Enterprise/Women Business Enterprise (MBE/WBE) Utilization Reports, and Federal Financial Reports (FFR) submitted to the United States Environmental Protection Agency (EPA). This procedure is documented in the San Francisco Estuary Partnership (SFEP) project management resources files. The review procedures have been implemented starting with the July 2021 quarterly progress report submittals to EPA.



Required Communications

Required Communications

- Significant Accounting Policies: Those Charged with Governance should be informed of the initial selection of and changes in significant accounting policies or their application. Management has disclosed the summary of significant accounting policies in footnote 1 of each report.
- Management Judgments and Accounting Estimates: Further, accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments.



Required Communications

- Adoption of New Accounting Standards:
 - GASB Statement No. 84, *Fiduciary Activities*
 - *GASB Statement No. 90, Majority Equity Interests*
 - *GASB Statement No. 93, Replacement of Interbank Offered Rates*
 - *Implementation Guide 2019-1 & 2019-2*



Required Communications

- Corrected Misstatements: We did not note any material corrected misstatements that were brought to the attention of management as a result of our audit procedures.
- Uncorrected Misstatements: We did not note any uncorrected misstatements that were brought to the attention of management as a result of our audit procedures.



Required Communications

We did not note:

- Significant Accounting Policies in Controversial or Emerging Areas
- Significant Unusual Transactions
- Significant Difficulties Encountered during the Audit
- Disagreements with Management
- Consultations with Other Accountants
- Significant Related Party Findings and Issues
- Independence matters



Questions?



Thank You

Katherine V. Lai, CPA, CGMA

Partner

Kathy.Lai@crowe.com

<https://www.linkedin.com/in/kathylaicpa/>

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