

Management of the Association of Bay Area Governments  
c/o Brian Mayhew, Chief Financial Officer  
Association of Bay Area Governments  
375 Beale Street  
San Francisco, California 94105

Management of the Association of Bay Area Governments,

In planning and performing our audit of the financial statements of the business-type activities, the major fund, and the aggregate remaining fund information of the Association of Bay Area Governments ("ABAG") as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we considered ABAG'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of ABAG'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 or significant deficiencies, 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 Board of ABAG, management, and others within the organization, and governmental granting agencies and is not intended to be and should not be used by anyone other than these specified parties.

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

ABAG'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.

San Francisco, California  
November \_\_, 2021

cc: Therese McMillan, Executive Director

## **Management Review of Reports**

### **Classification:**

Deficiency

### **Applicable Entities:**

ABAG

### **Observation:**

The United States Environmental Protection Agency (EPA) awarded a federal grant, the San Francisco Bay Water Quality Improvement Fund, to ABAG for the improvement of water quality and restoration of aquatic habitat (i.e. wetlands) in the San Francisco Bay and its watersheds. The grant agreement and related amendments require ABAG to submit annual Federal Financial Reports (FFR), quarterly progress reports and Minority Business Enterprise/Women Business Enterprise (MBE/WBE) Utilization Reports to the EPA by prescribed due dates.

We noted that the annual 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 4<sup>th</sup> 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 the annual FFR, quarterly reports and MBE WBE Utilization Reports inspected all were submitted timely and supported by underlying records.

### **Impact:**

Lack of formal review and documented assessment of the grant reports may lead to unidentified errors prior to submission to the grantor.

### **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.

### **Management Response:**

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.