

**SAN FRANCISCO MUNICIPAL
TRANSPORTATION AGENCY
PROJECT 09BFP12 & 12R19**

**INDEPENDENT AUDITOR'S
REPORTS AND SCHEDULE OF
EXPENDITURES OF TRANSPORTATION
FUND FOR CLEAN AIR PROGRAM
REGIONAL FUND PROJECTS**

PROJECT PERIOD ENDED JUNE 30, 2015

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

TRANSPORTATION FUND FOR CLEAN AIR PROGRAM REGIONAL FUND

TABLE OF CONTENTS

	<u>PAGE</u>
FINANCIAL SECTION	
INDEPENDENT AUDITOR’S REPORT	1
SCHEDULE OF EXPENDITURES OF PROJECTS	3
NOTES TO THE SCHEDULE OF EXPENDITURES OF PROJECTS	4
OTHER INDEPENDENT AUDITOR’S REPORT	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Schedule of Expenditures of Projects Performed in Accordance with <i>Government Auditing Standards</i> and Requirements of Section 44241 of the California Health and Safety Code	5
FINDINGS AND RECOMMENDATIONS SECTION	
SCHEDULE OF FINDINGS	7

INDEPENDENT AUDITOR'S REPORT

**Board of Directors
San Francisco Municipal Transportation Agency
San Francisco, California**

**Board of Directors
Bay Area Air Quality Management District
San Francisco, California**

Report on the Schedule

We have audited the accompanying Schedule of Expenditures of Projects (Schedule) of the San Francisco Municipal Transportation Agency's (SFMTA) Transportation Fund for Clean Air (TFCA) Program Regional Fund Projects for the project period ended June 30, 2015, and the related notes to the Schedule.

Management's Responsibility for the Schedule

Management is responsible for the preparation and fair presentation of the Schedule in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Schedule based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Schedule referred to above presents fairly, in all material respects, the expenditures of the projects of the SFMTA's TFCA Program for the project period ended June 30, 2015, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the accompanying Schedule of Expenditures of the SFMTA's TFCA funding is intended to present the expenditures attributable to the transactions of the SFMTA's TFCA funding. The Schedule does not purport to, and does not present fairly the changes in financial position of the SFMTA for the year ended June 30, 2015, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2016, on our consideration of the SFMTA's internal control over financial reporting pertaining to the SFMTA's TFCA Program and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the SFMTA's internal control over financial reporting and compliance.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

August 11, 2016

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

TRANSPORTATION FUND FOR CLEAN AIR PROGRAM REGIONAL FUND

SCHEDULE OF EXPENDITURES OF PROJECTS FOR THE PROJECT PERIOD ENDED JUNE 30, 2015

<u>Project Description</u>	<u>TFCA Project Number</u>	<u>TFCA Project Allocation</u>	<u>Final Project Expenditures through 6/30/15</u>
San Francisco Municipal Transportation Agency			
San Francisco Citywide Bicycle Racks Installation	09BFP12	<u>\$ 83,760</u>	<u>\$ 83,760</u>
Shuttle operations	12R19	<u>\$ 122,000</u>	<u>\$ 122,000</u>

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

TRANSPORTATION FUND FOR CLEAN AIR PROGRAM REGIONAL FUND

NOTES TO THE SCHEDULE OF EXPENDITURES OF PROJECTS FOR THE PROJECT PERIOD ENDED JUNE 30, 2015

1. PROGRAM DESCRIPTION

Health and Safety Code Sections 44223 and 44225 authorize a surcharge on the motor vehicle registration fee (surcharge) to be used by the Bay Area Air Quality Management District (Air District) and local governments specifically for programs to reduce air pollution from motor vehicles. The Department of Motor Vehicles collects the surcharge and allocates the amounts to the Air District. The Air District administers these funds through the Transportation Fund for Clean Air (TFCA) Program. Under the TFCA Program, money is allocated to two funds: (1) 60% is placed in the Regional Fund and allocated to agencies on a competitive basis by the Air District and (2) 40% is placed in the Program Manager Fund and allocated to designated agencies. Allowable projects under Health and Safety Code Section 44241 include the following:

- Ridesharing program
- Purchase or lease of clean fuel school and transit buses
- Feeder or shuttle bus service to rail and ferry stations and airports
- Arterial traffic management
- Demonstrations in congestion pricing of highways, bridges, and public transit
- Rail bus integration and regional transit information systems
- Low emission vehicle projects
- Bicycle facility improvement projects
- Physical improvements that support "Smart Growth" projects

Relationship to the San Francisco Municipal Transportation Agency's Basic Financial Statements

The accompanying Schedule of Expenditures of Projects (Schedule) represents only the TFCA Program Regional Funds allocated to the San Francisco Municipal Transportation Agency (SFMTA) for certain projects and is not intended to present fairly the financial position and changes in financial position of the SFMTA in conformity with accounting principles generally accepted in the United States of America.

2. PROJECTS

The projects in the Schedule are two of many projects funded through the Regional Fund, and represents projects completed between July 1, 2014, and June 30, 2015. The Air District considers a project to be completed when the Air District accepts the final report from the project sponsor. Projects may have started several years earlier.

3. BASIS OF ACCOUNTING

The TFCA Program funds are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting, expenditures are recorded in the accounting period in which the liability is incurred. Expenditures as noted in the Schedule represent only the amount funded by the Air District. Expenditures of matching and other funding sources are not included on the Schedule.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF THE SCHEDULE OF EXPENDITURES OF PROJECTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
AND REQUIREMENTS OF SECTION 44241 OF
THE CALIFORNIA HEALTH AND SAFETY CODE**

Independent Auditor's Report

**Board of Directors
San Francisco Municipal Transportation Agency
San Francisco, California**

**Board of Directors
Bay Area Air Quality Management District
San Francisco, California**

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 accompanying Schedule of Expenditures of Projects (Schedule) of the San Francisco Municipal Transportation Agency's (SFMTA) Transportation Fund for Clean Air (TFCA) Program Regional Fund Projects for the project period ended June 30, 2015, and the related notes to the Schedule, and have issued our report thereon dated August 11, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the Schedule, we considered the SFMTA'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 opinion on the Schedule, but not for the purpose of expressing an opinion on the effectiveness of the SFMTA's internal control. Accordingly, we do not express an opinion on the effectiveness of the SFMTA'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 Schedule 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. 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 the SFMTA's Schedule is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including Section 44241 of the California Health and Safety Code, noncompliance with which could have a direct and material effect on the determination of Schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit of the Schedule, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings.

The SFMTA's response to the compliance finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the SFMTA's response and, accordingly, we express no opinion on it.

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 SFMTA'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 SFMTA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



GILBERT ASSOCIATES, INC.
Sacramento, California

August 11, 2016

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

TRANSPORTATION FUND FOR CLEAN AIR PROGRAM REGIONAL FUND

SCHEDULE OF FINDINGS FOR THE PROJECT PERIOD ENDED JUNE 30, 2015

COMPLIANCE FINDING

Project 12R19

Finding 2015-001:

According to the funding agreement between the Air District and San Francisco Municipal Transportation Agency (SFMTA), the Semi-Annual Report was due no later than April 15, 2014. We noted that the semi-annual report was not submitted until May 9, 2014.

Management Response:

Management agrees with the auditor's finding. SFMTA submitted its April 2014 semi-annual report on May 9, 2014, which was 24 days late. The assigned SFMTA reporting manager was out on an extended and unscheduled medical leave at the time the report was due. The unexpected departure did not allow for sufficient notice to properly brief other support staff. The report was submitted immediately when notified by the Air District.

The SFMTA has reviewed and updated its internal procedures to ensure that in the future when staff are absent, other staff will be notified and delegated responsibility for meeting required due dates.