



AGENDA

Independent Taxpayer Oversight Committee (ITOC)

July 26, 2018 – 10:00 AM

801 12th Street – Floor 5 • Sacramento, California 95814

Voting Members:	Joan Borucki, Chair Robert Holderness (alternate) Beth Tincher
Ex-Officio Members:	Joyce Renison (Sacramento County Auditor-Controller designee) Norman Hom - STA Executive Director
Staff:	Tim Jones, STA

1. Call to order
2. Approve minutes from June 28, 2018 ITOC meeting
3. Presentation of the Audit Engagement Letter (hardcopy will be distributed at meeting)
4. Financial Audit Entrance Conference
5. Discuss updated performance standards (hardcopy will be distributed at meeting)
6. Neighborhood Shuttle Update
7. Summary of Board Discussion
8. Comments from the public

Agenda Item #2

Meeting Minutes

To: ITOC Committee Members

From: Tim Jones, ITOC Staff

Date: July 26, 2018

Re: June 28, 2018 ITOC Meeting Minutes

Attendees:

Joan Borucki – Chair, Beth Tincher, Robert Holderness (alternate) – voting members

Joyce Renison, and Norman Hom (absent) – ex-officio members

Meeting called to order at 4:20 pm and adjourned at 5:20 pm

Agenda Item #2

- Reviewed and approved the May 24, 2018 meeting minutes. No comments.

Agenda Item #3

- Reviewed and approved 3rd quarter FY 2017-18 Capital Status Reports. No comments requiring follow-up or corrections.

Agenda Item #4

- Reviewed and approved 3rd quarter Ongoing Measure A Status. Discussion items:
 - Negative fund balance reported for Citrus Heights (agency) street and road maintenance. The agency reported a positive fund balance in its records because roughly \$1.2 million in Old Measure A fund balance was rolled into the New Measure A fund balance (co-mingled). Because of the variance, STA staff worked with agency staff to resolve the difference. To do so, Citrus Heights removed expenditures charged to the New Measure A program during fiscal years 2009-10 and 2010-11 and instead charged them to the Original Measure A program. In doing so, this reduced the overall New Measure A program expenditures, effectively increasing the agency's fund balance and allowing STA and the agency to reconcile. This effort was completed June 29, 2018.

- The Neighborhood Shuttle program has been accumulating funds at the rate of \$1 million per year since the New Measure A program started. As such, the program has a fund balance of about \$9 million. None of that money had been spent until recently when the Neighborhood Shuttle program began service. Regional Transit and Sacramento Area Council of Government's Civic Lab (moving youth to jobs) are the recipients of grant funding for a pilot program slated to be funded with Measure A money through July 2021. Grant funding began flowing in June 2018.

Agenda Item #5

- The Performance Standards continue to be a work in process. The committee agreed that representatives from all program partners should be invited to provide input as they are updated. This effort is planned for this summer.

Agenda Item #6

- Staff presented the committee with the adopted budget. The financial tables had been presented in the committee's May meeting and did not change materially. Therefore, this meeting was an opportunity to discuss the remainder of the document. There were no substantive comments.

Agenda Item #7

- No comments.

Agenda Item #8

- Terri Kletzman, a public member who is a potential Board Chair designee (ex-officio member) of the committee, observed the meeting. No other public members were present.



Sacramento Transportation Authority

2018 Client Service Plan

July 26, 2018



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Crowe's Client Service Team

Role	Name	Phone	Email	Definition of Role
Audit Partner	Jeff Jensen	916.492.5162	jeff.jensen@crowe.com	Jeff is the engagement partner in-charge who will oversee the quality of the overall audit experience and is responsible for signing the reports. Jeff will have responsibility for the overall performance of our people and for the timely completion of our audit work.
Technical Advisory Partner	Kathy Lai	714.668.5376	kathy.lai@crowe.com	Kathy will provide technical assistance to the engagement team. Kathy will also be a part of the quality assurance effort as a report reviewer.
Quality Control	Tony Boras	630.706.2053	tony.boras@crowe.com	Tony is a member of our Quality Control (APP) practice. His role is to provide the final quality control review of the draft CAFR report.
Audit Manager	Rachel Adoba	714.668.5376	rachel.adoba@crowe.com	Rachel will oversee the execution of the audit and will be responsible for direct communication with STA regarding the status of the audit progress as well as supervising the engagement senior and staff. Rachel will report directly to Jeff.
Audit Senior	Drew Sakauye	916.266.9545	drew.sakauye@crowe.com	Drew will senior / in-charge daily fieldwork. Drew will supervise the audit staff assigned to the engagement and report directly to Rachel and Jeff.

Crowe's Services and Deliverables

We are committed to providing you with the highest level of professional service and to exceeding your expectations. We wish to ensure that we have an understanding of the services we are to perform and the deliverables that we are to provide.

Service	Deliverable
Audit of STA's financial statements for the year ending June 30, 2018	<ul style="list-style-type: none">• Comprehensive Annual Financial Report (CAFR)• SAS 114 Required Communications Letter
Agreed Upon Procedures in connection with the Transportation Expenditure Agreements for Measure A, the Sacramento Abandoned Vehicle Service Authority (SAVSA) and Sacramento Countywide Transportation Mitigation Fee Program (SCTMFP) for the year ending June 30, 2018	Agreed Upon Procedures Report

Audit Timeline

To ensure we appropriately understand your expectations regarding the time frames for delivery and completion of our services, we wish to discuss with you the following draft timeline we have prepared.

Activity	Planned Date
Audit Planning Meeting with Management	July 2018
Planning Meeting with Independent Taxpayer Oversight Committee (ITOC)	July 26, 2018
Interim Fieldwork <ul style="list-style-type: none"> • Internal Controls <ul style="list-style-type: none"> ○ Entity Level Controls / Financial Close and Reporting ○ Account Specific Controls <ul style="list-style-type: none"> ▪ Cash Receipts ▪ Cash Disbursements ▪ Payroll ▪ Reconciliation controls ▪ IT 	August 2018
Year-end Fieldwork	Week of September 24
Finalize Comprehensive Annual Financial Report (CAFR)	November 2018
Conduct Meeting with ITOC	December 2018
Conduct Meeting with STA Governing Board	December 2018

Audit Planning Communications

To the Independent Taxpayer Oversight Committee
Sacramento Transportation Authority
Sacramento, California

Professional standards require that we communicate certain matters to keep you adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. We communicate such matters in this report.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

Our responsibility is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. The audit of the financial statements does not relieve you of your responsibilities and does not relieve management of their responsibilities. Refer to our engagement letter with STA for further information on the responsibilities of management and of Crowe LLP.

AUDITOR'S RESPONSIBILITY UNDER GOVERNMENT AUDITING STANDARDS

As part of obtaining reasonable assurance about whether STA's financial statements are free of material misstatement, we performed tests of STA's 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 or disclosures. 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.

- These audits do not relieve management or the ITOC of your responsibilities.
- Our audits are designed to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets.
- These audits include:
 - Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.
 - Obtaining an understanding of internal control over financial reporting, and testing and evaluating the compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.
 - Assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.
 - Communicating significant matters related to the audit to the ITOC.
- Accordingly, our audits are designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe that our audits will accomplish these objectives.
- Our understanding of the terms of the audit engagement are recorded in our engagement letter.

The Audit Planning Process

Our audit approach places a strong emphasis on obtaining an understanding of how STA functions. This enables us to perform an appropriate risk assessment, identify key transaction cycles and audit components, and tailor our procedures to the unique aspects of your business. The development of a specific audit plan will begin by meeting with you and with management to obtain an understanding of business objectives, strategies, risks, and performance.

We will obtain an understanding of internal control to assess the impact of internal control on determining the nature, timing and extent of audit procedures, and we will establish an overall materiality limit for audit purposes. We will conduct formal discussions among engagement team members to consider how and where your financial statements might be susceptible to material misstatement due to fraud or error.

We will use this knowledge and understanding, together with other factors, to first assess the risk that errors or fraud may cause a material misstatement at the financial statement level. The assessment of the risks of material misstatement at the financial statement level provides us with parameters within which to design the audit procedures for specific account balances and classes of transactions. Our risk assessment process at the account-balance or class-of-transactions level consists of:

- An assessment of inherent risk (the susceptibility of an assertion relating to an account balance or class of transactions to a material misstatement, assuming there are no related controls); and
- An evaluation of the design effectiveness of internal control over financial reporting and our assessment of control risk (the risk that a material misstatement could occur in an assertion and not be prevented or detected on a timely basis by STA's internal control).

We will then determine the nature, timing and extent of tests of controls and substantive procedures necessary given the risks identified and the controls as we understand them.

The audit planning process also includes inquiries of the audit committee as to whether it is aware of matters that might be relevant to the audit, including, but not limited to, knowledge of violations or possible violations of laws or regulations and complaints or concerns raised regarding financial reporting matters.

The Concept of Materiality in Planning and Executing the Audit

In planning the audit, the materiality limit is viewed as the maximum aggregate amount of misstatements, which if detected and not corrected, would cause us to modify our opinion on the financial statements. The materiality limit is an allowance not only for misstatements that will be detected and not corrected but also for misstatements that may not be detected by the audit. Our assessment of materiality throughout the audit will be based on both quantitative and qualitative considerations. Because of the interaction of quantitative and qualitative considerations, misstatements of a relatively small amount could have a material effect on the current financial statements as well as financial statements of future periods. At the end of the audit, we will inform you of all individual adjustments that were recorded in the financial statements and all individual unrecorded misstatements (unless they are clearly inconsequential) aggregated by us in connection with our evaluation of our audit test results.

Business, Fraud and IT Controls Risk Factors

During the course of our audit, we make assessments of various business, fraud and IT controls risk factors and tailor our audit procedures such that areas representing higher risk receive appropriate audit emphasis.

Identified Risk Factors: The table below provides a summary of selected risk factors, including selected fraud risk factors, and their potential impact on this year’s audit process. This is not intended to be a complete list of risk factors that you may face. The reason an item may be identified as a risk factor include the possibility that they are a(n):

- Significant Audit Risk Area,
- Fraud Risk Factor,
- IT Controls Risk Factor, or
- Significant Estimate.

Audit Area	Current Developments / Issues
Revenue Recognition and Management Override of Controls <ul style="list-style-type: none"> • Tax revenues 	<ul style="list-style-type: none"> • Discuss fraud risk factors with engagement team. • Obtain an understanding of ITOC’s concerns and expand inquiries related to fraud with management. • Obtain an understanding of revenue recognition policies. • Test journal entries and other adjustments, review accounting estimates and evaluate the business rationale for any significant or unusual transactions.
Long Term Debt	<ul style="list-style-type: none"> • Test accretion and amortization calculations and schedules. • Test principal and interest payments. • Pension and postretirement obligations: Review reasonableness of actuarial estimates and assumptions.
Litigation and Contingencies	<ul style="list-style-type: none"> • Review all contingencies and litigation and related accounting, if applicable. Send confirmations to STA’s attorneys.

**Exhibit A –
Accounting and Auditing Developments**

Accounting and Auditing Developments

New Standard	Summary
<p>GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions</p>	<p>GASB Statement No. 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability, which is the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments. Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan.</p>

Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. The provisions in GASB Statement No. 75 **are effective for fiscal years beginning after June 15, 2017.**

Exhibit B – Client Experience

Client Experience

Why Do Our Clients Choose Crowe?

Clients tell us when our technical expertise, industry knowledge, and applied technology come together, exceptional service and value result. At Crowe LLP, we take pride in our relationships with our clients. Our vision is that our people come to work every day motivated to provide our clients with an exceptional experience in every interaction and to help our professionals maintain objectivity in the delivery of our services.



How Do We Do This?

We have learned from our clients that there are certain attributes important to their overall experience, and each client perceives value differently. To help us meet our clients' expectations, we conduct an engagement survey that allows our clients to evaluate our performance. Proof of this can be found in what our clients say about us, in our client engagement survey results, and through recognition we've received from client experience organizations.

In addition, if a client is faced with a challenge or issue that is unresolvable with their Crowe partner, we encourage clients to contact our dedicated client feedback manager by calling 877.430.3900, or emailing clientfeedback@crowe.com. The client feedback manager works with our clients and Crowe leaders to understand the issue(s), and resolve the situation while ensuring that similar circumstances do not happen again.

Client Engagement Survey Results

Our 2016 client engagement surveys show that Crowe has achieved a 90 percent client engagement index score. According to our survey administrator, PeopleMetrics, our score is 35 points higher than the industry average of 55 percent. An engaged client is one who agrees that it really likes working with us, is likely to continue to work with us, would go out of its way to keep working with us, and will recommend us to its colleagues.

Recent Awards



Crowe received the Customer Engagement Award at the 2017 North American Employee Engagement Awards, which recognizes organizations that execute strategies to make their cultures more customer-centric.



Crowe received the Customer Experience Excellence Award from the Temkin Group in 2016 based on their efforts to improve client experience in a sustainable manner.



Crowe's exceptional client experience team received the Customer Experience Innovation Award from the Customer Experience Professionals Association (CXPA). This is the most prestigious award a company can receive from the CXPA, as it recognizes new practices that improve customer experience, result in strong business impact and advance the field of customer experience for other organizations.



For the fifth year in a row (2015), Crowe has been recognized as one of the five best-performing companies across PeopleMetrics' customer base. In addition, PeopleMetrics' customer base selected two Crowe professionals to be PeopleMetrics Brand Ambassadors.



Crowe and its client experience professionals have been recognized by the Customer Experience Professionals Association (CXPA) as a company that is delivering great experiences to clients and as a "Customer Experience Impact Award" winner.