



Government Relations & Public Affairs Committee

August 19, 2016

Required Communication with Auditors—Statement on Auditing Standards No. 114

Issue: In accordance with the Statement on Auditing Standards (SAS) No. 114, SACOG’s auditors are required to communicate certain matters to those charged with governance of the Agency.

Recommendation: That the Government Relations & Public Affairs Committee receive the auditors’ presentation on the audit process.

Discussion: SAS No. 114 provides a framework for effective communication between auditors and clients in relation to the audit of financial statements. The auditor is required to communicate with those charged with governance those matters related to the financial statement audit that are, in the auditors’ professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Generally, the matters to be communicated include information regarding the auditors’ responsibility under GAAS (Generally Accepted Auditing Standards), the planned scope and timing of the audit, planning and interim activities, year-end fieldwork and audit approach, and new audit and accounting standards effective June 30, 2016.

Our auditors encourage effective two-way communications through face-to-face meetings. These communications can be made to an audit committee or a similar committee designated by the Board to address audit-related matters. In the case of SACOG, the Government Relations & Public Affairs Committee is charged with overseeing administration and financial budget matters, including the audit, and thus is the appropriate Committee to communicate with the auditors.

Therefore, in accordance with SAS No. 114, SACOG’s auditors, Vavrinek, Trine, Day & Company, LLP, will provide a presentation to the Committee.

Approved by:

Mike McKeever
Chief Executive Officer

MM:SN:ts
Attachment

Key Staff: Erik Johnson, Manager of Policy & Administration, (916) 340-6247
Kirk Trost, Chief Operating Officer/General Counsel, (916) 340-6210
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July 11, 2016

To the Board of Directors
Sacramento Area Council of Governments
Sacramento, California

We are engaged to audit the financial statements of the governmental activities and each major fund of Sacramento Area Council of Governments (SACOG) for the year ended June 30, 2016. Professional standards require that we provide you with the following information related to our audit. We would also appreciate the opportunity to meet with you to discuss this information further since a two-way dialogue can provide valuable information for the audit process.

Our Responsibilities under U.S. Generally Accepted Auditing Standards, *Government Auditing Standards* and the Uniform Guidance.

As stated in our engagement letter dated July 11, 2016, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we will consider SACOG's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We will also consider internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether SACOG's financial statements are free of material misstatement, we will perform tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also in accordance with the Uniform Guidance, we will examine, on a test basis, evidence about SACOG's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on SACOG's compliance with those requirements. While our audit will provide a reasonable basis for our opinion, it will not provide a legal determination on SACOG's compliance with those requirements.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to (1) Management's Discussion and Analysis, (2) GASB required supplementary pension and other postemployment benefit information, and (3) Budgetary Comparison Information, which supplements the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

We have been engaged to report on the (1) Schedule of expenditures of federal awards, (2) Schedule of Revenues and Expenditures – Board of Directors and Advocacy – Budget and Actual, and (3) Schedule of Indirect Service Costs, which accompany the financial statements but are not RSI. Our responsibility for this supplementary information, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

We have not been engaged to report on (1) the Introductory Section or (2) the Statistical Section, which accompany the financial statements but are not RSI. Our responsibility with respect to this other information in documents containing the audited financial statements and auditor’s report does not extend beyond the financial information identified in the report. We have no responsibility for determining whether this other information is properly stated. This other information will not be audited and we will not express an opinion or provide any assurance on it.

Planned Scope, Timing of the Audit, and Other

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

We will make reference to other auditor’s audits of the STA and LTF special revenue funds in our report on the financial statements.

If you are aware of matters that have a material bearing on the financial statements taken as a whole (such as those described above in items 1-4), please contact me at (916) 570-1880 or by email at dshowalter@vtdcpa.com by October 1, 2016.

We expect to begin our audit in July, 2016 and issue our report on approximately December 2016. David Showalter, CPA is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

This information is intended solely for the use of SACOG Board of Directors and management of SACOG and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



David E. Showalter, Partner
Vavrinek, Trine, Day & Co., LLP