



## Government Relations & Public Affairs Committee

November 13, 2012

### 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:** No board action is needed. Since the auditors will be unavailable to make a presentation at the Government Relations & Public Affairs Committee (GRPA), the committee will receive and file the auditors' process letter as their "during the audit" communication.

**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, 2012, and June 30, 2013.

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. Although the auditors are not available to attend this Committee meeting, management will meet with the auditors to convey any questions or input from the Committee.

This is a receive and file item and SACOG board action is not necessary. The final audit reports will be issued no later than December 31, 2012 and the auditors will meet with the committee following conclusion of the audit.

Approved by:

Mike McKeever  
Chief Executive Officer

MM:DG:ef

Attachment

Key Staff: Kirk Trost, Chief Operating Officer/General Counsel, (916) 340-6210  
David Ghiorso, Finance Manager, (916) 340-6258



October 30, 2012

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

We are engaged to audit the financial statements of the governmental activities and each major fund of the Sacramento Area Council of Governments (SACOG) for the year ended June 30, 2012. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibilities Under U.S. Generally Accepted Auditing Standards and OMB Circular A-133**

As stated in our engagement letter dated June 7, 2012, 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 (GAAP). 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 OMB Circular A-133.

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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also in accordance with OMB Circular A-133, 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) Circular A-133 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.

**Planned Scope and Timing of the Audit**

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 communicate our significant findings at the conclusion of the audit. We will also communicate any internal control related matters that are required to be communicated under professional standards.

If you or the Board is 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](mailto:dshowalter@vtdcpa.com) by November 15, 2012.

We expect to issue our reports no later than December 31, 2012.

This information is intended solely for the use of the 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,

A handwritten signature in black ink that reads "David E. Showalter". The signature is written in a cursive style with a long horizontal flourish extending to the right.

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

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