

Independent Accountants' Report on Applying Agreed-Upon Procedures

San Francisco Municipal Transportation Agency (SFMTA)
Bond Oversight Committee and SFMTA Board of Directors
City and County of San Francisco, California:

We have performed the procedures enumerated in the Attachment, which were agreed to by San Francisco Municipal Transportation Agency (SFMTA), on SFMTA's sources and uses of funds related to bond series 2012A, 2012B, 2013, 2014, and 2017 for the year ended June 30, 2017. SFMTA's management is responsible for SFMTA's sources and uses of funds related to bond series 2012A, 2012B, 2013, 2014, and 2017 for the year ended June 30, 2017. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated in the Attachment, either for the purpose for which this report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on SFMTA's uses and sources of funds related to bond series 2012A, 2012B, 2013, 2014, and 2017 for the year ended June 30, 2017. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of City and County of San Francisco Board of Supervisors, SFMTA Board of Directors, SFMTA Bond Oversight Committee, SFMTA management, and others within SFMTA, and is not intended to be and should not be used by anyone other than the specified parties.

(signed) KPMG LLP

San Francisco, California
December __, 2017

Attachment

Procedures and Results:

1. For the sample items selected in procedure c. below, confirm that debt proceeds and interest income have been recorded in the accounting system solely for uses, purposes, and projects authorized in the authorizing resolution by performing the following procedures:
 - a. We obtained the following documentation related to City and County of San Francisco (CCSF) and San Francisco Municipal Transportation Agency (SFMTA) guidelines, procedures, and authorizations to use as a basis of determining that the debt proceeds and interest income were recorded correctly in procedure 2 below:
 - Board of Supervisors (BOS) Resolutions for Series 2012A, 2012B, 2013, 2014 and 2017 bonds and Municipal Transportation Agency Board (MTAB) Resolutions for Series 2012A, 2012B, 2013, 2014, and 2017 bonds
 - SFMTA Procurement Procedures
 - CCSF Accounting Policies and Procedures
 - Capital Funding Recommendations
 - b. We obtained and reviewed the following bond resolutions that describe management's intention of the bond proceeds and interest income for the source, intended use, and expenditure and balances of bond revenue to use as a basis of determining that the debt proceeds and interest income were recorded correctly in procedure 2 below:
 - The SFMTA Board of Directors Resolutions 11-150, 13-205, and 16-044 resolving to issue Series 2012A, 2012B, 2013, 2014, and 2017 revenue bonds for the purpose of financing (as capital projects) the cost of transportation projects.
 - The SFMTA Board of Directors Resolutions 11-127, 13-206, and 16-044, which allow SFMTA to be reimbursed for costs for the above range of capital projects from the proceeds of revenue bond Series 2012A, 2012B, 2013, 2014, and 2017.
 - CCSF Board of Supervisors Resolutions 120-12, 337-13, and 231-16 authorizing the issuance of Series 2012A, 2012B, 2013, 2014, and 2017 bonds in concurrence with the resolutions passed by the SFMTA Board of Directors.
 - CCSF Board of Supervisors Resolutions required to appropriate the revenue collected from the bond issuances for the various capital projects to be undertaken by the Department of Public Works (DPW) on behalf of SFMTA.
 - c. We selected a sample of 65 expenditures from the general ledger detail (EIS data), including a sample of trustee payments that included debt principal and interest amounts, and performed the agreed upon procedures listed in procedure 2 to determine whether the sources were used solely for uses, purposes, and projects authorized in the authorizing resolutions noted above.

Results: No exceptions were noted as a result of applying these procedures.

2. *For a sample of transactions, perform the following procedures with respect to uses, expenditures, encumbrance, and balances for the year ending June 30, 2017:*
 - a. Validate that uses are solely for purposes per authorizing resolution and applicable laws
 - b. Validate that project expenditures and encumbrances are for authorized capital projects

Attachment

- c. Validate that transactions are properly supported based on City and Departmental policies and are processed in accordance with SFMTA's internal procedures
- d. Validate if the trustee payments for debt service are according to terms, amounts are correct, and due dates have been met
- e. Validate if bond balances reported are correct and trace to supporting records

(A) We selected a sample of 65 transactions from the EIS data noted below, split as follows:

- 25 expenditures with the high-dollar amounts
- 15 assorted expenditures for small-dollar amounts
- 15 interdepartmental charges
- 5 budget (funding) transfers between projects
- 5 trustee payments

We obtained the general ledger detail (EIS data) related to bond series 2012A, 2012B, 2013, 2014, and 2017 from management of all transactions recorded related to the aforementioned bond series. We selected the 25 highest dollar amounts by filtering the transaction amount in the detail from highest to smallest. Then, we selected 15 additional expenditures that were not within the highest dollar amounts.

We obtained separate work order files related to bond series 2012A, 2012B, 2013, 2014, and 2017 from management that included GL accounts 431 and 423. The work order file containing the GL code 423 was organized by transaction type and description. We selected the 15 interdepartmental charges from the work order file that contained GL 431. We used the second work order file with GL 423 and selected 5 budget (funding) transfers between projects with transaction type of "budget setup" with description of 'project funding'.

We obtained a listing of all bond debt service payments to trustee related to bond series 2012A, 2012B, 2013, 2014, and 2017 from management. We selected five payments from this listing.

(B) We tested the samples according to the procedures described above as follows:

High-dollar amounts and assorted smaller-dollar expenditures (Sample Size 40) Sample numbers 1-40 (Steps 2a-c noted above). For samples #1-40 listed below, we validated:

- The uses of funds were for expenditures solely for purposes per authorization resolution and applicable laws by comparing the project description on the approved invoice and encumbrance payment provided by management to the respective bond authorization and resolution provided by management.
- The project expenditures and encumbrances were for authorized capital projects by obtaining the approved invoice and Certificate of Progress Payment that was signed by the project manager and contract administrator provided by management.
- The transactions were properly supported based on City and Departmental policies in accordance with SFMTA's internal procedures by obtaining the approved invoice, encumbrance payment request form, the general ledger screen shot showing the amount paid prior to reimbursement, Certificate of Progress Payment, request for progress payment memorandum, and bank statement from management. We also agreed the amount per the progress payment memorandum to the amount in the encumbrance payment request form for each selection. Then, we agreed the amounts per the progress payment report to the respective bank statement

Attachment

- For samples #1, #12, #15, #29-31, #33-37, and #39, progress payment reports were not provided because they were not direct construction costs. We used the FAMIS payment screenshot from the general ledger system to compare the payment date to the respective bank statement. We also agreed the date of payment on the bank statement to the 30-day payment rule per CCSF's Prompt Payment Guideline. For samples #29-30, and #37, the 30-day payment rule did not apply because these payments were one-time payments in the accounts payable system.

We further noted the following:

- Sample #3 was not paid because the payment related expenditure was canceled. We inspected the Notice of Cancellation issued by Insurance Services Office, Inc with an effective date of June 1, 2017 as well as the cancellation journal entry posted June 2, 2017 and noted that the aggregate amount accounted for in the journal entry matches the original expense.
- Sample #28 had a 68 day lag between the invoice receipt date of December 7, 2016 and the bank post date of February 13, 2017. The invoice was approved for payment, however, the Controller's Office issued a stop payment on the contractor (payee) due to noncompliance by the contractor. The payment was not released until the lien was cleared. We reviewed the original encumbrance payment request form (signed and approved), the stop notice issued by the Controller's office to the contractor, and stop payment release notice.
- Sample #29 did not have a progress payment because it was an internal work order. The work order was billed between SFMTA and another CCSF department. We verified the approved work authorization form in lieu of the proof of payment.
- Samples #33 – 36, and #39 did not have progress payments because they were related to salaries and overhead charges. We obtained one personnel's timesheet and payroll register for each labor distribution transaction for the work performed for the salary related item. Samples #34 and #39 were related to overhead charge and agreed the rate charged per time sheet to approved fiscal year 2017 Overhead Allocation Rate. We also recalculated the overhead amount.

<u>Sample #</u>	<u>Project name</u>	<u>Project title</u>	<u>Transaction type</u>	<u>Transaction</u>
1(**)	Procurement of Light Rail Vehicles	PROCUREMENT OF NEW LRV-CT MOD 3 ASE	High Dollar Value	\$ 5,614,049.08
2(**)	Islais Creek Phase II Improvements	ISLAIS CREEK-PHASE II-CONST-CT-13A	High Dollar Value	2,266,728.38
3	Van Ness Bus Rapid Transit Project	VAN NESS BUS RAPID TRANS-CONST-2017BONDS	High Dollar Value	2,238,545.36
4	Van Ness Bus Rapid Transit Project	VAN NESS BUS RAPID TRANS-CONST-2017BONDS	High Dollar Value	2,238,545.36
5	Van Ness BRT	VAN NESS BRT-CON-CT/PO/PROF SVC-13A	High Dollar Value	2,138,335.05

Attachment

Sample #	Project name	Project title	Transaction type	Transaction
6	C3 Blue Light Emergency Phone Replacement	CENTRAL CNTR&COMM(C3)-SEG3 CP-CON CT-14A	High Dollar Value	\$ 1,984,626.85
7	Islais Creek Phase II Improvements	ISLAIS CREEK-PHASE II- CONST-CT-13A	High Dollar Value	1,507,153.00
8	Islais Creek Phase II Improvements	ISLAIS CREEK-PHASE II- CONST-CT-13A	High Dollar Value	1,485,941.00
9	Islais Creek Phase II Improvements	ISLAIS CREEK-PHASE II- CONST-CT-13A	High Dollar Value	1,482,824.00
10	Radio Replacement	RADIO RPLCMNT/RAIL COMM(CNSTR)CONTR- 14A	High Dollar Value	1,450,183.00
11	Islais Creek Phase II Improvements	ISLAIS CREEK-PHASE II- CONST-CT-13A	High Dollar Value	1,341,270.00
12	Procurement of Light Rail Vehicles	PROCUREMENT OF NEW LRV-CT MOD 3 BASE	High Dollar Value	1,330,900.00
13	Islais Creek Phase II Improvements	ISLAIS CREEK-PHASE II- CONST-CT-13A	High Dollar Value	1,325,343.60
14	Islais Creek Phase II Improvements	ISLAIS CREEK-PHASE II- CONST-CT-13A	High Dollar Value	1,223,789.72
15(**)	Procurement of Light Rail Vehicles	PROCUREMENT-NEW LRVS CP PROCUREMENT CT	High Dollar Value	1,145,021.49
16	Islais Creek Phase II Improvements	ISLAIS CREEK-PHASE II- CONST-CT-13A	High Dollar Value	1,112,440.00
17	Muni Metro Twin Peaks Tunnel Rail Replacement	TWIN PK TN RL RP(CP)CONST CONT-REV BOND2	High Dollar Value	1,012,233.02
18(*)	Masonic Avenue Streetscape	2370J-CONSTRUCTION	High Dollar Value	693,818.95
19	Muni Metro Twin Peaks Tunnel Rail Replacement	TWIN PK TN RL RP(CP)CONST CONT-REV BOND2	High Dollar Value	513,734.45
20(*)	33 Stanyan Overhead Replacement Project Phase I	2127J-CONSTRUCTION	High Dollar Value	390,772.05
21	Muni Metro Twin Peaks Tunnel Rail Replacement	TWIN PK TN RL RP(CP)CONST CONT-REV BOND2	High Dollar Value	372,153.47
22	Muni Metro Sunset Tunnel Rail Rehabilitation	SUNSET TUNNEL RAIL REHAB-CP- CONT_13ABOND	High Dollar Value	342,313.20
23(*)	Parking Garage Project – Japan Center Garage Ventilation	8008A-ALPHA BAY BUILDERS	High Dollar Value	338,488.74
24	Parking Garage Projects – Condition Assessment, Waterproofing & Ventilation	8008A-ALPHA BAY BUILDERS	High Dollar Value	336,530.74

Attachment

Sample #	Project name	Project title	Transaction type	Transaction
25	Parking Garage Project – Japan Center Garage Ventilation	8008A-ALPHA BAY BUILDERS	High Dollar Value	\$ 305,658.70
26	Islais Creek Phase II Improvements	ISLAIS CREEK-PHASE II- CONST-CT-14A	Small Assorted Expenditures	249,729.40
27	Operator Convenience Facilities Phase II	OPERATOR CONV FAC PH2 CONS-PROCURMNT 14A	Small Assorted Expenditures	189,091.73 91,168.13
28	Transit Spot Improvement – Columbus Bus Bulbs	COLUMBUS/UNION TRANSIT BULB-CON-CT- 14A	Small Assorted Expenditures	
29	Parking Garage Project – Lombard Garage Waterproofing	8026A-DBI PERMIT FEES	Small Assorted Expenditures	49,427.43
30	Broadway Chinatown Streetscape	1075J-W/A ARTS	Small Assorted Expenditures	18,157.00
31	Safe Routes to School Projects: Tenderloin	2176J-W/A TO PUC	Small Assorted Expenditures	12,409.95
32	Lombard Street Safety Project	2532J-CONSULTANT	Small Assorted Expenditures	6,824.25
33	9th and Division Improvements	2661J-BOE LABOR	Small Assorted Expenditures	4,545.55
34	Parking Garage Project – Lombard Garage Waterproofing	8026A-DBI PERMIT FEES	Small Assorted Expenditures	4,177.91
35	Safe Routes to School Projects: Denman	686D62 DENMAN SRTS 2014 REVENUE BOND	Small Assorted Expenditures	3,750.96
36	Lombard Street Safety Project	2532J-BOE LABOR	Small Assorted Expenditures	3,571.80
37	7th and 8th Street Streetscape	0313F – BUF N.LABOR	Small Assorted Expenditures	3,393.61
38	Polk Street Signal Upgrade	2126J-CONSTRUCTION	Small Assorted Expenditures	3,220.82
39	M-Ocean View Track Replacement Project	REPLACE M-LINE CURVE TRACKS-DD-PM-13A BD	Small Assorted Expenditures	2,798.89
40	Traffic Calming Improvements – Area Wide	2576J-CONSULTANCY	Small Assorted Expenditures	2,544.26

(*) We noted that High Dollar Value samples #18, #20, and #23 were also included in the interdepartmental charges test work discussed above. As there was slightly different criteria for the interdepartmental charges test work, the items were kept in the sample selection noted above.

(**) We noted that High Dollar Value sample #1, #12, and #15 relate to a light rail vehicle purchase contract, which is not a construction contract; therefore, the SBE form 7 is appropriately not applicable.

Results: Except noted otherwise above, no exceptions noted as a result of applying the above procedures.

Attachment

Interdepartmental charges (Sample size 15) - Sample numbers 41-55 (Steps 2a-c noted above)

- For each interdepartmental charge sample selected, we validated that the uses are solely for purposes per authorization resolution and applicable laws by obtaining the SFMTA Work Authorization to Department of Public Works (DPW) form, the general ledger screen shot, project description and project cost details provided by DPW and noted the project descriptions on the work authorization form were for capital projects referenced in the respective bond authorization and resolution.
- For each interdepartmental charge sample selected, we validated that the project expenditures and encumbrance are for authorized projects by obtaining the Work Authorizations to DPW form and compared the project descriptions to the respective bond authorization and resolutions. We obtained related invoices, encumbrance amounts, the Certificate of Progress Payment, and progress payment reports from management for each sample. We agreed the encumbrance amount to the amount on the progress payment report, agreed the invoice amount to the encumbrance amount and to the subcontractor or contractor payment (check copy or wire transfer form). For samples #49-51, #53, and #55, progress payment reports were not provided because they are not direct construction costs. We used the FAMIS payment screenshot from the general ledger system in place of the progress payment report. We obtained the SFMTA Work Authorization to DPW from management to confirm these are interdepartmental transfers by comparing the project descriptions on the Work Authorization to the project descriptions on the general ledger detail.
- For each interdepartmental charge sample selected, we validated the transactions were properly supported based on the City and Departmental policies and were processed in accordance with SFMTA's internal procedures by obtaining the work authorization from management and confirmed it was signed by a SFMTA project manager who verified that the documentation for charges was correct; the charges were in line with the project scope, schedule, and budget; and progress of work reasonably equated to the percentage of the budget expended. SFMTA's Work Authorization Procedure indicates that the SFMTA project manager is required to approve the charges, related to DPW, within 30 days, after receipt of supporting documents from DPW, for the applicable charges and requires that expenditures have a project description and project code to which the expenditures can be charged for tracking purposes. We obtained the invoices and work authorizations from management and compared the project descriptions to the project descriptions in the general ledger detail and to confirm that expenditures were for capital projects per authorization of bond revenues. We also confirmed that the invoices and supporting documents were submitted by DPW within 45 days of the month end, the general ledger screen shots were signed by a project manager, and the emails from DPW contained submission of the supporting documents. The timeline restrictions only apply to DPW charges; therefore, we did not perform this test on samples #49–51, #53, and #55, as they relate to other City departments outside of DPW. SFMTA does not have a policy similar to one with DPW on submissions or project manager approvals for other departments.

Sample #	Mapping project title	Project title	Transaction type	Transaction amount
41(*)	Masonic Avenue Streetscape	2370J-CONSTRUCTION	Interdepartmental Charges	\$ 693,818.95
42(*)	33 Stanyan Overhead Replacement Project Phase I	2127J-CONSTRUCTION	Interdepartmental Charges	390,772.05
43(*)	Parking Garage Project – Japan Center Garage Ventilation	8008A-ALPHA BAY BUILDERS	Interdepartmental Charges	338,488.74

Attachment

Sample #	Mapping project title	Project title	Transaction type	Transaction amount
44	Parking Garage Project – Japan Center Garage Ventilation	8008A-ALPHA BAY BUILDERS	Interdepartmental Charges	\$ 182,519.76
45	Lombard Street Safety Project	2532J-CONSULTANT	Interdepartmental Charges	75,635.44
46	9th and Division Improvements	2661J-CONSTRUCTION	Interdepartmental Charges	54,885.30
47	Parking Garage Project – Sutter Stockton Garage Ventilation	8009A-CLW BUILDERS	Interdepartmental Charges	39,900.00
48	Polk Street Signal Upgrade	2126J-CONSTRUCTION	Interdepartmental Charges	4,538.87
49	Geary BRT Phase I	2913J-BSSR LABOR	Interdepartmental Charges	4,384.88
50	Lombard Street Safety Project	2532J-BSM NON LABOR	Interdepartmental Charges	3,834.50
51	Masonic Avenue Streetscape	2370J-BOE LABOR	Interdepartmental Charges	3,394.68
52	Polk Street Signal Upgrade	2126J-CONSTRUCTION	Interdepartmental Charges	3,220.82
53	Lombard Street Safety Project	2532J-BSM NON LABOR	Interdepartmental Charges	1,980.50
54	Masonic Avenue Streetscape	2370J-2264J CONSTRUCTION MTA BOND	Interdepartmental Charges	1,334.04
55	Geary BRT Phase I	2913J-BSSR NON LABOR	Interdepartmental	85.14

(*) We noted that three High Dollar Value samples were also included in the interdepartmental charges test work discussed above. As there was slightly different criteria for the interdepartmental charges test work, the items were kept in the sample selection noted above.

Results: No exceptions were noted as a result of applying these procedures.

Budget Funding (Sample Size 5) Sample numbers 56–61 (Steps 2a-c noted above)

- For the budget funding samples, we validated the uses of funds were solely for purposes per authorization resolution and applicable laws by obtaining the SFMTA Work Authorization Request from management and compared the project description to the respective bond authorization and resolution.
- For the budget funding samples, we validated the project expenditures and encumbrances were for authorized capital projects by obtaining the SFMTA Work Authorization Request from management and confirmed the form was signed by a project manager. The five samples all related to capital outlays for buildings, structures, and improvement projects. The work authorization request is used for setting up the budget amount for the job order. The signature of a project manager authorizes that the funds are ready to be transferred from SFMTA to DPW (or another department).

Attachment

- For the budget funding samples, we validated the transactions were properly supported based on City and Departmental policies and are processed in accordance with SFMTA’s internal procedures by obtaining the work authorization request which requires an expenditure or encumbrance have a project description and a project code to which the expenditures can be charged for tracking purposes. All the work authorizations obtained had the project description and project code. We noted the SFMTA project manager signed the request form prior to transactions being entered into the general ledger system by comparing the dates on the request form to the general ledger entry. We inspected general ledger screen shots that show the funds authorized to be used for specific projects by code and noted the entry to the system agreed to the amount authorized on the Work Authorization Request.

<u>Sample #</u>	<u>Project name</u>	<u>Project title</u>	<u>Transaction type</u>	<u>Transaction amount</u>
56	Columbus Ave Streetscape Project	2301J-W/A TO MUNI	Budget Funding	\$ 463,113.00
57	Parking Garage Project – Elevator Modernization – 7 Garages	8019A-CONSTRUCTION CONTRACT	Budget Funding	4,935,000.00
58	Parking Garage Project – Lombard Garage Waterproofing	8026A-CONSTRUCTION CONTRACT	Budget Funding	3,000,000.00
59	Procurement of Light Rail Vehicles	PROCUREMENT-NEW LRVS CP ENG SVC	Budget Funding	1,145,021.00
60	1 California: Laurel Village Transit Priority Project	LAUREL VILLAGE TRANSIT PRIOR-CON-BUDGET	Budget Funding	680,000.00

Results: No exceptions were noted as a result of performing these procedures.

Trustee Payments (Sample Size 5) Sample numbers 61–65 (Steps 2d-e) noted above

- For the five trustee payments, we validated that the trustee payments for debt service were made in accordance to terms on whether the amounts paid were correct and the payments were paid by the due date by obtaining the monthly payment request and bank statement from management, and compared the due date on the monthly payment request to the payment date on the bank statement to show whether the payment date was before the due date. We also agreed each trustee payment amount selected to the amount on the bank statement.
- For the five trustee payments, we validated if bond balances are correct and if they are supported with a payment by obtaining the debt service schedules for Series 2012A, 2012B, 2013, 2014, and 2017 bonds as part of the fiscal year 2017 audit and agreeing each amount to the corresponding debt service schedule.

Attachment

- As part of the fiscal year 2017 financial statement audit, we sent out third-party confirmations to the banks and confirmed the balance due (for both interest and principal) for each bond series. We agreed the confirmed amount from the creditor's information to the debt rollforward and debt service schedule provided by management.

Sample #	Project name	Project title	Transaction type	Transaction Amount
61	36TH BOND SERIES2012B-INT-206953008 DUE 09/01/16	BOND INTEREST-EXPENSE	Trustee Payment	\$ 82,895
62	34TH BONDSERIES 2013-ACCT206968000 PRI D 10/01/16	BOND REDEMPTION	Trustee Payment	361,333
63	38TH BONDSERIES 2013-ACCT206968000 INT D 02/01/17	BOND INTEREST-EXPENSE	Trustee Payment	50,845
64	39TH REV BONDSERIES2012A-PRI-206953000 DUE12/01/16	BOND REDEMPTION	Trustee Payment	619,167
65	19TH BONDSERIES 2014-ACCT212642000 INT D 08/01/16	BOND INTEREST-EXPENSE	Trustee Payment	106,050

Results: No exceptions were noted as a result of applying these procedures.