

**ALAMEDA COUNTY TRANSPORTATION COMMISSION
AUDIT PLANNING MEETING AGENDA
For The Year Ended June 30, 2019**

Date of Meeting: June 17, 2019 @ 4:00pm PST

Form of communication: Live meeting with the Audit Committee

Audit Firm: Maze and Associates

Purpose of meeting: Cover discussions related to fraud considerations as required by Statement of Auditing Standards (SAS) Statement 99 and 114.

The main purpose of this discussion is to open up two-way communication between the auditors and Audit Committee.

SAS 114 – Audit Timing, Scope and Management Representation

Audit Timing

Interim phase fieldwork is scheduled for the week of June 24, 2019 and final phase fieldwork is scheduled for the week of September 3, 2019 and September 9, 2019. The finalized drafts are scheduled to be presented at the October 24, 2019 Audit Committee, the November 18, 2019 Finance and Administration Committee and the December 5, 2019 Alameda County Transportation Commission Meeting.

Audit Scope

Scope of work includes:

- Perform a risk assessment - brainstorm of Alameda CTC
- Create an audit plan tailored to Alameda CTC
- Review and document our understanding of Alameda CTC's internal controls and segregation of duties. Here we have a focused attention on conflict of duties – employees with access to assets and related records used to control and account for those assets, and we test mitigating controls.
- Determine the most effective way to test significant audit areas and balances, usually by:
 - Testing controls over key transaction cycles via sampling (such as disbursements, payroll and journal entries)
 - Testing information system application controls
 - Sending 3rd party confirmations when effective
 - Testing accruals at year end
 - Analytical Review
 - Projections and forecasts
 - Testing bank reconciliations
 - Testing capital asset transactions
 - Testing long-term debt transactions
 - Reviewing actuarial studies utilized for Retirement Plans and OPEB

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- Perform compliance tests
 - Certain Government code provisions applicable to cash and investments
 - Local policy compliance, typically:
 - Investment
 - Purchasing
 - Grants (Single Audits)
- Financial Statement preparation assistance
 - Staff has requested that we provide assistance with the preparation of financial statements and disclosures.
 - We are satisfied staff have the capability to perform this task themselves.

Management Representations

We will request representations from management that data and assertions provided are complete and accurate. We rely primarily on our audit verification tests and procedures; however, management assertions and judgment unavoidably affect financial data.

SAS 99 – Fraud Consideration

Fraud Considerations: Statement of Audit Standard (SAS) #99, *Consideration of Fraud in a Financial Statement Audit*. This Standard came out of the fall out of Enron/ WorldCom and other private sector frauds.

1. “Fraud” is defined as an intentional act that results in a *material misstatement in financial statements* that are subject to audit. In this case, fraud includes two concepts:
 - a. Fraudulent financial reporting:
 - i. Misstatement including misapplication of accounting principles, omission of data or disclosures, fictitious transactions or sham transactions
 - ii. Concealment
 - b. Misappropriations of assets:
 - i. Theft
 - ii. Concealment
 - iii. Conversion
2. SAS 99 requires an inquiry of client
 - a. Client officials to include:
 - i. Audit Committee Members
 - ii. Finance Staff
 - iii. Others outside Finance (optional)
 - b. Areas to be discussed:
 - i. Is management aware of known instances of fraud?
 - ii. Are there areas you believe are “Susceptible to Fraud”?
 - iii. Any known related party transactions?
 - iv. Do you feel all Alameda CTC employees are honest and have integrity?
 - c. Areas automatically deemed susceptible to fraud:
 - i. Improper revenue recognition
 - ii. Management override of Internal Control
3. SAS 99 also requires that we address our client’s “Fraud Risk Assessment and Monitoring Programs” (AKA internal controls plus)
 - a. Prevention techniques
 - b. Deterrence techniques
 - c. Detection techniques

If you have any questions, please feel free to reach out to me.

David Alvey, CPA
Audit Partner
davida@mazeassociates.com
925-930-0902 Ext. 227



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