



BOARD OF DIRECTORS 2017

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JIM HARTNETT  
GENERAL MANAGER/CEO

## AGENDA

### AUDIT COMMITTEE

San Mateo County Transit District  
4<sup>TH</sup> Floor Dining Room  
1250 San Carlos Ave., San Carlos, CA

**TELECONFERENCE LOCATION:** Members of the public are welcome to attend the teleconference location at 6230 Paseo Zaldivar, Tucson, AZ.

**WEDNESDAY, JANUARY 25, 2017 – 2:00 p.m.**

1. Call to Order
2. Roll Call
3. Public Comment  
Public comment by each individual speaker shall be limited to one minute
4. Approval of Minutes of July 21, 2016
5. Review of Financial Statement for Fiscal Year 2015-2016
6. Questions/Requests

Committee Members: Carole Groom, Jeff Gee, Rose Guilbault

Note: All items appearing on the agenda are subject to action by the Board. Staff recommendations are subject to change by the Board.

## INFORMATION FOR THE PUBLIC

If you have questions on the agenda, please contact the District Secretary at 650-508-6242. Agendas are available on the SamTrans Website at [www.samtrans.com](http://www.samtrans.com).

The San Mateo County Transit District Board and Citizens Advisory Committee (CAC) meeting schedules are available on the Web site.

### **Location of Meeting**

The San Mateo County Transit District Administrative Building is located at 1250 San Carlos Avenue, San Carlos, one block west of the San Carlos Caltrain Station on El Camino Real, accessible by SamTrans bus Routes ECR, FLX, 260, 295 and 398.

[Map link](#) Additional transit information can be obtained by calling 1-800-660-4287 or 511.

### **Public Comment**

- If you wish to address the Board, please fill out a speaker's card located on the agenda table. If you have anything that you wish distributed to the Board and included for the official record, please hand it to the District Secretary, who will distribute the information to the Board members and staff.
- Members of the public may address the Board on non-agendized items under the Public Comment item on the agenda. Public testimony by each individual speaker shall be limited to one minute and items raised that require a response will be deferred for staff reply.

### **Accessibility for Individuals with Disabilities**

Upon request, the Transit District will provide for written agenda materials in appropriate alternative formats, or disability-related modification or accommodation, including auxiliary aids or services, to enable individuals with disabilities to participate in public meetings. Please send a written request, including your name, mailing address, phone number and brief description of the requested materials and a preferred alternative format or auxiliary aid or service at least two days before the meeting. Requests should be mailed to the District Secretary at San Mateo County Transit District, 1250 San Carlos Avenue, San Carlos, CA 94070-1306; or emailed to [board@samtrans.com](mailto:board@samtrans.com); or by phone at 650-508-6242, or TTY 650-508-6448.

### **Availability of Public Records**

All public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, that are distributed to a majority of the legislative body will be available for public inspection at 1250 San Carlos Avenue, San Carlos, CA 94070-1306, at the same time that the public records are distributed or made available to the legislative body.

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**SAN MATEO COUNTY TRANSIT DISTRICT (DISTRICT)  
1250 SAN CARLOS AVENUE, SAN CARLOS, CALIFORNIA**

**MINUTES OF AUDIT COMMITTEE MEETING  
JULY 21, 2016**

Committee Members Present: J. Gee, C. Groom (Committee Chair), R. Guilbault

Staff Present: J. Cassman, A. Chan, G. Harrington, J. Hartnett, E. Kay, N. McKenna, D. Olmeda, M. Simon, S. van Hoften

Others Present: A. Gharaibeh (VTD)

Committee Chair Carole Groom called the meeting to order at 1:32 p.m.

**Public Comment**

None

**Audit Scope and Timing**

Ahmad Gharaibeh, Partner, Varinek, Trine, Day and Co., LLP (VTD), said under VTD's audit standards, a meeting is required at the start of the audit period to open the channel of communication with those in charge of governance and explain the scope of the Fiscal Year (FY) 2016 Audit. The scope of the Audit is to ensure the financial statements are clearly stated. VTD audits the account balances noted on the financial statements, confirms sales tax numbers, grant revenue, cash, receivables and payables and other analytical procedures. Mr. Gharaibeh said VTD always incorporates the element of unpredictability. This year there is an emphasis on internal controls related to payment of invoices, specifically construction-related invoices and payments for third-party transactions.

The Audit includes a look at:

- Segregation of functions and duties
- Safeguards of the District's assets and the manner in which receipts are processed
- How procurements are done and how the District complies with policies related to procurement and the different thresholds, fair pricing and bid requirements
- How payroll is processed
- The manner in which health benefits are reconciled and other benefits that are offered to employees.

The Audit is done in two phases. VTD is on-site for two weeks at the start of the audit where the emphasis is on compliance and internal controls and then three weeks at the end of the audit where final balances are confirmed after the financial statements have been closed.

VTD is aware of the significant changes in the informational technology systems this year that was fully implemented this audit year. The Disaster Recovery Plan will be looked at to ensure there is a back-up plan and access controls.

Director Rose Guilbault asked why the health benefit liability is in place and its purpose. Mr. Gharaibeh said previously the emphasis with local governments is liquidity. If a pension is funded over a 20 year period, the liability doesn't have to be reported because the funding requirements are being met. These liabilities have gone significantly higher with local governments. The Governmental Accounting Standards Board (GASB) changed the reporting requirement. GASB now wants future payments calculated and discount to today's dollars and put on the financial statement as a liability. It is a reporting change, but not a funding requirement. It doesn't change any of the cash flow or budget requirements. It provides for transparency to the public.

### **Single Audit**

Mr. Gharaibeh said VTD does compliance testing. Local governments receive grants from multiple sources and there are specific compliance requirements. The audits ensure the requirements are being made for the specific grant. The major grants that are audited are from the California State Department of Transportation and the Federal Transit Administration. The major grant audited from a State perspective is the Transportation Development Act, or the gas tax. An opinion is issued on the audit of these grants. The reports are sent to the State Controller and to the Federal Clearing House which is a division of the Inspector General. The National Transit Database is looked at to verify the revenue miles.

Mr. Gharaibeh said last year the emphasis was on account balances to make sure whatever was reported on the general ledger was confirmed by a third party. This year the standard audit procedures will be done as well as review the process the agency follows when an invoice is paid.

Eli Kay, Chief Financial Officer, said the audit requirement is that any entity that receives \$750,000 of payroll assistance goes through this process.

Director Guilbault asked if the unpredictability are surprises. Mr. Gharaibeh said it is VTD's audit standards. The auditors will go to different departments and spend more time digging deeper into the controls used. That is the unpredictability component.

Jim Hartnett, General Manager/CEO, said the unpredictability is that staff didn't know what they were going to look at. There is no way for staff to prepare for what the auditors are looking for.

### **New Accounting Pronouncements**

Mr. Gharaibeh said there are a couple of new reporting standards that will change the financial statements. One is not significant for the current year and that is how investments are reported. In a few years there will be a significant change that will impact all local governments and that is how reporting is done for health benefit liabilities, also referred to as other post-employment benefits. Right now these are not reflected on the financial statements because of the way the accounting standards work, but in a couple of years these will be reflected on the financial statements.

Mr. Kay said the District is a member of the Government Finance Officers Association who reviews the financial statements for compliance and best practices.

Mr. Hartnett said the Board has direct access to the auditors.

Mr. Kay said VTD has a five year contract with the District and this is the second year of the contract. No issues were found last year by the auditors.

Mr. Gharaibeh said he will be back to meet with the committee in the October/November timeframe.

Adjourned: 1:52 p.m.