



CPAs AND ADVISORS



Presentation to Audit Subcommittee

October 17, 2017

Focused
on YOU



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Audit Responsibilities and Process

- LSL has been engaged by the City of Santa Monica to perform a ***financial audit***.
- Testing of account balances and assessing controls in place.
- The tests performed are not tests for fraud.

Audit Process and Report

- Year-End Audit (September/October)
 - Account analysis
 - Confirmations and Cut-off procedures
 - These procedures are currently in progress



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Audit Status

- City CAFR Audit (In progress)
- Big Blue Bus Audit (In progress)
- Federal NTD Report (In progress)
- Air Quality Management District (AQMD) Audit (January)
- Federal Single Audit (January)



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Materiality

- Generally Accepted Accounting Principles
 - Used to enable an opinion/identify deficiencies
 - Varies
 - By fund
 - By year
 - Range for current year
 - Why this information is not released to the City
- Materiality is calculated annually for each major fund and the other non-major funds in the aggregate
 - Calculated as a percentage of assets or revenue.
 - Percentage varies based on risk, judgement, size of the fund, etc.
- Serves as the basis for financial statement line items we test, number of transactions we test, dollar amount of items we consider “findings”



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Audit Opinion

- This audit work was performed in order to render an “opinion” on the financial statements.
 - Management is responsible for the information in the statements
 - LSL’s opinion indicates the information is fairly stated in accordance with GAAP and is materially correct

Audit Communication Letters

- Statement on Auditing Standards (SAS) No.115:
 - Communicating internal control related matters identified in an audit
 - Material Weaknesses
 - Significant Deficiencies
 - Upon wrapping up our test work, it will be determined if there are any items considered “material” or “significant” to disclose
 - Attached to staff report and provided to Council
- Other Audit Communication Letters
 - Accounting Estimates
 - Net Pension Liability
 - OPEB
 - Management Letter Representations