

Board of Directors  
 Alameda-Contra Costa Transit District  
 Oakland, California

In planning and performing our audit of the financial statements of Alameda-Contra Costa Transit District (“the District”) as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we considered the Company’s internal control over financial reporting (“internal control”) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Company’s internal control. Matters communicated in this letter are classified as follows.

- **Deficiency** – A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.
- **Significant Deficiency** – A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
- **Material Weakness** – A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control that we are required to or wish to communicate to you.

<b>Controls Over Financial Reporting</b>	<b>Significant Deficiency</b>
Control Deficiency:	<p>During our testing of the OPEB plans transactions and balances, we noted that the District did not record deferred outflows of resources for the contributions made to the ATU Local 192 Benefits Trust plan subsequent to the measurement date. Further, we noted that the fiduciary net position used by the actuary to calculate the net OPEB liability for the Non-Trust plan did not agree to the CalPERS statement as of June 30, 2022.</p> <p>During our testing of the District's implementation of GASB Statement No. 87, <i>Leases</i>, (GASB 87) there was one lease in which the District was a lessor that the District did not record as of the implementation date, and there were two additional leases that were subsequently entered into in which the District was a lessor, that were not recorded. Lastly, we noted that for the one lease in which the District is the lessee, there were some minor differences between the amounts that should have been recorded and what actually was recorded.</p>

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Controls Over Financial Reporting	Significant Deficiency
Potential Effect:	<p>An audit adjustment was made for both OPEB related items resulting in an increase in deferred outflows of resources of approximately \$4.2 million, a decrease in the net OPEB liability of approximately \$3.4 million, and a decrease in fringe benefits expense of approximately \$7.6 million.</p> <p>Cumulatively, the result of the lease adjustments was an increase in lease receivable of approximately \$1.7 million, a decrease in the right-to-use lease assets of \$0.2 million, a decrease in lease liability of \$0.2 million, and an increase in deferred inflows of resources of \$1.7 million. The impact to change in net position was less than \$30,000.</p>
Recommendation:	<p>As it relates to the OPEB transactions, we recommend that management carefully review the transactions and the information provided to the actuary to ensure that the appropriate information is provided and the correct adjustments are recorded.</p> <p>As it relates to the implementation of GASB 87, or any new accounting standard, we recommend that the District implement a process in which new accounting standards are reviewed and understood by the accounting and finance department, proper information is gathered, the impact is evaluated in advance of the implementation date, the implementation journal entries are made, and then if appropriate, subsequent transactions are also accounted for appropriately under the new standard.</p>
Management's Response:	<p>Management concurs with the finding. All proposed entries are reviewed and approved by a second senior accountant or Manager. We will add a second review by another Senior Manager, the Controller or CFO, for complex entries such as the OPEB and GASB 87 adjustments. This review will include a reconciliation of the affected accounts after the entry is posted to ensure the net effect of the entry is as expected.</p>

The purpose of this letter is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. This letter is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance. Accordingly, this letter is not suitable for any other purpose.

The District's written response to the significant deficiency identified in our audit was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Crowe LLP

San Francisco, California

Date