

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**

**SINGLE AUDIT REPORT**

June 30, 2022

# DRAFT

## ALAMEDA-CONTRA COSTA TRANSIT DISTRICT

### SINGLE AUDIT REPORT June 30, 2022

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and fiduciary activities of Alameda-Contra Costa Transit District (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated **December <>, 2022**. Our report includes a reference to other auditors who audited the financial statements of the AC Transit Pension Trust Fund, as described in our report on the District's financial statements. The financial statements of the AC Transit Pension Trust Fund were not audited in accordance with *Government Auditing Standards*.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* 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. A *material weakness* is a deficiency, or a 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. A *significant deficiency* is a deficiency, or a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (2022-001).

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(Continued)

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## The District's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## Purpose of this Report

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

Crowe LLP

San Francisco, California  
December <>, 2022



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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

**Report on Compliance for Major Federal Program**

***Opinion on Major Federal Program***

We have audited Alameda-Contra Costa Transit District's (the District's) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on the District's major federal program for the year ended June 30, 2022. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

***Basis for Opinion on Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

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(Continued)

## **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control Over Compliance**

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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(Continued)

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the business-type activities and the fiduciary activities of the District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated **December <>, 2022**, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Crowe LLP

San Francisco, California  
**December <>, 2022**

**DRAFT**  
**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For The Year Ended June 30, 2022**  
**(In Thousands)**

<u>Program Description</u>	<u>Assistance Listing Number (ALN)</u>	<u>Grant Number</u>	(Unaudited) <u>Total Program Award</u>	<u>Federal Expenditures</u>	<u>Passed Through to Subrecipients</u>
U.S. Department of Transportation					
Federal Transit Cluster:					
General capital assistance					
Federal transit capital improvement grants					
Capital improvement	20.500	CA-03-X798	\$ 43,808	\$ 128	\$ -
Capital improvement	20.500	CA-04-0189	12,099	198	-
Capital improvement	20.500	CA-04-0264	<u>22,280</u>	<u>182</u>	<u>-</u>
Subtotal			<u>78,187</u>	<u>508</u>	<u>-</u>
General operating assistance					
Operating (Federal passthrough)	20.500	CA-03-0798	6,192	480	-
Operating (Federal passthrough)	20.500	CA-04-0264	<u>2,720</u>	<u>102</u>	<u>-</u>
Subtotal			<u>8,912</u>	<u>582</u>	<u>-</u>
Subtotal ALN 20.500			<u>87,099</u>	<u>1,090</u>	<u>-</u>
Federal transit formula grants (urbanized area formula program)					
Capital assistance	20.507	CA-90-0303	14,472	7	-
Capital assistance	20.507	CA-90-0370	9,170	258	-
Capital assistance	20.507	CA-90-9005	8,471	19	-
Capital assistance	20.507	CA-90-Z058	10,896	6	-
Capital assistance	20.507	CA-90-Z153	50,579	2	-
Capital assistance	20.507	CA-90-Z307	8,568	317	-
Capital assistance	20.507	CA-95-0059	1,061	622	-
Capital assistance	20.507	CA-95-X253	<u>1,803</u>	<u>4</u>	<u>-</u>
Subtotal			<u>105,020</u>	<u>1,235</u>	<u>-</u>
Operating assistance	20.507	CA-90-0370	17,426	11,375	-
COVID-19 – Operating assistance - CRRSAA	20.507	CA-90-4175	55,543	55,543	-
COVID-19 – Operating assistance - ARPA	20.507	CA-90-4232	116,345	10,003	-
Operating (Federal passthrough)	20.507	CA-95-0059	9,326	365	-
Operating (Federal passthrough)	20.507	CA-95-0088	3,881	233	-
Operating assistance	20.507	CA-95-Z010	<u>3,800</u>	<u>389</u>	<u>-</u>
Subtotal			<u>206,321</u>	<u>77,908</u>	<u>-</u>
Subtotal ALN 20.507			<u>311,341</u>	<u>79,143</u>	<u>-</u>
Public Transportation Research, Technical Assistance, and Training Program					
Program grant	20.525	CA-54-0059	1,500	7	-
Buses and Bus Facilities Infrastructure Investment Program					
Program grant	20.526	CA-34-0205	5,821	2,595	-
Program grant	20.526	CA-34-0210	<u>1,337</u>	<u>37</u>	<u>-</u>
Subtotal ALN 20.526			<u>7,158</u>	<u>2,632</u>	<u>-</u>
Total Federal Transit Cluster			<u>407,098</u>	<u>82,872</u>	<u>-</u>

See accompanying notes to the schedule of expenditures of federal awards.

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ALAMEDA-CONTRA COSTA TRANSIT DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended June 30, 2022  
(In Thousands)

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<u>Program Description</u>	<u>Assistance Listing Number (ALN)</u>	<u>Grant Number</u>	(Unaudited) <u>Total Program Award</u>	<u>Federal Expenditures</u>	<u>Passed Through to Subrecipients</u>
Highway Planning and Construction	20.205	STPLNI 6084	2,300	103	-
Highway Planning and Construction	20.205	CMLNI 6084	<u>900</u>	<u>40</u>	-
Total Highway Planning and Construction Cluster			<u>3,200</u>	<u>143</u>	-
Public Transportation Research, Technical Assistance, and Training	20.514	CA-26-0064	<u>1,552</u>	<u>243</u>	-
Total Public Transportation Research, Technical Assistance, and Training			<u>1,552</u>	<u>243</u>	-
Total U.S. Department of Transportation			<u>411,850</u>	<u>83,258</u>	-
Total Expenditures of Federal Awards			<u>\$ 411,850</u>	<u>\$ 83,258</u>	<u>\$ -</u>

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See accompanying notes to the schedule of expenditures of federal awards.

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ALAMEDA-CONTRA COSTA TRANSIT DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended June 30, 2022

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**NOTE 1 - REPORTING ENTITY**

The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the Alameda-Contra Costa Transit District (the District) and its component units as disclosed in the notes to the basic financial statements for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

**NOTE 2 - BASIS OF ACCOUNTING**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All proprietary funds are accounted for using the accrual basis of accounting. Expenditures of Federal Awards reported on the Schedule are recognized when incurred.

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 - DIRECT AND INDIRECT (PASS-THROUGH) FEDERAL AWARDS**

Federal awards may be granted directly to the District by a federal granting agency or may be granted to other government agencies which pass-through federal awards to the District. The Schedule includes both of these types of Federal award programs when they occur.

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2022

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:  
Material weakness(es) identified?

\_\_\_\_\_ Yes        X   No

Significant deficiency(ies) identified?

  X   Yes      \_\_\_\_\_ None reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes        X   No

***Federal Awards***

Internal control over major programs:  
Material weakness(es) identified?

\_\_\_\_\_ Yes        X   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes        X   None reported

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be Reported in accordance with 2 CFR 200.516(a)?

\_\_\_\_\_ Yes        X   No

Identification of major programs:

Assistance Listing Number

Name of Federal Program of Cluster

20.500 / 20.507 / 20.525 / 20.526

Federal Transit Cluster

Dollar threshold used to distinguish between type A and type B programs:

\$ 2,497,755

Auditee qualified as low-risk auditee?

  X   Yes      \_\_\_\_\_ No

**SECTION II - FINANCIAL STATEMENT FINDINGS**

***Finding 2022-001 – Controls over Financial Reporting – Significant Deficiency***

Criteria: Management is responsible to have internal controls in place to provide appropriate and reliable financial reports and to select and apply appropriate accounting principles. Management is not required to prepare their financial reports, but management needs to demonstrate the level of qualifications and controls to prepare their financial reports without significant deficiencies in these controls.

Condition: During the current year audit, a number of audit adjustments were posted that changed the financial statements of the District by a significant amount.

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ALAMEDA-CONTRA COSTA TRANSIT DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2022

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Context: 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.

During our testing of the District's implementation of GASB Statement No. 87, *Leases*, (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.

Effect: 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.

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.

Cause: Management did not implement internal controls at the level of precision necessary to ensure that the transactions were properly recorded.

Recommendation: 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.

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.

Views of responsible officials and planned corrective actions: 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.

### **SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None noted.