

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, 2023, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we considered the District’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 District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’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.

Control Over Financial Reporting	Significant Deficiency
Control Deficiency:	<p>During the current year audit, a number of audit adjustments were posted that changed the financial statements of the District by a significant amount. Specifically:</p> <ul style="list-style-type: none"> • During our testing of the OPEB and pension plan transactions and balances, we noted that the District did not record deferred outflows of resources for the contributions made to the plans subsequent to the measurement date. • In testing net position, we found that not all of the audit adjustments from fiscal year 2022 had been posted by management. • During our testing of the District's lease activity under GASB Statement No. 87, Leases, we noted some minor differences between the amounts that should have been recorded and what actually was recorded. • In our testing of the AC Transit District Financing Corporation, a blended component unit of the District, we identified certain transactions that had not been recorded including adjusting the debt and receivable from the District for a principal payment made by the District during the current year, as well as other debt related transactions. • Lastly, we identified multiple financial statement reclassification adjustments that were necessary to present the District's financial statements accurately as of June 30, 2023.
Effect:	<p>Three audit adjustments were waived by management and as a result deferred outflows of resources are understated by approximately \$9.5 million, current liabilities are understated by approximately \$2.6 million, noncurrent liabilities are overstated by approximately \$2.6 million, and operating expenses are overstated by approximately \$9.5 million.</p> <p>Five audit adjustments were posted by management which resulted in a decrease of noncurrent assets of approximately \$0.4 million, a decrease in capital assets of approximately \$0.3 million, an increase in current liabilities of approximately \$0.8 million, a decrease in noncurrent liabilities of approximately \$1.2 million, a decrease in deferred inflows of resources of approximately \$1.2 million, an increase in net position of approximately \$8.1 million, an increase in non-operating revenues of approximately \$1.5 million, an increase in operating expenses of approximately \$8.5 million, an increase nonoperating expenses of approximately \$0.4 million, and an overall decrease in change in net position of approximately \$7.3 million.</p>
Recommendation:	<p>As it relates to the pension and 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 any newer 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> <p>Lastly, throughout the month-end and year-end close out process, we recommend that management implement a process in which the full trial balance and internal financial statements are reviewed by someone independent of the reconciliation process to look for an ensure that all year-end adjustments have been made and that all transactions and reclassifications have been accounted for.</p>

Controls Over Financial Reporting	Significant Deficiency
Repeat Finding	Yes. See Finding 2022-001.
Management's Response:	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 pension, 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.

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