

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



STAFF REPORT

MEETING DATE: 6/12/2019

Staff Report No. 19-166

TO: AC Transit Board of Directors

FROM: Michael A. Hursh, General Manager

SUBJECT: Financial Audit and Audit Engagement Letter for FY 2018-19

BRIEFING ITEM

RECOMMENDED ACTION(S):

Consider receiving Financial Audit Plan and Audit Engagement Letter for the Fiscal Year Ending June 30, 2019.

BUDGETARY/FISCAL IMPACT:

There is no budgetary or fiscal impact.

BACKGROUND/RATIONALE:

In accordance with Board Policy No. 340, Accounting Policy, Crowe LLP, an independent firm, will perform the annual financial audit for the year ending June 30, 2019. Upon completion of their fieldwork, Crowe LLP will issue an opinion, which will be incorporated into the Comprehensive Annual Financial Report (CAFR) of the District.

Crowe LLP and District staff held the entrance conference meeting on June 10, 2019, and discussed new audit issues relevant to the current fiscal year, the potential impact of upcoming GASB pronouncements, and the following audit plan elements:

- Timeline
- Client Participation Schedule
- General Matters

As part of the audit planning process, the independent accounting firm reviews the scope of the audit with the Board of Directors. This discussion includes a review of the adequacy and effectiveness of the systems of internal controls over financial reporting and any significant changes in those controls; accounting practices, disclosure controls and procedures of the entity and current accounting trends and developments.

Attached to this report is the required communications letter and Audit Plan from Crowe LLP for the District's FY 2018-19 audit engagement. As required by professional audit standards, this letter contains communications that are mandatory between the independent auditor and the auditee on an annual basis. Crowe LLPs will begin the interim portion of the audit engagement on June 10, 2019 and will conclude their fieldwork by June 21, 2019. The audit team will return for approximately four weeks to complete their final phase fieldwork relative to the audit engagement on August 19, 2018. As part of the audit procedures, Crowe

LLP will be conducting Statement on Auditing Standard (SAS) 99 & 114 interviews with the Chief Financial Officer, the Chair of the Finance and Audit Committee and other District employees as deemed necessary to assess the risk for potential fraud, and other areas considered as high risk by interviewees.

The FY 2018-19 year-end report, including the final audited set of financial statements, is scheduled for presentation to the Board of Directors no later than the November Board meeting. The year-end report will contain the District's consolidated financial statements including the AC Transit Financing Corporation. Separate reports will also be presented for the AC Transit Financing Corporation, the Single Audit, Measures B, BB, J, and VV, LCTOP, compliance with the Appropriations Limit requirements of Section 1.5 of Article 4 XIIB of the California Constitution and the agreed upon procedures review of Special Transit Service Districts 1 and 2. Proposition 1B and FTA-NTD are scheduled for distribution no later than October 28, 2019, and the Comprehensive Annual Financial Report by December 31, 2019.

The Board of Directors serves as the Audit Committee. The Committee is engaged primarily in an oversight function and is ultimately responsible for the District's financial reporting processes and the effectiveness over internal controls. The Audit Committee, consistent with the Sarbanes Oxley Act, shall have Board member representation only. However, senior management has the opportunity for significant interaction with the Audit Committee.

ADVANTAGES/DISADVANTAGES:

The receipt of the financial audit plan and audit engagement letter fulfills the initial steps of conducting the District's Annual fiscal audit.

ALTERNATIVES ANALYSIS:

This report is being provided to inform the Board of Directors of the activities related to the District's annual audit.

PRIOR RELEVANT BOARD ACTION/POLICIES:

Staff Report 16-123b award of a five (5) year contract to Crowe LLP for financial audit services, dated June 8, 2016.

ATTACHMENTS:

1. Audit plan
2. Audit Engagement Letter

Approved by:

Claudia L. Allen, Chief Financial Officer

Reviewed by:

Ralph Martini, Controller

Prepared by:

Ralph Martini, Controller