

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



STAFF REPORT

MEETING DATE: 7/14/2021

Staff Report No. 21-327

TO: AC Transit Board of Directors
FROM: Michael A. Hursh, General Manager
SUBJECT: Financial Audit and Audit Engagement Letter for FY 2020-21

BRIEFING ITEM

RECOMMENDED ACTION(S):

Consider receiving the Financial Audit Plan and Audit Engagement Letter for the Fiscal Year Ending June 30, 2021.

STRATEGIC IMPORTANCE:

Goal - Financial Stability and Resiliency

Initiative - Financial Efficiency and Revenue Maximization

The annual audit provides an objective independent examination of District's financial statements and is essential in fulfilling the District's mandatory external financial reporting requirements.

BUDGETARY/FISCAL IMPACT:

There is no budgetary or fiscal impact associated with this report.

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, 2021. Upon completion of their fieldwork, Crowe LLP will issue an opinion, which will be incorporated into the Annual Comprehensive Financial Report (ACFR) of the District.

In preparation for the audit, Crowe LLP and District staff held an entrance conference meeting to discuss new audit issues relevant to the current fiscal year, the potential impact of upcoming General Accounting Standards Board (GASB) pronouncements, and the following audit plan elements:

- Timeline
- Client Participation Schedule
- General Matters

Crowe LLP will be conducting at least the interim phase of the audit remotely. As part of the audit planning

process, the independent accounting firm reviews the scope of the audit with the Board of Directors. This discussion with the Board includes a review of the adequacy and effectiveness of the systems of internal controls over financial reporting and any significant changes in those controls, as well as 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 2020-21 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 LLP will begin the interim portion of the audit engagement on July 19, 2021, and will conclude their fieldwork by July 30, 2021. The audit team will return for approximately four weeks to complete their final phase fieldwork relative to the audit engagement on August 16, 2021. 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 2020-21 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 reports will contain the District's consolidated financial statements, the Single Audit, Measures B, BB, J, and VV, LCTOP, compliance with the Appropriations Limit requirements of Section 1.5 of Article 4 XIII B of the California Constitution and the agreed upon procedures review of Special Transit Service Districts 1 and 2. The annual financial statements for the AC Transit Financing Corps will also be presented. Proposition 1B and FTA-NTD are scheduled for distribution no later than October 28, 2020, and the Annual Comprehensive Financial Report by December 31, 2021.

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:

Board Policy 340 - Accounting Policy

SR 21-318 - Consider approving the award of a three-year contract to Crowe LLP with options for two one-year renewals for auditing services.

ATTACHMENTS:

1. Audit Plan
2. Draft Audit Engagement Letter

Prepared by:

Ralph Martini, Controller

Approved/Reviewed by:

Ralph Martini, Controller

Chris Andrichak, Chief Financial Officer