

**WEST CONTRA COSTA TRANSPORTATION
ADVISORY COMMITTEE
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS
FOR THE YEAR ENDED
JUNE 30, 2016**

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**WEST CONTRA COSTA TRANSPORTATION
ADVISORY COMMITTEE
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS**

For the Year Ended June 30, 2016

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MEMORANDUM ON INTERNAL CONTROL

Board of Directors
of the West Contra Costa
Transportation Advisory Committee
El Cerrito, California

In planning and performing our audit of the basic financial statements of the West Contra Costa Transportation Advisory Committee (WCCTAC) for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the WCCTAC's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 WCCTAC's internal control. Accordingly, we do not express an opinion on the effectiveness of the WCCTAC's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 and that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, we identified certain deficiencies in internal control that we consider to be material weaknesses that are included on the Schedule of Material Weaknesses.

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 WCCTAC's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control included on the Schedule of Material Weaknesses to be material weaknesses.

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.

Included in the Schedule of Other Matters are recommendations not meeting the above definitions that we believe are opportunities for strengthening internal controls and operating efficiency.

Management's written responses included in this report have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, Board of Directors and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Maze & Associates

Pleasant Hill, California
November 10, 2017

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

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**WEST CONTRA COSTA TRANSPORTATION
ADVISORY COMMITTEE
MEMORANDUM ON INTERNAL CONTROL
SCHEDULE OF MATERIAL WEAKNESSES**

2016-01 Financial Statement and Program Analysis and General Ledger Accounting

This comment is an update of matters repeated in prior years as discussed in comment 2015-01, as well as comments 2014-01, 2013-01, 2012-01, 2010-01, 2009-01 and 2007-01 which are not repeated in this report, since they are substantially redundant with our comments below.

The analysis of the WCCTAC's activities in the general ledger should be reviewed and adjusted throughout the fiscal year. While there appears to have been some improvement from prior years, WCCTAC still required several material adjusting journal entries and reclassifications after we had commenced the June 30, 2016 audit in June of 2017.

The City of San Pablo is utilized to provide the accounting function for the WCCTAC, but the WCCTAC staff often code the transactions for recording in the general ledger. The WCCTAC staff should be reviewing general ledger reports periodically to assess the status of each program and ensure that program revenues and expenditures are matched in the proper period and are recorded in the correct general ledger account and fund. Without analyzing the general ledger activity during the fiscal year, interim reports to the Board or external parties cannot be relied upon, and reimbursement requests from grantors may not be accurate.

The WCCTAC retains an accounting consultant to assist with the day to day accounting in order to prevent a lag in accounting analyses.

We again reiterate the need for WCCTAC staff to review general ledger reports periodically to assess the status of each program and ensure that program revenues and expenditures are matched in the proper period and are recorded in the correct general ledger account and fund. In addition, billings to grantors should be prepared monthly, or at least quarterly, throughout the year to ensure expenditures and revenues are matched in the same period. And, as part of the year-end closing process, program billings should be analyzed to determine if they should be recorded as accounts receivable.

To reduce the potential for these problems to repeat in the future, the WCCTAC staff should analyze fluctuations, or lack of fluctuations, of significant account balances throughout the fiscal year to determine that the change or lack of change is supported, and any errors or corrections are incorporated into the general ledger. And, revenue sources that are not billed by the WCCTAC staff, such as STMP, should be monitored to ensure amounts remitted directly to the City of San Pablo are recorded in the correct WCCTAC account. Another review and analysis of all activities should be performed prior to the year-end close. The City of San Pablo's Finance Department has established separate general ledger funds to account for each of the WCCTAC's programs which should facilitate this analysis and accounting. By performing this analysis, the need for post-closing audit adjustments could be reduced or even eliminated.

Management's Response:

Management agrees.

WCCTAC staff and the WCCTAC accountant will review general ledger reports frequently to ensure that program revenue and expenditures are matched in the proper fiscal year and are recorded in the correct fund and account.

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WEST CONTRA COSTA TRANSPORTATION
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SCHEDULE OF OTHER MATTERS

2016-01: NEW GASB PRONOUNCEMENTS OR PRONOUNCEMENTS NOT YET EFFECTIVE

The following comment represents new pronouncements taking affect in the next few years. We cite them here to keep you informed of developments:

EFFECTIVE FISCAL YEAR 2016/17:

GASB 73 - Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

GASB 74 - Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans

The objective of this Statement is to improve the usefulness of information about post-employment benefits other than pensions (other post-employment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.

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SCHEDULE OF OTHER MATTERS

- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

EFFECTIVE FISCAL YEAR 2017/18:

GASB 75 – Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

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SCHEDULE OF OTHER MATTERS

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

GASB 81 – Irrevocable Split-Interest Agreements

The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts—or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements—in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

How the Changes in This Statement Improve Financial Reporting

This Statement enhances the comparability of financial statements by providing accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary. This Statement also enhances the decision-usefulness of general purpose external financial reports, and their value for assessing accountability, by more clearly identifying the resources that are available for the government to carry out its mission.

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**WEST CONTRA COSTA TRANSPORTATION
ADVISORY COMMITTEE
MEMORANDUM ON INTERNAL CONTROL**

**STATUS OF PRIOR YEAR
SCHEDULE OF MATERIAL WEAKNESSES**

2015-01 Financial Statement and Program Analysis and General Ledger Accounting

The analysis of the WCCTAC's activities during the fiscal year should not be left until the audit commences. We prepared Analytical Review questions as part of the 2015 year-end audit and the WCCTAC again found that the responses to those questions required the WCCTAC Staff to analyze the general ledger activity for the entire fiscal year. This analysis resulted in post-closing adjusting journal entries to record the following:

- Accrue program revenues and STMP contributions receivable.
- Record unearned revenue and correct the balance of unearned revenue.
- Eliminate a deficit in the Other Reimbursable Projects Program.
- Record the reclassification of revenues in the correct general ledger accounts. These entries included the correction of revenue that had been recorded as an offset to expense as well as a correction for STMP revenue that had been recorded in City of San Pablo revenue accounts in error.

In addition, the program revenues receivable recorded included a reimbursement request for fiscal year 2015 costs that was not collected until September 2015, because it was not filed timely. And, the budget figures recorded in the general ledger did not reflect the actual budgeted amounts adopted by the WCCTAC Board and required correction.

The City of San Pablo is utilized to provide the accounting function for the WCCTAC, but the WCCTAC staff often code the transactions for recording in the general ledger. The WCCTAC staff should be reviewing general ledger reports periodically to assess the status of each program and ensure that program revenues and expenditures are matched in the proper period and are recorded in the correct general ledger account and fund. Without analyzing the general ledger activity during the fiscal year, interim reports to the Board or external parties cannot be relied upon, and reimbursement requests from grantors may not be accurate.

The WCCTAC had previously hired an accounting consultant to assist with the day to day accounting, but the accounting analysis was behind three fiscal years, therefore current year analyses continued to lag.

We again reiterate the need for WCCTAC staff to review general ledger reports periodically to assess the status of each program and ensure that program revenues and expenditures are matched in the proper period and are recorded in the correct general ledger account and fund. In addition, billings to grantors should be prepared monthly, or at least quarterly, throughout the year to ensure expenditures and revenues are matched in the same period. And, as part of the year-end closing process, program billings should be analyzed to determine if they should be recorded as accounts receivable. Finally, not only should the actual revenues and expenditures be analyzed, the budget data should be reviewed for accuracy so report variances are valid.

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STATUS OF PRIOR YEAR
SCHEDULE OF MATERIAL WEAKNESSES

2015-01 Financial Statement and Program Analysis and General Ledger Accounting
(Continued)

To reduce the potential for these problems to repeat in the future, the WCCTAC staff should analyze fluctuations, or lack of fluctuations, of significant account balances throughout the fiscal year to determine that the change or lack of change is supported, and any errors or corrections are incorporated into the general ledger. And, revenue sources that are not billed by the WCCTAC staff, such as STMP, should be monitored to ensure amounts remitted directly to the City of San Pablo are recorded in the correct WCCTAC account. Another review and analysis of all activities should be performed prior to the year-end close. The City of San Pablo's Finance Department has established separate general ledger funds to account for each of the WCCTAC's programs which should facilitate this analysis and accounting. By performing this analysis, the need for post-closing audit adjustments could be reduced or even eliminated.

Current Status:

See current year comment 2016-01.

REQUIRED COMMUNICATIONS

Board of Directors
of the West Contra Costa
Transportation Advisory Committee
El Cerrito, California

We have audited the basic financial statements of the West Contra Costa Transportation Advisory Committee (WCCTAC) for the year ended June 30, 2016. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards.

Significant Audit Findings

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the WCCTAC are described in Note 1 to the financial statements.

The following Governmental Accounting Standards Board (GASB) pronouncement became effective, but did not have a material effect on the financial statements:

- GASB Statement No. 72 – *Fair Value Measurement and Application*
- GASB Statement No. 82 – *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*
- GASB Statement No. 76 - *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*
- GASB Statement No. 79 – *Certain External Investment Pools and Pool Participants*

Unusual Transactions, Controversial or Emerging Areas

We noted no transactions entered into by the WCCTAC during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the WCCTAC's financial statements were:

Estimated Fair Value of Investments: As of June 30, 2016, the WCCTAC held approximately \$2.1 million of cash and investments in the City of San Pablo's Investment Pool as measured by fair value, as disclosed in Note 2 to the Basic Financial Statements. Fair value is essentially market pricing in effect as of June 30, 2016. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2016.

Estimate of Compensated Absences: Accrued compensated absences which are comprised of accrued vacation and sick leave is estimated using accumulated unpaid leave hours and hourly pay rates in effect at the end of the fiscal year as disclosed in Note 1H to the Basic Financial Statements. We evaluated the key factors and assumptions used to develop the accrued compensated absences and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Estimated Net OPEB Asset: Management's estimate of the Net OPEB Asset is disclosed in Note 5 to the financial statements and is based on actuarial study determined by a consultant, which is based on the experience of the WCCTAC. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Estimated Net Pension Liabilities and Pension-Related Deferred Outflows and Inflows of Resources: Management's estimate of the net pension liabilities and deferred outflows/inflows of resources are disclosed in Note 4 to the financial statements and are based on accounting valuations determined by the California Public Employees Retirement System, which are based on the experience of the WCCTAC. We evaluated the key factors and assumptions used to develop the estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole, other than the adjustments related to recording the fiscal year closing entries that are described in item 2015-01 of the Memorandum on Internal Control.

Professional standards require us to accumulate all known and likely uncorrected misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the Board.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in a management representation letter dated November 10, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the WCCTAC's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information Accompanying the Financial Statements

With respect to the required supplementary information accompanying the financial statements, we applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not express an opinion nor provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

This information is intended solely for the use of the Board and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Maze & Associates

Pleasant Hill, California
November 10, 2017

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