

To: Administration and Finance Committee

Date: January 8, 2019

From: Erick Cheung, Chief Financial Officer

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### **SUBJECT: Proposal For Financial Audit Services**

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#### **Summary of Issues:**

The Board of Directors approved a one year extension for Brown Armstrong to provide audit services for June 30, 2018. Brown Armstrong's contract began in 2012 and has provided County Connection invaluable service over that period of time and has helped staff implement GASB 68 – Accounting and Financial Reporting for Pensions in FY 2014 and GASB 75 – Accounting for Other Post-Employment Benefits Other Than Pensions in FY 2018.

Based on the high quality of audit services provided by Brown Armstrong, the A&F Committee directed staff to request a proposal for an additional three fiscal years from FY 2019 through FY 2021. Rosalva Flores from Brown Armstrong has provided a proposal (see Attachment A) for the next 3 years with an annual increase of \$1,000 or an average of 2.15% shown in the table below. The increases are less than the statewide consumer price index of 3.8% as of October 2018. Also, there is an option to change audit partners with the extension or retain Ms. Flores through FY 2019. After the FY 2019 audit, Brown Armstrong would be required to rotate partners due to Assembly Bill 1345 which requires lead audit partner rotation after 6 consecutive years.

<b>Fiscal Year</b>	<b>Amount</b>	<b>Increase</b>
<b>2019</b>	\$46,500	\$1,000 or 2.20%
<b>2020</b>	\$47,500	\$1,000 or 2.15%
<b>2021</b>	\$48,500	\$1,000 or 2.11%

**Recommendation:** Provide direction to staff to accept or reject proposal from Brown Armstrong.

#### **Options:**

1. Accept proposal and recommend to the Board of Directors.
2. Decline proposal and begin Request for Proposal process.
3. Take other action as determined.

**Attachment A** – Brown Armstrong Proposal



# BROWN ARMSTRONG

*Certified Public Accountants*

December 19, 2018

Mr. Erick Cheung  
Chief Financial Officer  
Central Contra Costa Transit Authority  
2477 Arnold Industrial Way  
Concord, California 94520

Dear Mr. Cheung:

Brown Armstrong Accountancy Corporation is pleased to propose on providing audit services to the Central Contra Costa Transit Authority (the Authority) for the fiscal years ending June 30, 2019, 2020, and 2021. As your current auditors, we feel we are uniquely qualified to continue to provide you with the level of service you expect from your auditors.

Our extended contract fee was \$45,500.00 for the annual audit year ending June 30, 2018. Our proposal for the years ending June 30, 2019 \$46,500, 2020 \$47,500 and 2021 \$48,500 increases our fee by around 2% each year. The fee is not-to-exceed maximum fee of the amount noted for each year ending for these services. Please see the attached detailed audit schedule (scope of services) for the Authority.

We would like to provide some information regarding Assembly Bill 1345 (AB 1345), which was passed in 2012 and requires lead audit partner rotation after 6 consecutive years beginning with the 2013-2014 fiscal year (base year). Our firm has developed a plan to monitor and comply with AB 1345. AB 1345 does not require audit firm rotation. The requirement is to rotate the lead audit partner or coordinating audit partner having primary responsibility for the audit, or the audit partner responsible for reviewing the audit.

I appreciate the opportunity to have been the partner overseeing the Authority for the past 6 years (2013-2018). As requested for a partner rotation, I would like to suggest Ryan Nielsen as my replacement who has significant transit experience. Please see his resume enclosed. Additionally, the audit will be run by the returning manager, Ashley Casey, who has been serving as audit manager for the past 4 years.

We have enjoyed our past relationship and look forward to continuing to serve you. If you accept this proposal, please sign the enclosed copy and return it to us in the enclosed envelope.

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(MAIN OFFICE)**  
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EMAIL [info@bacpas.com](mailto:info@bacpas.com)

**FRESNO OFFICE**  
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FRESNO, CA 93720  
TEL 559.476.3592

**LAGUNA HILLS OFFICE**  
23272 MILL CREEK DRIVE  
SUITE 255  
LAGUNA HILLS, CA 92653  
TEL 949.652.5422

**STOCKTON OFFICE**  
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Mr. Erick Cheung  
Chief Financial Officer  
Central Contra Costa Transit Authority  
December 19, 2018  
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If you accept this proposal, please sign the enclosed copy and return it to us in the enclosed envelope. If you or the board members have any questions or concerns, we are available for a meeting or conference call. Thank you for your time and consideration.

Sincerely,

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION



By: Rosalva Flores, CPA

RAF:alc:cbs

Enclosure

I:\data\Word\PROPOSAL\2018\Transit\Central Contra Costa Transit Authority\Contract Extension.docx

The Authority agrees with this proposal.

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## Detailed Audit Schedule for the Central Contra Costa Transit Authority

Phase	Time Period	Audit Tasks	Staff	Hours
<b>Planning</b>	<b>May/ June</b>	<b>Planning and Administration</b> <ul style="list-style-type: none"> <li>• Review prior year work papers.</li> <li>• Review and evaluate the Authority's accounting and financial reporting. Prepare an overall memo of recommendations, potential issues, and suggestions for improvements.</li> <li>• Discussion with Management about discuss audit approach, timing, assistance and issues. Discuss SAS-99 approach.</li> <li>• Prepare overall memo confirming audit procedures, timing and assistance.</li> <li>• Prepare detailed work plan and audit programs, audit budget and staffing schedule. Provide schedules to Authority Management.</li> </ul>	<ul style="list-style-type: none"> <li>Partner 4</li> <li>Manager 6</li> <li>Supervisory Staff 12</li> <li>Staff 8</li> <li>Clerical 4</li> <li><b>Phase Total 40</b></li> </ul>	
	<b>June</b>	<b>Interim Audit Work</b> <ul style="list-style-type: none"> <li>• Obtain and document our understanding of the following key internal control systems through walkthroughs, interviews of staff, and reviews of supporting documentation:                             <ul style="list-style-type: none"> <li>➤ Budgeting,</li> <li>➤ Revenue, billing, accounts receivable and cash collections,</li> <li>➤ Purchasing, expenditures, accounts payable and cash disbursements,</li> <li>➤ Capital assets and journal entry procedures,</li> <li>➤ Payroll,</li> <li>➤ Inventory,</li> <li>➤ Self Insurance</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Partner 2</li> <li>Manager 8</li> <li>Supervisory Staff 16</li> <li>Staff 32</li> <li><b>Phase Total 58</b></li> </ul>	
<b>Internal Control</b>				

## Detailed Audit Schedule for the Central Contra Costa Transit Authority

	Time Period	Audit Type	Auditor	Hours								
<b>Compliance</b>	<b>June</b>	<b>Interim Single Audit, TDA and National Transit Database (NTD)</b>										
		<ul style="list-style-type: none"> <li>• Obtain a preliminary Schedule of Expenditures of Federal Awards and sub-recipient disbursements for the latest closed month.</li> <li>• Perform audit tests of grant programs and Compliance with Federal Laws and Regulations.</li> <li>• Review grant documents; select sufficient number of transactions to test for compliance with the most recent Uniform Guidance Compliance Supplement.</li> <li>• TDA: Perform Preliminary procedures for the TDA compliance.</li> <li>• NTD: Perform preliminary procedures for the NTD reporting requirements.</li> <li>• Review minutes of Board meetings and other key committees.</li> <li>• Coordinate and assist Authority staff in the preparation of all appropriate confirmation requests including:                             <ul style="list-style-type: none"> <li>➤ Bank accounts</li> <li>➤ Investment accounts</li> <li>➤ Federal grants</li> <li>➤ Revenue from governmental agencies</li> <li>➤ Attorney letters</li> <li>➤ Others, as required</li> </ul> </li> <li>• Hold audit progress conference with Management to discuss preliminary audit findings.</li> <li>• Obtain trial balance and input in our systems for interim analytical procedures.</li> </ul>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-right: 20px;">Partner</td> <td style="text-align: right;">2</td> </tr> <tr> <td style="padding-right: 20px;">Manager</td> <td style="text-align: right;">8</td> </tr> <tr> <td style="padding-right: 20px;">Supervisory Staff</td> <td style="text-align: right;">16</td> </tr> <tr> <td style="padding-right: 20px;">Staff</td> <td style="text-align: right;"><u>32</u></td> </tr> <tr> <td style="padding-right: 20px;"><b>Phase Total</b></td> <td style="text-align: right;"><b>58</b></td> </tr> </table>	Partner	2	Manager	8	Supervisory Staff	16	Staff	<u>32</u>	<b>Phase Total</b>
Partner	2											
Manager	8											
Supervisory Staff	16											
Staff	<u>32</u>											
<b>Phase Total</b>	<b>58</b>											

**Detailed Audit Schedule for the Central Contra Costa Transit Authority**

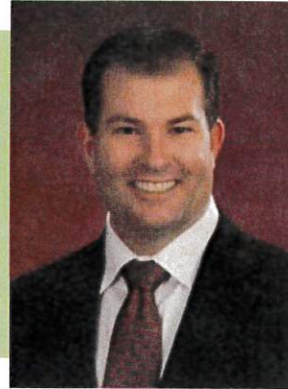
Phase	Time Period	Audit Tasks	Staff	Hours
<b>Financial Audit</b>	<b>September /October</b>	<b>Year End Audit Procedures</b>		
		<ul style="list-style-type: none"> <li>• Discuss information request with Management.</li> <li>• Follow-up on all outstanding confirmations.</li> <li>• Verify and validate account balances by including invoices, vouchers, resolutions, minutes, and other documentation, as required.</li> <li>• Perform analytical review of revenues and expenditures. Determine reasons for material differences between budget and actual, test and verify management attestations.</li> <li>• Complete payroll testing from journals to W-2 amounts (cross fiscal year). Tie W-2's to other available information.</li> <li>• Perform a search for unrecorded liabilities by reviewing disbursements subsequent to June 30, testing terms of contractual obligations, and interviewing staff.</li> <li>• Obtain and review actuarial valuations and journal entries for GASB 68 and 75.</li> <li>• Complete any unfinished Single Audit analysis from interim.</li> <li>• Complete any unfinished compliance testing for TDA funds.</li> <li>• Complete any unfinished procedures for the NTD requirements.</li> <li>• Hold audit progress conference with Management to discuss preliminary audit findings and completion of the audit.</li> </ul>	<ul style="list-style-type: none"> <li>Partner 8</li> <li>Manager 32</li> <li>Supervisory Staff 50</li> <li>Staff <u>120</u></li> <li><b>Phase Total 210</b></li> </ul>	



## Detailed Audit Schedule for the Central Contra Costa Transit Authority

Phase	Time Period	Audit Tasks	Staff	Hours
<b>Completion of Audit</b>	<b>November/ December</b>	<b>Reporting</b> <ul style="list-style-type: none"> <li>• Draft all reports for: <ul style="list-style-type: none"> <li>➤ Financial Statements</li> <li>➤ Required Communication to the Administration and Finance Committee and Board of Directors in Accordance with Professional Standards (SAS 114)</li> <li>➤ Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with Government Auditing Standards; the Statutes, Rules, and Regulations of the California Transportation Development Act; and the Allocation Instructions and Resolutions of the Transportation Commission</li> <li>➤ Compliance for Each Major Program and on Internal Control over Compliance required by the Uniform Guidance</li> <li>➤ Agreed Upon Conditions Report Designed to Increase Efficiency, Internal Controls, and/or Financial Reporting (Management Letter)</li> <li>➤ National Transit Database (NTD)</li> <li>➤ Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA)</li> </ul> </li> <li>• Present reports to the Authority's Administration and Finance Committee.</li> <li>• Finalize all reports, findings and recommendations.</li> </ul>	<ul style="list-style-type: none"> <li>Partner 8</li> <li>Manager 10</li> <li>Supervisory Staff 18</li> <li>Staff 24</li> <li>Clerical 10</li> <li><b>Phase Total 70</b></li> </ul>	

**Ryan L. Nielsen, CPA**  
**Engagement Partner**



Ryan Nielsen is a principal with over fifteen (15) years of experience in governmental accounting. He began his career here in Bakersfield at Brown Armstrong while working on his accounting degree from CSUB. Since graduating with high honors in 2003, Ryan has grown within the firm serving a diverse client base. His expertise ranges from large public transit and transportation planning agencies to family owned agriculture and oil and gas producers. He also has gained great experience in large publicly traded companies.

Ryan was named the firm's Audit Service Line leader in 2013. Since then, Ryan has ensured that we have the highest level of audit and attest services for our transit clients. He is actively involved in a number of professional organizations such as California Transit Association, the American Institute of California Public Accountants, and the California Society of Certified Public Accountants.

**Education**

California State University,  
Bakersfield, 2003

Graduated Magna Cum Laude  
B.S., Business and Public  
Administration with a  
Concentration in Accounting

**Roles and Responsibilities**

- Overall responsibility for the audit and delivery of client service.
- Approves the overall audit risk assessment and audit procedures.
- Communicates with executive management, and members of the Authority, regarding audit planning, fieldwork and reporting.
- Available throughout the year to ensure proactive issue identification and service delivery.

**Clients Served**

\*Only chosen clients are listed

**Transit**

Fresno County Transportation Authority  
Gold Coast Transit  
Golden Empire Transit  
Kern Council of Governments  
Kern County TDA Fund Recipients  
Kings County Area Public Transit Agency  
Marin County Transit District  
Napa Valley Transportation Authority  
Riverside Transit Agency  
San Joaquin Council of Governments  
San Joaquin County TDA Fund Recipients  
San Joaquin Regional Transit District  
Santa Cruz Metropolitan Transit District  
Solano County Transit