



BROWN ARMSTRONG

Certified Public Accountants

AGREED UPON CONDITIONS REPORT DESIGNED TO INCREASE EFFICIENCY, INTERNAL CONTROLS, AND/OR FINANCIAL REPORTING

To the Finance Committee and Board of Directors
Central Contra Costa Transit Authority
Concord, California

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In planning and performing our audit of the financial statements of Central Contra Costa Transit Authority (the Authority), we considered its internal control structure 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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 Authority'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 of this section 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 such deficiencies have been 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. We did not identify any deficiencies in internal control that we considered to be material weaknesses.

We did not identify any recommendations in the current year. We are providing the disposition of our prior year recommendations.

Current Year Conditions and Recommendations

None in current year.

Status of Prior Year Conditions and Recommendations

Agreed Upon Condition 1 – Paratransit Cash Receipts

We tested a sample of 40 cash receipts, including a sample of Paratransit cash receipts, which are managed by a third party company, Link. We noted 6 of the 8 Paratransit cash receipts were missing a second signature on the reconciliation indicating review and approval. These reconciliations are provided to the Authority; however, the Authority has not questioned the missing second signature. In discussions with Link management, there is a policy requiring reconciliations be signed by a second individual, however, the policy was not being followed.

Recommendation

We recommend the Authority obtain an understanding of the controls Link has in place relating to sales, collections, counting, and reconciliations of Paratransit cash receipts. We also recommend the Authority have more oversight and review these controls periodically to ensure they are being followed.

Management Response

Prior to the audit recommendation, the Authority instituted the following to tighten controls over the services provided by Link, the third party service provider:

- A camera was installed with recording capabilities.
- A safe was purchased, which has significantly reduced the risk of unauthorized access to cash.
- The Authority implemented a process whereby accounting staff receive the farebox cash count sheets with a copy of the deposit slip stapled to trace to the bank deposits and to the monthly reconciliation sheet.
- The accounting manager reviews the monthly reconciliation sheet to trace to the bank statement and also on a random basis adds up a number of the daily cash sheets to make sure they tie to the reconciliation sheet and the bank statement.

To further strengthen controls, the Authority will implement a process to review the procedures of the third party service provider periodically as suggested in the audit recommendation.

Current Year Status

The Paratransit third party service provider hired a new manager. In addition, Authority staff obtained an understanding of the Paratransit facility and implemented a process to perform a spot check of the reconciliation performed by the third party service provider and will inspect the supporting schedules to ensure they are complete and accurate.

This information is intended solely for the use of the Audit and Finance Committee, Board of Directors, and management of the Authority and should not be used for any other purpose. However, this report is a matter of public record, and its distribution is not limited.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

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Bakersfield, California
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