

Board of Trustees and
Audit Committee Members
Utah Transit Authority
Salt Lake City, Utah

In planning and performing our audit of the financial statements of the Utah Transit Authority (“Authority”) as of and for the year ended December 31, 2025, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we considered the Authority’s internal control 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.

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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain matters that we are required to or wish to communicate to you. Matters communicated in this letter are classified as follows:

- **Material Weakness** – A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis.
- **Significant Deficiency** – A significant deficiency is a deficiency, or 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.
- **Deficiency** – A control deficiency 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.

Accounting for Capital Assets and Subscription Assets (recurring)	Material Weakness
Control Deficiency:	<p>The following conditions were identified in the Authority’s accounting for capital assets and subscription-based information technology arrangements:</p> <ol style="list-style-type: none"> 1. Capital project expenses are not being capitalized timely. <ol style="list-style-type: none"> a. There was an ongoing project related to traction power renovations with costs incurred during the year that remained in expense and were allocated to modes as of December 31, 2025. The costs were subsequently determined to be capitalizable and added to Construction in Progress in 2025. b. Additionally, there was a separate ongoing project related to a bus rapid transit line for which duplicate costs were added to Construction in Progress in both 2024 and 2025. The costs were incurred in 2024, then reclassified to a different expense account in 2025 to reflect a change in funding source and subsequently re-added to Construction in Progress. The duplicate costs were removed from Construction in Progress in 2025. c. There was one project included in Construction in Progress (CIP) as of December 31, 2025 that had been placed into service before December 31, 2023. The project had not yet been transferred into the appropriate capital asset account as the team had not yet gathered the information required to accurately assign the assets within the project to the correct accounts due to staff shortages and delays in grant closeouts. Because the project had not yet been transferred to the appropriate capital asset account, the assets have also not yet begun depreciating. 2. Depreciation expense is not being calculated correctly. During 2025, the Authority completed renovations to traction power substations and capitalized the renovation costs to the Infrastructure capital asset account. The assets were added to the capital asset module with a start date of 2003 to match the start date of the original substation asset and a useful life of 15 years, therefore the assets were depreciated in full during 2025. 3. Management does not maintain a comprehensive, centralized listing of all active subscription agreements, which resulted in several errors to the calculation of the right to use subscription asset and liability. <ol style="list-style-type: none"> a. The Authority recorded several additions to subscription assets and liabilities during 2025 for agreements that were entered into prior to 2025. b. All subscription assets that were added in 2024 were not properly amortized during fiscal year 2025, resulting in an overstatement of the net subscription asset balances. c. Management has not removed fully amortized subscriptions that have reached the end of their term from the books.
Potential Effect:	<p>Capital project expenses are not being capitalized from expense or transferred from construction in progress to the appropriate capital asset account timely. Two audit adjustments were posted that increased Construction in Progress by \$14.4 million and decreased operating expenses by the same amount. A third audit adjustment was waived that resulted in Construction in Progress being overstated by \$6.6 million and depreciable capital assets being understated by the same amount.</p> <p>Depreciation expense is not being calculated correctly on new capital asset additions. An audit adjustment was waived that resulted in accumulated depreciation and depreciation expense being overstated by \$20.9 million.</p> <p>Lastly, information technology arrangements are not being properly tracked, however, all errors identified were determined to be immaterial individually and in the aggregate, therefore no audit adjustments were proposed.</p>

Recommendation:	<ol style="list-style-type: none"> 1. We recommend that the Authority implement policies and procedures to evaluate capital project expenses timely and review the set-up of new capital assets within the capital asset module. 2. Management should implement an annual closing checklist to ensure that all required transactions and activities have been recorded or adjusted on an annual basis. Since some of these tasks are only performed annually, creating a checklist will ensure that nothing is missed during closing. 3. We recommend that the Authority implement policies and procedures to identify and track all information technology arrangements and evaluate their applicability under the provisions of GASB Statement No. 96. Management should distinguish between subscription costs, costs associated with initial implementation before the commencement of the term, and maintenance costs to record them appropriately. Additionally, management should record a subscription asset and liability upon commencement of the subscription term.
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Schedule of Expenditures of Federal Awards (SEFA) Reporting (recurring)	Deficiency
Control Deficiency:	Federal expenditures reported on the SEFA were understated due to management not including cumulative eligible expenditures for a grant award. Specifically, approximately \$2.9 million of eligible expenditures had been recognized as federal grant revenue and receivable as of December 31, 2025 but were not initially reflected on the SEFA. The SEFA was prepared using current-year expenditures only and did not incorporate previously incurred costs that became eligible as a result of grant budget revisions. Management subsequently recalculated cumulative eligible expenditures and updated the SEFA to align with recorded grant revenue.
Potential Effect:	Grant revenue and expenditures reported on the SEFA may be misstated due to incomplete or inaccurate identification of eligible expenditures, particularly when grant modifications or budget revisions occur.
Recommendation:	<ol style="list-style-type: none"> 1. We recommend that management implement controls to ensure the SEFA includes cumulative eligible expenditures for each federal award, including amounts incurred in prior periods but recognized in the current year. 2. We recommend that management establish procedures to evaluate grant budget revisions and changes in eligibility criteria to ensure all qualifying expenditures are identified and appropriately reported. 3. We recommend that management perform and document a reconciliation between the SEFA and the general ledger as part of the year-end close process, with evidence of review and resolution of any differences.

GASB 101 – Compensated Absences (recurring)	Deficiency
Control Deficiency:	The Authority implemented GASB Statement 101, <i>Compensated Absences</i> , during the year ended December 31, 2024 and developed a new methodology for determining the sick leave accrual. The methodology was based on a limited analysis of historical data of terminations and also did not consider the amount of sick leave that is more likely than not to be used prior to termination of employment.
Recommendation:	We recommend that management perform a detailed historical analysis calculation to assess their estimates applied in the calculation of the compensated absences liability

Timely Disbursements (recurring)		Deficiency
Control Deficiency:	There were some invoices selected for testing that were not paid within 60 days of receiving the invoice as required by Utah State Law.	
Recommendation:	We recommend that management implement controls and processes to ensure customers and vendors are paid within the stated 60 day period.	

Grant Revenue and Receivables		Deficiency
Control Deficiency:	<ol style="list-style-type: none"> 1. During testing of one Transit Transportation Investment Program Funds (TTIF) funding arrangement, it was noted that the Authority did not record the 4th quarter payment of the funding arrangement as local grant revenue and grant receivable, of which both were understated by \$614k. 2. During testing of a cost reimbursement funding arrangement between the Authority and the Utah Department of Transportation (UDOT), it was noted that two requests for reimbursement submitted during 2025 pertained to expenditures incurred under the agreement during 2024 and should have been recognized as revenue in that period. As a result, revenue was overstated by \$738k. 	
Recommendation:	We recommend management enhance reconciliation processes surrounding local grant revenue and unearned revenue to ensure receipts and reconciled to revenue and revenue is recorded in accordance with its funding type.	

Revenue Vehicle Depreciation (recurring)		Deficiency
Control Deficiency:	Management is using a manual spreadsheet to track accumulated depreciation and current period depreciation expense for certain revenue vehicles. In 2025, management did not prepare the revenue vehicle depreciation analysis or make a manual adjustment to true up depreciation. Crowe determined the impact to be immaterial.	
Recommendation:	We recommend management prepare the revenue vehicle depreciation analysis and make a manual adjustment to true up accumulated depreciation.	

The purpose of this letter is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. This letter is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance. Accordingly, this letter is not suitable for any other purpose.

The Authority's written response to the deficiencies and material weakness identified in our audit was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.



Crowe LLP

Indianapolis, Indiana
June 9, 2026