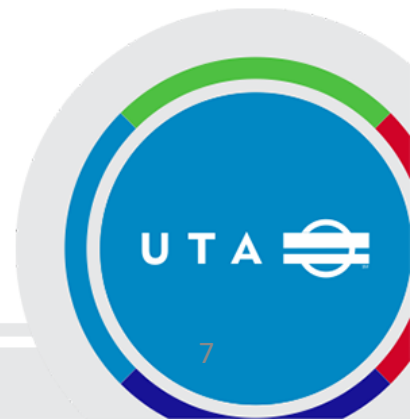


Audit Approvals

a. 2021 UTA Financial Audit Report and National Transit Database (NTD)
Agreed Upon Procedure Report



2021 UTA Annual Comprehensive Financial Report (ACFR) and National Transit Database (NTD) Agreed Upon Procedure Report





Smart decisions. Lasting value.™

2021 Audit Results

Utah Transit Authority

June 27, 2022

Audit Process and Scope of Work

Audit Methodology and Approach

- Purpose of Financial Statement and Compliance Audit
- Audit Committee Role – Quality, Internal controls, Compliance
- Concepts of Audit Risk and Materiality
- Role of Internal Controls and Tone at the Top
- Role of Monthly Financial Reporting

Financial Statement and Compliance Audits

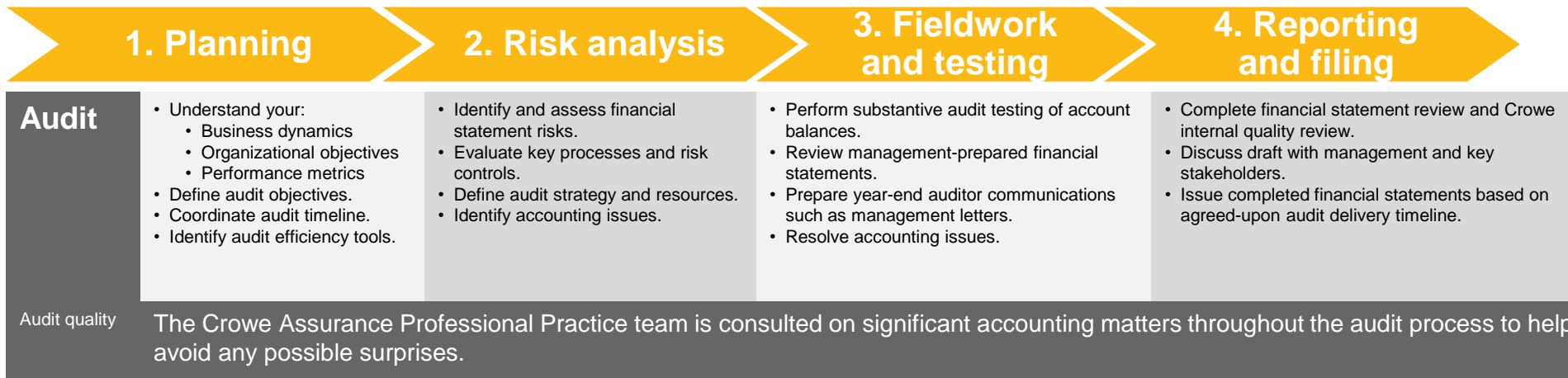
- Audit Highlights
- Management's Discussion and Analysis
- Comprehensive Annual Financial Report

New Accounting Standards

- GASB Statement No. 89 - Accounting For Interest Cost Incurred Before the End of a Construction Period
- GASB Statement No. 93 - Replacement of Interbank Offered Rates
- GASB Statement No. 98 - Annual Comprehensive Financial Report



Audit Approach and Plan



Interim fieldwork: December

- Management interviews
- Planning and Risk Assessment
- Internal controls
 - Entity-wide
 - Account-level
 - Financial reporting
- Single audit testing

Year-end fieldwork: March to early May

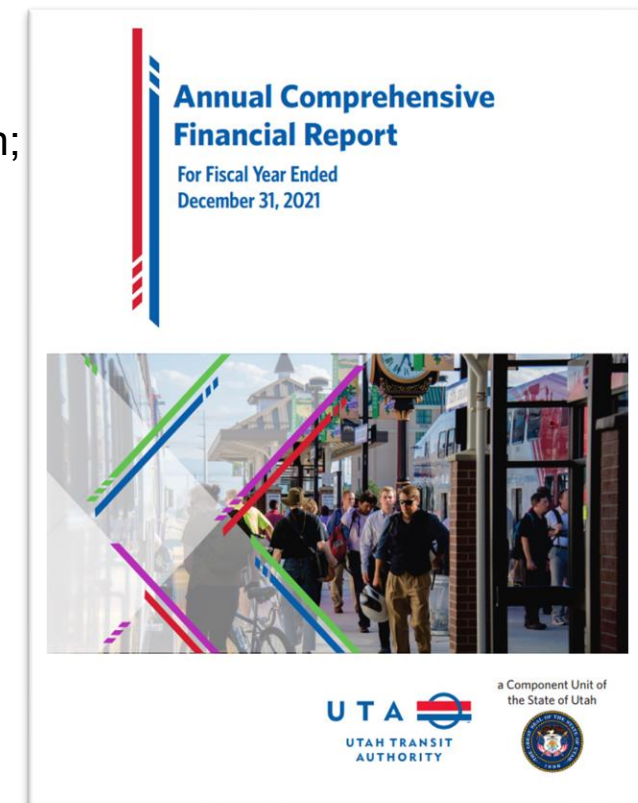
- Audit procedures on year-end balances and fiscal year activity
- Single audit testing – completion
- NTD testing

Reporting: May through current

- Review financial statements prepared by management
- Preparation and review of compliance reports
- Reporting to the Audit Committee

Audit Deliverables

- Independent Auditor's Report
- Statements on Auditing Standards (SAS) 114 Letter
- Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
- Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance
- Independent Auditor's Report on Compliance and Report on Internal Control Over Compliance as Required by the State Compliance Audit Guide
- "In relation to" opinion on the Schedule of Expenditures of Federal Awards
- Agreed Upon Procedures report on National Transit Database Federal Funding Allocation Statistics Form
- Crowe's electronic certification of the Data Collection Form through Federal Clearinghouse



Required Communications

- Auditor's Responsibility
- Independence from the Authority
- Significant Accounting Policies
- Management Judgments and Accounting Estimates
- Auditor's Judgments
- Corrected and Uncorrected Misstatements
 - Corrected misstatement to reclassify \$8.875 million of long-term debt to current liabilities for the portion due within one year.
 - Corrected misstatement related to long-term debt that decreases change in net position by approximately \$6.1 million due to the improper accounting for a debt refunding transaction.
 - An adjustment was waived to reclassify approximately \$25.8 million from construction in progress to depreciable capital assets for assets completed and placed into service during 2021. This waived adjustment did not have a material impact on the change in net position due to unrecorded depreciation expense.
- Other Communications

Required Communications

Management Recommendations / Findings

- **2021-001 (Information Technology Controls over Change Management)**

- Segregation of duties does not exist between individuals with access to the general ledger source code and individuals responsible for implementing changes to the source code into the production environment.
- We recommend that the Authority modify its policies and procedures to ensure that source code changes are initiated with appropriate authorization and management oversight and approval is obtained prior to implementing the changes into the production environment. If access to development and production cannot be restricted, a compensating monitoring control should be implemented wherein an independent individual reviews source code changes for propriety.

- **2021-002 (Financial Reporting Controls over Pension Trust)**

- General journal entries to the trust financial statements and reconciliations of trust balances and activity are not formally reviewed and approved.
- We recommend the Authority's management increase oversight of all third-parties involved in the administration of the pension trust by designing and implementing controls over the reconciliation of pension trust activity reported in the financial statements. Specifically, management should ensure that transactions and balances, including investment activity, contributions, benefit payments, and other general journal entries reported in the trust financial statements reconcile to the underlying detail maintained by the Authority, the custodian, and any other Third-Party Administrators.

Required Communications

Management Recommendations / Findings (Continued)

- **2021-003 (Accounting for Capital Assets)**

- During our testing of management's spreadsheet in the current year audit, we identified several formula errors resulting in an overstatement of 2021 depreciation expense of approximately \$3.2 million. In addition, in 2021 management changed the initial start date of the new useful lives, and as a result, the 2020 depreciation expense was overstated by approximately \$5.1 million, which caused 2021 depreciation expense to be understated by the same amount.
- We recommend that the Authority work with the software company to ensure that they can get accurate reporting of their capital assets from the system and recommend that when there is a change in accounting estimate, that the impact is recorded prospectively as required by the accounting standards. The Authority has also received several findings in a recent Federal Transit Administration Financial Management Oversight report citing additional deficiencies in internal control policies and procedures regarding capital assets that should be considered in addition to this finding.

- **2021-004 (Federal Transit Cluster Cash Management)**

- We selected a sample of 60 disbursements to test whether the Authority had disbursed the funds prior to the date of the reimbursement request from the Department of Transportation. For 4 of the disbursement sample selections, management was unable to identify which specific reimbursement request the expenditure was included in and thus we were unable to identify whether the funds were properly disbursed prior to the reimbursement request.
- We recommend that the Authority maintain detailed supporting documentation for each reimbursement request that includes a listing of individual allowable expenditures that reimbursement is being requested for.

Emerging Issues



- Implementation 12/31/2022
 - GASB 87, Leases
 - GASB 91, Conduit Debt Obligations
 - GASB 92, Omnibus 2020
 - GASB 97, CUCC and Section 457 Plans
- Implementation 12/31/2023
 - GASB 96, Subscription-Based Technology Agreements



Thank you

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Recommended Action (by acclamation)

Motion to recommend the 2021 UTA Annual Comprehensive Financial Report and National Transit Database Agreed Upon Procedure Report for approval by the Board of Trustees.

