

ACTA Audit Committee Meeting
Teleconference
December 10, 2020
8:45 a.m.

Members present:

Ed Renwick, (POLA) – presided as Chair
Janice Hahn, Los Angeles County (LACMTA)
Mario Cordero, (POLB)

Also present:

Michael Leue, ACTA, Chief Executive Officer
Kevin Scott, ACTA, Chief Financial Officer
Heather McCloskey, Los Angeles Deputy City Attorney, ACTA Co-General Counsel
Lauren Misajon, Long Beach Deputy City Attorney, ACTA Co-General Counsel
Marla Bleavins, POLA, Deputy Executive Director and Chief Financial Officer, ACTA Treasurer
Maria Melendres, ACTA, Board Secretary
Phillip Le, ACTA,
Trang Nguyen, ACTA, Principal Accountant

Olga Darlington, Partner, Moss Adams LLP
Matt Parsons, Moss Adams LLP
(other unidentified members of the public)

Roll Call

Chair Renwick called the meeting to order at 8:50 a.m.

Opening statement

The opening statement was read by Board Secretary Melendres.

Approval of the Minutes

Member Hahn moved to approve the minutes of the November 15, 2019 meeting, seconded by Member Cordero. Carried by the following vote:

AYES: Cordero, Hahn, Renwick
NOES:
ABSENT:

Audit Committee Agenda

ITEM 2 – Moss Adams discussion of Audited Financial Statements for FYE June 30, 2020 and Single Audit

- Ms. Olga Darlington, Partner for Moss Adams LLP (Moss Adams) presented the 2020 Audit Results, including the Auditor Report on the Financial Statements and Single Audit Reports.

Auditor Opinions and Reports

- Ms. Darlington stated that an unmodified opinion on the financial statements was issued. The audit was performed remotely, however, no delays were encountered.
- In addition, there were two compliance reports issued as a result of the audit: 1) Report on Internal Control over Financial Reporting, required under Government Auditing Standards; and 2) Report on Compliance for the Major Federal Program and Report on Internal Controls, required by the Uniform Guidance. No findings were reported.

Areas of Audit Emphasis

- Ms. Darlington stated internal controls were looked at very closely. This year, in particular, due to the new requirements to work remotely, internal controls were looked at. There were no significant changes in internal controls by the staff due to the new work environment.
- Ms. Darlington stated that revenue recognition was a focus; there was a slight drop in revenue, as disclosed in the footnotes of financial statements due to the COVID-19 pandemic. Long term impact is unknown at this time.
- Another focus is debt activity. Given the significant amount of debt, it is ensured that balances are confirmed, payments are being made and covenants met.
- In addition, compliance with federal and state laws and regulations, particularly for the purposes of federal grants were looked at. The federal grant received by the agency in the amount of \$888,000 was a pass-through grant from the by U.S. Department of Transportation and the California Department of Transportation.
- Ms. Darlington stated that the audit was planned and procedures carried out without any modifications. The audit plan was communicated via electronic communications to the audit committee in May 2020, distributed by Mr. Jim Preusch.
- In regards to new accounting policies and unusual transactions, Ms. Darlington stated that there were none.
- In regards to management judgments and accounting estimates, these are looked at because they are higher risk areas. In ACTA's financial statements, there is not a lot of unusual or significant estimates. No exceptions were found in the methodology being applied to calculating and reporting balances.
- Ms. Darlington stated there were no difficulties encountered in performing the audit. There were challenges due to the remote workplace, however, there were no delays in ACTA staff responses.

- In addition, there were no findings during the audit and no modifications in the form of audit adjustments.
- In regards to significant risks and exposures, note 11 has a paragraph regarding the COVID-19 pandemic and the impact on current year revenues and uncertainty going forward.
- Ms. Darlington stated that there were no disagreements with management over application of accounting standards.
- There were no material weaknesses or significant deficiencies in regards to internal controls.
- Representations of management is requested in the letter found in Exhibit 1, which is a standard representation signed every year.
- Chair Renwick asked if there were changes in the representation letter. Mr. Darlington responded that it included only standard updates.
- In regards to material uncertainties, a paragraph disclosure has been included in past financial statements stating the negative net position and management explanation causing that, which is the accrued interest on capital appreciation bonds and not the current pandemic.
- Ms. Darlington added that they did not identify any indication of fraud during the audit.
- In regards to accounting developments, GASB issued 5 new standards in 2020. The two significant standards the firm has been working with management on are Leases GASB 87 and Fiduciary Activities GASB 84. Implementation for both standards has been deferred by 12 months and 18 months. In 2021 and 2022, the financials will see more changes from the new accounting standards.
- Chair Renwick complemented ACTA for a clean audit. He also asked Mr. Scott if the net loss this year from a cash perspective was \$7 million. Mr. Scott confirmed that it was correct. Chair Renwick added that there was a \$30 million loss projection, instead of the actual \$7 million, which was great news.
- Ms. Hahn asked whether ACTA could apply for CARES funding due to the effects of the pandemic. Mr. Scott stated that there are two potentially promising areas, the cyber security bill and national defense.
- Ms. Darlington re-introduced Mr. Matt Parsons who will be the incoming lead audit partner for next year's engagement due to the state's requirement to rotate the lead audit partner every six years.

Member Hahn moved to approve Item 2, seconded by Member Cordero. Carried by the following vote:

AYES: Cordero, Hahn, Renwick

NOES:

ABSENT:

ITEM 3 – Review of Completed Service Provider Audits

- Mr. Leue introduced the item related to audit of contracted service providers.
- Ms. Hahn asked why RailWorks had not been audited. Mr. Leue responded that the current audit of RailWorks to be completed in the coming weeks is a year ahead of other contractors.
- After some discussion regarding overbilling and underbilling, Mr. Leue stated that he and Mr. Scott will work with the firms regarding their method of estimating overhead rates.

Member Hahn moved to receive and file Item 3, seconded by Member Cordero. Carried by the following vote:

AYES: Cordero, Hahn, Renwick
NOES:
ABSENT:

ITEM 4 – FY 2021-2022 Audit Schedule

- Mr. Leue provided the Committee an Updated Service Provider Audit Plan for FY 2021-2022.

Member Hahn moved to approve Item 2, seconded by Member Cordero. Carried by the following vote:

AYES: Cordero, Hahn, Renwick
NOES:
ABSENT:

ITEM 5 – Public Comment

No members of the public addressed the Committee.

ITEM 6 – Adjournment

The Audit Committee meeting was adjourned at 9:33 a.m.