


M E M O

Alameda Corridor Transportation Authority

Meeting Date: December 12, 2024
To: Audit Committee of the Governing Board
From: Kevin L. Scott, Chief Financial Officer 
Subject: APPROVE Plan for Internal Audits of ACTA's Financial Procedures

Recommendation:

Audit Committee approves accelerated implementation of internal audits of ACTA's financial procedures and the related funding.

Discussion:

In its meeting of August 15, 2024, ACTA's Governing Board instructed staff to implement internal audits of the Authority's financial procedures. The internal audits would be in addition to ACTA's annual financial audit. Internal audits and financial audits differ in their purpose. Internal audits would analyze and improve ACTA's operations and processes, while financial audits assess the accuracy of ACTA's financial statements. Prior to 2012, ACTA used to perform internal audits and had a full-time internal auditor on staff who worked in conjunction with an independent accounting firm. The periodic internal audits addressed the following areas:

- Accounts Payable
- Accounts Receivable
- Bank Reconciliation and Interbank Transfers
- Employee Expense Reimbursement
- Equipment Inventory
- General Ledger
- Investments
- Payroll

The internal audits now being considered may address these areas as well as any other procedures which may pose a financial risk to ACTA.

Timing

ACTA has the option to implement the internal audits in a standard manner or one that is accelerated.

Alternative 1 – Standard Implementation Plan - Internal Audits would Begin November 2025

Action	Timing
<ul style="list-style-type: none"> Competitive Selection Process Carried Out 	January 2025 to May 2025
<ul style="list-style-type: none"> Year-end Accounting and Financial Audit Occur. No internal audits conducted in this time 	June to October 2025
<ul style="list-style-type: none"> Internal Audits Conducted 	November 2025 to May 2026

Alternative 2 – Accelerated Implementation Plan - Internal Audits would Begin February 2025

Action	Timing
<ul style="list-style-type: none"> Governing Board approves Amendment to Agreement of Current Internal Auditor and Transfer of Funds from Legal Budget to Audit Budget 	January 2025
<ul style="list-style-type: none"> Internal Audits Conducted 	February 2025 to May 2025
<ul style="list-style-type: none"> Alternative 1 Process Carried Out 	January 2025 to May 2026

ACTA currently has an agreement with the accounting firm BCA Watson Rice to provide annual internal audits of ACET and RailWorks. This agreement expires in June of 2024. For both the accelerated and standard implementation plans, staff proposes to conduct a competitive selection process for a new agreement. In addition to an internal audit of its maintenance contractor, staff plans to augment the scope of work to call for the proposer to conduct an internal audit of ACTA’s financial procedures. The augmented scope would include:

- Identifying areas of financial risk to be audited
- Conducting tests of current controls for their effectiveness and use
- Preparing a report of findings
- Assessing staff’s responses to findings

Under the accelerated plan the Governing Board would, in its January 2025 meeting, amend BCA Watson Rice agreement’s current scope of services to include the duties listed above. To fund this initial internal audit, the Governing Board would also approve an amendment to increase the agreement by an amount not to exceed \$50,000. Finally, the Governing Board would approve a budget amendment that transfers the \$50,000 from the contingency amount in the Legal line item to the Audit line item.

ACTA staff recommends the Audit Committee approve the accelerated implementation plan.