



Board Policy No. 340
Accounting Policy

ADOPTED: 4/92

RECENT AMENDMENT: 02/24/21

SEE ALSO: 465

SUBJECT CATEGORY: FINANCE

SUBSECTION: FINANCIAL MATTERS

CONTROL DEPARTMENT: FINANCE

I. PURPOSE

The purpose of this policy is to document the District's method of accounting, audit schedule, standards of internal controls and audit committee designation.

II. PERSONS AFFECTED

AC Transit Board of Directors, Finance Staff, District Personnel.

III. DEFINITIONS

"AUP" means Agreed Upon Procedure.

"CAFR" means Comprehensive Annual Financial Report.

"GAAP" means Generally Accepted Accounting Principles for government entities.

"GASB" means Government Accounting Standards Board.

"General Ledger" – Utilizing the District's the Chart of Accounts, the General Ledger and its subsidiaries comprise the official system of record for all District financial transactions.

"LCTOP" means Low Carbon Transit Operating Program.

"NTD" means- National Transit Database (Report).

"PTMISEA" means Public Transportation Modernization, Improvement and Service Enhancement Account.

"TDA" means Transportation Development Act.

"TSSSDRA" means Transit System Safety, Security and Disaster Recovery Account.

"Write-down" - means the correction of an item (debit/credit) based on updated information about the original value of that item.

"Write-off" - means the elimination of an item (debit/credit) from an account that is deemed unrecoverable.

IV. POLICY

A. Compliance with GAAP

1. The accounting system of the District and the AC Transit Financing Corporation shall be maintained on an annual basis consistent with Generally Accepted Accounting Principles for governmental entities.

B. Independent Audit Firm

1. An independent Audit firm of Certified Public Accountants shall perform an annual financial audit, within the time frame necessary to meet the reporting deadlines including but not limited to, the AC Transit Board of Directors, National Transit Database Report, Alameda County Transportation Commission for Measures B & BB, Special Transit Service Districts I & II, including Measure C1, Government Financial Officers Association for the CAFR, and the State of California's Controller's Office for the "Special Districts Financial Transactions Report", "Transit Operators Financial Transactions Report" District Reporting & the "Financial Transactions Report" for AC Transit Financing Corps, Trustee Banks, conduit issuers, and external Rating agencies and other filing requirements such as those required by Municipal Securities Rulemaking Board (MSRB) and its Electronic Municipal Market Access (EMMA) program.

C. Reports to be prepared and issued by the Independent Audit Firm

1. Basic Financial Statements – AC Transit
2. Basic Financial Statements – AC Transit Financing Corps
3. Single Audit – Compliance with OMB, Government Auditing Standards, Uniform Guidance for federal awards, etc.
4. District I and District II AUP report
5. Measure C1 Report (formerly the Measure VV Report)
6. Local Sales Tax Compliance Reports; Measures B, BB, & J
7. Proposition 111 AUP Compliance Report – appropriation limits requirements under Section 1.5 of Article XIIB of the California Constitution
8. Proposition 1B report, inclusive of compliance requirements for Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA), Transit System Safety, Security and Disaster Recovery Account (TSSSDRA)

9. Low Carbon Transit Operating Program Report (LCTOP)
10. National Transit Database Report (NTD)
11. Management Letters on Matters of Internal Control (MOIC) for AC Transit, and AC Transit Financing Corps
12. Transportation Development Act
13. Board Expenditures AUP Report
14. Other external financial reports and filings as may be required, and/or required in the future.

D. Auditors' Opinion

1. An independent Audit firm of Certified Public Accountants will issue an opinion, which will be incorporated into the District's Comprehensive Annual Financial Report (CAFR).
2. The audit of the financial statements will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the Single Audit Act Amendments for 1996; and the provisions of OMB Circular A-133.

E. Audit Contracts

1. Audit contracts shall be competitively bid at least once every five years, or sooner as desired by the Board. Staff will present the process, and the results of its screening and selection process of the independent Audit firm of Certified Public Accountants to the Board for consideration of approval of the audit contract.

F. External & Interim Financial Reporting

1. District internal financial statements, shall include a "Statement of Net Position" and a "Statement of Revenues, Expenses, Changes in Net Position" and shall be produced by the Accounting Department on monthly basis, reviewed by the Controller, and issues of a material nature shall be reported to the Chief Financial Officer and General Manager in a timely manner.
2. Annual Financial Reporting - The Controller's Office, under the auspices of the Chief Financial Officer, is the only department authorized to prepare and report external financial results (inclusive of, but not limited to financial reports listed in section C above), and Governmental

and inter agency reports with audited financial statement components, such as the financial results reported in the National Transit Database Report, State Controller's reports, and reports to other agencies. In no case are other departments and personnel authorized to prepare and issue official reports to external agencies or parties that contain audited financial information, without express permission from the Chief Financial Officer and review and sign off from the AC Transit Controller's office.

G. Maintaining a Strong Internal Control Environment

1. Internal control procedures consistent with Section 404 of the Sarbanes Oxley Act, shall be continuously developed and maintained to ensure accurate financial reporting and an effective internal control structure over the assets of the District. Internal controls will take into consideration compliance with applicable laws, regulations, and the provisions of contracts or grant agreements. (See also Board Policy 400, and Administrative Regulation 400A, on the purpose and functions of the Internal Audit Department).

H. Write-Off and Write-Down

In order to keep the District financial statements as accurate as possible, designated financial staff will keep accounts reconciled and balances due the District up to date. For accounts with revenue accruals for which receipt has not been forthcoming within a fiscal period, staff will determine if a receivable requires write-down due to incorrect information received at the time that it was established, or a write-off if monies to which the District was reasonably entitled are deemed uncollectable or otherwise more expensive to pursue than the amount they are worth.

1. Appropriate Transactions for Write-Off - The following transactions are appropriate for write-off, provided these transactions have been researched, documented, and reconciled:
 - a. Aged accounts receivable (>180 days) deemed uncollectible
 - b. Subrogation receivable (>180 days) deemed uncollectible
2. Documentation Requirements - All items deemed to be written off must be fully documented and demonstrate that the costs of pursuing a debt outweighs the benefits. Levels of effort in record keeping and collection must be commensurate with collection value. The documentation must include:
 - a. Report of calls and/or written correspondence supporting collection efforts, and whether the account has been turned over to a collection agency
 - b. Memo of explanation justifying each write-off and background
 - c. General ledger and sub-ledger detail report
 - d. Reconciliation report and detail support copies
3. Authorization/Approval
 - a. All items that are determined to be written off/written down shall be approved by the Controller, Treasury Manager, and Chief Financial Officer.
 - b. Items that are determined to be written off with a value greater than \$100,000 shall also

- be approved by the General Manager.
- c. Items that are determined to be written off with a value greater than \$250,000 shall also be approved by the Board of Directors.

V. AUTHORITY

A. Board Authority

1. The Board of Directors shall serve as the Finance and Audit Committee, which is engaged primarily in an oversight function and ultimately responsible for the District's financial reporting processes and the effectiveness of internal controls. The audit committee, consistent with the Sarbanes Oxley Act, shall have Board representation only. The external auditor shall report results directly to the Audit Committee.
2. The Board of Directors which serves as the Finance and Audit Committee shall be responsible for ensuring that the District complies with all District Debt policies, including that the District shall not borrow funds that would adversely impact the financial condition of the District.