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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

Transportation Authority of Marin
900 Fifth Ave #100
San Rafael, CA 94903

We have audited the City of San Rafael's (City) compliance with the types of compliance requirements described in the Measure A ½-Cent Transportation Sales Tax Expenditure Plan and the respective funding agreement with the Transportation Authority of Marin (TAM), for the fiscal year ended June 30, 2019.

Compliance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Measure A Expenditure Plan, and the respective funding agreement between the City and TAM. Management of the City is responsible for compliance with the Measure A Expenditure Plan and requirements of its funding agreement with the TAM. Our responsibility is to express an opinion on the City's compliance based on our audit. Our audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide legal determination on the City's compliance with those requirements.

In our opinion, the City complied with the compliance requirements referred to above for funding allocated during the fiscal year ended June 30, 2019 for maintenance expenditures on the Puerto Suello Hills Multi-Use Path.

Internal Control over Compliance

The Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Measure A funded programs. In planning and performing our audit, we considered the City's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control 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. A *material weakness* is a deficiency, or a 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. We noted no deficiencies that we considered to be material weaknesses.

A significant deficiency is a deficiency, or a 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. We noted no deficiencies that we considered to be significant deficiencies.

However, we did have an observation that we felt needed to be reported in this report, detailed in the findings and observations section as #2019-1.

This report is intended solely for the information of the TAM Board of Commissioners, City Council, TAM Citizens' Oversight Committee (COC), Management of the TAM, and Management of the City, and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
Culver City, CA
February 27, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The City is an incorporated city that receives funding under the Measure A Expenditure Plan as a member of the County of Marin.

Basis of Accounting

The City utilizes the economic resources measurement focus basis of account, whereby revenues are recognized when measurable and available. The City considers all revenues reported to be available if the revenues are collected within sixty days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred. Capital assets acquisitions are reported as expenditures in the governmental funds.

NOTE 2 MEASURE A SALES TAX

The Measure A sales tax is a ½-cent set forth by voters as a step in implementing a 1.6 billion dollar “transportation vision” set forth by the County of Marin as a plan to alleviate traffic congestion, reinvent the public transportation system, provide additional pedestrian and bike pathways, provide safer routes to school and many other additional transit related goals. Citizens’ Advisory Committees in each part of the County, representing the many diverse interests in Marin, provided input that result in a draft expenditure plan. The draft plan was presented to each of Marin’s City/Town Councils and to numerous stakeholder groups. Their comments prompted refinements reflected in the Final Measure A ½-Cent Transportation Sales Tax Expenditure Plan.

The Measure Expenditure Plan is administered by TAM. Its 16-member board consists of the five members of the Board of Supervisors and a council member of each incorporated City/Town. TAM is accountable to a 12-member COC, created with the assistance of the League of Women Voters. The COC reviews all expenditures and reports annually to the public.

CITY OF SAN RAFAEL

Measure A Compliance Report

Attachment A – Procedures Performed

June 30, 2019

1. Obtained original Funding Agreement/Contract, Allocation Request, and Funding Agreement/Contract Amendments for the audit period or for the period during which funding was utilized for an approved project.
2. Reviewed Funding Agreement/Contract, Allocation Request, and Funding Agreement/Contract Amendments to determine total funding provided by the applicable Strategy for the audit period or for the projects being audited.
3. Interviewed finance staff regarding internal controls in the following areas, specific to, but not limited to, accounting for Measure A funding, to obtain an understanding of the entity's operations:
 - a. Cash Disbursements – Reviewed policies and procedures regarding approval, defacements, accounts payable check processing, and other matters related to the disbursement of funds.
 - b. Cash Receipts – Reviewed policies and procedures regarding cash handling of over-the-counter receipts and cash receipts received through the mail, bank deposits, bank reconciliations, and other matters related to the receipt of funds.
4. Obtained all invoices submitted to the Authority for reimbursements, if applicable.
5. Obtained supporting documentation for all invoices submitted to the Authority for reimbursements, including construction, personnel, project management, consultants, and other related costs.
6. Obtained general ledger detail for revenue and expenditures charged to the Measure A funding source or equivalent reports where income and expenses associated with Measure A funds can be clearly identified.
7. Reviewed remittances from the Authority to ensure that all revenues are correctly coded to the specific cost center or fund code designated for Measure A funding.
8. For reimbursement-based agreements, we reviewed all invoices submitted to the Authority to ensure that the costs being billed on the invoices reconcile with the ones being charged to the specific Measure A cost center in the entity's financial accounting system.
9. For reimbursement-based agreements/contracts, expenditures charged to the specific cost center or fund code designated for Measure A funding were selected on a random basis and tested for the following attributes:
 - a. Approval – Reviewed invoices and supporting documentation to ensure that the proper review and approval process occurred and is documented on the invoice.
 - b. Invoice – Reviewed invoices and supporting documentation to ensure that they are mathematically accurate, properly addressed to the auditee, and have sufficient detail to justify the amounts being charged and the cost center or fund code to which it is being charged to.
 - c. Coding – Reviewed invoices and supporting documentation to ensure that they have been correctly coded to the specific cost center or fund code designated for Measure A funding.
 - d. Allowable – Reviewed invoices and supporting documentation to ensure that the costs being charged to the specific cost center or fund code designated for Measure A funding are allowable costs based on the Measure A Expenditure Plan, the entity's funding agreement with the Authority, and specific requirements of the Strategy for which the funds were restricted for. Also reviewed expenditures to ensure that all costs are direct costs and not indirect costs or allocations of any kind.

CITY OF SAN RAFAEL

Measure A Compliance Report

Attachment A – Procedures Performed

June 30, 2019

10. For entities receiving funding in advance for Strategy 3 under a Measure A funding agreement, we reviewed, in summary form, various invoices to verify that expenditures being charged to the specific cost center or fund code restricted for Measure A are reasonable for the project. In addition, expenditures are also tested in the same fashion as outlined in step 9 of this list.
11. For entities where capital construction projects were funded utilizing Measure A Strategy 3 and 4 funding, we obtained the necessary project files and reviewed them for the following requirements:
 - a. Procurement Process – Reviewed procurement process of the project to ensure that the project was properly advertised in publications, internet, trade journals and/or other acceptable means. If other means of procurement, such as selective RFP submittals were followed, we determined whether the process is adequate in regard to the project. Reviewed any other evidence of procurement when appropriate, such as fax logs or mailing lists.
 - b. Bids and Proposals – Reviewed bids and proposals received to ensure that sufficient bids were received in regard to the project.
 - c. Bid Award – Reviewed City/Town Council Agendas and Minutes along with Staff Reports in regard to the bid award to ensure that the contract for the project was properly approved by Department Heads and the City/Town Council and was properly documented in a public forum. Also, we reviewed bidding results to ensure that the lowest bid was selected, and if the lowest bid was not selected, that there is sufficient documentation for any other selection process utilized.
12. For entities where professional service contracts were paid utilizing Measure A funding, with regards to construction projects or other purposes, we reviewed the policies and procedures of the entity to ensure that internal policies and procedures were followed in regard to the selection of professional service firms.
13. For entities where capital construction projects were paid utilizing Measure A Strategy 3 and 4 funding, we reviewed any applicable environmental review requirements and reviewed documentation to verify that all reports and reviews were performed prior to the start of any construction.
14. For entities where personnel costs were charged to the specific cost center or fund code designated for Measure A funding, we selected a representative sample of charges for personnel costs and tested for the following:
 - a. Recalculation – Reviewed and reconciled wage rates from personnel costs charged to Measure A cost center or fund code to the entity's payroll registers to ensure that wage rates being charged were accurate and properly approved; reviewed all benefits and fringe costs being allocated in addition to wage rates to ensure that they are accurate and appropriate; recalculated personnel costs utilizing wage rates and hours being charged to ensure that the amounts are mathematically accurate; review the calculation to ensure no indirect costs are included in the reimbursement request.
 - b. Timesheet – Reviewed timesheets for selected personnel costs to ensure that hours being charged to Measure A are properly supported with an approved timesheet. All charges to Measure A funding must be clearly documented on timesheets, detailing the number of hours and the funding source, on a daily basis. We also reviewed timesheets for selected personnel costs to ensure that signatures of both the employee and supervisor are present. Electronic time documentation methods must also have similar electronic signatures.
15. Obtained close-out reports, from completed capital construction projects, submitted to the Authority.
16. Reviewed close-out reports to ensure that they were submitted within 90 days and were properly certified in accordance with the entity's funding agreement/contract with the Authority.

CITY OF SAN RAFAEL

Measure A Compliance Report

Attachment B - Findings and Observations

June 30, 2019

2019-1 Observation – General ledger detail for Measure A expenditures were not reconciled:

During the review of the segregated general ledger for Measure A revenue and expenditures, it was noted that the accounting detail for Measure A funds did not reconcile with the supporting documentation submitted to TAM for reimbursement. It was noted that the supporting documentation did provide the correct maintenance and utility costs for the correct locations dictated in the fund agreement, however, in the general ledger, not all of the submitted costs were posted to the correct accounts that were set aside for Measure A funds.

Effect:

Without all expenditures associate with Measure A funds being posted to the appropriate account that was set aside for Measure A, it's difficult to identify Measure A expenditures based on the accounting records alone.

Recommendation:

We recommend that the City ensure that all expenditures associated with Measure A funds be posted to the correct general ledger accounts.

Questioned Cost:

None noted.

City's response:

The City agrees with the audit's observation. Moving forward, City staff will review the accounting records prior to year-end and ensure only and all legitimate expenses related to the project are coded correctly to the proper account.

CITY OF SAN RAFAEL

Measure A Compliance Report

Attachment C – Schedule of Funding Allocations and Expenditures

June 30, 2019

Measure A Allocation					
Period Audited	Agreement Number	Measure A Strategy	Agreement Date	Available Amount*	
FY2018-19	A-2017-017	Interest Fund	7/8/2016	\$22,461	
Measure A Expenditures					
Project Audited		Measure A Strategy	Amount		
Multi-Use Path Maintenance for Puerto Suello Hill Pathway		Interest Fund	\$44,922		
Total Measure A Reimbursement*				\$22,461	

* Available Amount and Total Measure A Reimbursement amounts are 50% of the Measure A Expenditures.