



DATE: March 16, 2020

TO: Transportation Authority of Marin Citizens' Oversight Committee

FROM: Li Zhang, Deputy Executive Director/Chief Financial Officer

SUBJECT: Review of the Proposed Revisions to the Compliance Audit Policy (Action), Agenda Item No.7

RECOMMENDATION:

The Citizens' Oversight Committee (COC) reviews the proposed revisions to the Measure A ½-Cent Transportation Sales Tax Compliance Audit Policy, provides input, and refers it to the TAM Board for approval.

BACKGROUND:

The Measure A ½-Cent Transportation Sales Tax Expenditure Plan provides TAM with the authority to audit all Measure A funding recipients for their use of the sales tax proceeds. Independent compliance audits are also explicitly permitted under the terms and conditions of TAM's funding agreements/contracts with all Measure A ½-Cent Transportation Sales Tax funding recipients. The Compliance Audit Policy was originally adopted by the TAM Board in October 2010 and then revised in May 2015. Measure AA, renewal of the original Measure A ½-Cent Transportation Sales Tax, was passed by Marin voters in November 2018 with revenue collection started in April 2019. The launch in July 2019 of various projects/programs under each of the Categories in the Measure AA ½-Cent Transportation Sales Tax Expenditure Plan calls for revisions to the Compliance Audit Policy to add the new projects/programs.

DISCUSSION/ANALYSIS:

To ensure sufficient audit review of the sales tax expenditure for the voters in Marin, while also maintaining the cost effectiveness of the overall program, staff reviews the Compliance Audit Policy periodically and recommends revisions for the TAM Board's approval when necessary. The inclusion of all categories under Measure AA into the program requires relatively extensive changes to the Compliance Audit Policy. Please note that even though Measure AA became effective in April 2019, compliance audits of Measure A funds will still be required until fund balances for various strategies of Measure A are fully spent. With the COC's critical role of auditing and reporting the usage of the sales tax funds annually, staff would like the COC's review and input on the following proposed changes, in comparison to the requirements of current Compliance Audit Policy.

Current Policy:

For Strategy 1 – Local Transit, since Marin Transit is the only fund recipient under this Strategy, and the annual allocation is more than 50% of the total Measure A fund, a compliance audit will be conducted every year.

Recommended Revisions – Update to Include Funds from Measure AA/Category 4:

For Strategy 1 under Measure A and Category 4 under Measure AA – Local Transit, since Marin Transit is the only fund recipient under this Strategy/Category, and the annual allocation is more than 50% of the total Measure A/Measure AA funds, a compliance audit will be conducted every year.

Current Policy:

For Strategy 2 – the Highway 101 Gap Closure Project was fully completed in December 2010. A compliance audit of all consultant work related to the project was conducted in 2013 and final payment was made to the California Department of Transportation in 2014. No additional audit work is recommended under Strategy 2.

Recommended Revisions - Remove the Strategy 2 Section and Replace with Measure AA/Category 1:

For Category 1 under Measure AA – Highways, most of the funds are expected to be used for consultant support that is managed by TAM staff. At least one compliance audit will be conducted for each major consultant support contract that's over \$1 million. The compliance audit will also cover TAM's contract management practice according to the requirements of the Measure AA Expenditure Plan and the contract.

Current Policy:

For Strategy 3.1 – Major Road Sub-strategy, for major capital projects under this Sub-strategy, the compliance audit will be conducted by project phase. For purposes of the compliance audit, three project phases are defined: (1) Planning and Environmental Review, (2) Project Design and (3) Construction. TAM has the discretion to select any of the Major Road projects for a compliance audit.

Recommended Revisions – Update to Include Funds from Measure AA/Major Road Set Aside:

For Strategy 3.1 under Measure A and Major Road Project Set Aside under Measure AA – Major Road Projects, the compliance audit will be conducted by project phase for each major project. For purposes of the compliance audit, three project phases are defined: (1) Planning and Environmental Review, (2) Project Design and (3) Construction. TAM has the discretion to select any phase of all major road projects for a compliance audit.

Current Policy:

For Strategy 3.2 – Local Street and Road Sub-strategy, one of the twelve local jurisdictions will be audited for compliance every year.

Recommended Revisions – Update to Reflect Funding Switch to Measure AA/Category 2:

For Category 2 Under Measure AA – Local Transportation Infrastructure, one of the twelve local jurisdictions will be selected for compliance audit every year.

Current Policy:

For Strategy 4.1 – Safe Access to Schools Sub-strategy, since TAM developed a very thorough review process of all consultant contracts under this Sub-strategy in the Spring/Summer of 2008, a compliance audit is to be conducted every three years.

Recommended Revisions – Update to Include Funding from Measure AA/Category 3.1:

For Strategy 4.1 under Measure A and Category 3.1 under Measure AA – Safe Access to Schools, a compliance audit is to be conducted every three years or when a new contact is in place.

Current Policy:

For Strategy 4.2 – Crossing Guards Sub-strategy, a compliance audit of the selected crossing guard service vendor will be conducted every two years, except when a new vendor is brought onboard, then an audit will be conducted after the first full year of service.

Recommended Revisions – Update to Include Funding from Measure AA/Category 3.2:

For Strategy 4.2 under Measure A and Category 3.2 under Measure AA – Crossing Guards, a compliance audit of the selected crossing guard service vendor will be conducted every two years, except when a new vendor is brought onboard, then an audit will be conducted after the first full year of service.

Current Policy:

For Strategy 4.3 – Safe Pathways to School Sub-strategy, TAM has the discretion to select up to two consultants/local jurisdictions that incur expenditures of more than \$10,000 annually to conduct compliance audits.

Recommended Revisions – Update to Include Funding from Measure AA/Category 3.3:

For Strategy 4.3 under Measure A and Category 3.3 under Measure AA – Safe Pathways to School, TAM has the discretion to select up to two consultants/local jurisdictions that incur expenditures of more than \$10,000 annually to conduct compliance audits.

Current Policy:

Measure A Interest Revenue Category – Projects/programs that receive Measure A interest revenue are subject to a compliance audit. As Measure A interest has been included in the Highway 101 Gap Closure, the audit of Measure A funds for that project will include the use of interest funds. For Measure A interest utilized for Class I path maintenance projects, an audit will be conducted following the third year of fund usage, for each project sponsor, and every third year after.

Recommended Revisions – Update to Include Interest Revenue Earned from Measure AA Fund Balance:

Measure A and Measure AA Interest Revenue – Projects/programs that receive interest revenue generated by the Measure A and Measure AA fund balances are subject to compliance audit. For interest revenue utilized for Class I path maintenance projects, an audit will be conducted following the third year of fund usage, for each project sponsor, and every third year after. The TAM Board also has the discretion to conduct compliance audits on any other projects/programs that receive sales tax interest revenue.

FISCAL CONSIDERATION:

Staff expects minimum financial impact due to the inclusion of new projects/programs under Measure AA.

NEXT STEPS:

After the review of the COC, staff will present the proposed revisions along with the input from the Committee to the TAM Administration, Projects and Planning Executive Committee for review, and to the TAM Board for approval.

ATTACHMENTS:

None