



DATE: November 21, 2022

TO: Transportation Authority of Marin Citizens' Oversight Committee

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

SUBJECT: Review of the 2022 Measure A/AA Compliance Audit Results (Action) - Agenda Item No.5

RECOMMENDATION:

The Citizens' Oversight Committee (COC) reviews the 2022 Measure A/AA compliance audit results and refers it to the TAM Board for acceptance.

BACKGROUND:

TAM has a fiduciary responsibility to the voters of Marin County to ensure that the Measure A and Measure AA Transportation Sales Tax funds are spent appropriately and has carried out this responsibility diligently since the inception of Measure A in 2004. Both the Measure A and Measure AA Expenditure Plans provided TAM with the authority to audit all Measure A/AA fund recipients for their use of the sales tax proceeds. An independent compliance audit is explicitly permitted under the terms and conditions of TAM's funding agreements/contracts with all Measure A/AA funding recipients. The COC played a critical role in the development of the original Measure A Compliance Audit Policy and the final Policy was adopted by the TAM Board at its October 28, 2010 Board meeting. The implementation of the Policy started with the FY2011-12 and prior Measure A funding activities. The Compliance Audit Policy was updated to include all categories under Measure AA and approved by the TAM Board at its April 23, 2020 meeting.

The TAM Board approved the six Measure A/AA Transportation Sales Tax fund recipients that were selected for the 2022 audit cycle at its June 23, 2022 meeting as shown in Table 1. The 2022 compliance audit cycle covers Measure A/AA revenue and expenditure activities which occurred in or prior to FY2021-22.

Table 1: Sales Tax Fund Recipients Selected for the 2022 Compliance Audit Cycle

No.	Fund Recipient	Funding Strategy/Category
Interest Revenue Funding Usage		
1	City of San Rafael	Usage of Multi-Use Path Maintenance Funds
2	County of Marin	Usage of Multi-Use Path Maintenance Funds
Measure A Strategy 1/Measure AA Category 4 Local Bus Transit System		
3	Marin Transit	For all sales tax funds received for its FY2021-22 transit operation and capital needs
Measure AA Category 1 Highway 101 & Adjacent Roadways		
	None for this Cycle	
Measure A Strategy 3.1/Measure AA Major Road Set Aside		
	None for this Cycle	
Measure A Strategy 3.2/Measure AA Category 2.1 Local Street and Road		
4	City of Mill Valley	For the usage of the FY2020-21 or prior sales tax Local Roads funds
Measure A Strategy 4.1/Measure AA Category 3.1 Safe Routes to School Program		
	None for this Cycle	
Measure A Strategy 4.2/Measure AA Category 3.2 Crossing Guard Program		
5	All City Management Services	For the usage of crossing guard funding in FY2021-22
Measure A Strategy 4.3 Safe Pathways to School Project		
6	Town of San Anselmo	Large capital project, for Measure A funds received for the Brookside Elementary School Sidewalk Gap Closure Project

DISCUSSION/ANALYSIS:

Measure A/AA Compliance Audit Process:

The annual Measure A/AA Compliance Audit Workshop was conducted on September 8, 2022. Staff, along with the audit team from Moss, Levy & Hartzheim (MLH), LLP, reviewed the requirements of the Measure A/AA Expenditure Plans, the agreements and contracts in place, and the compliance audit policy adopted, and explained the audit process and timeline. Representatives from 8 different fund recipients attended the workshop and provided staff with valuable questions and feedback.

The audit team from MLH, along with TAM staff, started the initial pre-audit meetings with the fund recipients selected in September, field visits were completed, and draft audit results were presented to TAM staff for review early November. The audit team noted one observation with the City of San Rafael’s audit, which was reviewed and being addressed by both the City of San Rafael and TAM staff. And staff is very pleased to report that there is no non-compliance finding discovered during this round of the compliance audit.

Measure A/AA Compliance Audit Results by Fund Recipients:

The main purpose of the compliance audit is to verify that all Measure A/AA Transportation Sales Tax funds were spent according to the requirements of the Measure A/AA Transportation Sales Tax Expenditure Plans/Strategic Plan and the funding agreements/contracts. Results from the audits can also help TAM staff to continue improving the fund programming, allocation, and monitoring process.

Compliance audit results for the 6 fund recipients selected for the 2022 compliance audit effort are presented below for your review.

City of San Rafael, Interest Revenue for Routine Maintenance of Puerto Suello Hill Multi-Use Pathway

Measure A/AA Expenditure Audited:

The compliance audit for the City of San Rafael covers all Measure A expenditures which occurred in FY2021-22 for the maintenance costs of the Puerto Suello Hill Multi-Use Pathway.

<i>Measure A/AA Allocation</i>				
Allocation Period	Agreement Number	Measure A/AA Strategy/Category	Agreement Date	Available Amount
FY 21/22	2015-017	Measure A Interest	7/8/2016	\$ 26,299
Total Measure A/AA Allocation				\$ 26,299
<i>Measure A/AA Expenditures</i>				
Project Name	Phase	Measure A Strategy	Date of Completion	Amount
Puerto Suello Hill Pathway Maintenance	n/a	Measure A Interest	6/30/2022	\$ 26,299
Total Measure A/AA Expenditure				\$ 26,299

Result:

The results of the auditor’s procedures disclosed no instances of noncompliance with the Measure A Expenditure Plan and the funding agreement between City of San Rafael and TAM. However, the following observation is reported.

Observation – Lack of supporting documentation for payroll charges:

During the review of payroll charges, it was noted that hours and rates charges are management estimates instead of actual hours and hour rates supported by timesheet and personal action forms.

Effect:

Without adequate supporting documentation for payroll charges such as direct timesheets and exact reconciliation of salary and benefit rates, it is difficult to determine if the recipient is in compliance with the requirements of the fund agreement and Measure A/AA Expenditure Plans.

Recommendation:

The audit team recommends that the City of San Rafael ensure all expenditures associated with Measure A funds be posted to the correct general ledger accounts.

Questioned Cost:

None noted.

Follow-up Meeting and/or Action:

TAM staff reviewed the observation with the City of San Rafael’s staff. City of San Rafael staff agrees with the observation and provided the following response to address the observation:

City staff understands the concern identified in the observation and will look into the possibility of creating a project code that can be used to properly tracking the staff hours and other actual maintenance cost of each pathway eligible for the Measure A interest fund. City staff will update TAM staff about the result of the research and if specific project code cannot be created, work with TAM staff to come up with an alternative solution to address the concern raised by the audit.

County of Marin, Interest Revenue for Routine Maintenance of Cal Park Tunnel Multi-Use Pathway

Measure A/AA Expenditure Audited:

The compliance audit for the County of Marin covers all Measure A expenditures which occurred in FY2019-20 for the maintenance costs of the Cal Park Tunnel Multi-Use Pathway.

Measure A/AA Allocation				
Allocation Period	Agreement Number	Measure A/AA Strategy/Category	Agreement Date	Available Amount
FY2018-19	2015-014	Measure A Interest	9/22/2015	\$ 45,000
Total Measure A/AA Allocation				\$ 45,000

Measure A/AA Expenditures				
Project Name	Phase	Measure A/AA Strategy/Category	Date of Completion	Amount
Cal Park Tunnel Maintenance	n/a	Measure A Interest	2/2/2020	\$ 41,773
Total Measure A/AA Expenditure				\$ 41,773

Result:

The results of the auditor’s procedures disclosed no instances of noncompliance with the Measure A Expenditure Plans and the funding agreement between the County of Marin and TAM.

Follow-up Meeting and/or Action:

Not needed.

Marin Transit, Measure AA Funds for Local Transit

Measure A/AA Expenditure Audited:

Compliance audit for Marin Transit covers all Measure A and Measure AA funds allocated and spent in FY2021-22 for Marin Transit’s operation and capital needs.

Measure A/AA Allocation				
Allocation Period	Agreement Number	Measure A/AA Strategy/Category	Agreement Date	Available Amount
FY 2021-22	A-FY22-13	Measure AA C4	11/11/2021	\$ 13,612,184
Total Measure A/AA Allocation				\$ 13,612,184

Measure A/AA Expenditures				
Project Name	Strategy/Category	Date of Completion	Amount	
Marin Transit Operation and Capital Needs	AA C4.1	6/30/2022	\$	3,232,784
	AA C4.2		\$	664,630
	AA C4.3		\$	2,767,189
	AA C4.4		\$	1,291,954
	AA C4.5		\$	886,173
Total Measure A/AA Expenditure				\$ 8,842,730

Result:

The results of the auditor’s procedures disclosed no instances of noncompliance with the Measure A/AA Expenditure Plans and the funding agreement between Marin Transit and TAM.

Follow-up Meeting and/or Action:

Not needed.

City of Mill Valley, Measure A/AA Funds for East Blithdale Rehabilitation Project

Measure A Expenditure Audited:

The Compliance audit for the City of Milly Valley covers Measure A/AA funds allocated in FY2020-21 for the East Blithdale Rehabilitation Project.

<i>Measure A/AA Allocation</i>				
Allocation Period	Agreement Number	Measure A/AA Strategy/Category	Agreement Date	Available Amount
FY2020-21	A-FY21-05	AA S2.1	7/1/2020	\$ 261,055
		Measure A Reserve	7/1/2020	\$ 14,154
Total Measure A/AA Allocation				\$ 275,209
<i>Measure A/AA Expenditures</i>				
Project Name	Phase	Measure A/AA Strategy/Category	Date of Completion	Amount
East Blithdale Rehab Phase 1	All	AA S2.1	6/30/2021	\$ 261,055
		Measure A Reserve	6/30/2021	\$ 14,154
Total Measure A/AA Expenditure				\$ 275,209

Result:

The results of the auditor’s procedures disclosed no instances of noncompliance with the Measure A/AA Expenditure Plan and the funding agreement between the City of Mill Valley and TAM.

Follow-up Meeting and/or Action:

Not needed

All City Management Services, Measure A/AA Funds for Crossing Guard Services

Measure A/AA Expenditure Audited:

The compliance audit for the City of Belvedere covers Measure A/AA funds TAM provided to All City Management Services for crossing guard services under the current contract.

<i>Measure A/AA Allocation</i>				
Contract Period	Contract Number	Measure A/AA Strategy/Category	Contract Date	Available Amount
July 2018 to July 2023	C-FY19-03	Measure A and AA	7/31/2018	\$ 11,300,000
Total Measure A/AA Contract Amount				\$ 11,300,000
<i>Measure A/AA Expenditures</i>				
Project Name		Measure A/AA Strategy/Category	Date of Completion	Expenditure Amount*
Crossing Guards		Measure A Reserve		\$ 79,450
		A S2		\$ 100,000
		AA C3.2		\$ 34,000
		A S4.2		\$ 1,415,383
		AA C3.2		\$ 3,536,766
Total Measure A/AA Expenditure				\$ 5,165,599

Result:

The results of the auditor’s procedures disclosed no instances of noncompliance with the Measure A/AA Expenditure Plans and the contract between All City Management Services and TAM.

Follow-up Meeting and/or Action:

Not needed.

Town of San Anselmo, Measure A Funds for the Brookside Elementary School Sidewalk Gap Closure Project

Measure A/AA Expenditure Audited:

The compliance audit for the Town of San Anselmo covers Measure A 4.3 funds for the Brookside Elementary School Sidewalk Gap Closure Project, which was allocated in FY2020-21 and spent in FY2021-22.

<i>Measure A/AA Allocation</i>				
Allocation Period	Agreement Number	Measure A/AA Strategy/Category	Agreement Date	Available Amount
FY2020-21	2015-008	Measure A S4.3	5/18/2015	\$ 350,000
Total Measure A/AA Allocation				\$ 350,000
<i>Measure A/AA Expenditures</i>				
Project Name	Phase	Measure A/AA Strategy/Category	Date of Completion	Amount
Brookside Elementary School Sidewalk Gap Closure	All	A S4.3	6/30/2022	\$ 350,000
Total Measure A/AA Expenditure				\$ 350,000

Result:

The results of the auditor’s procedures disclosed no instances of noncompliance with the Measure A/AA Expenditure Plan and the funding agreement between the Town of San Anselmo and TAM.

Follow-up Meeting and/or Action:

Not needed.

FISCAL CONSIDERATION:

The Measure A/AA compliance audit was conducted within budget and on schedule.

NEXT STEPS:

The TAM Board is expected to review and accept all compliance audit reports at its December 15, 2022 meeting.

ATTACHMENTS:

Attachment 1 Staff PowerPoint Presentation

Since the reports are very similar and essential information from all reports is highlighted in the staff memo and presentation, only the City of San Rafael report is included as part of the package and the other reports can be accessed on the links below:

- [Attachment 2-1 Measure A/AA Compliance Audit Report – City of San Rafael](#)
- [Attachment 2-2 Measure A/AA Compliance Audit Report – County of Marin](#)
- [Attachment 2-3 Measure A/AA Compliance Audit Report – Marin Transit](#)
- [Attachment 2-4 Measure A/AA Compliance Audit Report – City of Mill Valley](#)
- [Attachment 2-5 Measure A/AA Compliance Audit Report – All City Management Services](#)
- [Attachment 2-6 Measure A/AA Compliance Audit Report – Town of San Anselmo](#)



Review of the 2022 Measure A/AA Compliance Audit Results

Item 5 - Attachment 1

Transportation Authority of Marin
Citizens' Oversight Committee

November 21, 2022

Compliance Audit Policy and Background

- TAM has a fiduciary responsibility to the voters of Marin County to ensure that both the ½-Cent Measure A and Measure AA Transportation Sales Tax funds are spent appropriately and in accordance with the Measure A and Measure AA Expenditure Plans.
- With the help of the COC, the Measure A Compliance Audit Policy was developed and adopted by the TAM Board in 2010. Last amendment to the Policy was review and approved by the COC and TAM Board in April 2020 to include all Measure AA projects and programs.
- First Round of audits started in 2011 and 2022 cycle is the 12th round.

Frequency of Audits for Measure AA Program/Project

- Category 1, Highways - at least one compliance audit for each major consultant support contract that's over \$1 million
- Category 2, Local Transportation Infrastructure – one compliance audit per year
- Category 3.1, Safe Access to Schools - every three years or when a new contract is in place
- Category 3.2, Crossing Guards - every two years or first year with new vendor
- Category 3.3, Safe Pathways to Schools - up to two per year, one big and one small project
- Category 4, Local Transit – annually
- Major Road Project Set Aside - by project (planning and environmental review, project design and construction)
- Use of interest funds – every three years

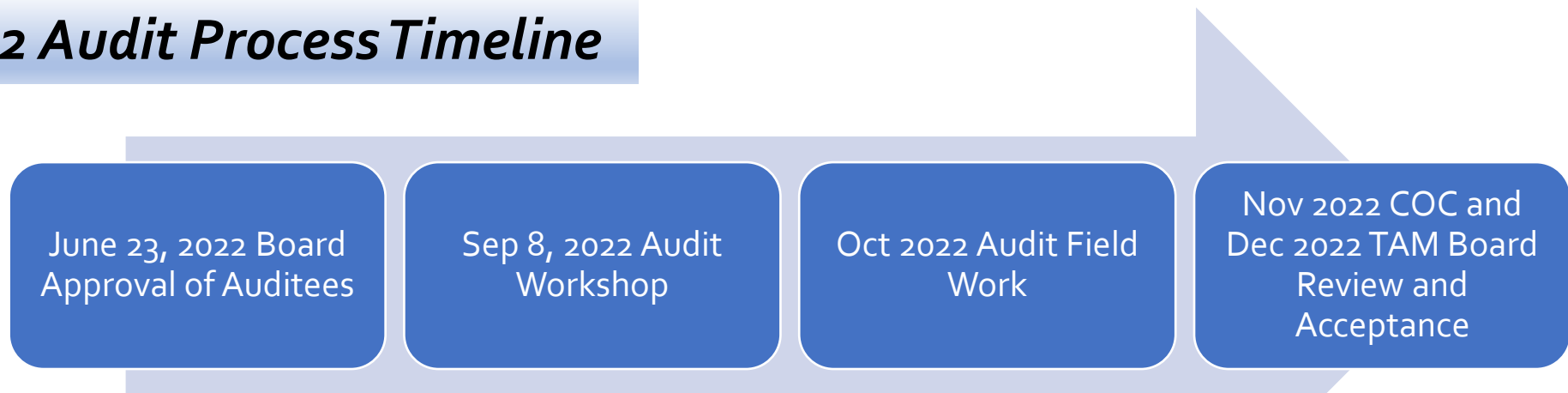
Frequency of Audits for Remaining Measure A Program/Project

- Strategy 1, Local Transit – annually
- Strategy 3.1, Major Roads – by project phase (planning and environmental review, project design and construction)
- Strategy 4.3, Safe Pathways to Schools – up to two audits per year
- Use of interest funds – every three years

General Annual Process and Timeline

- Selection and approval of list of fund recipients subject to audit – June
- Compliance Audit Workshop – August/September
- Auditor field work and meetings – October/November
- Review of audit results by staff and fund recipients – November/December
- Audit results presented to COC and TAM Board for review and acceptance – November/December/January

2022 Audit Process Timeline



List of Recipients Selected for 2022 Audit Cycle

No.	Fund Recipient	Funding Strategy/Category
Interest Revenue Funding Usage		
1	City of San Rafael	Usage of Multi-Use Path Maintenance Funds
2	County of Marin	Usage of Multi-Use Path Maintenance Funds
Measure A Strategy 1/Measure AA Category 4 Local Bus Transit System		
3	Marin Transit	For all sales tax funds received for its FY2021-22 transit operation and capital needs
Measure AA Category 1 Highway 101 & Adjacent Roadways		
	None for this Cycle	
Measure A Strategy 3.1/Measure AA Major Road Set Aside		
	None for this Cycle	
Measure A Strategy 3.2/Measure AA Category 2.1 Local Street and Road		
4	City of Mill Valley	For the usage of the FY2020-21 or prior sales tax Local Roads funds
Measure A Strategy 4.1/Measure AA Category 3.1 Safe Routes to School Program		
	None for this Cycle	
Measure A Strategy 4.2/Measure AA Category 3.2 Crossing Guard Program		
5	All City Management Services	For the usage of crossing guard funding in FY2021-22
Measure A Strategy 4.3 Safe Pathways to School Project		
6	Town of San Anselmo	Large capital project, for Measure A funds received for the Brookside Elementary School Sidewalk Gap Closure Project

2022 Compliance Auditees – City of San Rafael

Interest Revenue for Maintenance of the Puerto Suello Hill Multi-Use Pathway

<i>Measure A/AA Allocation</i>				
Allocation Period	Agreement Number	Measure A/AA Strategy/Category	Agreement Date	Available Amount
FY 2021-22	2015-017	Measure A Interest	7/8/2016	\$ 26,299
Total Measure A/AA Allocation				\$ 26,299
<i>Measure A/AA Expenditures</i>				
Project Name	Phase	Measure A Strategy	Date of Completion	Amount
Puerto Suello Hill Pathway Maintenance	n/a	Measure A Interest	6/30/2022	\$ 26,299
Total Measure A/AA Expenditure				\$ 26,299

Observation: During the review of payroll charges, it was noted that hours and rates charges are management estimates instead of actual hours and hour rates supported by timesheet and personal action forms.

Next Step: City staff understands the concern identified in the observation and will look into the possibility of creating a project code that can be used to properly tracking the staff hours and other actual maintenance cost of each pathway eligible for the Measure A interest fund. City staff will update TAM staff about the result of the research and if specific project code cannot be created, work with TAM staff to come up with an alternative solution to address the concern raised by the audit.

2022 Compliance Auditees – County of Marin

Interest Revenue for Maintenance of the Cal Park Tunnel Pathway

<i>Measure A/AA Allocation</i>					
Allocation Period	Agreement Number	Measure A/AA Strategy/Category	Agreement Date	Available Amount	
FY2018-19	2015-014	Measure A Interest	9/22/2015	\$	45,000
Total Measure A/AA Allocation				\$	45,000
<i>Measure A/AA Expenditures</i>					
Project Name	Phase	Measure A/AA Strategy/Category	Date of Completion	Amount	
Cal Park Tunnel Maintenance	n/a	Measure A Interest	2/2/2020	\$	41,773
Total Measure A/AA Expenditure				\$	41,773

Please note that the maintenance responsibility of Cal Park Tunnel is now with SMART and TAM no longer provides funding for it.

It's specified in the Measure A/AA Expenditure Plan that no sales tax funds goes to SMART.

2022 Compliance Auditees – Marin Transit

Measure AA Category 4 funds for Marin Transit Operation and Capital Needs

<i>Measure A/AA Allocation</i>				
Allocation Period	Agreement Number	Measure A/AA Strategy/Category	Agreement Date	Available Amount
FY 2021-2022	A-FY22-13	Measure AA C4	11/11/2021	\$ 13,612,184
Total Measure A/AA Allocation				\$ 13,612,184
<i>Measure A/AA Expenditures</i>				
Project Name	Strategy/Category	Date of Completion	Amount	
Marin Transit Operation and Capital Needs	AA C4.1	6/30/2022	\$	3,232,784
	AA C4.2		\$	664,630
	AA C4.3		\$	2,767,189
	AA C4.4		\$	1,291,954
	AA C4.5		\$	886,173
Total Measure A/AA Expenditure				\$ 8,842,730

Underspending under AA C4.1 since Marin Transit received various one-time stimulus support funding for operation during FY2021-22.

2022 Compliance Auditees – City of Mill Valley

Measure A Reserve & Measure AA Category 2 Funds for Local Street and Road Maintenance Project

<i>Measure A/AA Allocation</i>				
Allocation Period	Agreement Number	Measure A/AA Strategy/Category	Agreement Date	Available Amount
FY2020-21	A-FY21-05	Measure A & AA	7/1/2020	\$ 275,209
Total Measure A/AA Allocation				\$275,209
<i>Measure A/AA Expenditures</i>				
Project Name	Phase	Measure A/AA Strategy/Category	Date of Completion	Amount
East Blithdale Rehab Phase 1	All	AA S2.1	6/30/2021	\$ 261,055
		Measure A Reserve	7/7/2021	<u>\$ 14,154</u>
Total Measure A/AA Expenditure				\$275,209

Funds was combined with other sources for the East Blithdale Rehabilitation project.

2022 Compliance Auditees – All City Management Services

Measure A & Measure AA Category 2 Funds for Crossing Guard Services

<i>Measure A/AA Allocation</i>				
Contract Period	Contract Number	Measure A/AA Strategy/Category	Contract Date	Available Amount
July 2018 to July 2023	C-FY19-03	Measure A and AA	7/31/2018	\$ 11,300,000
Total Measure A/AA Contract Amount				\$ 11,300,000
<i>Measure A/AA Expenditures</i>				
Project Name		Measure A/AA Strategy/Category	Date of Completion	Expenditure Amount*
Crossing Guards		Measure A Reserve		\$ 79,450
		A S2		\$ 100,000
		AA C3.2		\$ 34,000
		A S4.2		\$ 1,415,383
		AA C3.2		\$ 3,536,766
Total Measure A/AA Expenditure				\$ 5,165,599

* Expenditures since the start of the contract

2022 Compliance Auditees – Town of San Anselmo

Measure A S4.3 Funds for the Brookside Elementary School Sidewalk Gap Closure Project

<i>Measure A/AA Allocation</i>				
Allocation Period	Agreement Number	Measure A/AA Strategy/Category	Agreement Date	Available Amount
FY2020-21	2015-008	Measure A S4.3	5/18/2015	\$ 350,000
Total Measure A/AA Allocation				\$ 350,000
<i>Measure A/AA Expenditures</i>				
Project Name	Phase	Measure A/AA Strategy/Category	Date of Completion	Amount
Brookside Elementary School Sidewalk Gap Closure	All	A S4.3	6/30/2022	\$ 350,000
Total Measure A/AA Expenditure				\$ 350,000

Final reimbursement request invoice received by TAM in June 2022.

2022 Compliance Audit Cycle Another Year of Clean Audit for all Auditees

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

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

Compliance

We have audited the City of San Rafael's (City) compliance with the types of compliance requirements described in the Measure A/AA Expenditure Plans and the respective funding agreement with the Transportation Authority of Marin (Authority), for the fiscal year ended June 30, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Management of the City of San Rafael is responsible for compliance with the Measure A/AA Expenditure Plans and requirements of its funding agreement with the Authority. Our responsibility is to express an opinion on the City's compliance based on our audit.

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/AA Expenditure Plans issued by the County of Marin, and the respective funding agreement between the City and the Authority. An 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 for Measure A Interest funds completed during the fiscal years ended June 30, 2022.

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/AA 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

This report is intended solely for the information of the Board of Commissioners, City Council, Citizens' Oversight Committee, Management of the Authority, 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
October 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The City of San Rafael (City) is an incorporated City that receives funding under the Measure A/AA Expenditure Plans 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/AA SALES TAX

The Measure A/AA sales tax is a ½-cent sales tax originally approved as Measure A in 2004 and then renewed as Measure AA in 2018 by the voters of Marin. Together, it is expected to provide more than \$1.2 billion in reliable local transportation dollars as a step in implementing the “transportation vision” set forth by the County of Marin as a plan to alleviate traffic congestion, reinvent the public transportation system, provide addition pedestrian and bike pathways, provide safer routes to school and many other additional transit related goals. Various community and advocacy groups in each part of the County, representing the many diverse interests in Marin, provided input that result in a draft expenditure plan for both Measure A and Measure AA. The draft plans were presented to each of Marin’s City/Town Councils and to numerous stakeholder groups for review and input. Comments received prompted refinements reflected in the Final Measure A/AA Transportation Sales Tax Expenditure Plans (Plans).

The original Marin County Transportation Sales Tax Expenditure Plan (Measure A) was approved in November 2014 and subsequently, the renewed Marin County Transportation Sales Tax Expenditure Plan was approved by 76.7% of Marin voters as Measure AA in November 2018. This renewed the current ½-cent transportation sales tax for another 20 years, until 2039.

The Plan is administered by the Authority. Its 16-member Board of Commissioners consists of the five Board of Supervisors and a council member of each incorporated City/Town. The Authority is accountable to a 12-member Citizens’ Oversight Committee (Committee), created with the assistance of the League of Women Voters. The Committee reviews all expenditures and reports annually and reports to the public in its annual report.

CITY OF SAN RAFAEL

Measure A/AA Compliance Report

Attachment A – Procedures Performed

June 30, 2022

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/AA 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/AA funding source or equivalent reports where income and expenses associated with Measure A/AA 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/AA funding.
8. For reimbursement-based agreements/contracts, 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/AA 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/AA 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 was documented on the invoice.
 - b. Invoice – Reviewed invoices and supporting documentation to ensure that they were mathematically accurate, properly addressed to the auditee and had sufficient detail to justify the amounts being charged and the cost center or fund code to which it was charged to.
 - c. Coding – Reviewed invoices and supporting documentation to ensure that they had been correctly coded to the specific cost center or fund code designated for Measure A/AA 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/AA funding were allowable costs based on the Measure A/AA Expenditure Plans, the entity’s funding agreement with the Authority, and specific requirements of the Strategy/Category 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/AA Compliance Report

Attachment A – Procedures Performed

June 30, 2022

10. For entities receiving funding in advance for Measure A Strategy 3 and/or Measure AA Category 2 under 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/AA were reasonable for the project. In addition, expenditures were 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 1,3&4 and Measure AA Category 2,3&4 and the Major Road Set-aside 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 Request For Proposal (RFP) submittals were followed, we determined whether the process was adequate in regards 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 regards to the project.
 - c. Bid Award – Reviewed County Board of Supervisor and/or City/Town Council Agendas and Minutes along with Staff Reports in regards to the bid award to ensure that the contract for the project was properly approved and 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 was sufficient documentation for any other selection process utilized.
12. For entities where professional service contracts were paid utilizing Measure A/AA funding, with regards to construction projects or other purposes, we reviewed the policies and procedures of the entity in question to ensure that internal policies and procedures were followed in regards to the selection of professional service firms.
13. For entities where capital construction projects were paid utilizing Measure A Strategy 1,3&4 and Measure AA Category 2,3&4 and the Major Road Set-aside 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 Measure A/AA funding, we selected a representative sample of charges for personnel costs and tested for the following:
 - d. Recalculation – Reviewed and reconciled wage rates from personnel costs charged to Measure A/AA 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 were accurate and appropriate; recalculated personnel costs utilizing wage rates and hours being charged to ensure that the amounts were mathematically accurate; review the calculation to ensure no indirect costs were included in the reimbursement request.
 - e. Timesheet – Reviewed timesheets for selected personnel costs to ensure that hours being charged to Measure A/AA are properly supported with an approved timesheet. All charges to Measure A/AA 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 were 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/AA Compliance Report

Attachment B - Findings and Observations

June 30, 2022

Observation

2022-01

Observation – Lack of supporting documentation for payroll charges:

During the review of payroll charges, it was noted that hours and rates charges are management estimates instead of actual hours and hour rates supported by timesheet and personal action forms.

Effect:

Even though the estimated hours and rates are reasonable based on the understanding of work needed, without adequate supporting documentation for payroll charges such as direct timesheets and exact reconciliation of salary and benefit rates, actual cost cannot be determined.

Recommendation:

We recommend that recipient update procedures to ensure that they obtain/retain adequate documentation for all payroll charges.

City of San Rafael Management's Response:

The City used the average hour rate of park maintenance and facilities repair workers and reasonable estimated hours for the FY2021-22 Measure A interest fund reimbursement request. City staff understands the concern identified in the observation and will look into the possibility of creating a project code that can be used to properly tracking the staff hours and other actual maintenance cost of each pathway eligible for the Measure A interest fund. City staff will update TAM staff about the result of the research and if specific project code cannot be created, work with TAM staff to come with an alternative solution to address the concern raised by the audit.

CITY OF SAN RAFAEL

Measure A/AA Compliance Report

Attachment C – Schedule of Funding Allocations and Expenditures

June 30, 2022

<i>Measure A/AA Allocation</i>				
Allocation Period	Agreement Number	Measure A/AA Strategy/Category	Agreement Date	Available Amount
FY 21/22	2015-017	Measure A Interest	7/8/2016	\$ 26,299
Total Measure A/AA Allocation				\$ 26,299
<i>Measure A/AA Expenditures</i>				
Project Name	Phase	Measure A Strategy	Date of Completion	Amount
Puerto Suello Hill Pathway Maintenance	n/a	Measure A Interest	6/30/2022	\$ 26,299
Total Measure A/AA Expenditure				\$ 26,299

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