



FINAL REPORT

Santa Clara Valley Transportation Authority
2016 MEASURE B PERFORMANCE AUDIT
FOR FISCAL YEAR 2019-2020

March 10, 2021

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March 10, 2021

2016 Measure B Citizens' Oversight Committee
Santa Clara Valley Transportation Authority
3331 North First Street
San Jose, CA 95134

Subject: 2016 Measure B Sales Tax Performance Audit Report for Fiscal Year 2019–2020

Dear Members of the Committee:

Thank you for the opportunity to perform the performance audit relating to the Santa Clara Valley Transportation Authority (VTA) 2016 Measure B Sales Tax Program (the Program), as required by the ballot language mandating that annual audits be conducted by an independent auditor. Requirements specify that proceeds are to be expended consistent with the approved Program, and that program categories will be administered in accordance with program guidelines and policies to be developed and approved by the VTA Board of Directors. This report summarizes the results of our review.

Moss Adams conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS), as outlined in our Agreement. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and audit results based on our audit objectives. The scope of this engagement is outlined in the body of our report. This report was developed based on information from our review of 2016 Measure B records for fiscal year 2019–2020.

We appreciate the opportunity to help you monitor and continuously improve your oversight or program performance. Please do not hesitate to contact me if you have any questions or need further assistance regarding this important matter.

We would like to express our appreciation to the Committee and all members of VTA's staff for their cooperation throughout this performance audit.

Very truly yours,

Moss Adams LLP

Moss Adams LLP
Campbell, CA

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I. EXECUTIVE SUMMARY

Moss Adams LLP (Moss Adams) conducted this Program Performance Audit in accordance with the Generally Accepted Government Auditing Standards (GAGAS) issued by the Controller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The performance audit objectives, scope, methodology, and conclusions, along with a summary of the views of responsible Santa Clara Valley Transportation Authority (VTA) Officials, are included in this report.

The performance audit procedures applied provided reasonable assurance, in accordance with GAGAS and 2016 Measure B documents, that for fiscal year (FY) 2019–2020 (July 1, 2019 through June 30, 2020), Program Tax Revenues were expended only on costs identified in the voter-approved 2016 Measure B ballot (the Program) for the VTA. A potential exception is the VTA not having a defined process to isolate actual costs of expanded services to vulnerable, underserved, and transit-dependent populations to expenditures for the Transit Operations program category (see Observation No. 1a in the report body for further information).

Below we report the summary-level 2016 Measure B revenue earned, income earned, expenditures by program category, and administrative costs for FY 2019–2020.

Revenue, Income, and Expenditures Category ^[1]	FY 2019–2020 Amount (\$)
Revenue Earned	\$209,324,347
Income Earned ^[2]	\$22,779,991
Expenditure by Program Category:	
Caltrain Corridor Capacity Improvements	\$2,487,662
Caltrain Grade Separation	\$374,652
Highway Interchanges	\$21,416,464
Local Streets and Roads	\$54,393,145
Transit Operations	\$14,533,954
State Route 85 Corridor	\$945,219
Administrative Cost	\$1,297,889
Total Expenditures for FY 2019–2020	\$95,448,985

[1] There were no debt service costs for the current audit period. Program-approved allocations by budget cycle can be reviewed in Observation No. 2 in the report body.

[2] Incomes earned includes both interest and investment earnings.

Based on our performance audit, we identified several commendable practices over the course of the audit:

- Expenditure and proceeds issuance documentation was effectively sourced, maintained, and managed.
- Public meetings of the 2016 Measure B Citizens' Oversight Committee (MBCOC) were held to update the community on the status of projects.
- Meeting minutes were posted on the MBCOC website.
- 2016 Measure B policies and procedures that define approval authority for invoices, contracts, and change orders to ensure appropriate review and controls were in place.
- Dashboards showing year-to-date Program spending by program category are on the VTA website.
- Strong collaboration amongst 2016 Measure B personnel and accounting was observed.

In addition, we evaluated the effectiveness and efficiency of internal controls based on our objectives to provide an analysis of the Program, so that those charged with governance and oversight can use the information to improve program performance and operations. We identified the following expenditure management and control observation related to compliance with Program requirements, policies and procedures, effectiveness, and efficiency of operations:

- **Transit Operations Actual Costs Isolation Methodology:** VTA had not yet documented or established a methodology to isolate and report on the actual expenditures of Transit Operations Program funds in support of bus operations to serve, underserved, and transit-dependent populations in the County.
- **Administration Expenditure Guidelines:** VTA lacked expenditure guidelines for program administration that define the allowability of specific administration costs such as investment fees and associated allocations, personnel charges, and sales tax forecast development costs, as required by the 2016 Measure B ballot language (see Observation No. 1b in the report body for further information).

We also noted the following opportunities for VTA and MBCOC to consider additional actions:

- Perform procedures that focus on master planning policies and program category budget allocation reporting, for VTA and grantees, to support alignment with 2016 Measure B and transparency with stakeholders.
- Conduct procurement review procedures on contracts within 2016 Measure B, including both VTA and grantees, to ensure competitive processes and procedures that support overall budget and cost management.
- Conduct construction compliance reviews on Guaranteed Maximum Price (GMP) contract types, to support cost compliance and overall program cost management.

Management remains responsible for proper implementation and operation of an adequate internal control system. Due to inherent limitations in any internal control structure, errors or irregularities may occur and not be detected. Projections of any evaluation of the internal control structure to future periods are also subject to the risk that this structure may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

II. BACKGROUND INFORMATION

A. VTA'S 2016 MEASURE B PROGRAM

In 2016, voters approved 2016 Measure B (the Program) for Santa Clara Valley Transportation Authority (VTA) “to repair potholes and fix local streets; finish the BART extension through downtown San Jose and to Santa Clara; improve bicycle and pedestrian safety; increase Caltrain capacity, in order to ease highway congestion, and improve safety at crossings; relieve traffic on the expressways and key highway interchanges; and enhance transit for seniors, students, low-income, and disabled” by imposing a \$0.005 (one-half of one-cent) retail transactions and use tax upon every retailer in Santa Clara County that will be in effect for 30 years. As of April 2017, the present value of the Program Tax Revenues was forecasted to be approximately \$6.3 billion.

According to 2016 Measure B language, VTA administers the tax by establishing a program and developing guidelines to allocate Program Tax Revenues to the following categories of transportation projects:

1. VTA's BART Silicon Valley Phase II
2. Bicycle and Pedestrian Program
3. Caltrain Corridor Capacity Improvements
4. Caltrain Grade Separations
5. County Expressways
6. Highway Interchanges
7. Local Streets and Roads
8. State Route 85 Corridor
9. Transit Operations

The VTA Board of Directors adopted guidelines for overall program administration for each of these nine program categories at the October 2017 and November 2017 meetings. These guidelines are intended to direct the implementation of each program category and propose how the program category funds should be allocated.

VTA accounting records for fiscal year (FY) 2019–2020 showed 2016 Measure B tax expenditures of \$95,448,985.

B. ACCOUNTABILITY REQUIREMENTS

2016 Measure B ballot language requires VTA to appoint an independent citizen's oversight committee. The 2016 Measure B Citizens' Oversight Committee (MBCOC) is responsible for ensuring that funds are being expended consistent with the approved Program and associated expenditure guidelines. On an annual basis, the MBCOC provides for an independent audit that reviews the receipt of revenue and expenditure of funds. The MBCOC also holds public hearings and issues an annual report to inform Santa Clara County residents how the funds are being spent.

III. OBJECTIVES, SCOPE, AND METHODOLOGY

The primary objective of this performance audit was to verify VTA compliance with 2016 Measure B, which requires that Program Tax Revenues be allocated and used for the nine approved program categories, as defined in ballot language.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Because GAGAS performance audit procedures require reasonable assurance and do not require detailed examination of all transactions and activities, there is a risk that compliance errors, fraud, or illegal acts may exist that we did not detect. Based on the performance audit procedures performed and the results obtained, we have met our audit objective.

Management remains responsible for proper implementation and operation of an adequate internal control system. Due to the inherent limitations of any internal control structure, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods are subject to the risk that the internal control structure may become inadequate because of changes in conditions, or that the degree of compliance with procedures may deteriorate.

This performance audit did not constitute an audit of financial statements in accordance with Government Auditing Standards. Moss Adams was not engaged to and did not render an opinion on VTA's internal controls over financial reporting or financial management systems.

Performance audit procedures covered the period of July 1, 2019 through June 30, 2020.

The full list of performance audit objectives (as specified by VTA and agreed upon for this performance audit) and the methodology applied included the following.

A. OBJECTIVES

Objective No. 1: Conduct an Annual Compliance Performance Audit

We conducted an annual compliance performance audit of program revenues and expenditures to render our opinion on whether expenditures during the subject period were spent in conformance with 2016 Measure B requirements. The audit adhered to GAGAS standards. We reviewed the Program's financial records and expenditures for FY 2019–2020 to verify that funds were used for approved Program purposes, as set forth in the ballot language and Board-approved expenditure guidelines. We reviewed the Program's financial records and expenditures by obtaining the Comprehensive Annual Financial Report (CAFR) and comparing the balances to VTA's detailed accounting records. We analyzed control processes, tested the Program expenditure cycle, and sampled supporting documentation to validate internal controls. Testing procedures included the use of Audit Command Language (ACL) to select a statistical, monetary unit sample to provide confidence that expenditure transactions from the Program were compliant with Program and legal requirements. We tested 69 expenditures totaling \$88,809,268.44, or 93% of the total expenditures (\$88,809,268.44 / \$95,448,985.15). These transactions were comprised of payments to Partner Agencies (including

local cities, County of Santa Clara, and other regional transportation agencies such as Caltrain), vendors, and journal entries of interfund transfers. Our testing procedures were performed to verify that:

- Expenditures aligned with a program category, as outlined in the 2016 Measure B ballot language; and,
- Expenditures were allowable according to applicable expenditure guidelines approved by the VTA Board of Directors.

We interviewed VTA and program administration personnel and analyzed key documentation to assess the design of controls over program expenditures. This included the review, authorization, and oversight of expenditures, contracts executed with other regional stakeholders including VTA Member Agencies, accounting for sales and use tax proceeds issued, and payments made and recorded for FY 2019–2020. The documents we analyzed to assess program risk and controls design included:

- 2016 Measure B ballot language
- 2016 Measure B expenditure guidelines
- VTA Board-approved budget memos
- MBCOC meeting agendas and minutes
- Applicable Partner Agency contract documentation (e.g., local cities, County of Santa Clara, BART, Caltrain)
- Accounting for Program proceeds and supporting documentation for expenditures taken from VTA's books and records
- Review of Project Expenditures (for FY 2019–2020) and voter-approved ballot language

Objective No. 2: Report 2016 Measure B Revenue Earned, Income Earned, Expenditures by Program Category, Administrative Cost, and Debt Service and/or Costs of Borrowing

We reported the following for 2016 Measure B: revenue earned, income earned, expenditures by program category, and debt service and/or costs of borrowing. We made note of any changes to program categories and/or the maximum approved allocations therein based on the Program's financial records.

B. SCOPE AND METHODOLOGY

The audit covered the most recently completed fiscal year (FY 2019–2020) for the Program. Moss Adams attended the MBCOC meeting on July 29, 2020, presented the proposed audit plan and deliverables schedule, and addressed MBCOC member questions and concerns. We coordinated with VTA on the specific schedule for conducting audit fieldwork. We conducted an exit meeting with VTA staff (February 10, 2021) and the MBCOC (March 3, 2021) to review preliminary issues and obtain further information as necessary.

Moss Adams prepared a draft audit report based on our findings and auditor opinions and provided it to VTA management on February 10, 2021 and the MBCOC on February 25, 2021. Following exit meetings, Moss Adams incorporated changes as appropriate to the draft report, and the draft report was finalized and electronically submitted to VTA on March 10, 2021 for presentation of the final audit report to MBCOC on March 24, 2021 virtually due to the COVID-19 pandemic. A final draft was

provided in PDF format for inclusion on VTA's website. We were prepared to evaluate and report on specific areas or items or to provide specific metrics requested by MBCOC, if applicable; however, no specific areas or items were requested. A log of open observations and recommendations for this audit report is included in Appendix A.

We also interviewed key personnel responsible for administering the Program, including senior management and staff from the VTA, including all MBCOC members. The individuals interviewed are listed in Appendix B. We provided interviewees with an opportunity to provide feedback on whether or not fraud, waste, and/or other misconduct may be occurring and to provide insight on areas of improvement for the Program.

IV. AUDIT RESULTS

A. OBJECTIVE NO. 1: CONDUCT AN ANNUAL COMPLIANCE PERFORMANCE AUDIT

Expenditure Management and Controls

Moss Adams conducted the audit in accordance with the Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States. We reviewed the 2016 Measure B financial records and expenditures for FY 2019–2020 to verify that funds were used as set forth in the 2016 Measure B ballot language. We identified the following two observations and recommendations over the course of our audit.

Observation 1A: Transit Operations Actual Costs Isolation Methodology

VTA has not yet documented or established a methodology to isolate and report on the actual expenditures of Transit Operations Program funds in support of bus operations to serve underserved and transit-dependent populations in the County. The Transit Operations program category intends to increase ridership, improve efficiency, enhance mobility services, and improve the affordability of bus transportation. According to the Transit Operations expenditure guidelines, funding should be allocated for the following purposes:

- Enhance the Frequent Core Bus Network by increasing core bus route service frequencies and expanding or adding additional evening, late-night, and weekend service (73% of program category funding)
- Expand mobility services and affordable fare programs for seniors, disabled, students, and low-income riders (8% of program category funding)
- Support new/innovative transit service models to address first/last-mile connections and transit services for the transit dependent, vulnerable populations, and paratransit users that are safe and accountable (15% of program category funding)
- Improve amenities at bus stops to increase safety, security, and access with lighting and access improvements (4% of program category funding)

The Transit Operations program category is administered by VTA as the service provider of bus operations; therefore, there is a regularly scheduled interfund transfer from 2016 Measure B funds to the Transit Operations account. According to VTA management, new/innovative transit service model sub-program is competitive grant program and bus stop amenity improvements charges are tracked as a separate project, and therefore both programs operate on a reimbursement basis; no expenditures for these sub-categories were incurred during the audit period. However, VTA advances funds for the first two sub-programs (enhance Core Bus Network and expand mobility services) and has not yet established or documented a methodology to validate that 2016 Measure B funds. Therefore, the amount of actual expenditures for these sub-categories could not be specifically isolated and validated. However, since the Transit Operations Division bus operations budgets are over \$200 million annually, it is unlikely that 2016 Measure B expenditures exceeded operating costs for any particular purpose within the applicable Transit Operations program sub-categories. Nevertheless, VTA should demonstrate that program category funding was used in accordance with expenditure guidelines.

We identified 18 items in our sample, totaling \$13,258,618, that were an interfund transfer from 2016 Measure B to VTA's operating account. A detailed listing of these transactions is included in Appendix C. The total Transit Operation amount charged to the program for the period was \$14,533.954.

VTA should establish and document a methodology to conduct an analysis that substantiates the use of 2016 Measure B funds to support applicable Transit Operations sub-categories. This methodology should isolate and define allowable and unallowable transit operations-related expenses for each sub-program. Over the course of the audit, VTA program management-initiated work to develop this methodology and perform the substantiate for the fiscal years under audit. Once the methodology is finalized, it should be documented and submitted to the appropriate authority for approval.

Recommendation: To continue to ensure compliance with ballot language, VTA should establish and document a methodology to substantiate Transit Operations allocations with actual costs to validate and document the use of 2016 Measure B funds on a regular basis. In addition to substantiating overall program category expenditures, the methodology should also substantiate specific sub-program allocations.

Observation 1B: Administration Expenditure Guidelines

VTA lacked expenditure guidelines for program administration that define the allowability of specific administration costs such as investment fees and associated allocations, personnel charges, and sales tax forecast costs, as required by the 2016 Measure B ballot language.

While sampled expenditures appeared to be reasonable and consistent with the Program objectives, the 2016 Measure B ballot language specifically states that “the Program Categories will be administered in accordance with program guidelines and policies to be developed and approved by the VTA Board of Directors.” Areas within our sample such as investment fees and allocation of fees (\$181,614.48), personnel charges (\$6,962.15), and sales tax forecast costs (\$9,230.70) that require program administration expenditure guidelines clarification include the following:

- **Investment Fees and Associated Allocations:** Within our sample, we identified five expenditures totaling \$181,614.48 to Payden & Rygel for investment fees, as shown in the following table. Based on a review of investment statements, it appears that VTA allocates investment fees based on the percentage of total funds invested; however, the basis of allocation was not documented in policy or expenditure guidelines for 2016 Measure B. Over the course of the audit period, \$490,763.62 in investment and banking fees were paid using 2016 Measure B funds.

TABLE 1: INVESTMENT FEE TESTING RESULTS

Document Number	Posting Date	Amount
101728149	6/30/2020	\$121,855.00
1900119932	1/9/2020	\$59,759.48
Total		\$181,614.48

- **Personnel Charges:** Within our sample, we identified five labor charges totaling \$6,962.15, as shown in the following table:

TABLE 2: LABOR CHARGES TESTING RESULTS

Document Number	Posting Date	Position Title	Amount
101687921	2/29/2020	Deputy Director of Grants and Allocations	\$2,559.60
101642924	10/31/2019	2016 Measure B Program Manager	\$1,685.39
101680445	1/31/2020	2016 Measure B Program Manager	\$1,203.85
101711134	5/31/2020	Senior Policy Analyst	\$1,060.05
101710481	5/31/2020	Senior Policy Analyst	\$453.26
Total			\$6,962.15

Based on the Labor Charging to Projects Policy dated May 12, 2009, “It is VTA's policy to charge labor to projects in a manner that provides for accurate and timely cost control accounting. This policy shall be supported with the following practices:

- Labor charged directly to projects must be supported by timecard entries.
- Appropriate project budget must be requested by the respective project manager.
- Project reimbursements must be actively monitored by the cost center manager.
- Exceptions to this policy must be authorized in advance by the Chief Financial Officer.”

However, this labor policy appeared to relate to project personnel specifically, and not to administrative personnel for programs such as 2016 Measure B. VTA provided a list of administrative positions that were paid using 2016 Measure B funds and an explanation of how each position contributed to the Program. One of the positions listed above, the Senior Policy Analyst, was not included on this listing, but was charged to the Program based on actual time incurred. Additionally, no project budgets by personnel were available for the administrative personnel, and while employees charging time to 2016 Measure B do report actual time worked, there is currently no available record of the work activities conducted that relate directly to administration of 2016 Measure B. Due to the absence of itemized timekeeping detail narratives, we are unable to determine the exact nature of work performed for the time incurred. If employees do not record the activities they work on for projects funded through 2016 Measure B, it presents a potential risk that VTA operations could be subsidized through Program revenues, which is not an allowable purpose according to ballot measure language.

- **Sales Tax Forecast Costs:** We identified one expenditure equaling \$9,230.70 that was paid to the UCLA Anderson Forecast to pay a portion of costs of a Sales Tax Forecast totaling \$30,000. Costs for the sales tax forecast were allocated to a total of four sales tax measures administered by VTA.

VTA established expenditure guidelines for each program category and has general policies and procedures related to contract management, grants, and accounting in place. However, there was no

internal documentation explaining how Program funds dedicated to administration are managed and monitored and defining what costs are allowable or unallowable.

Recommendation: As required by the ballot language, VTA should develop and implement administration expenditure program guidelines, or a procedural document, to address what elements of administration (e.g., investment fees and associated allocations, specific personnel, and sales tax forecasts) are allowable or unallowable, and obtain appropriate approval. Additionally, the expenditure guidelines should address how costs are allocated based on actual costs incurred. These guidelines will support transparency, accountability, and alignment with the Program and voter-approved ballot language.

Additionally, as a best practice VTA should review timekeeping system capabilities to determine whether detailed information recording what duties pertaining to 2016 Measure B were performed could be entered into the system for all employees charging time to the Program. Ultimately, a time tracking system (or equivalent) should ensure that all costs incurred are identifiable and have a beneficial and defensible relationship to the Program and to expenditure guidelines.

B. OBJECTIVE NO. 2: REPORT 2016 MEASURE B REVENUE EARNED, INCOME EARNED, EXPENDITURES BY PROGRAM CATEGORY, AND DEBT SERVICE AND/OR COSTS OF BORROWING (NO EXCEPTION)

Observation 2

As a component of this performance audit, Moss Adams reported the 2016 Measure B revenue earned, income earned, expenditures by program category, and debt service and/or cost of borrowing.

Figures were provided by VTA and validated through the review of Board-approved budget memos and VTA’s audited financial statements. There were no debt service costs for the current audit period.

The table below reports annual revenues for each fiscal year in our audit period, including revenue earned through sales and use tax receipts as well as income generated through investments.

TABLE 3: PROGRAM REVENUE AND INCOME FOR FY 2019–2020 AND INCEPTION TO FY 2020

	FY 2019–2020	Inception to FY 2020 (4/1/2017–6/30/2020)
Revenue Earned	\$209,324,346.66	\$702,078,295.62
Income Earned ^[1]	\$22,799,991.48	\$27,770,753.72
Program Revenue and Income Earned	\$232,124,338.14	\$729,849,049.34

[1] Income earned includes both interest and investment earnings.

VTA allocates 2016 Measure B budgets and monitors expenditures on an annual or biennial basis, depending on the program category and associated expenditure guidelines. Budget allocations for 2016 Measure B do not expire and can be rolled into future fiscal years. Expenditures are reimbursed rather than provided in advance. Three program categories (Local Streets and Roads, Transit

Operations, and Administration) are allocated budgets on an annual basis. The following table summarizes the budget allocation and expenditure information for FY 2019–2020 and the inception to FY 2020 period.

TABLE 4: ALLOCATIONS AND EXPENDITURES FOR PROGRAM CATEGORIES WITH ANNUAL BUDGETING

Program Category	FY 2019–2020		Inception to FY 2020 (4/1/2017–6/30/2020)	
	Allocation	Expenditures	Allocation	Expenditures
Local Streets and Roads	\$40,000,000	\$54,393,144.51	\$130,000,000	\$56,026,329
Transit Operations	\$16,650,000	\$14,533,954	\$49,950,000	\$43,533,954
Administration	\$3,300,000	\$1,297,889	\$9,900,000	\$3,705,033
<i>Subtotal Annual Budget Cycle Expenditures</i>	<i>\$59,950,000</i>	<i>\$70,224,987</i>	<i>\$189,850,000</i>	<i>\$103,265,315</i>

The following table outlines the allocation and expenditures for the remaining the program categories in FY 2019–2020 and the inception to FY 2020 period. These expenditures are allocated on a biennial basis in alignment with VTA's budget cycle.

TABLE 5: ALLOCATIONS AND EXPENDITURES FOR PROGRAM CATEGORIES WITH BIENNIAL BUDGETING

Program Category	FY 2019–2020		Inception to FY 2020 (4/1/2017–6/30/2020)	
	Allocation	Expenditures	Allocation	Expenditure
VTA's BART Silicon Valley Phase II	\$150,000,000	-	\$150,000,000	-
Bicycle and Pedestrian Program	\$16,660,000	-	\$33,320,000	-
Caltrain Corridor Capacity Improvements	\$6,800,000	\$2,487,662	\$13,100,000	\$2,493,377
Caltrain Grade Separations	\$31,000,000	\$374,652	\$38,000,000	\$374,652
County Expressways	-	-	\$50,000,000	-
Highway Interchanges	\$119,900,000	\$24,416,464	\$206,900,000	\$22,001,206
State Route 85 Corridor	\$2,500,000	\$945,219	\$14,500,000	\$945,216
<i>Subtotal Biennial Budget Cycle Expenditures</i>	<i>\$326,860,000</i>	<i>\$25,223,998</i>	<i>\$505,820,000</i>	<i>\$25,814,455</i>

Program Category	FY 2019–2020		Inception to FY 2020 (4/1/2017–6/30/2020)	
	Allocation	Expenditures	Allocation	Expenditure
Total Program Expenditures (including Annual Budget Cycle Expenditures)	\$386,810,000	\$95,448,985	\$695,670,000	\$129,079,770

According to these records, all program categories are currently operating within their respective budget allocations. 2016 Measure B expended \$95,448,985 in FY 2019–2020, including \$94,151,096 for program categories and \$1,297,889 for administrative costs. Since the Program was recently implemented, expenditures are likely to increase over the next several years as Partner Agencies implement allowable projects.

APPENDIX A – AUDIT RESOLUTION LOG

The following table summarizes the expenditure management and control recommendations included in this report for future reporting.

Source	Recommendation	Management Response	Status of Resolution	Planned Resolution Date
Observation 1A: Transit Operations Actual Costs Isolation Methodology (Objective 1A from the Moss Adams 2017-19 Report)	To continue to ensure compliance with ballot language, VTA should establish and document a methodology to substantiate Transit Operations allocations with actual costs to validate and document the use of 2016 Measure B funds on a regular basis. In addition to substantiating overall program category expenditures, the methodology should also substantiate specific sub-program allocations.	<p>Management Response: Agree</p> <p>Program staff will work with the appropriate Finance departments to develop and finalize methodology to validate allocations with actuals for the following two Transit Operations sub-categories:</p> <ul style="list-style-type: none"> • Expand mobility and affordable fares • Enhance core frequent network <p>The two processes are targeted to be in place beginning FY2022 (July 1, 2021).</p> <p>The remaining two sub-categories, Innovative Transit Service Models and Improve Bus Stop Amenities, are a competitive grant program and project specific, respectively. Actuals are based on reimbursement of actual charges, so development of a methodology to validate allocations with actuals is not applicable.</p>	Open	July 1, 2021
Observation 1B: Administration Expenditure Guidelines (Objective 1B)	As required by ballot language, VTA should develop and implement administration expenditure program guidelines, or a procedural document, to address what elements of administration (such as investment fees and associated allocations, specific personnel,	<p>Management Response: Agree</p> <p>The Program office will develop guidelines and procedures that identify the allowable elements of</p>	Open	July 1, 2021

Source	Recommendation	Management Response	Status of Resolution	Planned Resolution Date
<p>from the Moss Adams 2017-19 Report)</p>	<p>and sales tax forecasts) are allowable or unallowable, and should obtain appropriate approval. Additionally, these expenditure guidelines should address how costs are allocated based on actual costs incurred. This document will support transparency, accountability, and alignment with the Program and voter-approved ballot language.</p> <p>Additionally, as a best practice VTA should review timekeeping system capabilities to determine whether detailed information recording the duties performed pertaining to 2016 Measure B could be entered into the system for all employees charging time to the Program. Ultimately, a time tracking system (or equivalent) should ensure that all costs incurred are identifiable and have a beneficial and defensible relationship to the Program and to expenditure guidelines.</p>	<p>administration costs as known to us at this time. The guideline will be implemented beginning FY 2022 (July 1, 2021).</p> <p>Although we agree with the best practice of reviewing timekeeping system capabilities, VTA's timekeeping system capabilities may not have the capability to record at a detailed level the specific activities by employees charging to the Program. However, staff will check with appropriate subject matter experts by June 30, 2021 to determine whether VTA's timekeeping system can record activities at a detailed task level.</p>		

APPENDIX B – INTERVIEWS

The following key VTA personnel were interviewed:

- Deputy Director, Grants & Allocations, Santa Clara Valley Transportation Authority
- Senior Policy Analyst
- Assistant Controller
- 2016 Measure B Program Manager
- Deputy Director of Finance, Budget and Program Management at VTA
- MBCOC Committee Members (six)

APPENDIX C – TRANSIT OPERATIONS TESTING RESULTS

Below, we report the 18 items in our sample, totaling \$13,258,618, that were an interfund transfer from 2016 Measure B to VTA's operating account. The total Transit Operation amount charged to the program for the period was \$14,533.954.

Document Number	Posting Date	Amount (\$)
101726920	6/30/2020	\$1,075,867.00
101615505	7/1/2019	\$993,103.00
101624700	8/1/2019	\$993,103.00
101636917	9/1/2019	\$993,103.00
101648523	10/1/2019	\$993,103.00
101660986	11/1/2019	\$993,103.00
101672351	12/1/2019	\$993,103.00
101684407	1/1/2020	\$993,103.00
101691829	2/1/2020	\$993,103.00
101698984	3/1/2020	\$993,103.00
101707445	4/1/2020	\$993,103.00
101714584	5/1/2020	\$993,103.00
101726920	6/30/2020	\$224,133.00
101636917	9/1/2019	\$206,897.00
101672351	12/1/2019	\$206,897.00
101684407	1/1/2020	\$206,897.00
101698984	3/1/2020	\$206,897.00
101707445	4/1/2020	\$206,897.00
Total		\$13,258,618.00

