



FINAL REPORT

Santa Clara Valley Transportation Authority

2016 MEASURE B PERFORMANCE AUDIT FOR FISCAL YEAR 2020-2021

March 21, 2022

Moss Adams LLP
635 Campbell Technology Parkway
Campbell, CA 95008
(408) 558-7500



March 21, 2022

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 2020–2021

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 (2016 Measure B), 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 2016 Measure B, 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 LLP 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 2020–2021.

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

Table of Contents

| | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| I. Executive Summary | 1 |
| II. Background Information | 4 |
| A. VTA's 2016 Measure B Program | 4 |
| B. Accountability Requirements | 4 |
| III. Objectives, Scope, and Methodology | 5 |
| A. Objectives | 5 |
| B. Scope and Methodology | 6 |
| IV. Audit Results | 8 |
| A. Objective No. 1: Conduct an Annual Compliance Performance Audit | 8 |
| 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) | 11 |
| Appendix A – Audit Resolution Log | 13 |
| Appendix B – Interviews | 15 |

I. EXECUTIVE SUMMARY

Moss Adams LLP (Moss Adams) conducted this 2016 Measure B 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) 2020–2021 (July 1, 2020 through June 30, 2021), 2016 Measure B tax revenues were expended only on costs identified in the voter-approved 2016 Measure B ballot.

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 2016 Measure B spending by program category are on the VTA website.
- Strong collaboration among 2016 Measure B personnel and accounting was observed.
- Staff demonstrated resilience and dedication to the organization and public service through a challenging year.

In addition, we evaluated the effectiveness and efficiency of internal controls based on our objectives to provide an analysis of the 2016 Measure B, so that those charged with governance and oversight can use the information to improve 2016 Measure B performance and operations. We identified the following expenditure management and control observations related to compliance with 2016 Measure B requirements, policies and procedures, effectiveness, and efficiency of operations:

- **Transit Operations Actual Costs Isolation Methodology:** VTA has taken steps to document and establish a methodology to isolate and report on the actual expenditures of 2016 Measure B's Transit Operations funds in support of bus operations to serve underserved and transit-dependent populations in Santa Clara County. VTA established policies for the Transit Operations program category in July 2021 (see Observation 1a in the report body for further information).

- **Administration Expenditure Guidelines:** VTA has taken steps to establish 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; however, VTA established an administration expenditure policy that was implemented after our audit period in July 2021. (see Observation No. 1b in the report body for further information).

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

- Review VTA’s application of the Board-approved 2016 Measure B Principles in allocation determinations.
- Conduct procurement review procedures on VTA contracts funded by 2016 Measure B to ensure competitive processes and procedures that support overall budget and cost management.
- Conduct audits of grantees to ensure that funds are procured in accordance with public contracting code and expended in conformance with VTA budget authorizations and 2016 Measure B requirements.
- Conduct construction compliance reviews on Guaranteed Maximum Price (GMP) contract types to support cost compliance and overall program cost management.

The following table provides 2016 Measure B revenue earned, income earned, expenditures by program category, and administrative costs for FY 2020–2021.

| Revenue, Income, and Expenditures Category ^[1] | FY 2020–2021 Amount |
|-----------------------------------------------------------|---------------------|
| Revenue Earned | \$220,362,000 |
| Income Earned ^[2] | \$1,857,000 |
| Expenditure by Program Category: | |
| Bicycle and Pedestrian Program | \$373,516 |
| Caltrain Corridor Capacity Improvements | \$1,289,250 |
| Caltrain Grade Separation | \$65,025 |
| County Expressways | \$6,297,060 |
| Highway Interchanges | \$32,633,307 |
| Local Streets and Roads | \$18,646,194 |
| Transit Operations | \$14,607,591 |
| State Route 85 Corridor | \$362,104 |

| Revenue, Income, and Expenditures Category ^[1] | FY 2020–2021 Amount |
|-----------------------------------------------------------|---------------------|
| Administrative Cost | \$2,410,311 |
| Total Expenditures for FY 2020–2021 | \$76,684,358 |

[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.

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 the 2016 Measure B for 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 2016 Measure B’s tax revenues was forecasted to be approximately \$6.3 billion.

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

- VTA’s BART Silicon Valley Phase II
- Bicycle and Pedestrian Program
- Caltrain Corridor Capacity Improvements
- Caltrain Grade Separations
- County Expressways
- Highway Interchanges
- Local Streets and Roads
- State Route 85 Corridor
- 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 FY 2020–2021 showed 2016 Measure B tax expenditures of \$76,684,358.

B. ACCOUNTABILITY REQUIREMENTS

2016 Measure B ballot language requires VTA to appoint an independent citizen’s oversight committee. The MBCOC is responsible for ensuring that funds are expended consistent with the approved Program and associated expenditure guidelines. On an annual basis, the MBCOC organizes an independent audit to review 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's compliance with 2016 Measure B, which requires its tax revenues be allocated and used for the nine approved program categories, as defined in ballot language. Performance audit procedures covered the period of July 1, 2020 through June 30, 2021.

We conducted this performance audit in accordance with GAGAS. 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 GAGAS. Moss Adams was not engaged to and did not render an opinion on VTA's internal controls over financial reporting or financial management systems.

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 performance audit of 2016 Measure B revenues and expenditures to render our opinion on whether expenditures during the audit period were spent in conformance with 2016 Measure B requirements. The audit adhered to GAGAS. We reviewed 2016 Measure B's financial records and expenditures for FY 2020–2021 to verify that funds were used for approved purposes, as set forth in the ballot language and Board-approved expenditure guidelines. We reviewed 2016 Measure B's financial records and expenditures by obtaining the Annual Comprehensive Financial Report (ACFR) and comparing the balances to VTA's detailed accounting records. We analyzed control processes, tested the 2016 Measure B 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 2016 Measure B were compliant with program and legal requirements. We tested 65 expenditures totaling \$43,782,710.75, or 57.1% of the total expenditures (\$43,782,710.75 / \$76,684,358.00). 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 one of the nine program categories, as outlined in the 2016 Measure B ballot language
- 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 2016 Measure B 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 2020–2021. The documents we analyzed to assess 2016 Measure B risk and control 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 2016 Measure B proceeds and supporting documentation for expenditures taken from VTA's books and records
- Review of 2016 Measure B expenditures (for FY 2020–2021) 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 2016 Measure B's 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 2016 Measure B's financial records.

B. SCOPE AND METHODOLOGY

The performance audit covered the most recently completed fiscal year (FY 2020–2021). Moss Adams attended the MBCOC meeting on October 27, 2021, 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 11, 2022) and the MBCOC (February 23, 2022) 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 4, 2023 and the MBCOC on February 23, 2022. Following exit meetings, Moss Adams incorporated changes as appropriate to the draft report, and the draft report was finalized and electronically submitted to VTA. Moss Adams presented the final audit report to MBCOC on March 23, 2022 virtually due to the COVID-19 pandemic. A final report will be 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 2016 Measure B, 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 fraud, waste, and/or other misconduct may be occurring and to provide insight on areas of improvement for 2016 Measure B.

IV. AUDIT RESULTS

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

Moss Adams conducted the audit in accordance with GAGAS issued by the Comptroller General of the United States. We reviewed the 2016 Measure B financial records and expenditures for FY 2020–2021 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 taken steps to document and establish a methodology to isolate and report on the actual expenditures of 2016 Measure B's Transit Operations funds in support of bus operations to serve underserved and transit-dependent populations in Santa Clara County. VTA established policies for the Transit Operations program category in July 2021, after the current audit period.

2016 Measure B's Transit Operations program category was established 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, the new and innovative transit service model sub-program is a competitive grant program, and bus stop amenity improvement charges are tracked as a separate project. Therefore, both programs operate on a reimbursement basis and no expenditures for these sub-categories were incurred during the audit period. 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 sub-categories. In our prior report, we recommended that VTA should demonstrate that the Program category funding was used in accordance with expenditure guidelines. VTA has taken steps to establish or document a methodology to validate the 2016 Measure B funds during our audit period, and established the policies to address this recommendation in July 2021.

Recommendation: VTA should continue to establish and document methodologies 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, the VTA program management initiated work to develop this methodology and perform the substantiation for the fiscal year under audit.

Observation 1B: Administration Expenditure Guidelines

VTA has taken steps to establish 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; however, VTA established an administration expenditure policy that was implemented after our audit period in July 2021.

While sampled expenditures appeared to be reasonable and consistent with 2016 Measure B’s objectives, the 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 (\$279,271.30) and personnel charges (\$1,740.30) that require Program administration expenditure guidelines clarification include the following:

- Investment Fees and Associated Allocations:** Within our sample, we identified three expenditures totaling \$279,271.30 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, \$555,476.80 in investment and banking fees were paid using 2016 Measure B funds.

TABLE 1: INVESTMENT FEE TESTING RESULTS

| Document Number | Posting Date | Amount |
|-----------------|--------------|---------------------|
| 101816770 | 6/30/2021 | \$149,154.00 |
| 190013192 | 1/20/2021 | \$65,515.40 |
| 190012582 | 7/22/2020 | \$64,601.90 |
| Total | | \$279,271.30 |

- Personnel Charges:** Within our sample, we identified two labor charges totaling \$1,740.30, as shown in the following table:

TABLE 2: LABOR CHARGES TESTING RESULTS

| Document Number | Posting Date | Position Title | Amount |
|-----------------|--------------|-----------------------------------------|------------|
| 101766580 | 12/3/2020 | Deputy Director of Programming & Grants | \$1,392.24 |

| Document Number | Posting Date | Position Title | Amount |
|-----------------|--------------|-----------------------------------------|-------------------|
| 101799733 | 4/19/2021 | Deputy Director of Programming & Grants | \$348.06 |
| Total | | | \$1,740.30 |

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 Program funds and an explanation of how each position contributed to the Program. 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 the Program, it presents a potential risk that non-Program-related operations could be subsidized through Program revenues, which is not an allowable purpose according to ballot measure language.

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 2016 Measure B funds dedicated to administration are managed and monitored nor defining what costs are allowable or unallowable.

Recommendation: As required by the ballot language, VTA should continue to develop and implement administration expenditure program guidelines, or a procedural document, to address what elements of administration (e.g., investment fees and associated allocations and specific personnel) 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 2016 Measure B and 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)

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 following table reports annual revenues for the most recent fiscal year as well as all fiscal years since 2016 Measure B inception, including revenue earned through sales and use tax receipts as well as income generated through investments.

TABLE 3: PROGRAM REVENUE AND INCOME FOR FY 2020–2021 AND INCEPTION TO FY 2021

| | FY 2020–2021 | Inception to FY 2021 (4/1/2017–6/30/2021) |
|------------------------------------------|----------------------|----------------------------------------------|
| Revenue Earned | \$220,362,000 | \$922,440,296 |
| Income Earned ^[1] | \$1,857,000 | \$29,627,754 |
| Program Revenue and Income Earned | \$222,219,000 | \$952,068,050 |

[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 2020–2021 and inception to FY 2021 period.

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

| Program Category | FY 2020–2021 | | Inception to FY 2021 (4/1/2017–6/30/2021) | |
|--------------------------------------------------|---------------------|------------------------|----------------------------------------------|----------------------|
| | Allocation | Expenditures | Allocation | Expenditures |
| Local Streets and Roads | \$40,000,000 | \$18,646,194 | \$170,000,000 | \$74,672,523 |
| Transit Operations | \$16,650,000 | \$14,607,591 | \$66,600,000 | \$58,249,136 |
| Administration | \$3,300,000 | \$2,410,311 | \$13,200,000 | \$6,115,344 |
| <i>Subtotal Annual Budget Cycle Expenditures</i> | <i>\$59,950,000</i> | <i>\$35,664,096.36</i> | <i>\$249,800,000</i> | <i>\$138,929,411</i> |

The following table outlines the allocation and expenditures for the remaining Program categories in FY 2020–2021 and the inception to FY 2021 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 2020–2021 | | Inception to FY 2021 (4/1/2017–6/30/2021) | |
|--------------------------------------------------------------------------------|----------------------|---------------------|----------------------------------------------|----------------------|
| | Allocation | Expenditures | Allocation | Expenditures |
| VTA’s BART Silicon Valley Phase II | \$150,000,000 | - | \$150,000 | - |
| Bicycle and Pedestrian Program | \$16,660,000 | \$373,516 | \$33,320,000 | \$373,516 |
| Caltrain Corridor Capacity Improvements | \$6,800,000 | \$1,289,250 | \$13,100,000 | \$3,782,627 |
| Caltrain Grade Separations | \$31,000,000 | \$65,025 | \$38,000,000 | \$439,677 |
| County Expressways | - | \$6,297,060 | \$50,000,000 | \$6,297,060 |
| Highway Interchanges | \$119,900,000 | \$32,633,307 | \$206,900,000 | \$54,634,513 |
| State Route 85 Corridor | \$2,500,000 | \$362,104 | \$14,500,000 | \$1,307,320 |
| <i>Subtotal Biennial Budget Cycle Expenditures</i> | <i>\$326,860,000</i> | <i>\$41,020,262</i> | <i>\$505,820,000</i> | <i>\$66,834,713</i> |
| Total Program Expenditures (including Annual Budget Cycle Expenditures) | \$386,810,000 | \$76,684,358 | \$755,620,000 | \$205,764,124 |

According to these records, all Program categories are currently operating within their respective budget allocations. 2016 Measure B expended \$76,684,358 in FY 2020–2021, including \$74,274,047 for program categories and \$2,410,311 for administrative costs.

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 |
|---------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-------------------------|
| <p>Observation 1A: Transit Operations Actual Costs Isolation Methodology (Objective 1A from the Moss Adams 2017–2019 Report)</p> | <p>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> | <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> | <p>Open – Steps have been taken</p> | <p>July 1, 2021</p> |
| <p>Observation 1B: Administration Expenditure Guidelines (Objective 1B from the Moss Adams 2017–2019 Report)</p> | <p>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, 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</p> | <p>Management Response: Agree</p> <p>The Program office will develop guidelines and procedures that identify the allowable elements of 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</p> | <p>Open – Steps have been taken</p> | <p>July 1, 2021</p> |

| Source | Recommendation | Management Response | Status of Resolution | Planned Resolution Date |
|--------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|-------------------------|
| | <p>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>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
- Assistant Controller
- 2016 Measure B Program Manager
- Accountant
- MBCOC Committee Members (5)

