

Proposed Agreed-Upon Procedures Applied to the *TransNet* Fund

For the Year Ended June 30, 2013

1. Review the 1987 Proposition A San Diego Transportation Improvement Plan (*TransNet* Ordinance and Expenditure Plan), the 2004 Proposition A (*TransNet* Extension Ordinance and Expenditure Plan), and SANDAG Board Policy No. 031: *TransNet* Ordinance and Expenditure Plan Rules compliance requirements (SANDAG Board Policy No. 031).
2. Obtain from SANDAG the applicable approved Regional Transportation Improvement Program (RTIP).
3. Obtain from SANDAG the *TransNet* Grant Program spreadsheet.
4. Inquire of the recipient agency's management and determine that the recipient agency maintains a separate fund for *TransNet* revenues or an alternative approach to maintaining separate accountability for reasonableness.
5. Obtain a detailed general ledger for *TransNet* revenues and expenditures from the recipient agency for the current fiscal year.
6. Obtain from the recipient agency the Annual Schedule of Status of Funds by Project (Schedule A). Schedule A includes a beginning balance, *TransNet* funds received, expenditures, interest income, adjustments, and an ending balance listed alphanumeric by MPO ID and identifying recipient agency project number.
 - a. Review Schedule A and determine that projects are properly classified and reported by *TransNet* program (i.e., original *TransNet* vs. *TransNet* Extension; local streets and roads; local street improvements, including congestion relief vs. maintenance; highway; major corridor; environmental mitigation program; etc).
 - b. Agree the beginning balance from the prior year or review that the recipient agency provides a footnote for any restatements.
 - c. Obtain a listing of *TransNet* payments made to the recipient agency from SANDAG staff. Compare the *TransNet* revenue recorded by the recipient agency to the listing of payments received from SANDAG staff.
 - d. Identify the interest income reported for the fiscal year.
 - i. Review interest income reported on Schedule A and agree it to the recipient agency's general ledger.
 - ii. Review the interest allocation methodology is in accordance with the provisions of the Ordinance and Board Policy No. 031.
 - e. Identify the total *TransNet* expenditures for the fiscal year.
 - i. Review the total project expenditures per Schedule A and agree to the recipient agency's general ledger.

- ii. Select individual expenditures of at least 25% of the total dollar amount of expenditures from the general ledger and obtain supporting documentation (i.e., invoice and copy of check or EFT wire).
 - iii. For the expenditures selected, identify the MPO ID that the expenditures are charged against and determine if the MPO ID is included in the RTIP (see step 2 above) and the expenditures are an eligible cost per the *TransNet* and *TransNet* Extension Ordinance and Expenditure Plan requirements.
 - iv. Inquire of management whether indirect costs are allocated to the projects included in the RTIP. If so, document the indirect cost rate allocated and the basis of allocation.
- f. Review that any amounts reflected in the “adjustments” column are explained in the form of a footnote and that the adjustments are consistent with SANDAG Board Policy No. 031, Rule #17, Section III.
- g. Obtain a list of completed projects from the recipient agency that are reported by the *TransNet* program and MPO ID. Review that the remaining *TransNet* funds for completed projects were transferred to another *TransNet*-eligible project within the same Program or related Program. Review that completed projects from the previous year are no longer shown in the current year Schedule A.
- i. If the balance of a completed project has not been transferred to another *TransNet*-eligible project, ensure that a footnote is provided that includes the subsequent year’s intended action in accordance with SANDAG Board Policy No. 031, Rule #17, Section III.
- h. If a project ending balance is negative, review that an explanation in the form of a footnote to Schedule A is provided that includes the subsequent year’s intended action in accordance with SANDAG Board Policy No. 031, Rule #17, Section III.
- i. Review that inactive projects which have had no activity over the past two years, other than interest earnings, are closed out or that the recipient agency has provided a footnote of the status of the project that includes when the project will be completed.
- j. Obtain a signed staff report or resolution from the recipient agency’s governing body consenting to the transfer of *TransNet* funds from one project to another. Review that transfers requiring an amendment to the RTIP follow the amendment process outlined in Rule #7 of SANDAG Board Policy No. 031.
- k. Report all non-*TransNet* activity separate from *TransNet* activity in Schedule A.
7. Obtain from the recipient agency the Cumulative Schedule of Status of Funds by Project (Schedule B). Schedule B includes cumulative information for all *TransNet* Extension projects to include *TransNet* funds received, expenditures, interest income, adjustments, and an ending balance listed alpha-numeric by MPO ID.

- a. Review Schedule B and determine that projects are properly classified and reported by *TransNet* program (i.e., local street improvements, including congestion relief versus maintenance; major corridors; and environmental mitigation program; etc.). Review the ending balances at June 30 and ensure that the balances agree for those projects reported in both Schedule A and Schedule B.
 - b. Identify any completed projects reported in the prior year's schedule A and ensure that all completed projects are reported in the current year's Schedule B completed section by category.
8. Review that the ending fund balance per Schedule A for those projects that are derived from the recipient agency's annual *TransNet* apportionment is not more than 30% of the recipient agency's current fiscal year annual apportionment, net of debt service payments. Include a schedule showing the annual apportionment, debt service deduction (if applicable), net annual apportionment, 30% balance threshold, applicable project status balance, and balance over/under the threshold.
9. If applicable, obtain a roll forward schedule (by commercial paper and bonds) showing the beginning balance of debt additions, repayments, and the ending balance. Agree the schedule to long-term debt information for each recipient agency provided by SANDAG staff.
10. For SANDAG only, obtain a schedule of bond financing costs related to Highway and transit capital projects indicating beginning balance, additions and ending paid to date balance. Ensure the financing costs were properly supported and have not exceeded \$500,000,000 (2002 dollars). Agree the current year financing costs cost to SANDAG records.
11. For the cities and the County of San Diego only, review the MOE requirement.
 - a. Obtain the current MOE requirements for each recipient agency from SANDAG staff.
 - b. Obtain Schedule 3 of the Annual Street Report from the recipient agency.
 - c. Report the excess (deficit) of discretionary expenditures over the MOE base, which is equal to the amount of discretionary funds expended for the Local Street Improvement program less the MOE base amount.
 - d. Report any outstanding unmet requirement from a prior year, the amount of time the recipient agency has remaining to meet its required MOE, and report a roll forward schedule.
12. Review transit operator eligibility for receipt of funds.
 - a. Calculate and report the total operating cost per revenue vehicle hour for bus services and total operating cost per revenue vehicle mile for rail services for the current year and the prior year.

- b. Obtain from SANDAG staff the increase in the Consumer Price Index for San Diego County (CPI) over the same period of the prior year.
 - c. Review and report that the increase in the total operating cost per revenue vehicle hour for bus services and total operating cost per revenue vehicle mile for rail services (calculated in [a]) does not exceed the increase in the CPI (obtained in [b]).
13. For the cities and County of San Diego only, obtain from SANDAG staff the approved RTCIP funding program for the current fiscal year.
- a. For the RTCIP fund, obtain a detailed general ledger from the recipient agency.
 - b. Obtain from the recipient agency the RTCIP approved schedule for collecting and/or contributing private sector exactions to its Funding Program.
 - c. Obtain the RTCIP schedule, including cumulative exactions collected, cumulative interest earned, cumulative expenditures, and cumulative ending balance.
 - i. Review and ensure that the recipient agency is using the most current approved fee amount.
 - ii. Inquire of management as to whether procedures are in place to track each exaction fee paid by development.
 - iii. Determine whether all exaction fees have been expended within seven years of collection.
 - iv. Obtain from SANDAG the list of RTCIP-approved regional arterial system projects and review at least 10% of the expenditures to ensure that the expenditures are for projects in the approved regional arterial system project list.
 - v. Review and ensure that the recipient agency provided its full monetary contribution required by Section 9(A) of the *TransNet* Extension Ordinance. Inquire of management and ensure that procedures exist to ensure all qualified properties are included in the program.
 - vi. Identify interest income for the fiscal year and review that the interest income amount per the RTCIP schedule agrees to the RTCIP general ledger. Review the interest allocation methodology is in accordance with the provisions of the Ordinance and Board Policy No. 031.
14. For ITOC only, review at least 25% of ITOC expenditures to determine if they are necessary and reasonable in carrying out ITOC responsibilities under the *TransNet* Extension Ordinance in the ITOC Responsibilities Section of the attachment to Commission Ordinance CO-04-01 entitled "Statement of Understanding Regarding the Implementation of the Independent Taxpayer Oversight Committee for the *TransNet* Program."

15. For the cities and the County of San Diego only, review the RTIP and identify any administrative projects included in the RTIP. If administrative projects are included in the RTIP ensure that administrative cost included in Local Street improvement is no more than 1% of the annual apportionment.
16. For SANDAG only, review to ensure that SANDAG's administrative expenditures, complied with Section 12 of the *TransNet* Extension Ordinance and Expenditure Plan:
 - a. Review and ensure that the total administrative expenditures do not exceed one percent of annual *TransNet* apportioned revenues, plus any funds not utilized in prior years.
 - b. Review at least 25% of the administrative expenditures and ensure that they are expended by SANDAG for staff salaries, wages, benefits, overhead, and for those services, including contractual services, necessary to administer *TransNet*.
17. For SANDAG only, perform the following procedures:
 - a. Inquire and obtain source data used to calculate the Local Street Improvement Allocation Schedule in the TTrak program and recalculate the total funds contributed per jurisdiction.
 - b. Review the FY 2013 *TransNet* Local Street Improvements Allocation Schedule and determine that at least 70% of the revenues provided for Local Street Improvement purposes are used for congestion relief purposes and that no more than 30% for maintenance purposes.
18. Review and document the status of any prior year findings and recommendations.
19. Propose current year findings as a result of performing the above agreed-upon procedures. Include the recipient agency's response to address the finding.