1. We reviewed the TransNet Ordinance and Expenditure Plan, TransNet Extension Ordinance, and SANDAG Board Policy No. 031.

2. We obtained from SANDAG the applicable approved RTIP.

3. We obtained from SANDAG staff the TransNet Grant Program spreadsheet.

4. We inquired of the recipient agency’s management and determined whether the recipient agency maintains a separate fund for TransNet revenues or has an alternative approach to maintaining separate accountability for reasonableness.

5. We obtained a detailed general ledger for TransNet revenues and expenditures from the recipient agency for the current fiscal year.

6. We obtained from the recipient agency Schedule A that includes a beginning balance, TransNet funds received, expenditures, interest income, adjustments, and an ending balance listed alpha-numeric by MPO ID and identifying recipient agency project number.
   a. We substantiated all footnotes required in Schedule A.
   b. We reviewed Schedule A and determined that the 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.).
   c. We agreed the beginning balance from the prior year or reviewed that the recipient agency provided a footnote for any restatements. We determined whether reasons for differences were valid.
   d. We obtained a listing of TransNet payments made to the recipient agency from SANDAG staff. We compared the TransNet revenue recorded by the recipient agency to the listing of payments received from SANDAG staff. We notified the recipient agency of any variations and obtained approval from SANDAG.
   e. We identified the interest income reported for the fiscal year.
      i. We reviewed the interest income reported on Schedule A and agreed it to the TransNet general ledger.
      ii. We reviewed the interest allocation methodology to ensure it was in accordance with the provisions of the Ordinance and Board Policy No. 031.
   f. We identified the total TransNet expenditures for the fiscal year.
i. We reviewed the total project expenditures per Schedule A and agreed to the recipient agency’s general ledger.

ii. We selected individual expenditures of at least 25% of the total dollar amount of expenditures from the general ledger and obtained supporting documentation (i.e., invoice and copy of check or EFT wire).

iii. For the expenditures selected, we identified the MPO ID that the expenditures are charged against and determined if the MPO ID is included in the RTIP (see procedure 2 above) and the expenditures are an eligible cost per the TransNet and TransNet Extension Ordinance and Expenditure Plan requirements.

iv. If unallowable expenditures were identified in procedure 6.f.iii, we expanded the sample to include an additional 25% of the total dollar amount of expenditures, and documented the recipient agency’s plan to cure the unallowable expenditures. If additional unallowable expenditures were identified, we contacted the ITOC Audit Subcommittee Chair to determine whether additional procedures were required.

v. If payroll expenditures exceeded 20% of the total dollar amount of expenditures, we selected a sample of payroll transactions and obtained supporting documentation (i.e., payroll register, timesheet, and personnel action form). We evaluated whether the direct payroll charge appeared reasonable for the project. We inquired of management whether indirect costs were allocated to the projects included in the RTIP. If so, we documented the indirect cost rate, the dollar amount of the indirect costs charged to the TransNet program, the percentage of indirect costs compared to total TransNet expenditures, and the date the indirect cost plan was last updated. We documented the basis of allocation and evaluated the reasonableness of the methodology. We documented whether the recipient agency’s indirect cost plan had been reviewed by a federal or state agency, or audited by an independent certified public accounting firm (CPA).

g. We reviewed that any amounts reflected in the “Adjustments” column were explained in the form of a footnote and that the adjustments were consistent with SANDAG Board Policy No. 031, Rule #17, Section III, including the type or expected type of authorization and date of authorization. Adjustments within the same MPO ID do not require a footnote.

h. We obtained a list of completed projects from the recipient agency that are reported by the TransNet program and MPO ID. We determined whether any remaining TransNet funds for completed projects were transferred to another TransNet-eligible project within the same Program or related Program. We determined that completed projects from the previous year were no longer shown in the current year Schedule A.

i. If the balance of a completed project had not been transferred to another TransNet-eligible project, we ensured that a footnote was presented that included the subsequent year’s intended action in accordance with SANDAG
Board Policy No. 031, Rule #17, Section III, including the expected type of authorization and date of authorization.

i. If a project ending balance is negative, we ensured that an explanation in the form of a footnote to Schedule A was provided that included the subsequent year’s intended action in accordance with SANDAG Board Policy No. 031, Rule #17, Section III.

   i. We substantiated that additional funding is available in the RTIP or that an RTIP Amendment will be in process prior to June 30, 2020.

j. We reviewed whether inactive projects which have had no activity over the past two years, other than interest earnings, were closed out or that the recipient agency had provided a footnote as to the status of the project that included when the project will be completed.

k. We obtained approval from SANDAG staff for reason of inactivity.

l. We obtained 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. We determined whether transfers requiring an amendment to the RTIP followed the amendment process outlined in Rule #7 of SANDAG Board Policy No. 031.

m. We reported all non-TransNet activity separate from TransNet activity in Schedule A.

7. We obtained from the recipient agency Schedule B which includes cumulative information for all TransNet Extension projects including TransNet funds received, expenditures, interest income (either listed by project or Program), and an ending balance listed alpha-numeric by MPO ID.

   a. We reviewed Schedule B and determined that projects were properly classified and reported by TransNet program (i.e., local street improvements, including congestion relief versus maintenance; major corridors; and environmental mitigation program; etc.). We reviewed the ending balances at June 30 and ensured that the balances agreed for those projects reported in both Schedule A and Schedule B.

   b. We reclassified all amounts listed in the Adjustments column of Schedule A to funds received, expenditures, or interest income.

   c. We identified any completed projects reported in the prior year’s Schedule A and ensured that all completed projects were reported in the current year’s Schedule B completed section by category.

8. If applicable, we compared long-term debt information reported on Schedule A to the schedule to long-term debt for each recipient agency provided by SANDAG staff.
9. We reviewed and documented the status of any prior year findings and recommendations.

10. We proposed current fiscal year findings as a result of performing the above agreed-upon procedures. We included the recipient agency’s response to address the finding.
“Current Fiscal Year” means the fiscal period of July 1, 2018, through June 30, 2019.

“MPO ID” means Metropolitan Planning Organization Identification Number; the number assigned to approved RTIP projects.

“Recipient Agency” means an agency, including Caltrans, that receives TransNet funding on an annual basis for one or more of the TransNet Programs.

“RTIP” means the Regional Transportation Improvement Program, a multi-year program of projects for major transportation projects in the San Diego County region.

“SANDAG” means San Diego Association of Governments, the responsible agent for the administration of the TransNet Ordinances.

“SANDAG Board Policy No. 031” means the SANDAG Board Policy No. 031: TransNet Ordinance and Expenditure Plan Rules.

“Schedule A” means the Annual Schedule of Status of Funds by Project; a roll-forward listing of all recipient agency active TransNet projects.

“Schedule B” means the Cumulative Schedule of Status of Funds by Project; a cumulative roll-forward listing of all recipient agency TransNet Extension Ordinance projects.

“TransNet Extension Ordinance” means the 2004 Proposition A.

“TransNet Ordinance and Expenditure Plan” means the 1987 Proposition A San Diego Transportation Improvement Plan.