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

2. We obtained from SANDAG staff 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 in 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 interest income reported on Schedule A and matched it to the recipient agency’s 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. Based on the project description and expenditure support reviewed, we evaluated whether the MPO ID is properly classified as either Maintenance or Congestion Relief based on the definition in Board Policy 031.

   vi. 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.

   vii. 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
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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 provided 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 includes the subsequent year’s intended action in accordance with SANDAG Board Policy No. 031, Rule #17, Section III.

i. We substantiated that additional funding was 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 includes when the project will be completed.

k. We obtained approval from SANDAG staff for the 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 determined whether the recipient agency 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 vs. 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.
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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 by category.

8. We reviewed that the ending project status per Schedule A for those projects that were derived from the recipient agency’s annual TransNet apportionment was not more than 30% of the recipient agency’s current fiscal year annual apportionment, net of debt service payments. We determined whether the recipient agency included 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. We reported the ending balance from Schedule A, of Local Street Improvements (LSI) and Congestion Relief and Maintenance. We reported the ending balances of Congestion Relief and Maintenance from the SANDAG FY 2019 TransNet Local Streets Improvements Allocation Schedule.

10. We documented the percentage of local street and road revenue cumulatively expended for maintenance. If the percentage was greater than 30%, we documented the recipient agency’s plan to cure the excess.

11. If applicable, we compared long-term debt information reported on Schedule A to the schedule of long-term debt for each recipient agency provided by SANDAG staff.

12. We reviewed the MOE requirement.

a. We obtained the current MOE requirements for each recipient agency from SANDAG staff.

b. We obtained Schedule 3 of the Annual Street Report from the recipient agency.

a. If an error to the Annual Street Report is reported by the recipient agency subsequent to submission of the Report to the State Controller’s Office, perform additional steps as follows:

i. Obtain an updated Annual Street Report, as submitted to the State Controller’s Office; or

ii. Obtain notice from the State Controller’s Office that the changes will be included in the subsequent year’s Annual Street Report;
iii. Include adjusted amount to AUP 12.c. and provide a brief explanation of adjustment in Results.

c. We reported 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. We reported any outstanding unmet requirement from a prior year, the amount of time the recipient agency has remaining to meet its required MOE, and reported a roll forward schedule.

13. We obtained from SANDAG staff the approved RTCIP Funding Program for the current fiscal year.

a. For the RTCIP fund, we obtained a detailed general ledger from the recipient agency.

b. We obtained from the recipient agency the RTCIP approved schedule for collecting and/or contributing private sector exactions to its Funding Program.

c. We obtained the RTCIP schedule, including cumulative exactions collected, cumulative interest earned, cumulative expenditures (including commitments), and cumulative ending balance.

i. We reviewed to ensure that the recipient agency was using the most current approved fee amount.

ii. We inquired of management as to whether procedures were in place to track each exaction fee paid by development.

iii. We determined whether all exaction fees have been expended or committed within seven years of collection.

iv. If exaction fees are committed, but not expended within seven years, we ensured that a footnote was provided on the status of the project.

v. We obtained from SANDAG the list of RTCIP-approved regional arterial system projects and tested at least 10% of the expenditures to ensure that the expenditures were for projects in the approved regional arterial system project list.

vi. If unallowable expenditures were identified in procedure 13.c.iv, we expanded the sample to include an additional 10% of the 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.
vii. 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.

viii. We documented the percentage of program revenue spent for fund administration. We determined whether the percentage was less than 3% per Section D.2 of the RTCIP attachment to the TransNet Ordinance. If expenditures exceeded 3%, we documented the excess and the recipient agency’s plan to cure the excess.

ix. We determined whether the recipient agency provided its full monetary contribution required by Section 9.A of the TransNet Extension Ordinance. We inquired of management as to whether procedures existed to ensure all qualified properties were included in the program.

x. We identified interest income for the fiscal year and reviewed that the interest income amount per the RTCIP schedule agreed to the RTCIP general ledger. We reviewed the interest allocation methodology to ensure that it was in accordance with the provisions of the Ordinance and Board Policy No. 031.

xi. For any RTCIP funds that have been transferred, loaned or exchanged, we determined whether the requirements of Section 7 of the TransNet Ordinance had been met. If so, we documented details of the transfer, loan and/or exchange.

xii. We inquired of management as to whether any developers have been allowed credits in lieu of paying the exaction fee. If so, we documented the credits granted and whether Section F of the RTCIP attachment to the Ordinance had been followed.

xiii. We documented the date the recipient agency provided RTCIP documentation to us for review.

xiv. We summarized the recipient agency’s compliance with the requirements of Section G.2 of the RTCIP attachment to the TransNet Extension Ordinance.

14. We reviewed the RTIP and identified any administrative projects included in the RTIP. If administrative projects were included in the RTIP, we ensured that administrative costs included in Local Street Improvements were no more than 1% of the annual apportionment.

15. We reviewed and documented the status of any prior year findings and recommendations.

16. We proposed current year findings as a result of performing the above agreed-upon procedures. We included the recipient agency’s response to address the finding.
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GLOSSARY OF TERMS


“Current Fiscal Year” means the fiscal period of July 1, 2018, through June 30, 2019.

“ITOC” means the Independent Taxpayer Oversight Committee.

“MOE” means Maintenance of Effort as explained in Section 8 of the TransNet Extension Ordinance and Expenditure Plan.

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

“Recipient Agency” means an agency, including the County of San Diego and the Cities of Carlsbad, Chula Vista, Coronado, Del Mar, El Cajon, Encinitas, Escondido, Imperial Beach, La Mesa, Lemon Grove, National City, Oceanside, Poway, San Diego, Santee, San Marcos, Solana Beach, and Vista, that receives TransNet funding on an annual basis for one or more of the TransNet Programs.

“RTCIP” means the Regional Transportation Congestion Improvement Program, the new development exactions required per Section 9 of the TransNet Extension Ordinance.

“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.