

AGENDA
Independent Taxpayer Oversight Committee Meeting

March 5, 2024

*****Start Time: 1:00 PM*****

Location

San Bernardino County Transportation Authority
First Floor Lobby Board Room
1170 W. 3rd Street, San Bernardino, CA 92410

Independent Taxpayer Oversight Committee Membership

Cole Jackson
Committee Member

Vacant
Committee Member

Patrick Morris
Committee Member

Vacant
Committee Member

Gerry Newcombe
Committee Member (Chair)

Dawn Rowe
Board President/Ex-Officio

Raymond Wolfe
Executive Director/Ex-Officio

Items listed on the agenda are intended to give notice to members of the public of a general description of matters to be discussed or acted upon. The posting of the recommended actions does not indicate what action will be taken. The Board may take any action that it deems to be appropriate on the agenda item and is not limited in any way by the notice of the recommended action.

To obtain additional information on any items, please contact the staff person listed under each item. You are encouraged to obtain any clarifying information prior to the meeting to allow the Board to move expeditiously in its deliberations. Additional ***“Meeting Procedures”*** and agenda explanations are attached to the end of this agenda.

CALL TO ORDER

(Meeting Chaired by Gerry Newcombe)

1. Attendance

Public Comment

Brief Comments from the General Public

Note: Public Comment will only be allowed on items listed on this agenda during this committee meeting. No public comment will be allowed on committee items placed on the Consent Agenda at the Board of Directors meeting. If an item has substantially changed after consideration during the committee meeting, the item will be placed on Discussion for Board and public comment will be allowed.

Measure I Audits

2. Measure I Compliance Audits for Fiscal Year 2022/2023

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Review and make a finding that the Measure I expenditures for Fiscal Year 2022/2023 are consistent with the provisions of the Measure I Expenditure Plan and Ordinance No. 04-01.

Presenter: Hilda Flores

This item is scheduled for review by the General Policy Committee on March 13, 2024.

ADJOURNMENT

Meeting Procedures and Rules of Conduct

Meeting Procedures - The Ralph M. Brown Act is the state law which guarantees the public's right to attend and participate in meetings of local legislative bodies. These rules have been adopted by the Board of Directors in accordance with the Brown Act, Government Code 54950 et seq., and shall apply at all meetings of the Board of Directors and Policy Committees.

Accessibility & Language Assistance - The meeting facility is accessible to persons with disabilities. If assistive listening devices, other auxiliary aids or language assistance services are needed in order to participate in the public meeting, requests should be made through the Clerk of the Board at least three (3) business days prior to the Board meeting. The Clerk can be reached by phone at (909) 884-8276 or via email at clerkoftheboard@gosbcta.com and office is located at 1170 W. 3rd Street, 2nd Floor, San Bernardino, CA.

Accesibilidad y asistencia en otros idiomas - Las instalaciones para las reuniones son accesibles para las personas con discapacidades. Si se necesitan dispositivos de escucha asistida, otras ayudas auxiliares o servicios de asistencia en otros idiomas para participar en la reunión pública, las solicitudes deben ser presentados a la Secretaria de la Junta al no menos de tres (3) días de apertura antes de la reunión de la Junta. La Secretaria esta disponible por teléfono al (909) 884-8276 o por correo electrónico a clerkoftheboard@gosbcta.com y la oficina se encuentra en 1170 W. 3rd Street, 2nd Floor, San Bernardino, CA.

Agendas – All agendas are posted at www.gosbcta.com/board/meetings-agendas/ at least 72 hours in advance of the meeting. Staff reports related to agenda items may be reviewed online at that web address. Agendas are also posted at 1170 W. 3rd Street, 1st Floor, San Bernardino at least 72 hours in advance of the meeting.

Agenda Actions – Items listed on both the “Consent Calendar” and “Discussion” contain recommended actions. The Board of Directors will generally consider items in the order listed on the agenda. However, items may be considered in any order. New agenda items can be added and action taken as provided in the Ralph M. Brown Act Government Code Sec. 54954.2(b).

Closed Session Agenda Items – Consideration of closed session items excludes members of the public. These items include issues related to personnel, pending litigation, labor negotiations and real estate negotiations. Prior to each closed session, the President of the Board or Committee Chair (“President”) will announce the subject matter of the closed session. If reportable action is taken in closed session, the President shall report the action to the public at the conclusion of the closed session.

Public Testimony on an Item – Members of the public are afforded an opportunity to speak on any listed item, except Board agenda items that were previously considered at a Policy Committee meeting where there was an opportunity for public comment. Individuals in attendance at SBCTA who desire to speak on an item may complete and turn in a "Request to Speak" form, specifying each item an individual wishes to speak on. Individuals may also indicate their desire to speak on an agenda item when the President asks for public comment. When recognized by the President, speakers should be prepared to step forward and announce their name for the record. In the interest of facilitating the business of the Board, speakers are limited to three (3) minutes on each item. Additionally, a twelve (12) minute limitation is established for the total amount of time any one individual may address the Board at any one meeting. The President or a majority of the Board may establish a different time limit as appropriate, and parties to agenda items shall not be subject to the time limitations. Any individual who wishes to share written information with the Board may provide copies to

the Clerk of the Board for distribution. Information provided as public testimony is not read into the record by the Clerk. Consent Calendar items can be pulled at Board member request and will be brought up individually at the specified time in the agenda. Any consent item that is pulled for discussion shall be treated as a discussion item, allowing further public comment on those items.

Public Comment –An opportunity is also provided for members of the public to speak on any subject within the Board’s jurisdiction. Matters raised under “Public Comment” will not be acted upon at that meeting. See, “Public Testimony on an Item,” above.

Disruptive or Prohibited Conduct – If any meeting of the Board is willfully disrupted by a person or by a group of persons so as to render the orderly conduct of the meeting impossible, the President may recess the meeting or order the person, group or groups of person willfully disrupting the meeting to leave the meeting or to be removed from the meeting. Disruptive or prohibited conduct includes without limitation addressing the Board without first being recognized, not addressing the subject before the Board, repetitiously addressing the same subject, failing to relinquish the podium when requested to do so, bringing into the meeting any type of object that could be used as a weapon, including without limitation sticks affixed to signs, or otherwise preventing the Board from conducting its meeting in an orderly manner.

Your cooperation is appreciated!

**General Practices for Conducting Meetings
of
Board of Directors and Policy Committees**

Attendance.

- The President of the Board or Chair of a Policy Committee (Chair) has the option of taking attendance by Roll Call. If attendance is taken by Roll Call, the Clerk of the Board will call out by jurisdiction or supervisorial district. The Member or Alternate will respond by stating his/her name.
- A Member/Alternate who arrives after attendance is taken shall announce his/her name prior to voting on any item.
- A Member/Alternate who wishes to leave the meeting after attendance is taken but before remaining items are voted on shall announce his/her name and that he/she is leaving the meeting.

Basic Agenda Item Discussion.

- The Chair announces the agenda item number and states the subject.
- The Chair calls upon the appropriate staff member or Board Member to report on the item.
- The Chair asks members of the Board/Committee if they have any questions or comments on the item. General discussion ensues.
- The Chair calls for public comment based on “Request to Speak” forms which may be submitted.
- Following public comment, the Chair announces that public comment is closed and asks if there is any further discussion by members of the Board/Committee.
- The Chair calls for a motion from members of the Board/Committee. Upon a motion, the Chair announces the name of the member who makes the motion. Motions require a second by a member of the Board/Committee. Upon a second, the Chair announces the name of the Member who made the second, and the vote is taken.
- The “aye” votes in favor of the motion shall be made collectively. Any Member who wishes to oppose or abstain from voting on the motion shall individually and orally state the Member’s “nay” vote or abstention. Members present who do not individually and orally state their “nay” vote or abstention shall be deemed, and reported to the public, to have voted “aye” on the motion.
- Votes at teleconferenced meetings shall be by roll call, pursuant to the Brown Act, or, at any meeting, upon the demand of five official representatives present or at the discretion of the presiding officer.

The Vote as specified in the SBCTA Administrative Code and SANBAG Bylaws.

- Each Member of the Board of Directors shall have one vote. In the absence of the official representative, the Alternate shall be entitled to vote. (Note that Alternates may vote only at meetings of the Board of Directors, Metro Valley Study Session and Mountain/Desert Policy Committee.)

Amendment or Substitute Motion.

- Occasionally a Board Member offers a substitute motion before the vote on a previous motion. In instances where there is a motion and a second, the Chair shall ask the maker of the original motion if he or she would like to amend the motion to include the substitution or withdraw the motion on the floor. If the maker of the original motion does not want to amend or withdraw, the substitute motion is voted upon first, and if it fails, then the original motion is considered.
- Occasionally, a motion dies for lack of a second.

Call for the Question.

- At times, a Member of the Board/Committee may “Call for the Question.”
- Upon a “Call for the Question,” the Chair may order that the debate stop or may allow for limited further comment to provide clarity on the proceedings.
- Alternatively, and at the Chair’s discretion, the Chair may call for a vote of the Board/Committee to determine whether or not debate is stopped.
- The Chair re-states the motion before the Board/Committee and calls for the vote on the item.

The Chair.

- At all times, meetings are conducted in accordance with the Chair’s direction.
- These general practices provide guidelines for orderly conduct.
- From time to time, circumstances may require deviation from general practice (but not from the Brown Act or agency policy).
- Deviation from general practice is at the discretion of the Chair.

Courtesy and Decorum.

- These general practices provide for business of the Board/Committee to be conducted efficiently, fairly and with full participation.
- It is the responsibility of the Chair and Members to maintain common courtesy and decorum.

Adopted By SANBAG Board of Directors January 2008

Revised March 2014

Revised May 4, 2016

Revised June 7, 2023

Minute Action

AGENDA ITEM: 2

Date: March 5, 2024

Subject:

Measure I Compliance Audits for Fiscal Year 2022/2023

Recommendation:

Review and make a finding that the Measure I expenditures for Fiscal Year 2022/2023 are consistent with the provisions of the Measure I Expenditure Plan and Ordinance No. 04-01.

Background:

Each year San Bernardino County Transportation Authority (SBCTA) conducts an annual comprehensive financial audit of SBCTA and provides for audits of all local jurisdictions receiving Measure I 2010-2040 Local Streets Program Funds, which are dedicated for transportation planning, design, construction, operation and maintenance.

A financial examination is completed by an independent audit firm for activities during the previous Fiscal Year (FY), including internal control systems of checks and balances. The examination must encompass both project expenditures and projects for which funds were received but not expended. A listing of all projects comparing actual revenues and expenses to the Measure I Five-Year Capital Improvement Plan (CIP) adopted by the local governing board and reported annually to SBCTA, must be included with any interest earned. The report shall also contain an examination of expenditures, statement of revenue and expenses, and balance sheet for each Measure I 2010-2040 Local Streets Program Special Revenue fund.

SBCTA utilized on-call audit agreements with Conrad, LLP and Crowe, LLP to conduct Compliance Audits of the Measure I 2010-2040 Local Streets Program Funds for FY 2022/2023. These auditors verified compliance with California Public Utilities Code 190300 and Ordinance No. 04-01 of the SBCTA Local Streets Program that funds shall not be used to supplant existing local discretionary funds being used for street and highway purposes, also known as Maintenance of Effort (MOE). The MOE base year level was determined based upon the discretionary General Fund expenditures for transportation-related construction and maintenance activities in FY 2008/2009. The MOE base year level as approved by the SBCTA Board of Directors shall remain in effect until the expiration of Measure I 2010-2040.

Measure I 2010-2040 Local Streets Program Audit reports for FY 2022/2023 and the SBCTA Annual Comprehensive Financial Report (ACFR) are being provided to the Independent Taxpayer Oversight Committee (ITOC) as a separate attachment. The recommendation for this item is for the ITOC to make a finding that Measure I expenditures for FY 2022/2023 are consistent with the provisions of the Measure I Expenditure Plan and Ordinance No. 04-01.

The Measure I 2010-2040 Local Streets Program audits for the Cities of Needles and Rialto are expected to be completed on or before February 29, 2024 or shortly thereafter. These audits were not finalized by the end of the initial extension period with no additional extension requests. The withholding of Measure I 2010-2040 Local Streets Program revenue will commence in March 2024 and continue until the FY 2022/2023 audit is completed. The Town of Apple Valley and the City of Adelanto have requested extensions through May 31, 2024. The audit for the City of Adelanto for FY 2020/2021, FY 2021/2022, and FY 2022/2023 are not complete, thus they are currently subject to withholding.

Entity: San Bernardino County Transportation Authority

The audits for FY 2022/2023 resulted in the following findings:

City of Chino (City)

- Valley Local Street (VLS) Program Measure I 2010-2040 Strategic Plan, Policy No. 40003, Section VLS-11: The Five-Year CIP shall be the basis for the annual audit. Jurisdictions will have flexibility in adding and/or deleting projects in their current Five-Year CIP based on the necessities of the jurisdiction, and subject to eligibility requirements. However, in order for a project to be eligible for expenditure of Local Streets Program Funds, it must be listed in the current Five-Year CIP. If a revised CIP is necessary to reflect added projects, it must be adopted by resolution of the governing body and provided to SBCTA by September 1 of each FY for use in the annual audit. If the CIP is not modified to reflect the changes to the project list, an audit finding will result. If the audit finding is not corrected, the project will not be eligible for expenditures of Measure I 2010-2040 Local Streets Program Funds. The City had substantial turnover during the year, and consequently staff were not knowledgeable of the requirements. Two projects that incurred Measure I expenditures in FY 2022/2023 were not listed in the Five-Year CIP for FY 2022/2023 through FY 2026/2027 and were deemed ineligible.

Corrective Action: The City recognizes the importance of updating the FY 2022/2023 through FY 2026/2027 Measure I Five-Year CIP list and amending Resolution No. 2022-069 to include projects Edison Avenue Traffic Signal Modification and Interconnect and Kimball/El Prado/Central Traffic Improvements. It is noteworthy that both projects align with the criteria for Measure I funding, \$77,676 of which does not exceed City's allocation. The City understands the significance of including new projects in the yearly City Council resolution submitted to SBCTA before the September 1st deadline. Admittedly, significant staff turnover in the past three years has posed challenges. However, newly onboarded team members are now well-versed in navigating Measure I procedures and reporting timelines. To address these issues proactively, City staff has implemented internal measures, such as setting annual reminders and ensuring the adoption of Measure I gets scheduled for the City Council meeting in July. In addition, City staff will ensure the Council approved list is submitted to SBCTA in a timely manner.

City of Colton (City) Management Letter Comments:

- The City utilized the same fund to record Measure I 2010-2040 Local Streets Program and Valley Measure I Arterial Sub-program projects. As the Arterial Sub-program projects are not part of the Measure I audit, the City should track and segregate expenditures incurred and reimbursements on Arterial projects from the Measure I 2010-2040 Local Streets Program.

Corrective Action: City agrees with the finding.

City of Grand Terrace (City)

- Management is responsible for ensuring financial activity is recorded accurately and on a timely basis. Bank reconciliations should be performed monthly, reviewed and approved in a timely manner. During procedures over cash and investments, it was noted the City's bank reconciliation for June 2023 was not prepared until September 2023. The City indicated that the bank reconciliation was not completed on a timely basis since the City

San Bernardino County Transportation Authority

has three staff in their finance division with conflicting priorities. It is recommended that the City review the timing of its reconciliation procedures to complete it a month after month-end. Corrective Action: Staff will review the bank statements immediately upon receiving them and complete the bank reconciliations within a month after month-end.

City of Loma Linda (City)

- The City utilized Measure I monies to fund costs for certain projects and recorded all expenditures incurred on these projects in its Measure I 2010-2040 Local Streets Program Fund. It was noted that one project in the amount of \$102,509 was not included in the most updated Five-Year CIP for FY 2022/2023 through FY 2026/2027 approved by SBCTA.

Pursuant to discussion with the City, it was communicated that the project was included in the approved FY 2021/2022 through FY 2025/26 Five-Year CIP but not the FY 2022/2023 through FY 2026/2027 Five-Year CIP.

The Measure I Strategic Plan states that each local jurisdiction is required to annually adopt a Five-Year CIP which details the specific projects to be funded using Measure I 2010-2040 Local Streets Program Funds. These expenditures must be detailed in the Five-Year CIP and adopted by resolution of the governing body.

The Measure I Strategic Plan further states that the Five-Year CIP shall be the basis for the annual audit. For a project to be eligible for Measure I Funds, the project must be included in the current CIP and the year of expenditure must be correct. An amended CIP should be used in instances where projects are added to the CIP during the year or expenditures are occurring in a different year than expected. The City utilized Measure I 2010-2040 Local Streets Program Funds for a project that was not included in the current CIP. IT is recommended the City enhance its procedures to ensure that projects that have activity are included in the current CIP. This can be achieved through submitting a revised CIP to SBCTA as necessary.

Corrective Action: City agrees with finding. The project in question was included in prior approved Five-Year CIPs under Categorical Projects in FY 2022/2023, specifically in the plans for FY 2019/2020 through FY 2023/2024, FY 2020/2021 through FY 2024/2025, and FY 2021/2022 through FY 2025/2026. Although the City intended to include the project, it was inadvertently left out of the current five-year plan forms provided by SBCTA for FY 2022/2023 through FY 2026/2027, which is the plan subject to this audit. The City is reviewing active and planned projects to ensure that the projects are included in the current approved Five-Year CIP. A revised Five-Year CIP plan will be submitted as necessary.

City of Loma Linda (City) Management Letter Comments:

- While performing audit procedures over cash and investments, it was noted that the City's bank reconciliation for June 2023 was not prepared until September 2023. Management is responsible for ensuring financial activity is recorded accurately and on a timely basis. Bank reconciliations should be performed monthly, and reviewed and approved in a timely manner. The City stated that the June 2023 bank reconciliation was not completed timely due to final journal entries that affect cash balance would not be finalized until the end of August 2023. It is recommended that the City review the timing of its reconciliation procedures to complete it within a month after month-end.

Corrective Action City agrees with the finding. The City's bank reconciliation process schedule begins right after the end of the previous month. For the June 2023 year-end, due to certain allocation journal entries and year-end accruals that affect cash balances by fund, the bank reconciliation process was not finalized until all year-end closing adjustments were posted which occurred towards the end of August 2023. For the upcoming FY 2023/2024 year-end and going forward, the City will ensure timely reconciliation of June bank balances.

- While performing audit procedures over cash and investments, it was noted the existence of outstanding checks, listed in the citywide Accounts Payable Check Reconciliation Register that had an open status for over three years. The 12 outstanding checks noted totaled \$649, out of \$2,107,919 of outstanding checks. As the total amount was low and was not material to the Measure I audit, it was passed on. It is recommended that the City revise its practices with respect to stale checks to ensure they adjust financial records and deliver to the State Controller's Office, as needed.

Corrective Action: City agrees with the finding. As of February 2024, the City has reported stale checks that had an open status for over three years to the State Controller's Office.

City of Montclair (City)

- Investments are required to be reported at fair value in accordance with U.S. Generally Accepted Accounting Principles. The Local Agency Investment Fund (LAIF) investment balance, which is tracked based on amortized cost, was not reported at fair value. The City did not record or allocate an adjustment to the Measure I 2010-2040 Local Streets Program Fund at fiscal year-end. The Measure I 2010-2040 Local Streets Program Fund cash and investments balance was overstated by \$44,288 prior to audit adjustment. It is recommended that the City incorporate procedures to record fair market value adjustments for the LAIF investment balances held in the Measure I 2010-2040 Local Streets Program Fund.

Corrective Action: In FY 2013/2014 the allocation procedures for City held investments was consolidated in the General Fund and the interest earned on those investments was allocated to other funds at year-end. After this change the Fair Value Adjustment was only distributed in the General Fund. The independent auditors of Crowe, LLP brought this oversight to our attention. Beginning with FY 2023/2024 the City will change their procedure regarding the distribution of the Fair Value Adjustment and will distribute the change in the same manner as the interest earned.

City of San Bernardino (City)

- The Measure I Strategic Plan states that each local jurisdiction is required to annually adopt a Five-Year CIP which details the specific projects to be funded using Measure I 2010-2040 Local Street Program Funds. Expenditures of Measure I Local Pass-Through Funds must be detailed in the Five-Year CIP and adopted by resolution of the governing body. The Measure I Strategic Plan further states that the Five-Year CIP shall be the basis for the annual audit. For a project to be eligible for Measure I 2010-2040 Local Streets Program Funds, the project must be included in the current CIP. An amended CIP should be used in instances where projects are added to the CIP during the year. The City utilized Measure I 2010-2040 Local Streets Program Funds to cover costs for certain

projects. While the costs were considered allowable project expenditures in accordance with the strategic plan, the six projects totaling \$3,061,205 were not included in FY 2022/2023 of the Five-Year CIP approved by SBCTA. The City did not submit an amended CIP. It is recommended the City enhance its procedures to ensure that projects that have activity are included in the appropriate year of the current approved Five-Year CIP. This can be achieved through submitting a revised Five-Year CIP to SBCTA as necessary.

Corrective Action: Due to the change in personnel, a revised Five-Year CIP was not submitted as required. Going forward, the City will create a comprehensive checklist to ensure that all eligible projects are submitted and reflected on the Five-Year CIP and any occurring adjustments will be submitted through a revised Five-Year CIP.

- Management is responsible for ensuring financial activity is recorded accurately and on a timely basis. Each year, the beginning fund balance (equity) should be reconciled to the previous audit reports to ensure accuracy of the financial activity each year. While performing audit procedures over beginning fund balance, it was noted that the beginning fund balance did not reconcile to the previous year Measure I 2010-2040 Local Streets Program audit fund balance by \$72,692. The fund financial statements were restated to fairly state fund balance as of July 1, 2022. It is recommended that the City enhance its closing process to ensure that the beginning fund balance ties to the prior FY ending fund balance, and that entries to correct balances are made on a timely basis.

Corrective Action: Due to the change in personnel, the City's ACFR for FY 2021/2022 was completed in March 2023. The Measure I 2010-2040 Local Streets Program information was submitted to SBCTA auditors in December 2022 to meet SBCTA deadlines. Unfortunately, additional changes were made to the City's ACFR for FY 2021/2022 to close the year. Going forward, the City will improve procedures to ensure that year-end closing is completed in a timely manner and pertaining reports will be reviewed for accuracy.

County of San Bernardino (County)

- Expenditures should be recognized during the period incurred, and accruals posted to the general ledger when applicable. Two expense invoices related to services received during the period ended June 30, 2023, were not appropriately accrued as liabilities in the Measure I 2010-2040 Local Streets Program Fund. The amounts that should have been accrued for Measure I 1990-2010 and Measure I 2010-2040 as of June 30, 2023 were \$32,077 and \$25,161, respectively. The County received the invoices after the Auditor-Controller's accrual deadline and did not have a sufficient control in place to ensure top level adjustments were recorded to the Measure I 2010-2040 Local Streets Program Fund financial statements for material amounts. An audit adjustment of \$32,077 was posted to recognize the expenditures and associated payable in the June 30, 2023 Measure I 1990-2010 Local Streets Program Fund activity. The remaining \$25,161 expenditure related to Measure I 2010-2040 Local Streets Program Fund was immaterial and the audit adjustment was waived. It is recommended that management establish controls to review invoices received after the Auditor-Controller's cutoff date for any material activity that would necessitate a top-level adjustment related to the Measure I 2010-2040 Local Streets Program Fund.

Corrective Action: The County concurs with the auditor's findings. The County will add administrative procedures for year-end accrual processing to ensure all expenditures are recorded in the year the expense was incurred. Communication with other divisions at year-end will be increased to ensure all invoices for goods and services are recorded in the proper year.

- Standards for the modified accrual recognition of governmental fund revenues require that revenues from a derived tax transaction should be recognized in the period when the exchange transaction on which the tax is imposed occurs or when the resources are received, whichever occurs first. One derived tax revenue payment related to exchange transactions on which the tax was imposed prior to the FY end of June 30, 2023 was not appropriately accrued in the Measure I 2010-2040 Local Streets Program Fund. The additional amount that should have been accrued for Measure I 2010-2040 as of June 30, 2023 was \$643,611. The County did not have sufficient control precision related to the revenue recognition control utilized to ensure completeness of Measure I revenue for the FY, including significant amounts received within the County's period of availability. An audit adjustment of \$643,611 was posted to recognize the Measure I sales tax revenue and an associated receivable in the June 30, 2023 Measure I 2010-2040 fund activity. It is recommended that management enhance the precision of their revenue recognition controls at the fund level to review revenue transactions for completeness for any significant activity to the fund that would necessitate adjustment related to the Measure I Funds.

Corrective Action: The County concurs with the auditor's finding. The County will update administrative procedures to review the collection of revenue related to Measure I 2010-2040 Local Streets Program revenue prior to and after year-end to ensure all 12 months of revenue are recorded.

City of Victorville (City)

- The Victor Valley Local Street (VVLS) Program Measure I 2010-2040 Strategic Plan, Policy No. 40012, Section VVLS -22a requires that all expenditures charged to the Measure I 2010-2040 Local Streets Program Fund to be supported by a warrant or source document (invoice, requisition, time sheet, equipment rental charge, etc.) clearly identifying the project and other pertinent data to establish a clear audit trail. During testing over payroll expenditures, the distribution of salaries and wages charged to the Measure I 2010-2040 Local Streets Program Fund were not appropriately supported by personnel activity reports, detailed timesheets, or equivalent documentation. This is a repeated finding from FY 2021/2022. The City did not implement any corrective actions in FY 2022/2023, as the audit was not complete until May 2023. The City did not maintain source documents used to allocate salaries and benefits to the Measure I 2010-2040 Local Streets Program Fund. The City included costs for payroll related expenditures which were supported by budgeted amounts, and not actuals. It is recommended the City enhance its procedures to ensure that salaries and benefits charged to the Measure I 2010-2040 Local Streets Program Fund are properly supported prior to charging amounts to the fund. This can be achieved through preparing and maintaining the personnel activity reports, detailed timesheets, or equivalent documentation used to allocate time to the Measure I 2010-2040 Local Streets Program Fund in a timely fashion.

Corrective Action: The City plans to evaluate the current method of estimating the employee's allocation percentage to Measure I and Transportation Development Act (TDA) and assess the work performed by each employee to correctly attribute the correct charge to TDA and Measure I. The City plans to accomplish this by meeting with department heads to determine a method of tracking time spent on TDA and Measure I eligible activities to prepare a true-up entry each quarter.

- Management is responsible for ensuring financial activity is recorded accurately and on a timely basis. Bank reconciliations should be performed monthly, reviewed and approved within a month after month-end. While performing audit procedures over cash and investments, it was noted the City's bank reconciliation for June 2023 was not completed until November 2023. The City did not perform a timely bank reconciliation due to the departure of the accountant who prepared the monthly bank reconciliation and other unforeseen technical issues with the City's accounting systems. It is recommended that the City review the timing of its reconciliation procedures.

Corrective Action: The City is working towards streamlining the bank reconciliation process by implementing new methods of reconciling the different funding sources and cross-training the Finance Technicians and Accountant on the accounting process. With additional help and with streamlining our reports and process, the City believes it will complete bank reconciliation within a month after month-end.

Town of Yucca Valley (Town)

- Standards for the modified accrual recognition of governmental fund revenues require that revenues from a derived tax transaction should be recognized in the period when the exchange transaction on which the tax is imposed, occurs or when the resources are received, whichever occurs first. One derived tax revenue payment related to exchange transactions on which the tax was imposed prior to the FY end of June 30, 2023, was not appropriately accrued in the Measure I 2010-2040 Local Streets Program Funds. The additional amount that should have been accrued for Measure I 2010-2040 as of June 30, 2023, was \$97,323. The Town did not have sufficient control precision related to the revenue recognition control utilized to ensure completeness of Measure I revenue for the FY, including significant amounts received within the Town's period of availability. An audit adjustment of \$97,323 was posted to recognize the Measure I sales tax revenue and an associated receivable in the June 30, 2023 Measure I 2010-2040 fund activity. It is recommended that management enhance the precision of their revenue recognition controls at the fund level to review revenue transactions for completeness for any significant activity to the fund that would necessitate adjustment related to the Measure I 2010-2040 Local Streets Program Funds.

Corrective Action: In response to the Independent Auditors Report on Internal Control over Financial Reporting's determination of a significant deficiency in the Town's Internal Control over the financial report of the Measure I Fund Financial Statements, Town management provides the following context and details to provide clarity and full understanding for the users of the Internal Control Report. Firstly, Town management maintains that the organization's internal controls have been implemented, upheld, and fully executed to the best of their ability in the current FY as they have been over the past 31 years since incorporation. While internal controls are designed and maintained to assist with mitigation of the risk of material misstatement it is always important to note

that they cannot mitigate every chance of human error, as was the case with this accrual transaction. The transaction noted in this report was received, recorded, and reviewed properly by Finance staff and within the Town's current policies and procedures. The factors that contributed to the transaction not being accrued into the period of performance for the receipt are as follows:

- 1) The receipt's remittance report received by the Town from SBCTA on August 30, 2023 was reported with the period ending June 30, 2023. This was the second of two receipts received after the year-end closing date for the June period, indicating that it may be for the July 2023 performance period.
- 2) Over the past two years, SBCTA has provided the June's performance period receipts much later than that of prior years, with the June 2022 payment received on August 31, 2022 and the June 2023 payment received on August 30, 2023. These later payments leave the municipalities with less flexibility and room for review due to the time of year-end close and conflicts with our 60-day cut-off accrual period.
- 3) Historically, the Town has received 12 monthly payments each year for the Measure I revenues; however, it would not be correct for it to be assumed by Town staff that this will always be the procedure and therefore, the additional information provided above led to the decision not to accrue this receipt. Annual revenues were within budgeted expectations and did not indicate that additional receipts were necessary.

Town staff recorded this transaction with the information available at the time of receipt. Additional review is always beneficial to ensure accuracy and Town staff strives to provide the appropriate level of attention to detail for every financial transaction that would be considered material to the financial statements. While this transaction did receive the Town staff's attention, additional information from SBCTA would be beneficial to assist in the future. It is the Town's request that SBCTA and its governing board take into consideration that the municipalities rely on the information provided by SBCTA with the remittances to properly record the transaction. Therefore, it is requested that the remittance reports provided monthly be sent earlier, particularly at the FY end and with additional information, such as the period of performance reports that are available on SBCTA's financial report webpage.

The Town of Yucca Valley appreciates the opportunity to respond to the finding of the audit report and communicate what is needed to ensure ongoing compliance and best practices for SBCTA and the Town's cooperative effort to provide the region with the best service and transparent reporting for the transportation revenues utilized by both jurisdictions. The Town of Yucca Valley continues to monitor and improve its internal processes and reporting and will continue to prioritize excellence in financial reporting for the upcoming years.

SBCTA Response:

To reduce ambiguity and ensure an adequate level of detail is provided to Measure I recipients, SBCTA has done the following:

- Modified the description on the Measure I disbursement check stub to clearly identify the first and last day of the period of performance.

Independent Taxpayer Oversight Committee Meeting Agenda Item

March 5, 2024

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- Modified the description on the Measure I monthly disbursement reports to clearly identify the first and last day of the period of performance.
- Is now posting the State's schedule for releasing sales tax information on the SBCTA website.

SBCTA

On a biennial basis SBCTA selects an on-call independent audit firm to perform agreed-upon procedures to ensure SBCTA annual expenditures are in compliance with the Measure I Ordinance No. 04-01 and the related expenditure plan for activities during the previous two FYs (FY 2020/2022 and FY 2022/2023). The examination includes review of contracts, vouchers and other documents of significance. The engagement was in accordance with attestation standards established by the American Institute of Certified Public Accountants. The agreed upon procedures noted no exceptions as a result of the procedures performed as shown in the attachment included with this report. A comment from the Auditor relates to an invoice that was not sufficiently detailed to determine the eligibility of costs. After further discussion with the Project Manager and Chief Financial Officer, the nature of the services provided represents an eligible cost. The Chief Financial Officer communicated to the Project Manager the importance to review invoices for adequate detail. The Chief Financial Officer requested the Project Manager to inform Consultants to provide detailed information for services rendered on the invoice. The Chief Financial Officer is currently preparing a procedure that explains and requires the importance of reviewing invoices for completeness before approving for processing payment.

Financial Impact:

This item has no financial impact on the adopted Budget for Fiscal Year 2023/2024.

Reviewed By:

This item is scheduled for review by the General Policy Committee on March 13, 2024.

Responsible Staff:

Hilda Flores, Chief Financial Officer

Approved
Independent Taxpayer Oversight Committee Meeting
Date: March 5, 2024

Witnessed By:

**SAN BERNARDINO COUNTY
TRANSPORTATION AUTHORITY**

Independent Accountant's Report on
Applying Agreed-Upon Procedures

For Expenditures of Fiscal Years
2021/2022 and 2022/2023 for the
Measure I Program

INDEPENDENT ACCOUNTANT’S
REPORT ON APPLYING AGREED-UPON
PROCEDURES

San Bernardino County Transportation Authority
1170 West 3rd Street, 2nd Floor
San Bernardino, CA 92410

We have performed the procedures enumerated below on expenditures related to San Bernardino County Transportation Authority’s (SBCTA) Measure I program. SBCTA is responsible for the expenditures related to the Measure I program.

SBCTA has agreed to and acknowledged that the procedures performed are appropriate to gain an understanding of the expenditures pertaining to the Measure I program. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

See table below for the details on the populations provided by SBCTA and the samples selected for the performance of procedures by Crowe:

Fiscal Year	Total Population	Total Sampled Transactions	Total Sample Value
2021/2022	\$177,494,221.42	90	\$47,980,581.3 5
2022/2023	\$236,415,213.23	90	\$64,634,646.0 2

The procedures and the associated results are detailed on the following pages.

Agreed Upon Procedures and Results

The procedures and the associated findings are as follows:

1. Haphazardly select a sample of transactions (i.e., vouchers/invoices) from SBCTA's fiscal year 2022 and fiscal year 2023 Measure I program Expenditure Detail Reports. The sample must include 75 transactions from the fiscal year 2022 report and 75 transactions from the 2023 report, for a total of 150 sampled transactions.

To account for all project types, SBCTA and Crowe agreed to make additional selections of transactions. Crowe sampled an additional 30 transactions (15 for Fiscal Year 2021/2022 and 15 for Fiscal Year 2022/2023), resulting in a total sample size of 180 transactions. (90 from Fiscal Year 2021/2022 and 90 from Fiscal Year 2022/2023).

Results – No exceptions noted.

2. For transactions sampled under step 1 above, observe that the voucher was for a Measure I funded program. Measure I funded programs include Freeway; Freeway Interchange; Grade Separation; Rail; Express Bus/Transit; Traffic Management Systems; and Cajon Pass. In addition, inspect the invoices, checks, project summaries, and other documents supporting the voucher and observe that the project code was established for the correct Measure I funded program.

Results – No exceptions noted.

3. For transactions sampled under step 1 above, identify the Measure I program associated with the voucher. Inspect invoices, checks, project summaries, and any other documents supporting the voucher and observe that the funds requested were eligible costs for the project type, as detailed in Exhibit A Transportation Expenditure Plan of Ordinance No. 04-01.

Results – No exceptions noted aside from one expenditure that required further discussion. For one expenditure, invoices and other documentation were not sufficiently detailed to determine the eligibility of costs. After further discussion with the project manager of the related contract and the SBCTA Chief Financial Officer, the nature of the services provided for this item represent eligible costs.

4. For transactions sampled under step 1 above, inspect invoices, checks, project summaries, and any other documents supporting the voucher. Observe that the cost type was allowable under the Measure I program in accordance with the requirements of Section V. Purposes of Ordinance No. 04-01.

Results – No exceptions noted.

5. For Mountain/Desert Major Local Highway subarea vouchers included within the sample under step 1 above, observe that the Request for Reimbursement Form 403 and all required supporting documents were submitted to SBCTA. Form 403 requires the submission of the following: a) A copy of the contractor/consultant invoices and associated checks; b) A summary of the invoices (included on the form); c) A summary for each project; and d) A copy of any invoice to Caltrans relating to the invoices provided.

Results – No exceptions noted.

6. For transactions sampled under step 1 above, re-calculate the costs on the voucher using the associated invoices and payment support to observe that amounts agreed to the amount requested for reimbursement.

Results – No exceptions noted.

7. For procurements with a total value of \$100,000 or greater that were sampled under step 1 above, inspect the invoice and supporting documentation and observe that a contract number was established for the award.

Results – No exceptions noted.

We were engaged by SBCTA to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the expenditures of Measure I programs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of SBCTA and to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the SBCTA and is not intended to be, and should not be, used by anyone other than the specified party.

Crowe LLP

Crowe LLP
Los Angeles, California
February 19, 2024