

SBCAG STAFF REPORT

SUBJECT: Measure A - Maintenance Of Effort (MOE) Audit Review Process

MEETING DATE: November 19, 2020

AGENDA ITEM: 4N

STAFF CONTACT: Martha Gibbs

RECOMMENDATION:

Approve an administrative update to the audit review process as it relates to expenditures funded by non-discretionary revenues to attain Maintenance of Effort compliance under Measure A.

DISCUSSION

The Measure A Ordinance No. 5, Section 27 requires local agencies to maintain an expenditure of non-measure local discretionary funds for street and road purposes adjusted annually by the rate of growth or decline of measure revenues. This ensures the legislature's intent that the countywide transportation sales taxes collected under Measure A supplement rather than supplant local transportation investments.

Annually three requirements must be met by local agencies regarding Maintenance of Effort (MOE):

1. Certification that it will meet the MOE minimum expenditure requirement;
2. Evidence of reporting annually its local discretionary revenues for streets and roads to the State Controller Office; and
3. Evidence that it met the MOE requirement for every five-year period as verified through annual fiscal audits.

As communicated to staff, significant changes have been implemented by the State Controller as they relate to reported expenditures of local discretionary funds for streets and road purposes contained in the State Controller's Annual Report of Financial Transactions for Streets and Roads. A new MOE standard has been set for assuring compliance of Road Maintenance & Rehabilitation Program funds that differs from what was in place when MOE requirements for Measure A were established. This unfortunately negatively impacts recipients of Measure funds in that the State methodology disqualifies some expenditures that have been used to attain compliance under our local sales tax measure. It is the intent of SBCAG, which serves as the Local Transportation Authority, to document a MOE process that differs from the State and to clarify audit procedures to maintain consistency for the life of the Measure.

We will inform the independent auditors that a different methodology will be used to determine MOE compliance than that of the State. We will ensure that the independent auditors are aware that the State uses a different calculation when determining MOE compliance for State programs which is not consistent with attaining compliance under Measure A. We will instruct the independent auditors conducting the annual audits to continue to use the same expenditure categories previously used when verifying compliance under Measure A. Items disqualified such as street lighting, street sweeping, and tree trimming will be an allowable expenditure when Measure A compliance is

determined. This will ensure consistency is maintained throughout the Measure’s life and the intent of what the voters envisioned remains unchanged.

Local agencies will continue to self-report amounts of discretionary or non-discretionary expenditures in certified financial statements and yearly submit them to the State Controller. The certified expenditures will be published yearly by the State in the Local Streets and Roads Transactions Report. To arrive at MOE compliance for Measure A, local agencies will need to provide a summary or reconciliation of items disqualified by the State to those that appear in the published report so that all eligible cost are counted.

TTAC and the SBCAG Board adopted an audit review process (Attachment A) which has been edited to include clarification language for the *Responsibilities of City and County Staff* to as it relates to the disqualification of certain expenditures at the State level. Below is the proposed update to the Audit Review Process that has been incorporated into the attachment.

- To ensure that all expenditures *including those ineligible per the Street and Highways Code Section 2036 as reported to the State Controller’s Office* are considered in determining compliance with Maintenance of Effort and Alternative Transportation requirements have been properly coded and communicated to the appropriate finance staff of each entity receiving funds.

The following table reflects the MOE requirements for FY 20-21. These Measure A MOE requirements were presented to TTAC in September and subsequently approved by the SBCAG Board at its September 17, 2020 meeting.

Table 1- Maintenance of Effort Compliance Period of FY 2020-21 through FY 24-25

JURISDICTION	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
Buellton	\$ 144,549				
Carpinteria	126,412				
Goleta	797,598				
Guadalupe	34,336				
Lompoc	1,809,708				
Santa Barbara	8,721,773				
Santa Maria	3,111,152				
Solvang	382,050				
County of SB	1,646,040				

The recommended action is not a project under the California Environmental Quality Act (CEQA) pursuant to section 15378 of the CEQA Guidelines.

COMMITTEE REVIEW:

TTAC received a presentation of the administrative change to the audit process at its November 5, 2020 meeting.

ATTACHMENTS:

- A. Updated Measure A Audit Review Process

ATTACHMENT A

MEASURE A AUDIT REVIEW PROCESS

Following is a statement of responsibilities and a recommended sequence of audit and review activities to ensure the accuracy and timely reporting of Measure A Maintenance of Effort and Alternative Transportation compliance.

Responsibilities of Auditor

- To review and verify Maintenance of Effort and Alternative Transportation compliance.
- To verify that the expenditures of revenues was in accordance with the Measure A Investment Plan.
- To validate that Measure A funds and interest earned were deposited in a separate account for each city and county.

Responsibilities of City and County staff

- To ensure that all Measure A revenues have been expended in accordance with the Measure A Investment Plan.
- To ensure that all Measure A funds and interest have been deposited in a separate account.
- To ensure that all expenditures including those ineligible per the Street and Highways Code Section 2036 reporting to the State Controller's Office are considered in determining compliance with Maintenance of Effort and Alternative Transportation requirements have been properly coded and communicated to the appropriate finance staff of each entity receiving funds.

Audit Review Process

1. SBCAG notifies finance and public works staffs of the Measure A Audit timeline in advance of audit staff commencing audit. Jurisdiction staffs are to develop internal reporting systems to ensure proper coding of Alternative Transportation and Maintenance of Effort expenditures.
2. Auditor requests information from each local agency necessary to determine compliance with Measure A Ordinance requirements including Maintenance of Effort and Alternative Mode expenditures. Finance and public works staffs work with auditors to ensure accurate reporting.
3. SBCAG presents DRAFT Measure A Audits to TTAC for review. TTAC representatives review audited figures with their finance staff to validate accuracy. If errors are detected, SBCAG must be notified within 14 days of receipt. The auditors will then be notified. Cities and County must provide validation of error and correct data. Auditor will make revisions to the audit reports as appropriate.
4. DRAFT Measure A audits will be presented, with any necessary revisions, to TTAC for final approval.

5. SBCAG presents DRAFT Measure A Audits to the Citizen's Oversight Committee and solicits a letter to the SBCAG Board approving audits and discussing any findings.
6. SBCAG finalizes Measure A Audits with audit firm and receives FINAL MEASURE A AUDIT copies.
7. SBCAG presents FINAL MEASURE A AUDITS and CITIZENS' OVERSIGHT COMMITTEE LETTER to SBCAG Board.
8. SBCAG ensures non-compliance issues have been resolved according to the timeline stipulated by the Citizen's Oversight Committee. Non-compliance issues not resolved by the stipulated timeline will be reported to the Citizen's Oversight Committee and to the SBCAG board for follow-up action.