



NAPA VALLEY TRANSPORTATION AUTHORITY-TAX AGENCY ITOC Agenda Letter

TO: Independent Taxpayer Oversight Committee
FROM: Kate Miller, Executive Director
REPORT BY: Antonio Onorato, Director of Administration, Finance, and Policy
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SUBJECT: Measure T Compliance and Performance Audit Work Plan for County of Napa and City of St. Helena

RECOMMENDATION

That the ITOC discuss the audit work plan for any compliance or performance audits that is scheduled for the audit review period and recommend an approach to NVRTA staff.

EXECUTIVE SUMMARY

Measure T is subject to three types of audits: the annual financial audit, performance audits, and compliance audits. Staff will need to inform the Certified Public Accountants (CPAs) on the number of performance and compliance audits the ITOC will want to undertake during the fiscal year in consideration of financial resources available.

FISCAL IMPACT

Is there a fiscal impact? Not for this report.

BACKGROUND AND DISCUSSION

The language in Measure T necessitates completing a financial audit and a compliance audit although the ordinance was silent on the timeframe of those reviews. At the July 11, 2019 ITOC meeting, the committee approved a rotating schedule for the compliance and performance audits.

The audit schedule is as follows:

FY 2019-20: City of Napa, County of Yountville

FY 2020-21: County of Napa, St. Helena

FY 2021-22: American Canyon, Calistoga

Measure T auditing firm, Brown Armstrong Accountancy, has informed staff that they are planning their audit schedule and work plan for Fiscal Year 2020-21. To inform the auditor's schedule, ITOC will need to determine the number of compliance and performance audits that the auditors should perform to ensure adequate resources are available for fieldwork scheduled for of July 1, 2018 to June 30, 2021, a three year audit period.

Projects in early stages of delivery are not likely to have many or any transactions for auditors to review. Therefore, staff is recommending that the ITOC consider a sampling of the number of projects completed or in the event that no projects have been closed out to date, a sampling of projects in advanced stages of delivery, or a combination thereof. Staff is recommending the ITOC select two projects from the County and one project from St. Helena from the list below. The ITOC should also keep in mind the limited resources to complete the audits. Staff is recommending St. Helena project 19549 and County projects 19517 and 19575.

	Project #	Project Name	Project Cost	Measure T funds	Start/End Date	Status
City of St. Helena	19550	R19-02 Hunt Avenue Sidewalk Gap Closure	\$306,980	\$231,980	1/2019-3/2020	Complete
City of St. Helena	19549	R18-81 DownCounty Sidewalks Improvement-HWY29/Main Street from Mitchell Drive to Britton Way/Pine Street	\$1,862,500	\$175,000	2/2019-7/2021	In-progress
City of St. Helena	20508	R19-05 Grayson and South Crane Rehab/Design only-Grayson Ave from Main Street to South Crane	\$100,000	\$100,000	6/2020-6/2021	I-progress
County of Napa	19506	Imola Area Roadway Rehabilitation Project	\$395,299	\$395,299	7/2018-10/2019	Complete
County of Napa	19517	Sunnyhill Drive Storm Damage Repair	\$703,076	\$379,483	7/2018-9/2019	Complete
County of Napa	19518	Ridgecrest Drive Storm Damage Repair- 25' Span-Bridge	\$752,293	\$498,147	7/2018-7/2019	Complete
County of Napa	19575	Berryessa/Knoxville Rd MPM 20.5- 22 Storm Damage Repair	\$1,178,614	\$1,108,000	2/2019-12/2020	In-progress

The auditors will be able to plan for these audits if a schedule is known beforehand and sampling can occur prior to fieldwork giving jurisdiction staff notice and adequate time to prepare the documentation.

A compliance audit is a comprehensive review of an organization's adherence to ordinance and guidelines. Audit reports could evaluate a number of factors such as the strength and thoroughness of compliance preparations, security policies, user access controls and risk management procedures over the course of a compliance audit. Compliance auditors provide details about the organization's level of compliance adherence, any violations and suggestions for improvement.

A performance audit is an assessment of an entity's operations to determine if specific programs or functions are working as intended to achieve stated goals. The audit may assess the overall jurisdictions performance or a specific project. A performance audit examines a program, function, operation or the management systems and procedures of a governmental or non-profit entity to assess whether the entity is achieving economy, efficiency and effectiveness in the employment of available resources.

The audits will focus on eight areas of performance/compliance, specifically:

- a) Maintenance of Effort - The City/County certified to NVTA-TA that it met its Maintenance of Effort (MOE) provision of the average general fund expenditures spent in fiscal years 2007-08, 2008-09, 2009-10 on local streets and roads maintenance and supporting infrastructure. The City/County must certify annually to NVTA-TA that it met its MOE expenditures the previous fiscal year, by January 1st.
- b) Five-year project list - The City/County submitted a copy of their five-year list of projects to be funded with Measure T revenues by No later than March 1, 2018, and at least biennially thereafter on January 1st.
- c) Project Implementation & Reporting – The City/County submitted a semi-annual update on projects and expenses by September 30th and March 31st of every year.
- d) Attribution and Signage – For projects with funding above \$250,000, verify City/County installed and maintained a sign at the construction site, utilizing the adopted Measure T logo and text, identifying the City/County and NVTA-TA.
- e) Establishment of Separate Accounting – City/County shall have its revenues deposited in a separate interest bearing Transportation Improvement Fund and segregated in a Special Revenue Fund specifically for Local Streets and Roads.
- f) Recordkeeping – The City/County shall keep the records using accrual accounting, setting up both receivables and payables as of June 30 of each year. As such, expenditures within the Special Revenue Fund, shall include “transfers out” to other funds for the monies being used within a capital project that was approved by the Master Funding Agreement. The City/County accounted for and tracked its capital projects in a Capital Project Fund. All costs charged to projects are supported by properly prepared and documented time records, invoices, vouchers,

or other documentation evidencing in detail the nature and propriety of the charges and a process in place to retain all records for five years after project closeout.

- g) Financial Reporting and Audits – Confirm City/County submitted by January 1st of the following year a copy of their annual independent financial statement audit that includes Measure T funds recorded in a separate special revenue fund and the State Controller's Street Report to NVTA-TA.
- h) 6.67% Equivalent Funds Requirement – Review if City/County has committed any revenues to meet the 6.67% Equivalent Fund for Class 1 bicycle facilities cumulative requirement.

Table 2 below outlines the costs for each audit type. The ITOCs budget will fund the cost of each audit that is commissioned. After other operating deductions, the ITOC currently has roughly \$200,000 banked from FY 2019 - FY 2021 combined.

Table 2: Audit Costs by Category

Audit Category	Amount
NVTA TA Financial Audit	\$ 5,460
NVTA-TA Compliance Audit	
City of Napa	\$ 3,100
County of Napa	\$ 3,100
City of American Canyon	\$ 3,100
County of Yountville	\$ 3,100
City of Saint Helena	\$ 3,100
City of Calistoga	\$ 3,100
NVTA	\$ 3,100
NVTA-TA	\$ 3,100
NVTA TA Performance Audit	
City of Napa	\$ 3,100
County of Napa	\$ 3,100
City of American Canyon	\$ 3,100
County of Yountville	\$ 3,100
City of Saint Helena	\$ 3,100
City of Calistoga	\$ 3,100
Minor Projects	
Per Project	\$ 3,100
TBD/Other	\$ 3,100

ATTACHMENTS

None