

**RESOLUTION 08-05-A**  
**POLICY AND PROCEDURES WITH RESPECT TO COMPLIANCE**  
**AUDIT OF RECIPIENTS OF MEASURE J FUNDS**

WHEREAS, the Authority has a fiduciary responsibility to the voters of Contra Costa County to ensure that sales tax funds received by the Authority are appropriately spent; and

WHEREAS, an independent compliance audit of recipients of Measure J funds is allowed for according to Measure J; and

WHEREAS, an independent compliance audit is explicitly permitted under the terms and conditions of the Authority's standard cooperative agreement with recipients of transportation Measure J project funds, is explicitly permitted in agreements with local jurisdictions for local street maintenance and other programmatic Measure J fund distributions, and is explicitly permitted under the terms of standard contracts for services on projects funded with Measure J funds;


NOW THEREFORE BE IT RESOLVED:

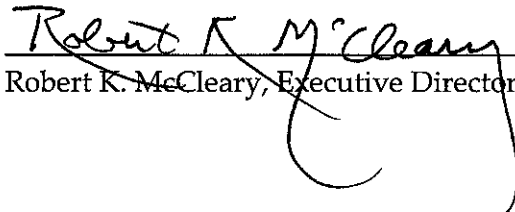
1. Any recipient (Project Proponent, or Consultant, or Jurisdiction) who incurs expenditures to be reimbursed by Measure J funds and who is selected by the Authority for a compliance audit, shall engage an independent auditor to conduct an independent compliance audit of these expenditures; and
2. The compliance audit shall be done according to the attestation standards established by the American Institute of Certified Public Accountants and in accordance with generally accepted Government Auditing Standards; and
3. The objectives of the compliance audit are listed in Exhibit A, a sample Independent Auditor's Compliance Report is contained in Exhibit B, and the established requirements for recipients of Measure J local street maintenance funds are listed in Exhibit C, all attached to this resolution; and
4. The compliance audits are due 180 days after the end of the fiscal year, or 180 days after notice to the Project Proponent, Consultant, or Jurisdiction (whichever is later) that they have been selected to perform a compliance audit; and
5. The Project Proponent, Consultant, or Jurisdiction selected to perform a compliance audit shall submit to the Authority a written estimate from the independent auditing firm of the cost of the compliance audit, for review and approval prior to the incurrence of any such costs. All reasonable compliance audit-related costs borne by the Project Proponent, Consultant, or Jurisdiction, are eligible for reimbursement by

Measure J funds; and

6. In lieu of utilizing its own independent auditor, with sufficient notice, the Project Proponent, Consultant, or Jurisdiction may request that the Authority contract with its independent auditor to conduct the requested compliance audit; and
7. Selection of Project Proponents, Consultants, and Jurisdictions to perform compliance audits shall occur in May, selected proponents will be notified in writing, and a meeting with these Project Proponents, Consultants, and Jurisdictions will be held to review compliance audit requirements; and
8. At least three Measure J compliance audits are to be done each year:
  - A. For Project Proponents receiving more than \$500,000 in Measure J funds (defined as incurring greater than \$500,000 in reimbursable expenses during the fiscal year), one proponent will be selected by Authority staff to do a compliance audit.
  - B. For local jurisdiction recipients of Measure J Local Street Maintenance (18% funds), one proponent will be selected by Authority staff to complete a compliance audit. No recipient of Local Street Maintenance (18% funds) will be required to do a compliance audit for two years in a row unless adverse findings are contained in a prior year compliance audit.
  - C. For Authority's consultants receiving more than \$25,000 in Measure J funds, one consultant will be selected by Authority staff to complete a compliance audit.
  - D. At the discretion of Authority staff, any recipient of Measure J funds can also be directed to do a compliance audit.
  - E. A compliance audit will not normally be done for ongoing construction contracts.
9. Project Proponents, Consultants, and Jurisdictions that do not submit a compliance audit within 180 days after the end of the fiscal year or after receiving a formal notice of selection to perform a compliance audit (whichever is later), shall have payments of Measure J funds suspended until such time as the compliance audit has been submitted and accepted by the Authority, unless the Authority has taken a formal action to extend the due date in accommodation of extraordinary circumstances.

This RESOLUTION was entered into at a meeting  
of the Contra Costa Transportation Authority  
held November 19, 2008 in Pleasant Hill, California

  
David E. Hudson, Chair

  
Robert K. McCleary, Executive Director

Contra Costa Transportation Authority  
 Objectives of Proponent Compliance Audit  
 Exhibit A

Audit Objectives	References
<p>1. Project Proponent Measure J reimbursement requests are for payments made by the proponent to vendors for work defined in the cooperative agreement and related funding resolutions. Consultant's Measure J payment requests are for payments made to the vendors or as invoiced to the consultant for work defined in the contract, or agreement, or any related funding resolutions.</p>	<p>Cooperative Agreement            Funding Resolutions            Contracts</p>
<p>2. Staff hours charged to a project are for hours actually worked on the project. Hourly wages and fringe benefits are charged based on agreed standard mark-up rate, not to exceed a maximum mark-up rate of 50% of the hourly wage (1.5 times hourly salary). If this rate did not allow the Project Proponent or Consultant to recoup direct costs dedicated to Measure J projects, due to extenuating circumstances, the Project Proponent or Consultant must submit documentation for Authority consideration and approval.</p>	<p>Cooperative Agreement            Funding Resolutions            Implementation of Measure J Projects Policy            Eligible Cost Guidelines for Measure J Funded Projects ( (attachment E to Resolution 08-13-P)</p>
<p>3. Other direct costs charged to a project have been authorized under an approved funding resolution.</p>	<p>Funding Resolutions</p>
<p>4. Requests for reimbursement are mathematically correct.</p>	
<p>5. Requests for reimbursement are charged to the proper funding resolution.</p>	<p>Funding Resolutions</p>

Contra Costa Transportation Authority  
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Audit Objectives	References
<p>6. Requests for reimbursement include documentation as specified in the funding resolutions and the Procedures Guide for Measure J Projects.</p>	<p>Funding Resolutions            Procedures Guide for Measure J Projects</p>
<p>7. The Proponent requests reimbursement from the Authority only after the Proponent has paid the vendor. Consultants request payment only after receipt of the invoice from the contractor, and the subcontractors are paid according to the timeline established in the contracts</p>	<p>Implementation of Measure J Projects Policy Contracts</p>
<p>8. Requests for reimbursement are signed by authorized Proponent personnel in accordance with the signature authorization form filed with the Authority.</p>	<p>Implementation of Measure J Projects Policy Signature Authorization Form.</p>
<p>9. State-local partnership funds received by the Proponent on a Measure J funded project are reimbursed to the Authority in accordance with the cooperative agreement.</p>	<p>Cooperative Agreement</p>
<p>10. Net proceeds from the sale of excess lands purchased with Measure J funds are returned to the Authority in accordance with the cooperative agreement.</p>	<p>Cooperative Agreement            Implementation of Measure J Projects Policy</p>
<p>11. The Proponent calculates the accruals for project expenditures in accordance with generally accepted accounting principles and provides this accrual information to the Authority upon request.</p>	

Contra Costa Transportation Authority  
Objectives of Proponent Compliance Audit  
Exhibit A

<b>Audit Objectives</b>	<b>References</b>
12. All records related to project expenses and payments/reimbursements are maintained during the duration of the project and for 4 years following completion of the project.	Cooperative Agreement Contracts Implementation of Measure J Projects Policy

Note: Some objectives do not apply in some instances, for example in the case of a local jurisdiction being asked for a compliance audit of local street maintenance funds, some of the above objectives do not apply.

## EXHIBIT B

### SAMPLE INDEPENDENT AUDITORS' COMPLIANCE REPORT

The Honorable Mayor and Members of the City Council of the City, State.

We have audited the general purpose financial statements of City of \_\_\_\_\_, California as of \_\_\_\_\_. For the year ended June 30, 20\_\_, and have issued our report thereon dated November \_\_, 20\_\_

We have also audited the City of \_\_\_\_\_'s compliance with the requirements governing the use of Measure J funds as specified in Appendix A of the Contra Costa Transportation Authority's Resolution No. 08-05-A, for the year ended June 30, 20XX. The Management of the City of \_\_\_\_\_ is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with these requirements in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described on the accompanying Schedule of Findings. We considered these instances of noncompliance in forming our opinion on compliance which is expressed in the following paragraph.

In our opinion, the City complied, in all material respects, with the requirements listed in the second paragraph of this report for the year ended June 30, 20XX.

This report is intended for the information of the mayor, members of the City Council, management and others within the City, and officials of the Contra Costa Transportation Authority. However, this report is a matter of public record and its distribution is not limited.

November XX, 20XX

- (1) All matters regardless of materiality which are not in compliance with the requirements of Resolution No 08-05-A, Exhibit A or C should be explained on a separate schedule. Proponent management will be asked to submit a corrective action plan to the Authority.

## **Exhibit C**

### **Local Street Maintenance (18%) Funds**

Any jurisdiction which receives these funds must:

- a) Meet the maintenance of effort requirements as set down by Measure J (or as revised by the Authority), and included in the annual Measure J compliance checklist;
- b) Meet any other conditions as described in the annual compliance checklist in order to receive these funds;
- c) Apply these funds for legitimate purposes as specified by Authority resolution No. 08-05-A (attached)
- d) Account for these funds in a separate line account and/or fund, and
- e) Have applied all interest accrued on any unspent balance to this separate line account, and/or fund ,

All jurisdictions, in lieu of an annual audit, will submit an annual report on the use of these funds to the Authority, attested by the Finance Director and/or City Manager. The report format will be prepared by the Authority and sent to all jurisdictions.