



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER COMPLIANCE**

Board of Commissioners of
Transportation Authority of Marin
San Rafael, California

Compliance

We have audited the City of Novato's (City) compliance with the types of compliance requirements described in the Measure A ½-Cent Transportation Sales Tax Expenditure Plan (Expenditure Plan) and the respective funding agreement with the Transportation Authority of Marin (TAM) applicable to the City's Schedule of Allocations and Expenditures for the year ended June 30, 2018.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of management of the City.

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to compliance audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Expenditure Plan approved by the voters of the County of Marin (County) in 2004, and the respective funding agreement between the City and TAM. Those standards and Expenditure Plan, and the respective funding agreement between the City and TAM require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the City's Schedule of Allocations and Expenditures. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

Opinion

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that are applicable to the City's Schedule of Allocations and Expenditures for the year ended June 30, 2018.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be a significant deficiency or material weaknesses, as defined above.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the Expenditure Plan and the respective funding agreement between the City and TAM. This report is intended solely for the information of the Board of Commissioners, Citizens' Oversight Committee, Management of TAM, and management of the City. Accordingly, this report is not suitable for any other purpose.

Vavrinek, Trine, Day & Co. LLP

Vavrinek, Trine Day & Co., LLP
January 25, 2019

CITY OF NOVATO

MEASURE A COMPLIANCE REPORT AND NOTES JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The City receives funding under the Measure A Expenditure Plan.

Basis of Accounting

The City utilizes the current resources measurement focus basis of account, whereby revenues are recognized when measurable and available. The City considers all revenues reported to be available if the revenues are collected within sixty days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred. Capital assets acquisitions are reported as expenditures in the governmental funds.

NOTE 2 - MEASURE A SALES TAX

Measure A is a ½-cent transportation sales set forth by the voters of the County as a step in implementing a 1.6 billion dollar “transportation vision” set forth by the County as a plan to alleviate traffic congestion, reinvent the public transportation system, provide addition pedestrian and bike pathways, provide safer routes to school and many other additional transit related goals. Citizens’ advisory committees in each part of the County, representing the many diverse interests in County, provided input that results in a draft expenditure plan. The draft expenditure plan was presented to each of the County’s City/Town Councils and to numerous stakeholder groups. Their comments prompted refinements reflected in the Expenditure Plan.

The Expenditure Plan is administered by TAM. Its 16-member board consists of the Board of Supervisors and a council member of each incorporated City/Town. TAM is accountable to a 12-member Citizens’ Oversight Committee (Committee), created with the assistance of the League of Women Voters. The Committee reviews all expenditures and reports annually to the public.

CITY OF NOVATO

ATTACHMENT A – PROCEDURES PERFORMED AS APPLICABLE JUNE 30, 2018

1. Obtained original Funding Agreement/ Professional Contract, Allocation Request, and Funding Agreement/Professional Contract Amendments for the audit period or for the period during which funding was utilized for an approved project.
2. Reviewed Funding Agreement/Contract, Allocation Request, and Funding Agreement/Contract Amendments to determine total funding provided by the applicable Strategy for the audit period or for the projects being audited.
3. Interviewed finance staff regarding internal controls in the following areas, specific to, but not limited to, accounting for Measure A funding, to obtain an understanding of the entity's operations:
 - a. Cash Disbursements – Reviewed policies and procedures regarding approval, defacements, accounts payable check processing, and other matters related to the disbursement of funds.
 - b. Cash Receipts – Reviewed policies and procedures regarding cash handling of over-the-counter receipts and cash receipts received through the mail, bank deposits, bank reconciliations, and other matters related to the receipt of funds.
4. Obtained all invoices submitted to TAM for reimbursements, if applicable.
5. Obtained supporting documentation for a sample of invoices submitted to TAM for reimbursements, including construction, personnel, project management, consultants, and other related costs.
6. Obtained general ledger detail for revenue and expenditures charged to the Measure A funding source or equivalent reports where income and expenses associated with Measure A funds can be clearly identified.
7. Reviewed remittances from TAM to ensure that all revenues are correctly coded to the specific cost center or fund code designated for Measure A funding.
8. For reimbursement-based agreements, we reviewed a sample of invoices submitted to TAM to ensure that the costs being billed on the invoices reconcile with the ones being charged to the specific Measure A cost center in the entity's financial accounting system.
9. For reimbursement-based funding agreements/professional contracts, expenditures charged to the specific cost center or fund code designated for Measure A funding were selected on a random basis were and tested for the following attributes:
 - a. Approval – Reviewed invoices and supporting documentation to ensure that the proper review and approval process occurred and is documented on the invoice.
 - b. Invoice – Reviewed invoices and supporting documentation to ensure that they are mathematically accurate, properly addressed to the auditee, and have sufficient detail to justify the amounts being charged and the cost center or fund code to which it is being charged to.

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ATTACHMENT A – PROCEDURES PERFORMED AS APPLICABLE JUNE 30, 2018

- c. Coding – Reviewed invoices and supporting documentation to ensure that they have been correctly coded to the specific cost center or fund code designated for Measure A funding.
 - d. Allowable – Reviewed invoices and supporting documentation to ensure that the costs being charged to the specific cost center or fund code designated for Measure A funding are allowable costs based on the Expenditure Plan, the entity’s funding agreement with TAM, and specific requirements of the Strategy for which the funds were restricted for. Also reviewed expenditures to ensure that all costs are direct costs and not indirect costs or allocations of any kind.
10. For entities receiving funding in advance for Strategy 3 under a Measure A funding agreement, we reviewed, in summary form, various invoices to verify that expenditures being charged to the specific cost center or fund code restricted for Measure A are reasonable for the project. In addition, expenditures are also tested in the same fashion as outlined in step 9 of this list.
11. For entities where capital construction projects were funded utilizing Measure A Strategy 3 and 4 funding, we obtained the necessary project files and reviewed them for the following requirements:
 - a. Procurement Process – Reviewed procurement process of the project to ensure that the project was properly advertised in publications, internet, trade journals and/or other acceptable means. If other means of procurement, such as selective RFP submittals were followed, we determined whether the process is adequate in regards to the project. Reviewed any other evidence of procurement when appropriate, such as fax logs or mailing lists.
 - b. Bids and Proposals – Reviewed bids and proposals received to ensure that sufficient bids were received in regards to the project.
 - c. Bid Award – Reviewed City Council Agendas and Minutes and/or related reports in regards to the bid award to ensure that the contract for the project was properly approved by Department Heads and the City and was properly documented in a public forum. Also, we reviewed bidding results to ensure that the lowest bid was selected, and if the lowest bid was not selected, that there is sufficient documentation for any other selection process utilized.
12. For entities where professional service contracts were paid utilizing Measure A funding, with regards to construction projects or other purposes, we reviewed the policies and procedures of the entity in question to ensure that internal policies and procedures were followed in regards to the selection of professional service firms.
13. For entities where capital construction projects were paid utilizing Measure A Strategy 3 and 4 funding, we reviewed any applicable environmental review requirements and reviewed documentation to verify that all reports and reviews were performed prior to the start of any construction.

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ATTACHMENT A – PROCEDURES PERFORMED AS APPLICABLE JUNE 30, 2018

14. 14. For entities where personnel costs were charged to the specific cost center or fund code designated for Measure A funding, we selected a representative sample of charges for personnel costs and tested for the following:
 - a. Recalculation – Reviewed and reconciled wage rates from personnel costs charged to Measure A cost center or fund code to the entity’s payroll registers to ensure that wage rates being charged were accurate and properly approved; reviewed all benefits and fringe costs being allocated in addition to wage rates to ensure that they are accurate and appropriate; recalculated personnel costs utilizing wage rates and hours being charged to ensure that the amounts are mathematically accurate; review the calculation to ensure no indirect costs are included in the reimbursement request.
 - b. Timesheet – Reviewed timesheets for selected personnel costs to ensure that hours being charged to Measure A are properly supported with an approved timesheet. All charges to Measure A funding must be clearly documented on timesheets, detailing the number of hours and the funding source, on a daily basis. We also reviewed timesheets for selected personnel costs to ensure that signatures of both the employee and supervisor are present. Electronic time documentation methods must also have similar electronic signatures.
15. Obtained close-out reports, from completed capital construction projects, submitted to TAM.
16. Reviewed close-out reports to ensure that they were submitted within 90 days and were properly certified in accordance with the entity’s funding agreement/contract with TAM.

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**ATTACHMENT B – FINDINGS AND OBSERVATIONS
JUNE 30, 2018**

No findings noted.

CITY OF NOVATO

**ATTACHMENT C – SCHEDULE OF ALLOCATIONS AND EXPENDITURES
JUNE 30, 2018**

Measure A Allocation				
Period Audited	Agreement Number	Measure A Strategy	Agreement Date	Available Amount
FY2017-18	A-FY15-06	4.3	9/2/2015	\$ 474,500
Measure A Expenditures				
Project Audited	Measure A Strategy	Amount		
Plum Street Sidewalk Improvement Project	4.3	\$ 474,244		
Total Measure A Reimbursement		\$ 474,244		