



FINAL REPORT

Santa Clara Valley Transportation Authority
2016 MEASURE B PERFORMANCE AUDIT
FOR FISCAL YEAR 2021-2022

March 14, 2023

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March 14, 2023

2016 Measure B Citizens' Oversight Committee
Santa Clara Valley Transportation Authority
3331 North First Street
San Jose, CA 95134

Subject: 2016 Measure B Sales Tax Performance Audit Report for Fiscal Year 2021–2022

Dear Members of the Committee:

Thank you for the opportunity to perform the performance audit relating to the Santa Clara Valley Transportation Authority (VTA) 2016 Measure B Sales Tax Program (2016 Measure B, or the Program), as required by the ballot language mandating that annual audits be conducted by an independent auditor. Requirements specify that proceeds are to be expended consistent with the approved 2016 Measure B ballot language, and that program categories will be administered in accordance with program guidelines and policies to be developed and approved by the VTA Board of Directors (the Board). This report summarizes the results of our review.

Moss Adams LLP conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS), as outlined in our agreement. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and audit results based on our audit objectives. The scope of this engagement is outlined in the body of our report. This report was developed based on information from our review of 2016 Measure B records for fiscal year 2021–2022.

We appreciate the opportunity to help you monitor and continuously improve your oversight of program performance. Please do not hesitate to contact us if you have any questions or need further assistance regarding this important matter.

We would like to express our appreciation to the committee and all members of VTA's staff for their cooperation throughout this performance audit.

Very truly yours,



Moss Adams LLP
Campbell, CA

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I. EXECUTIVE SUMMARY

Moss Adams LLP (Moss Adams) conducted this 2016 Measure B performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The performance audit objectives, scope, methodology, and conclusions, along with a summary of the views of responsible Santa Clara Valley Transportation Authority (VTA) officials, are included in this report.

The performance audit procedures applied provided reasonable assurance, in accordance with GAGAS and 2016 Measure B documents, that for fiscal year (FY) 2021–2022 (July 1, 2021 through June 30, 2022), 2016 Measure B tax revenues were expended only on costs identified in the voter-approved 2016 Measure B ballot.

Based on our procedures, we identified several commendable practices over the course of the audit:

- Expenditure and proceeds issuance documentation was effectively sourced, maintained, and managed.
- Public meetings of the 2016 Measure B Citizens' Oversight Committee (MBCOC) were held to provide the forum to receive public input.
- Meeting minutes were posted on the VTA website.
- 2016 Measure B policies and procedures that define approval authority for invoices, contracts, and change orders to ensure appropriate review and controls were in place.
- Dashboards showing year-to-date 2016 Measure B spending by program category are on the VTA website.
- Strong collaboration among 2016 Measure B personnel and accounting was observed.

In addition, we evaluated the effectiveness and efficiency of internal controls based on our objectives to provide an analysis of 2016 Measure B, so that those charged with governance and oversight can use the information to improve 2016 Measure B performance and operations. We identified the following expenditure management and control observations related to compliance with 2016 Measure B requirements, policies and procedures, effectiveness, and efficiency of operations:

- **Transit Operations Actual Costs Isolation Methodology:** VTA has taken steps to address the prior year audit recommendation to document and establish a methodology to isolate and report on the actual expenditures of 2016 Measure B's Transit Operations funds in support of bus operations to serve underserved and transit-dependent populations in Santa Clara County. However, the Enhance Core Frequent Network and Expand Mobility and Affordable Fares methodology did not define the allowable and unallowable cost elements or the appropriate level of expenditure approval. Additionally, we were unable to identify formalized approval of the methodology (see Observation No. 1a in the report body for further information).
- **Administration Expenditure Guidelines:** In July 2021, VTA developed and implemented Administration Expenditure Guidelines that define the allowability of specific administration costs such as investment fees and associated allocations, personnel charges, and sales tax forecast costs, as required by the 2016 Measure B ballot language. However, based on our review of

sampled labor, we identified one labor position that was not specifically included within the Administration Expenditure Guidelines as eligible or otherwise formally approved to charge labor to 2016 Measure B (see Observation No. 1b in the report body for further information).

We also noted the following opportunities for VTA to consider additional actions:

- Continue to review VTA’s application of the Board-approved 2016 Measure B Principles in allocation determinations.
- Conduct procurement review procedures on VTA contracts funded by 2016 Measure B to ensure competitive processes and procedures that support overall budget and cost management.
- Conduct audits of grantees to ensure that funds are procured in accordance with public contracting code and expended in conformance with VTA budget authorizations and 2016 Measure B requirements.
- Conduct construction compliance reviews on Guaranteed Maximum Price (GMP) contract types to support cost compliance and overall program cost management.
- Evaluate and plan for project oversight needs specific to engineering and project delivery for 2016 Measure B projects as the Program continues to ramp up.

The following table provides 2016 Measure B revenue earned, income earned, expenditures by program category, and administrative costs for FY 2021–2022.

TABLE 1: 2016 MEASURE B REVENUE EARNED, INCOME EARNED, EXPENDITURES BY PROGRAM CATEGORY, AND ADMINISTRATIVE COSTS FOR FY 2021–2022

Revenue, Income, and Expenditures Category	FY 2021–2022 Amount
Revenue Earned	\$258,000,059
Interest Earned & Realized Investment Gain/(Loss)	\$7,080,418
Unrealized Investment Gain/(Loss) ^[1]	(\$28,222,407)
Expenditure by Program Category:	
VTA's BART Silicon Valley Phase II	–
Bicycle and Pedestrian Program	\$1,873,821
Caltrain Corridor Capacity Improvements	\$519,270
Caltrain Grade Separation	\$111,904
County Expressways	\$10,135,047
Highway Interchanges	\$43,430,995
Local Streets and Roads	\$43,790,591
Transit Operations	\$23,788,299
State Route 85 Corridor	\$1,395,607
Administrative Cost	\$2,081,040
Total Expenditures for FY 2021–2022	\$127,126,574

¹ Per VTA, investment losses were due to a downturn in marketplace.

Revenue and expenditure amounts are reconciled to the Annual Comprehensive Financial Report (ACFR) for Fiscal Year Ended June 30, 2022, according to the “Comparative Schedule of Revenues, Expenditures, and Changes in Fund Balance – Special Revenue Funds” schedule for 2016 Measure B, found on page 2–118. Sales tax revenue and investment earnings were compared to the amounts reported by VTA. Total expenditures align with sum of the “Total Expenditure” and “Transfers out” lines.

Management remains responsible for proper implementation and operation of an adequate internal control system. Due to inherent limitations in any internal control structure, errors or irregularities may occur and not be detected. Projections of any evaluation of the internal control structure to future periods are also subject to the risk that this structure may become inadequate because of changes in conditions or that the degree of compliance with policies or procedures may deteriorate.

II. BACKGROUND INFORMATION

A. VTA'S 2016 MEASURE B PROGRAM

In 2016, voters approved 2016 Measure B for VTA “to repair potholes and fix local streets; finish the BART extension through downtown San Jose and to Santa Clara; improve bicycle and pedestrian safety; increase Caltrain capacity, in order to ease highway congestion, and improve safety at crossings; relieve traffic on the expressways and key highway interchanges; and enhance transit for seniors, students, low-income, and disabled” by imposing a \$0.005 (one-half of one-cent) retail transactions and use tax upon every retailer in Santa Clara County that will be in effect for 30 years. As of April 2017, the present value of 2016 Measure B’s tax revenues was forecasted to be approximately \$6.3 billion.

The 2016 Measure B ballot specifies VTA as the administrator of the sales tax. It further specifies that VTA administers this tax by establishing a program and developing guidelines to allocate 2016 Measure B tax revenues to the following categories of transportation projects:

- VTA’s BART Silicon Valley Phase II
- Bicycle and Pedestrian Program
- Caltrain Corridor Capacity Improvements
- Caltrain Grade Separations
- County Expressways
- Highway Interchanges
- Local Streets and Roads
- State Route 85 Corridor
- Transit Operations

The VTA Board of Directors adopted guidelines for overall program administration for each of these nine program categories at the October 2017 and November 2017 meetings. These guidelines are intended to direct the implementation of each program category and propose how the program category funds should be allocated.

VTA accounting records for FY 2021–2022 showed 2016 Measure B tax expenditures of \$127,126,574. This amount was reconciled to the ACFR for the corresponding FY to verify the completeness and accuracy of records provided.

B. ACCOUNTABILITY REQUIREMENTS

2016 Measure B ballot language requires VTA to appoint an independent citizen’s oversight committee. The MBCOC, established to fulfill this function, is responsible for ensuring that funds are expended consistent with the approved program and associated expenditure guidelines. On an annual basis, the MBCOC organizes an independent audit to review the receipt of revenue and expenditure of funds. The MBCOC also holds public hearings and issues an annual report to inform Santa Clara County residents how the funds are being spent.

III. OBJECTIVES, SCOPE, AND METHODOLOGY

The primary objective of this performance audit was to verify VTA's compliance with 2016 Measure B, which requires its tax revenues be allocated and used for the nine approved program categories, as defined in ballot language. Performance audit procedures covered the period of July 1, 2021 through June 30, 2022.

The full list of performance audit objectives (as specified by VTA and agreed upon for this performance audit), scope of our audit, and methodology applied included the following.

A. OBJECTIVES

Objective No. 1: Conduct an Annual Compliance Performance Audit

We conducted an annual performance audit of 2016 Measure B revenues and expenditures to render our opinion on whether expenditures during the audit period were spent in conformance with 2016 Measure B requirements. We reviewed 2016 Measure B's financial records and expenditures for FY 2021–2022 to verify that funds were used for approved purposes, as set forth in the ballot language and Board-approved expenditure guidelines. We reviewed 2016 Measure B's financial records and expenditures by obtaining the ACFR and comparing the balances to VTA's detailed accounting records. We analyzed control processes, tested the 2016 Measure B expenditure cycle, and sampled supporting documentation to validate internal controls. Testing procedures included the use of Audit Command Language (ACL) to select a statistical, monetary unit sample to provide confidence that expenditure transactions from 2016 Measure B were compliant with program and legal requirements. We tested 72 expenditures totaling \$86,115,461.86, or 67.7% of the total expenditures (\$86,115,461.86 / \$127,126,574.15). These transactions were comprised of payments to partner agencies (including local cities, County of Santa Clara, and other regional transportation agencies such as Caltrain) and vendors, journal entries of interfund transfers, and program administrative costs. Our testing procedures were performed to verify that:

- Expenditures aligned with one of the nine program categories, as outlined in the 2016 Measure B ballot language
- Expenditures were allowable according to applicable expenditure guidelines approved by the VTA Board of Directors

We interviewed VTA and program administration personnel and analyzed key documentation to assess the design of controls over 2016 Measure B expenditures. This included the review, authorization, and oversight of expenditures, contracts executed with other regional stakeholders including VTA Member Agencies, accounting for sales and use tax proceeds issued, and payments made and recorded for FY 2021–2022. The documents we analyzed to assess 2016 Measure B risk and control design included:

- 2016 Measure B ballot language
- 2016 Measure B expenditure guidelines
- VTA Board-approved budget memos
- MBCOC meeting agendas and minutes

- Applicable partner agency contract documentation (e.g., local cities, County of Santa Clara, BART, Caltrain)
- Accounting for 2016 Measure B proceeds and supporting documentation for expenditures taken from VTA's books and records
- Review of 2016 Measure B expenditures (for FY 2021–2022) and voter-approved ballot language

Objective No. 2: Report 2016 Measure B Revenue Earned, Income Earned, Expenditures by Program Category, Administrative Cost, and Debt Service and/or Costs of Borrowing

We reported 2016 Measure B's revenue earned, income earned, expenditures by program category, administrative cost, and debt service and/or costs of borrowing. We made note of any changes to program categories and/or the maximum approved allocations therein based on 2016 Measure B's financial records.

B. SCOPE AND METHODOLOGY

The performance audit covered the most recently completed FY (2021–2022). Moss Adams attended the MBCOC meeting on October 26, 2022, presented the proposed audit plan and deliverables schedule, and addressed MBCOC member questions and concerns. We coordinated with VTA on the specific schedule for conducting audit fieldwork. We conducted an exit meeting with VTA staff (February 10, 2023) and the MBCOC (February 22, 2023) to review preliminary issues and obtain further information as necessary.

Moss Adams prepared a draft audit report based on our findings and auditor opinions and provided it to VTA management on February 9, 2023 and the MBCOC on February 22, 2023. Following exit meetings, Moss Adams will incorporate changes as appropriate to the draft report, and the draft report will be finalized and electronically submitted to VTA. Moss Adams will present the final audit report to the MBCOC at its March 22, 2023 meeting. The final report will be provided for inclusion on VTA's website as well as the 2016 Measure B Transparency website. We were prepared to evaluate and report on specific areas or items or to provide specific metrics requested by MBCOC, if applicable; however, no specific areas or items were requested. A log of open observations and recommendations for this audit report is included in Appendix A.

We also interviewed key personnel responsible for administering 2016 Measure B, including senior management and staff from the VTA. The individuals interviewed are listed in Appendix B. We provided interviewees with an opportunity to provide feedback on whether fraud, waste, and/or other misconduct may be occurring and to provide insight on potential areas for improvement for 2016 Measure B.

C. STATEMENT OF COMPLIANCE WITH GAGAS

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Because GAGAS performance audit procedures require reasonable assurance and do not require detailed examination of all transactions and activities, there is a risk that compliance errors, fraud, or illegal acts may exist that we did not detect. Based on the performance audit procedures performed and the results obtained, we have met our audit objective.

Management remains responsible for proper implementation and operation of an adequate internal control system. Due to the inherent limitations of any internal control structure, errors or irregularities may occur and not be detected. This performance audit did not constitute an audit of financial statements in accordance with GAGAS. Moss Adams was not engaged to and did not render an opinion on VTA's internal controls over financial reporting or financial management systems.

IV. AUDIT RESULTS

A. OBJECTIVE NO. 1: CONDUCT AN ANNUAL COMPLIANCE PERFORMANCE AUDIT

Moss Adams conducted this performance audit in accordance with GAGAS issued by the Comptroller General of the United States. We reviewed the 2016 Measure B financial records and expenditures for FY 2021–2022 to verify that funds were used as set forth in the 2016 Measure B ballot language. We identified the following two observations and recommendations over the course of our audit.

Observation 1A: Transit Operations Actual Costs Isolation Methodology

VTA has taken steps to address the prior year audit recommendation to document and establish a methodology to isolate and report on the actual expenditures of 2016 Measure B's Transit Operations funds in support of bus operations to serve underserved and transit-dependent populations in Santa Clara County. VTA established policies for the Transit Operations program category in July 2021. However, the Enhance Core Frequent Network and Expand Mobility and Affordable Fares methodology did not define the allowable and unallowable cost elements and what level of approvals may be required for expenditures. Additionally, we were unable to identify formalized approval of the methodology.

Per the ACFR for the Fiscal Year Ended June 30, 2022, the Transit Operations and Operating Projects expenses totaled \$708,316,000 (entered in thousands per the ACFR). The allocation from 2016 Measure B funds to Transit Operations for the FY totaled \$23,788,299, or 3.36% of the total Transit Operations and Operating Projects expenditures for the FY.

The 2016 Measure B Transit Operations program category was established to increase ridership, improve efficiency, enhance mobility services, and improve the affordability of bus transportation. According to the Transit Operations expenditure guidelines, funding should be allocated for the following purposes:

- Enhance the Frequent Core Bus Network by increasing core bus route service frequencies and expanding or adding additional evening, late-night, and weekend service (73% of program category funding)
- Expand mobility services and affordable fare programs for seniors, disabled, students, and low-income riders (8% of program category funding)
- Support new/innovative transit service models to address first/last-mile connections and transit services for the transit-dependent, vulnerable populations, and paratransit users that are safe and accountable (15% of program category funding)
- Improve amenities at bus stops to increase safety, security, and access with lighting and access improvements (4% of program category funding)

The Transit Operations program category is administered by VTA as the service provider of bus operations; therefore, there is a regularly scheduled interfund transfer from 2016 Measure B funds to the Transit Operations account. According to VTA management, the new and innovative transit service model sub-program is a competitive grant program, and bus stop amenity improvement

charges are tracked as a separate project. Therefore, both programs operate on a reimbursement basis and no expenditures for these sub-categories were incurred during the audit period. However, since the Transit Operations Division bus operations budgets are over \$200 million annually, it is unlikely that 2016 Measure B expenditures exceeded operating costs for any particular purpose within the applicable Transit Operations sub-categories.

Recommendation: As required by the ballot language, VTA should continue to update and implement Transit Operations Fund Expenditure Guidelines, or a procedural document, to address what elements are allowable or unallowable and obtain appropriate approval from key stakeholders. The procedural document should be updated to address how these unallowable charges are excluded from the current allocation procedural documents and process. The enhanced guidelines will support transparency, accountability, and alignment with the Program and voter-approved ballot language. In addition, and as a best practice, VTA should establish performance metrics to assess impact and success of these funds in accordance with the ballot language, specifically Attachment D Transit Operations Candidate Projects and Programs List.

Observation 1B: Administration Expenditure Guidelines

In July 2021, VTA established an administration expenditure policy that defined the allowability of specific administration costs such as investment fees and associated allocations, personnel charges, and sales tax forecast costs, as required by the 2016 Measure B ballot language.

While sampled expenditures appeared to be reasonable and consistent with 2016 Measure B’s objectives, the ballot language specifically states that “the Program Categories will be administered in accordance with program guidelines and policies to be developed and approved by the VTA Board of Directors.” Within our sample, we identified personnel charges (\$199.86) that require Program Administration Expenditure guideline clarification:

- **Personnel Charges:** Within our sample, we identified one labor charge totaling \$199.86 for a Chief Engineer & Program Delivery Officer (see the table below); however, we were unable to identify this position within the Administration Expenditure Guidelines or obtain documentation of approval for this position.

TABLE 2: LABOR CHARGES TESTING RESULTS

Document Number	Posting Date	Position Title	Amount
304780640	9/30/2021	Chief Engineer & Program Delivery Officer	\$199.86

Based on the Administration Expenditure Guidelines implemented in July 2021, “Staff labor includes time dedicated by approved individuals that are directly associated with administering the 2016 Measure B Program, and includes salaries and benefits, office supplies and equipment, and other normal and reasonable overhead costs. All labor costs for VTA staff are charged at the fully burdened rate (salary, benefits, and apportioned overhead) in the approved VTA Indirect Cost Allocation Plan (ICAP) in effect at the time the charges are incurred...VTA labor consists of two components: (1) staff whose time is fully dedicated to the Program; and (2) staff that provide ad hoc services to the Program in addition to their other job responsibilities.” The guidelines specify seven positions that provide services to the Program:

- Program Manager
- Transportation Planner
- Senior Accountant
- Deputy Director, Grants and Allocations
- Sr. Policy Analyst
- Management Analyst
- Transportation Engineering Manager

Additionally, per the guidelines, “Other staff charges for administrative ad hoc services provided to the Program must be both requested prior to incurrence and approved by the 2016 Measure B Program Office.” Based on inquiry with VTA, the work completed by the Chief Engineer & Program Delivery Officer (development of the oversight program) was an eligible Measure B charge. However, additional documentation of the approval of these charges was not readily available. VTA also noted the need to update the eligible labor classifications included in the Administration Expenditure Guidelines.

Recommendation: As required by the ballot language, VTA should continue to update and implement the Administration Expenditure Guidelines, or a procedural document, to address what elements of administration (e.g., specific personnel) are allowable or unallowable and obtain appropriate approval. The guidelines will support transparency, accountability, and alignment with the Program and voter-approved ballot language. As a best practice, VTA should regularly update the eligible labor classifications included in the Administration Expenditure Guidelines as the Program evolves. Additionally, as required by the guidelines, updates regarding labor not specifically identified within the guidelines as eligible should include a documented approval by the Program Office.

B. OBJECTIVE NO. 2: REPORT 2016 MEASURE B REVENUE EARNED, INCOME EARNED, EXPENDITURES BY PROGRAM CATEGORY, ADMINISTRATIVE COST, AND DEBT SERVICE AND/OR COSTS OF BORROWING (NO EXCEPTION)

As a component of this performance audit, Moss Adams reported the 2016 Measure B revenue earned, income earned, expenditures by program category, and debt service and/or cost of borrowing. Figures were provided by VTA and validated through the review of Board-approved budget memos and VTA’s audited financial statements. There were no debt service costs for the current audit period.

The following table reports annual revenues for the most recent FY as well as all FYs since 2016 Measure B inception, including revenue earned through sales and use tax receipts as well as income generated through investments.

TABLE 3: PROGRAM REVENUE AND INCOME FOR FY 2021–2022 AND INCEPTION TO FY 2022^[1]

	FY 2021–2022	Inception to FY 2022 (4/1/2017–6/30/2022)
Revenue Earned	\$258,000,059	\$1,180,440,206
Interest Earned and Realized Investment Gain/(Loss)	\$7,080,418	\$40,898,097
Program Revenue, Interest Earned and Realized Investment Gain/(Loss)	\$265,080,477	\$1,221,338,303
Unrealized Investment Gain/(Loss) ^[2]	(\$28,222,407)	(\$32,412,070)

¹ Table was updated to further break down Revenue, Interest Earned, and Realized and Unrealized Gains to increase transparency.

² Per VTA, investment losses were due to a downturn in marketplace.

VTA allocates 2016 Measure B budgets and monitors expenditures on an annual or biennial basis, depending on the program category and associated expenditure guidelines. Budget allocations for 2016 Measure B do not expire and can be rolled into future FYs. Expenditures are reimbursed rather than provided in advance. Three program categories (Local Streets and Roads, Transit Operations, and Administration) are allocated budgets on an annual basis. The following table summarizes the budget allocation and expenditure information for FY 2021–2022 and the inception to FY 2022 period.

TABLE 4: ALLOCATIONS AND EXPENDITURES FOR PROGRAM CATEGORIES WITH ANNUAL BUDGETING

Program Category	FY 2021–2022		Inception to FY 2022 (4/1/2017–6/30/2022)	
	Allocation	Expenditures	Allocation	Expenditures ^[1]
Local Streets and Roads	\$52,960,000	\$43,790,591	\$222,960,000	\$118,463,114
Transit Operations	\$27,090,000	\$23,788,299	\$93,690,000	\$81,930,605
Administration	\$1,000,000	\$2,081,040	\$14,200,000	\$7,810,834
<i>Subtotal Annual Budget Cycle Expenditures</i>	<i>\$81,050,000</i>	<i>\$69,659,930</i>	<i>\$330,850,000</i>	<i>\$208,204,553</i>

¹ Inception to FY 2022 amounts reflect an update made to the prior year accrual allocation, resulting in updated reporting on program category expenses.

The following table outlines the allocation and expenditures for the remaining program categories in FY 2021–2022 and the inception to FY 2022 period. These expenditures are allocated on a biennial basis in alignment with VTA’s budget cycle.

TABLE 5: ALLOCATIONS AND EXPENDITURES FOR PROGRAM CATEGORIES WITH BIENNIAL BUDGETING

Program Category	FY 2021–2022		Inception to FY 2022 (4/1/2017–6/30/2022)	
	Allocation	Expenditures	Allocation	Expenditures ^[1]
VTA's BART Silicon Valley Phase II	-	-	\$150,000,000	-
Bicycle and Pedestrian Program	\$21,580,000	\$1,873,821	\$54,900,000	\$2,249,963
Caltrain Corridor Capacity Improvements	\$12,340,000	\$519,270	\$25,440,000	\$3,459,030
Caltrain Grade Separations	\$33,000,000	\$111,904	\$71,000,000	\$516,533
County Expressways	-	\$10,135,047	\$50,000,000	\$16,432,107
Highway Interchanges	\$157,890,000	\$43,430,995	\$364,790,000	\$99,393,180
State Route 85 Corridor	-	\$1,395,607	\$14,500,000	\$2,636,203
<i>Subtotal Biennial Budget Cycle Expenditures</i>	<i>\$224,810,000</i>	<i>\$57,466,644</i>	<i>\$730,630,000</i>	<i>\$124,687,016</i>
Total Program Expenditures (including Annual Budget Cycle Expenditures shown in Table 4)	\$305,860,000	\$127,126,574	\$1,061,480,000	\$332,891,569

¹ Inception to FY 2022 amounts reflect an update made to the prior year accrual allocation, resulting in updated reporting on program category expenses.

According to these records, all program categories are currently operating within their respective budget allocations. 2016 Measure B expended \$127,126,574 in FY 2021–2022, which includes \$69,659,931 in Annual Budget Cycle Expenditures and \$57,466,644 for Biennial Budget Cycle Expenditures.

APPENDIX A – AUDIT RESOLUTION LOG

The following table summarizes the expenditure management and control recommendations included in this report for future reporting.

Source	Recommendation	Management Response	Status of Resolution	Planned Resolution Date
<p>Observation 1A: Transit Operations Actual Costs Isolation Methodology (Objective 1A from the Moss Adams 2017–2019 Report; 2020–2021 Report, and current year report)</p>	<p>As required by the ballot language, VTA should continue to update and implement Transit Operations Fund Expenditure Guidelines, or a procedural document, to address what elements are allowable or unallowable and obtain appropriate approval from key stakeholders. The procedural document should be updated to address how these unallowable charges are excluded from the current allocation procedural documents and process. The guidelines will support transparency, accountability, and alignment with the Program and voter-approved ballot language. In addition, and as a best practice, VTA should establish performance metrics to assess impact and success of these funds in accordance with the ballot language, specifically Attachment D Transit Operations Candidate Projects and Programs List.</p>	<p>Agreed. The 2016 Measure B Program will continue to review and update validation processes.</p>	<p>Open – Steps have been taken</p>	<p>December 31, 2023</p>
<p>Observation 1B: Administration Expenditure Guidelines (Objective 1B from the Moss Adams 2017–2019 report, 2020–2021 report, and current year report)</p>	<p>As required by the ballot language, VTA should continue to update and implement Administration Expenditure Guidelines, or a procedural document, to address what elements of administration (e.g., investment fees and associated allocations and specific personnel) are allowable or unallowable and obtain appropriate approval. These guidelines will support transparency, accountability, and alignment with the Program and voter-approved ballot language. As a best practice, VTA should update the eligible labor</p>	<p>Agreed. 2016 Measure B Program will regularly review and update the Administration Expenditure Guidelines.</p>	<p>Open – Steps have been taken</p>	<p>December 31, 2023</p>

Source	Recommendation	Management Response	Status of Resolution	Planned Resolution Date
	<p>classifications included in the Administration Expenditure Guidelines on a regular basis. Additionally, as required by the Administration Expenditure Guidelines, labor not specifically identified within the guidelines as eligible should be approved and documented by the Program Office.</p>			

APPENDIX B – INTERVIEWS

The following key VTA personnel were interviewed:

- Deputy Director, Grants & Allocations, Santa Clara Valley Transportation Authority
- Assistant Controller
- 2016 Measure B Program Manager
- Accountant
- Senior Policy Analyst
- MBCOC Committee Members (4)

