



# Citizens Watchdog Committee Post-Audit Subcommittee Meeting Minutes

## Monday, October 21, 2013, 3:30 p.m.

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On June 21, 2013, the Citizens Watchdog Committee (CWC) Audit Subcommittee met with the Alameda County Transportation Commission (Alameda CTC) independent auditor, Vavrinek, Trine, Day & Co., LLP (VTD), to discuss financial issues related to the Alameda County Transportation Improvement Authority (ACTIA) and Measure B, and VTD's audit and testing methodology.

On October 21, 2013, the following CWC members and staff met with the Alameda CTC's independent auditor VTD to follow up on concerns expressed in the June meeting and to discuss the Alameda CTC Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2013:

### **Attendees:**

- Alameda CTC staff: Arthur L. Dao, Alameda CTC Executive Director; Patricia Reavey, Director of Finance
- CWC members: Mike Dubinsky (via phone), James Haussener, James Paxson, and Harriette Saunders (via phone)
- VTD: Ahmad Gharaibeh

Ahmad Gharaibeh informed the committee that the Annual Financial Report is in a different format this year, and additional chapters make the report more comprehensive. He mentioned that Alameda CTC applied for the Government Finance Officers Association (GFOA) award of excellence in government finance, which requires the level of detail in the CFAR. Ahmad reviewed the CFAR for the fiscal year ending on June 30, 2013 and the limitations worksheet, and stated the audit was performed in conformance with Governmental Accounting Standards Board (GASB) standards.

Alameda CTC staff presented the CAFR to the Finance Administration Committee (FAC) and the Commission Audit Subcommittee on October 14, and both committees approved it. Ahmad described the content of the CFAR as follows:

- The "Introductory Section" provides an overview and future outlook of the Alameda CTC.
- The "Financial Section" provides information contained in a financial audit report.
- The "Statistical Section" contains information historical in nature and explains how the agency performed in prior years.
- The "Federal Compliance Information Section" provides the independent auditor's report and opinion on compliance with federal requirements.

Ahmad reviewed Alameda CTC's basic financial statements and confirmed the limitations worksheet compliance for Measure B.

Questions from the members and responses from the auditor and staff:

1. Does the General Fund sales tax revenue for ACTIA of \$5,448,815 meet the requirements of the ballot measure? Ahmad said yes.
2. The notes on page 62 appear to be insubstantial. Ahmad said that to comply with GASB the documents must be in a certain format. The notes on page 28 for the financial statements are substantial and not optional for GASB compliance.
3. Where is the note on the amount of sales tax going toward administration? Ahmad said that the limitations worksheet is calculated in a separate report from the CAFR, and covers the limitations on administrative salaries and other expenses.
4. Do vendors mail physical checks to Alameda CTC, or do they send them electronically? Trish said that Board of Equalization payments for sales tax revenues are received electronically; however, some vendors still send in checks, like Caltrans, for example.
5. Can the General Fund sales tax revenue of \$5,448,815 be traced back to the limitations worksheet? Ahmad said the total sales tax revenues of \$121,084,780 on the limitations worksheet equal the total on page 24 of the CAFR. Patricia Reavey stated, if the net sales tax proceeds of \$121,084,780 found on page 24 of the CAFR is multiplied by 4.5 percent, the total equals the sales tax revenue in the general fund.
6. Should the General Fund sales tax revenue of \$5,448,815 appear on the limitations worksheet? Patricia stated that the limitations worksheet is based on the Expenditure Plan mandates that the staff salary and benefits will not exceed 1 percent of net sales tax revenue. It also requires that other administrative costs have been budgeted at 4.5 percent of the sales tax revenue.

Additional questions:

7. In November 2012, a member requested information on how Alameda CTC plans to spend down the ACTIA General Fund balance. Staff prepared a response on how Alameda CTC will program the General Fund reserves. The subcommittee inquired if the Commission approved the response. Art Dao stated that the General Fund reserve went to the FAC committee as a verbal update. He noted that staff plans to take a General Fund reserve policy to the full Commission for approval.

Discussion took place about the need for the General Fund reserve, how to use it, and if it is valid to use the reserve funds for administrative purposes.

8. The CAFR mentions on page i that internal control procedures are implemented. Are they written procedures and can they be viewed by the public? Staff noted that written procedures exist; however, they should not be viewed by the public because they are for internal use. Staff agreed to sit down with subcommittee members who are interested in viewing the procedures.

9. Should bonds be added to Page iii on the CAFR under the "Major Initiatives" heading? Alameda CTC will report on the debt issuance in the report next year.
10. Why are the insurance deductibles low? Art stated that this is approved by the Commission. Alameda CTC has a Risk Manager who advises Alameda CTC on the appropriate level of insurance.

Regarding the CWC members' audit concerns expressed at the June 2013 meeting, Ahmad mentioned that VTD addressed these concerns and modified its procedures as follows.

- A. Concern: Provide an evaluation of the supervisors who sign off on timesheets and provide a list of the staff they supervise. To confirm timesheet accuracy, VTD agreed to interview two employees and their supervisors and ask specifically what steps they follow to complete a timesheet.

Response: VTD confirmed the accuracy of the timesheets by interviewing employees and their supervisors and asking specifically what steps they follow to complete a timesheet. Staff provided the CWC Audit Subcommittee with a list of authorized signers.

- B. Concern: Reconcile the internal control with Alameda CTC written policy and procedures to implementation of the procedures. Ensure the practices are consistent with the written procedures.

Response: VTD reconciled Alameda CTC internal control practices with written policies and procedures to ensure the practices are consistent with the procedures.

- C. Concern: Provide a list of authorized signatures on revolving funds (blank checks) that may be generated during a disaster.

Response: VTD and staff informed the committee that Alameda CTC does not have a revolving fund. Accounts with preprinted Alameda County Congestion Management Agency special revenue fund checks can be used and reimbursed by the proper account in case of an emergency. Ahmad noted that these checks require two signatures. Authorized signers were noted as the Executive Director, Director of Finance and Accounting Manager.

- D. Concern: Provide CWC with a copy of a blank timesheet and give an explanation of each line item.

Response: VTD provided a blank timesheet and reviewed it with the group.

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