



James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors and Management
Sacramento Transportation Authority
Sacramento, CA

We have performed the procedures enumerated in Attachment I, which were agreed to by the management of Sacramento Transportation Authority (the "Authority"), solely to assist you in (1) monitoring recipient compliance with applicable Memorandum of Understanding for Measure A funds between the Authority and the respective entity as it relates to the entity's allocation; and (2) monitoring applicable recipient compliance with the Abandoned Vehicle Abatement Handbook issued by the California Highway Patrol as it relates to the Sacramento Abandoned Vehicle Service Authority (SAVSA) for the year ended June 30, 2013. The Authority's management is responsible for monitoring the recipient entity's compliance with laws and regulations applicable to the requirements mentioned above. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment I either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the required compliance of the Measure A or SAVSA recipient entities. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors and management of the Authority, and is not intended to be and should not be used by anyone other than these specified parties.

James Marta & Company LLP

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October 2, 2013

ATTACHMENT I

PROCEDURES PERFORMED

MEASURE A

At your request, we have performed certain procedures as of June 30, 2013 and for the year then ended with respect to recipient compliance with the applicable Memorandum of Understanding between the Authority and the respective recipient entities. Such procedures performed were as follows:

1. We read the recipient's accounting system narrative as it specifically relates to the accounting for, and control over, Measure A receipts and expenditures.
2. We read the recipient's indirect cost allocation methodology, if any.
3. We read the recipient's methodology for allocating and recording interest related to Measure A receipts and recomputed reported interest income for one quarter for the year ended June 30, 2013 based on the amount set forth in the supporting schedules provided by the recipient entities, if interest was allocated to Measure A funds.
4. You selected certain projects from the Original Measure A Status Report, Measure A Distributions/Expenditures On-going Annual Programs (New Measure A) Schedule and the Measure A Capital Projects Schedule for the fiscal year ended June 30, 2013 as follows:

On-going Measure A

County of Sacramento:

City Street and County Road Maintenance
Traffic Control and Safety Program
Safety, Streetscaping, Pedestrian and Bicycle Facilities

City of Elk Grove:

City Street and County Road Maintenance
Traffic Control and Safety Program
Safety, Streetscaping, Pedestrian and Bicycle Facilities

City of Folsom:

City Street and County Road Maintenance
Traffic Control and Safety Program
Safety, Streetscaping, Pedestrian and Bicycle Facilities

City of Sacramento:

City Street and County Road Maintenance
Traffic Control and Safety Program
Safety, Streetscaping, Pedestrian and Bicycle Facilities

Paratransit, Inc:

Senior and Disabled Transportation Services

Sacramento Metropolitan Air Quality Management District:

Transportation-Related Air Quality Program

Sacramento Regional Transit:

Transit Operations, Maintenance and Safety

PROCEDURES PERFORMED: MEASURE A (Continued)

Original Measure A

County of Sacramento
City of Sacramento

Measure A Capital Projects

Caltrans:
Highway 50 Bus / Carpool Lanes
County of Sacramento:
Hazel Avenue Widening
Watt Avenue/US 50 Interchange
South Watt / Elk Grove – Florin Road Improvements
City of Sacramento:
Downtown Intermodal Station
JPA Connector
I-5 / SR-99 / US50 Connector Project
Sacramento Regional Transit:
Light Rail Transit – Downtown-Natomas-Airport

For the projects selected above and on the preceding pages, we performed the following:

- a. Obtained the Original Measure A Status Report, Distribution/Expenditures for On-going projects or the Measure A Capital Projects Schedule, as applicable for fiscal year ended June 30, 2013.
- b. From the detail of total project costs provided by the recipient entities, we haphazardly selected all or 10, whichever is less, expenditures for the fiscal year ended June 30, 2013, and agreed amounts to supporting documentation noting if the expenditure was consistent with the project descriptions in the Expenditure Plan, the on-going Measure A Memorandum of Understanding of the Five-year Expenditure Plans for New Measure A, as applicable.
- c. We agreed the amounts in the applicable schedules provided by the Authority for the fiscal year ended June 30, 2013 to the expenditure detail for the fiscal year ended June 30, 2013 provided by the recipient for the selected projects.

SAVSA

We have performed certain procedures as of June 30, 2013 and for the year then ended with respect to the applicable recipient's compliance with the Abandoned Vehicle Abatement Handbook (Handbook) as it relates to the Sacramento Abandoned Vehicle Service Authority (SAVSA) recipient entities. Such procedures were as follows:

1. We read the recipient's accounting system narrative as it specifically relates to the accounting for, and control over, abatement receipts and expenditures.
2. We read the recipient's indirect cost allocation methodology, if any.
3. We read the recipient's methodology for allocating and recording interest and recomputed reported interest income for the year ended June 30, 2013 based on the amount set forth in the supporting schedules provided by the recipient entities.
4. For the fiscal year ended June 30, 2013, you selected the following recipient entities for verification of abandoned vehicle abatement expenditures:

County of Sacramento
City of Sacramento

For the programs selected in the step above, we performed the following:

- a. Obtained the Expenditure Status Report for the fiscal year ended June 30, 2013.
- b. From the detail of total project costs provided by the recipient entities, we haphazardly selected all or 10 expenditures, whichever is less, for the fiscal year ended June 30, 2013 and agreed amounts to supporting documentation noting if the expenditure was consistent with the allowable expenditures stated in the Handbook.
- c. We agreed the amounts in the SAVSA Quarterly Status Report provided by the Authority for the fiscal year ended June 30, 2013 to the amounts in the Quarterly Status Report and supporting documentations for at least one haphazardly selected quarterly report provided by the recipient.

Current Year Findings

2013-01 Paratransit – On-Going Measure A

Overhead Costs

As part of our testing of Paratransit's Measure A On-Going expenditures, we evaluated Paratransit's method of allocating of its overhead expenditures to Measure A funds and found that the method appears reasonable.

A total of 4.51% of the July 2012 Office Supplies were allocated as Measure A expenses. From the July 2012 Office Supplies expenses, we selected one specific expenditure for further review. We found that Paratransit had purchased two blenders at a total cost of \$799.98 for its Wellness Program's "Smoothie Day". While we understand that overhead expenditures can cover a broad range of items, we question

whether the purchase of blenders constitutes an ordinary and necessary business cost that would be allocated to the Measure A program.

We recommend that the STA staff review the nature of this expense and consider based on the facts and circumstances whether the cost is ordinary and necessary as an allowable cost for funding under Measure A.

Prior Year Findings

2012-01 City of Folsom – Measure A

Interest on unexpended funds – On-going Annual Programs (i.e. “New Measure A”)

Revenue allocations for On-going Annual Programs are provided to the City of Folsom on a periodic basis, regardless of related expenditures reported by the City. Revenue allocations to the City in excess of historic expenditures (i.e. unexpended funds) are summarized below for the fiscal year ending June 30, 2012:

On-going Program	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Average
Traffic Control & Safety	\$ 139,274	\$ 104,459	\$ 37,105	\$ 24,046	\$ 76,221
Safety, Streetscaping, Pedestrian and Bicycle Facilities	199,548	199,548	172,783	118,526	172,601
City Street & County Road Maintenance	1,900,224	1,828,150	1,404,193	1,014,844	1,536,853
Total	\$ 2,239,046	\$ 2,132,157	\$ 1,614,081	\$ 1,157,416	\$ 1,785,675

Per our conversation with a Senior Management Analyst at City of Folsom, while accounting for On-going Annual Programs occurs in a separate fund, no interest is allocated to the balance in the fund.

Section 5, paragraph b of the Memorandum of Understanding between the Sacramento Transportation Authority and the City of Folsom dated June 16, 2011 states: “Entity [City of Folsom] shall keep a separate account for each On-going annual Program. Interest earned on unexpended funds in each account shall be retained in the account and expended only on qualified expenditures for the Program.”

It does not appear that the City of Folsom is in compliance with this element of the Memorandum of Understanding.

Recipient Response

Beginning in FY 13, interest is now allocated to the New Measure A fund.

Status: We found that in fiscal year 2013, interest was allocated to the New Measure A fund.

Prior Year Findings (continued)

2012-02 City of Folsom – Measure A

“Original” Measure A Expenditures

During the course of our audit, we reviewed the 1995 Amended Measure A Transportation Expenditure Agreement, dated March 9, 1995, in an effort to determine which costs were eligible to be paid with “Original” Measure A Funds. According to Section 18 of this document allocations for “Original” Measure A Funds are to be made in accordance with the “Entity Annual Expenditure Plan”.

City of Folsom’s Entity Annual Expenditure Plan is inclusive of a line item for “Street Maintenance”. There is no itemized budget or other support for the planned expenditure amount.

In Section 1, paragraph h of the 1995 Amended Measure A Transportation Expenditure Agreement, the following definition is given:

“Maintenance”–shall mean the preservation and keeping of rights-of-way and each type of roadway, structure, safety convenience or device, planting, illumination equipment and other facility, in the safe and usable condition to which it has been improved or constructed, including patching, repairing, surface treating, and joint filling on bituminous surfacing with added materials to provide a total thickness of less than three (3) inches; scarifying, reshaping and restoring material losses; repair of traveled way and shoulders; cleaning, painting and repairing bridges and structures; repainting of pavements, stripings and markings to the same standards; patching operations including base restoration; applying dust palliatives; jacking concrete pavements; resealing street or road shoulders and side street and road approaches; reshaping of drainage channels and side slopes; restoration of erosion controls; cleaning culverts and drains; removing slides and restoring facilities damaged by slides; mowing and watering; replacing top soil, sod, shrubs, trees, irrigation facilities on street and roadside; repairing curb, gutter, rip-rap, underdrain and culverts and drains; repainting and repairing of signs, guardrails, traffic signals, lighting standards, etc.; servicing lighting systems and street or road traffic control devices; and furnishing of power for street and road lighting and traffic control devices.

As part of our sample, of ten “Original” Measure A expenditures, we identified the following four expenses that were allocated to the “Street Maintenance” project at City of Folsom that do not appear to have been *directly* used for “Maintenance” as described above:

Vendor	Amount	Date	Period Covered
AT&T - Phone Service 7/11	\$ 253.84	8/24/2011	7/1/11 - 9/30/11
Dell Marketing L.P. - Computer Hardware and per	1,041.62	8/29/2011	7/1/11 - 9/30/11
Ethan Wade Graphic - Safety Shirts/Sweatshirts	549.16	9/13/2011	7/1/11 - 9/30/11
Folsom Hitoric Di - Christmas Tree Lighting	2,000.00	3/29/2012	1/1/12 - 3/31/12

The above expenditures do not meet our understanding of allowable costs under “Original” Measure A.

Prior Year Findings (continued)

2012-02 City of Folsom – Measure A (continued)

Recipient Response

The City will deduct \$3,844.62 from its 1st Quarter, FY 13 Original Measure A claim to account for the above unallowable costs. In addition, the City will continue to have the Finance Department and the Public Works and Community Development Director to review future claims to ensure expenditures are allowable.

Status: The City deducted \$3,844.62 from its 1st Quarter, fiscal year 2013 Original Measure A claim to account for the above unallowable costs. Fiscal year 2013 Original Measure A expenditures for the City of Folsom were not selected for testing for Sacramento Transportation Authority.

2012-03 City of Galt – SAVSA

1. Methodology for allocation of indirect costs

The City of Galt uses an indirect cost rate sheet that has not been updated since January 1, 1996 in its calculation of SAVSA reimbursement requests. There is no clear methodology as to how the City arrived at the rates in the indirect cost rate sheet.

The City applies the rates (hours/dollar amounts) to the number of abatements depending on whether the abatement was private/public and through this formula, arrives at the amount submitted for reimbursement for SAVSA expenditures.

It is recommended that:

Management documents a clear methodology on how the salary/equipment cost rates per abatement are established. This should include:

1. An accurate reflection of average officer hourly pay, to be updated or reviewed annually, based on actual salaries and benefits.
2. An accurate reflection of equipment costs, based on an inventory of equipment in service related to abatements. These estimates should be reviewed annually to reflect any new costs or eliminate costs that are no longer applicable.

A clear methodology should also be documented to accurately reflect time allocated per abatement per employee. Time can be kept based on a sample of personnel (officers/clerks) that spend time on abatements. Time sheets can be kept to give a more accurate estimate of actual time applied or an estimable average per inquiry with personnel. Methodology should be documented to be updated and reviewed in subsequent years.

Prior Year Findings (continued)

2012-03 City of Galt – SAVSA (continued)

2. Application of Indirect Cost Rates

We found that the rates used in the calculation of quarterly SAVSA expenditure reports did not match the amounts per the City's indirect cost rate sheet, in some instances.

We recalculated the quarterly SAVSA expenditure reports and found the following differences:

Quarter	Amount per City calculation	Amount per auditor recalculation	(Understatement)/ Overstatement
1 st	\$9,434	\$9,474	(\$40)
2 nd	4,978	4,998	(20)
3 rd	3,949	3,964	(15)
4 th	4,098	4,108	(10)

Status: Not known. The City of Galt did not report any SAVSA expenditures for fiscal year 2013 and, accordingly, no testing was performed.



paratransit
creating independence through smart transit **inc.**



September 5, 2013

Alana N Theiss, CPA
James Marta & Company LLP
701 Howe Avenue, Suite E3
Sacramento, CA 95825

Dear Ms. Theiss:

We disagree with the contention that \$40 allocated to Measure A for two Blendtec blenders was not an ordinary and necessary cost on the following grounds.

Paratransit, Inc.'s health and welfare costs have ballooned by more than 100% over the past decade and now stand between \$2-3 million. With the prevailing market conditions, we anticipate these cost will continue to increase by low double digits annually into the foreseeable future. Our best practices wellness program was developed in 2006, suspended in 2009 with the recession and reinstated once more in 2012. The intention of the wellness program was to progressively help minimize our huge employee medical costs and reduce costly absenteeism by promoting employee health and wellness. The program was patterned after best practice wellness programs across the country and because of it Paratransit was recognized this year by the Sacramento Business Journal as one of the regions healthiest employers. Because the increased wellness and employee participation, we anticipate a significant savings on our medical cost (through Kaiser) which will very likely exceed the cost of the wellness program.

The two high speed blenders in question have served around 7,000 whole fruit, super food and vegetable smoothies since they were purchased last year. The smoothies are an integral and successful part of our wellness program. They have promoted employee wellness, morale and contributed to the past and future reduction of an enormous and growing expenditure obligation: health and welfare costs; which we consider an ordinary and necessary cost. Paratransit has always prided itself on being a progressive and proactive business and our wellness program is yet another example of that culture.

We contend that our travel training is one of our responsibilities as CTSA which is listed as an eligible expenditure under the Measure A plan (last phrase of paragraph 2 under the Senior and Disabled Section). We have had travel training operating expenditures as part of our STA-approved expenditure plan since the inception of the Measure A



renewal. Following from that, we contend that the wellness expenditures are a necessary and allowable personnel/operating expenditure for travel training as we have recorded.

Respectfully Submitted,



Steve Robinson-Burmester
Chief Financial Officer