

Metropolitan Transportation Commission

Oakland, California

*Independent Accountants' Report on
Agreed-Upon Procedures Applied to
Regional Measure 2 Funds*

For the fiscal year ended June 30, 2006

C&L
Caporicci & Larson
Certified Public Accountants

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To Mr. Brian Mayhew, Chief Financial Officer
Metropolitan Transportation Commission
Oakland, California

We have performed the procedures enumerated below, which were agreed to by Metropolitan Transportation Commission (MTC), solely to assist MTC in connection with determining that the amount granted to various qualifying agencies from the Regional Measure 2 funds for the year ended June 30, 2006 was able to be substantiated with supporting documentation by each recipient agency for each project. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the management of the MTC. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The agreed-upon procedures performed and the related findings are as follows:

PROGRAM DESCRIPTION

On March 2, 2004, voters passed Regional Measure 2 (RM2) raising the toll for all vehicles on the seven State-owned toll bridges in the San Francisco Bay Area by \$1.00. RM2 revenues were designated to fund various transportation projects within the region that have been determined to reduce congestion or make improvements to travel in the toll bridge corridors.

PROCEDURES

General Procedures:

1. Obtained a listing of all recipients of operating programs and capital programs from MTC. See Appendix A for a detailed listing
2. Reviewed each recipient's invoices submitted to MTC.
3. Planned and performed an on-site review of all recipients.

Capital Programs:

1. Reviewed the Allocation Application Package for completeness and to obtain an understanding of the project being funded.
2. Reviewed all invoices to ensure that funds were distributed on a reimbursement basis.
3. Reviewed a sample of expenditures to ensure that they were within the eligible criteria as identified in the RM2 Regional Traffic Relief Plan Policies and Procedures.
4. Reviewed that the recipient has submitted Quarterly Progress Reports within 30 days after the end of each quarter.

Toll Free Ph: (877) 862-2200

Toll Free Fax: (866) 436-0927

Oakland
180 Grand Ave., Suite 1365
Oakland, California 94612

Orange County
9 Corporate Park, Suite 100
Irvine, California 92606

Sacramento
777 Campus Commons Rd., Suite 200
Sacramento, California 95825

San Diego
4858 Mercury, Suite 106
San Diego, California 92111

PROCEDURES, Continued

Capital Programs, Continued:

5. Reviewed a sample of invoices sent to MTC and verified that all expenditures were supported by original documentation.
6. Reviewed a sample of expenditures to ensure that they were within the parameters of the Allocation Application Package agreed to by the recipient and MTC.
7. Reviewed that the recipient's accounting system was able to sufficiently segregate and account for project cost related to RM2 expenditures.

Operating Programs:

1. Reviewed the Application for Operating Assistance for completeness.
2. Reviewed the Operating Assistance Proposal submitted and agreed to by MTC to obtain an understanding of the project being funded.
3. Reviewed that invoices sent to MTC were exclusive of depreciation and amortization costs.
4. Reviewed a sample of invoices sent to MTC and verified that all expenditures were supported by original documentation.
5. Reviewed a sample of expenditures to ensure that they were within the parameters of the Operating Assistance Proposal agreed to by the recipient and MTC.

Findings and Recommendations:

All findings and recommendations are presented by recipient and by project in Appendix B attached.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specific elements, accounts or items. 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 use of the specified users listed above and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purpose.

Capricci & Carson

Oakland, California
November 21, 2006

Listing of all RM2 funds recipients:

Recipient Agency	Project	Amount	Reference
Operating Programs:			
1. AC Transit	Express Bus and Owl Service Various Lines	\$ 6,734,544	Page 6
2. Central Contra Costa Transportation Authority	All Nighter Service	154,418	Page 6
3. Municipal Transportation Authority	Owl Bus service	117,000	Page 6
4. Municipal Transportation Authority	Third Street Light Rail Start-up Cost	785,999	Page 6
5. Golden Gate Bridge	Route 72X/75	287,902	Page 7
6. Golden Gate Bridge	Route 40/42	2,053,494	Page 7
7. City of Vallejo	Ferry/Bus Express Service	3,308,458	Page 7
8. Livermore Amador Valley Transportation Authority	Route 810 Owl Service	58,000	Page 7
9. Sam Trans	Route 397 Owl Service	58,000	Page 8
10. Water Transit Authority	System Planning for the Regional Ferry Network	3,000,000	Page 8
11. Eastern Contra Costa Transportation Authority	Tri Delta Transit Route 300 Express	516,232	Page 8
12. Western Contra Costa Transportation Authority	Service	414,516	Page 9
13. Metropolitan Transportation Commission	Tranlink Fare Collection System	3,455,000	Page 9
Total operating programs		\$ 20,943,563	

Listing of all RM2 funds recipients, Continued:

Recipient Agency	Project	Amount	Reference
Capital Programs:			
1. Municipal Transportation Agency	Muni Metro 3rd Street Light Rail - Maintenance Facility	\$ 5,291,210	Page 9
2. Municipal Transportation Agency	SF MUNI E-Line - Acquire 11 Historic Streetcars	3,786,148	Page 10
3. San Mateo County Transportation Authority	Dumbarton Rail Corridor	535,264	Page 10
4. Solano Transportation Authority	I-80 HOV Lanes in Solano County	735,537	Page 10
5. Transportation Authority of Marin	U.S. 101 Greenbrae Interchange Improvement	87,979	Page 11
6. Transportation Authority of Marin	Cal Park Hill Tun Rehabilitation and Bike	24,579	Page 11
7. City of Larkspur/ Caltrans	Sir Francis Drake Blvd. Widening	9,052	Page 11
8. Bay Area Rapid Transit (BART)	E-Bart Rail Extension to East Contra Costa	2,147,133	Page 12
9. Bay Area Rapid Transit (BART)	Central Contra Costa BART Crossover	846,528	Page 12
10. Bay Area Rapid Transit (BART)	BART Transbay Tube Seismic Strengthening Project	4,568,606	Page 12
11. Bay Area Rapid Transit (BART)	BART Extension to Warm Spring	8,696	Page 12
12. Bay Area Rapid Transit (BART)	Regional Rail Integration Study	94,588	Page 13
13. Bay Area Rapid Transit (BART)	Translink: Ticket Vending Machine Integration	615,822	Page 13
14. Bay Area Toll Authority	Benicia-Martinez Bridge	50,000,000	Page 14
15. Golden Gate Transit	Translink: Golden Gate Ferry Terminal Fare Gates	8,507	Page 14
16. City CarShare	Expansion of City CarShare	833,948	Page 14
17. Transportation and Land Use Coalition	Safe Routes to Transit	23,007	Page 14
18. Transbay Joint Powers Authority	Transbay Terminal/Downtown Caltrain Extension	36,837,082	Page 15
19. Alameda County Congestion Management Agency	Express Bus South: Route 84W Newark Blvd. HOV On-ramp	9,198	Page 15
20. Alameda County Congestion Management Agency	Express Bus South: Route 84W HOV Lane Extension	18,490	Page 16
21. Alameda County Congestion Management Agency	Express Bus South: I-880 N Maritime Street HOV On-ramp	340,997	Page 16
22. Alameda County Congestion Management Agency	Express Bus South: Ardenwood Blvd Park and Ride Lot	189,158	Page 17
23. Alameda County Congestion Management Agency	I-880 North Safety Improvement	550,541	Page 18
24. Alameda County Congestion Management Agency	Rapid Transit Corridor Improvement	2,411,075	Page 19
25. Metropolitan Transportation Commission	High Speed Rail Ridership Forecast Study	684,307	Page 19
26. Metropolitan Transportation Commission	Transit Connectivity Study	449,802	Page 20
27. Metropolitan Transportation Commission	Regional Rail Integration Study	515,089	Page 20
28. Caltrain	Regional Rail Integration Study	44,285	Page 20
29. Contra Costa County Transportation Authority	Caldecott Tunnel: Fourth Bore	609,623	Page 20
30. Contra Costa County Transportation Authority	State Route 24 Transit Study	209,750	Page 21
Total capital programs		112,486,001	
Total Funds Disbursed		\$ 133,429,564	

Findings and Recommendations:

Operating Programs:

General Findings:

- We noted during performing our review that there were some inconsistencies between the agencies in determining the charges to be billed to MTC. The followings are some of these inconsistencies:
 - The agencies are not consistent in determining the hours to be billed to MTC. Some agencies are using platform hours and others are using revenue hours.
 - The agencies are not consistent in using the cost per hour to be billed to MTC. Some agencies are using the cost per hour stated in the Operating Assistance Proposal (OAP) and others are adjusting the cost per hour per the OAP, to reflect the actual cost per hour.
- During our inquiry about specific methodologies used by the agencies to bill MTC, we have been informed that MTC verbally agreed to those methodologies such as using platform hours rather than revenue hours. We were unable to verify the validity of those verbal agreements and the OAP was not very clear as to which hours should be used since in some instances it had references to both platform hours and revenue hours.
- The OAPs are not clear as to whether the cost per hour should be derived using fully allocated cost or marginal cost so that we can verify the calculation during our audit.

General Recommendations:

- We recommend that MTC clearly identify all allowable methods of calculating billing and have those methods documented in writing.
- We recommend that MTC refrain from verbal agreements with recipients and have all agreements documented in writing to enable us to verify the validity of those agreements.
- We recommend that MTC draft the OAPs in a manner that makes it clear if the recipients will be using platform hours or revenue hours and if fully allocated cost or marginal cost should be used to calculate the cost per hour.

Findings and Recommendations, Continued:

Operating Programs, Continued:

Agencies' Specific Findings and Recommendations:

1. AC Transit - Express Bus and Owl Service Various Lines

Findings:

- We noted that the agency is not submitting invoices to MTC in a timely manner. Per MTC's RM2 Guidelines, agencies are encouraged to submit invoices at least on a quarterly basis.
- We noted that the agency is using the platform hours to bill MTC. The agency stated that this was based on a verbal agreement with MTC.

Recommendations:

- We recommend that MTC consider changing its RM2 Guidelines regarding invoice submission.
- We recommend that MTC document in writing its agreements with the agency so it can be verified.

2. Central Contra Costa Transportation Authority - All Nighter Service

Findings:

- We noted that the agency is not submitting invoices to MTC in a timely manner. Per MTC's RM2 Guidelines, agencies are encouraged to submit invoices at least on a quarterly basis.

Recommendations:

- We recommend that MTC consider changing its RM2 Guidelines regarding invoice submission.

3. Municipal Transportation Agency - Owl Bus Service

Findings:

- The agency reimbursement was based on a lump sum amount, not based on the level of service or the number of hours indicated in the OAP.

Recommendations:

- We recommend that all reimbursement be based on either the number of hours or miles of services as indicated in the OAP.

4. Municipal Transportation Agency - Third Street Light Rail Start-up Cost

Findings:

- We noted that the agency is not submitting invoices to MTC in a timely manner. Per MTC's RM2 Guidelines, agencies are encouraged to submit invoices at least on a quarterly basis.

Recommendations:

- We recommend that MTC consider changing its RM2 Guidelines regarding invoice submission.

Findings and Recommendations, Continued:

Operating Programs, Continued:

Agencies' Specific Findings and Recommendations, Continued:

5. Golden Gate Bridge - Route 72X/75

Findings:

- We noted that the agency is not submitting invoices to MTC in a timely manner. Per MTC's RM2 Guidelines, agencies are encouraged to submit invoices at least on a quarterly basis.

Recommendations:

- We recommend that MTC consider changing its RM2 Guidelines regarding invoice submission.

6. Golden Gate Bridge - Route 40/42

Findings:

- We noted that the agency is not submitting invoices to MTC in a timely manner. Per MTC's RM2 Guidelines, agencies are encouraged to submit invoices at least on a quarterly basis.

Recommendations:

- We recommend that MTC consider changing its RM2 Guidelines regarding invoice submission.

7. City of Vallejo - Ferry/Bus Express Service

Findings:

- We noted that the invoice submitted to MTC was different from the invoice provided to us during our audit. The invoice submitted to MTC which is covering July 05 to February 06 for the bus service was for \$1,105,413. The invoice provided to us during our audit was for \$1,042,140 which was the amount we audited. We did not extend our procedures to audit the difference between the two invoices.

Recommendations:

- We recommend that the agency ensure that the invoices submitted to MTC are the same invoices provided to us during the audit.

8. Livermore Amador Valley Transportation Authority - Route 810 Owl Service

Findings:

- We noted that the agency does not offset the cost billed to MTC by the fare box revenue generated from the service. MTC's RM2 Guidelines requires agencies to reduce the amount of operating cost billed to MTC by the amount of fare box revenue generated from the operations.
- We noted that the agency is not submitting invoices to MTC in a timely manner. Per MTC's RM2 Guidelines, agencies are encouraged to submit invoices at least on a quarterly basis.

Findings and Recommendations, Continued:

Operating Programs, Continued:

Agencies' Specific Findings and Recommendations, Continued:

8. Livermore Amador Valley Transportation Authority - Route 810 Owl Service, Continued

Recommendations:

- We recommend that the agency start offsetting the cost to be billed to MTC by the fare box revenue generated from the service. We also recommend that the agency reimburse MTC for the amount of fare box revenue generated during the operation of the service in the fiscal year ended June 30, 2006.
- We recommend that MTC consider changing its RM2 Guidelines regarding invoice submission.

9. Sam Trans - Route 397 Owl Service

Findings:

- The agency reimbursement was based on a lump sum amount, not based on the level of service or the number of hours indicated in the OAP.

Recommendations:

- We recommend that all reimbursement be based on either the number of hours or miles of services as indicated in the OAP.

10. Water Transit Authority - System Planning for the Regional Ferry Network

Findings:

- No exceptions noted.

Recommendations:

- None.

11. Eastern Contra Costa Transportation Authority - Tri Delta Transit Route 300 Express

Findings:

- We noted that the agency is not submitting invoices to MTC in a timely manner. Per MTC's RM2 Guidelines, agencies are encouraged to submit invoices at least on a quarterly basis.

Recommendations:

- We recommend that MTC consider changing its RM2 Guidelines regarding invoice submission.

Findings and Recommendations, Continued:

Operating Programs, Continued:

Agencies' Specific Findings and Recommendations, Continued:

12. Western Contra Costa Transportation Authority-Route JPZ&30Z/Hercules-San Francisco Transbay Service

Findings:

- No exceptions noted.

Recommendations:

- None.

13. Metropolitan Transportation Commission - Translink Fare Collection System

Findings:

- No exceptions noted.

Recommendations:

- None.

Capital Programs:

1. MUNI - Third Street Light Rail.

Findings:

- We noted that the agency did not expend the allocation within the year identified in the expenditure (cash flow) plan as stated in MTC's RM2 Guidelines under Timely Use of Funds Provisions and Deadlines.
- We noted that the agency is not submitting invoices to MTC in a timely manner. Per MTC's RM2 Guidelines, agencies are encouraged to submit invoices at least on a quarterly basis.

Recommendations:

- We recommend that MTC consider changing its RM2 Guidelines regarding Timely Use of Funds Provisions and Deadlines.
- We recommend that MTC consider changing its RM2 Guidelines regarding invoice submission.

Findings and Recommendations, Continued:

Capital Programs, Continued:

2. MUNI - E-Line

Findings:

- We noted that the agency did not expend the allocation within the year identified in the expenditure (cash flow) plan as stated in the MTC's RM2 Guidelines under Timely Use of Funds Provisions and Deadlines.
- We noted that the agency is not submitting invoices to MTC in a timely manner. Per MTC's RM2 Guidelines, agencies are encouraged to submit invoices at least on a quarterly basis.
- According to MTC's RM2 Guidelines, agencies can charge overhead cost in an amount equal to 50% of direct labor cost, including salaries and fringes. However, during the period from July 2005 to March 2006, the agency calculated the overhead to be charged to MTC based on 50% of its Indirect Cost Rate instead of 50% of its direct labor cost which resulted in overcharging MTC for the period mentioned above.

Recommendations:

- We recommend that MTC consider changing its RM2 Guidelines regarding Timely Use of Funds Provisions and Deadlines.
- We recommend that MTC consider changing its RM2 Guidelines regarding invoice submission.
- We recommend that the agency comply with MTC's RM2 Guidelines and apply the appropriate overhead rate to the reimbursement request and correct its invoice.

3. San Mateo County Transportation Authority - Dumbarton Rail Corridor

Findings:

- We noted that the agency did not expend the allocation within the year identified in the expenditure (cash flow) plan as stated in the MTC's RM2 Guidelines under Timely Use of Funds Provisions and Deadlines.
- We noted that the agency is not submitting invoices to MTC in a timely manner. Per MTC's RM2 Guidelines, agencies are encouraged to submit invoices at least on a quarterly basis.

Recommendations:

- We recommend that MTC consider changing its RM2 Guidelines regarding Timely Use of Funds Provisions and Deadlines.
- We recommend that MTC consider changing its RM2 Guidelines regarding invoice submission.

4. Solano Transportation Authority - I-80 HOV Lanes in Solano County

Findings:

- We noted that the agency is not submitting invoices to MTC in a timely manner. Per MTC's RM2 Guidelines, agencies are encouraged to submit invoices at least on a quarterly basis.

Recommendations:

- We recommend that MTC consider changing its RM2 Guidelines regarding invoice submission.

Findings and Recommendations, Continued:

Capital Programs, Continued:

5. Transportation Authority of Marin - U.S 101 Greenbrae Interchange Improvements

Findings:

- We noted that the agency is not submitting invoices to MTC in a timely manner. Per MTC's RM2 Guidelines, agencies are encouraged to submit invoices at least on a quarterly basis.
- We noted that the agency did not expend the allocation within the year identified in the expenditure (cash flow) plan as stated in the MTC's RM2 Guidelines under Timely Use of Funds Provisions and Deadlines.

Recommendations:

- We recommend that MTC consider changing its RM2 Guidelines regarding invoice submission.
- We recommend that MTC consider changing its RM2 Guidelines regarding Timely Use of Funds Provisions and Deadlines.

6. Transportation Authority of Marin - Cal Park Hill Tun Rehabilitation and Bike

Findings:

- We noted that the agency is not submitting invoices to MTC in a timely manner. Per MTC's RM2 Guidelines, agencies are encouraged to submit invoices at least on a quarterly basis.
- MTC's RM2 Guidelines requires other funding sources committed to a project, which are complementary to RM2 funds to be spent and drawn down at an approximate proportional rate to RM2 funds. The agency has complimentary funds, but there is no indication on the invoices submitted to MTC that the agency is drawing down the complementary funds at an approximate proportional rate.

Recommendations:

- We recommend that MTC consider changing its RM2 Guidelines regarding invoice submission.
- We recommend that the agency draw down any complementary funds in an approximate proportional rate to RM2 funds as stated in the MTC's RM2 Guidelines and to reflect the draw down on the invoices submitted to MTC.

7. City of Larkspur/Caltrain - Sir Francis Drake Blvd. Widening

Findings:

- We noted that the agency is not submitting invoices to MTC in a timely manner. Per MTC's RM2 Guidelines, agencies are encouraged to submit invoices at least on a quarterly basis.

Recommendations:

- We recommend that MTC consider changing its RM2 Guidelines regarding invoice submission.

Findings and Recommendations, Continued:

Capital Programs, Continued:

8. Bay Area Rapid Transit - E-Bart Rail Extension

Findings:

- We noted that the agency did not expend the allocation within the year identified in the expenditure (cash flow) plan as stated in the MTC's RM2 Guidelines under Timely Use of Funds Provisions and Deadlines.
- We noted that the agency is not submitting invoices to MTC in a timely manner. Per MTC's RM2 Guidelines, agencies are encouraged to submit invoices at least on a quarterly basis.

Recommendations:

- We recommend that MTC consider changing its RM2 Guidelines regarding Timely Use of Funds Provisions and Deadlines.
- We recommend that MTC consider changing its RM2 Guidelines regarding invoice submission.

9. Bay Area Rapid Transit - Central Contra Costa Bridge Crossover

Findings:

- No exceptions noted.

Recommendations:

- None.

10. Bay Area Rapid Transit - Transbay Tube Seismic Strengthening Project

Findings:

- We noted that the agency did not expend the allocation within the year identified in the expenditure (cash flow) plan as stated in the MTC's RM2 Guidelines under Timely Use of Funds Provisions and Deadlines.

Recommendations:

- We recommend that MTC consider changing its RM2 Guidelines regarding Timely Use of Funds Provisions and Deadlines.

11. Bay Area Rapid Transit - Extension to Warm Springs

Findings:

- We noted that the agency is not submitting invoices to MTC in a timely manner. Per MTC's RM2 Guidelines, agencies are encouraged to submit invoices at least on a quarterly basis.
- MTC's RM2 Guidelines requires other funding sources committed to a project, which are complementary to RM2 funds to be spent and drawn down at an approximate proportional rate to RM2 funds. The agency has Measure B funds, but there is no indication on the invoices submitted to MTC that the agency is drawing down the complementary funds at an approximate proportional rate.
- We noted that the agency did not expend the allocation within the year identified in the expenditure (cash flow) plan as stated in the MTC's RM2 Guidelines under Timely Use of Funds Provisions and Deadlines.

Findings and Recommendations, Continued:

Capital Programs, Continued:

11. Bay Area Rapid Transit – Extension to Warm Springs, Continued

Recommendations:

- We recommend that MTC consider changing its RM2 Guidelines regarding invoice submission.
- We recommend that the agency draw down any complementary funds in an approximate proportional rate to RM2 funds as stated in the MTC's RM2 Guidelines and to reflect the draw down on the invoices submitted to MTC.
- We recommend that MTC consider changing its RM2 Guidelines regarding Timely Use of Funds Provisions and Deadlines.

12. Bay Area Rapid Transit– Regional Rail Integration Study

Findings:

- We noted that the agency did not expend the allocation within the year identified in the expenditure (cash flow) plan as stated in the MTC's RM2 Guidelines under Timely Use of Funds Provisions and Deadlines.
- We noted that the agency is not submitting invoices to MTC in a timely manner. Per MTC's RM2 Guidelines, agencies are encouraged to submit invoices at least on a quarterly basis.

Recommendations:

- We recommend that MTC consider changing its RM2 Guidelines regarding Timely Use of Funds Provisions and Deadlines.
- We recommend that MTC consider changing its RM2 Guidelines regarding invoice submission.

13. Bay Area Rapid Transit – Translink

Findings:

- We noted that the agency did not expend the allocation within the year identified in the expenditure (cash flow) plan as stated in the MTC's RM2 Guidelines under Timely Use of Funds Provisions and Deadlines.
- We noted that the agency is not submitting invoices to MTC in a timely manner. Per MTC's RM2 Guidelines, agencies are encouraged to submit invoices at least on a quarterly basis.
- We noted that the Quarterly Progress Report submitted with the June 30, 2006 reimbursement invoice was not up to date. The total expenses incurred on the Quarterly Progress Report did not include June 2006 expenses. Also, the Quarterly Progress Report was not submitted in a timely manner.

Recommendations:

- We recommend that MTC consider changing its RM2 Guidelines regarding Timely Use of Funds Provisions and Deadlines.
- We recommend that MTC consider changing its RM2 Guidelines regarding invoice submission.
- We recommend that the agency ensure that the Quarterly Progress Reports are accurate and complete before submitting them to MTC. We also recommend that the agency comply with MTC's RM2 Guidelines and submit the Quarterly Progress Reports in a timely manner.

Findings and Recommendations, Continued:

Capital Programs, Continued:

14. Bay Area Toll Authority - Benicia - Martinez Bridge

Findings:

- No exceptions noted.

Recommendations:

- None.

15. Golden Gate Transit - Translink

Findings:

- We noted that the agency did not expend the allocation within the year identified in the expenditure (cash flow) plan as stated in the MTC's RM2 Guidelines under Timely Use of Funds Provisions and Deadlines.

Recommendations:

- We recommend that MTC consider changing its RM2 Guidelines regarding Timely Use of Funds Provisions and Deadlines.

16. City Car Share - Expansion of City Car Share

Findings:

- Per MTC's RM2 Guidelines, all eligible costs should be invoiced on a reimbursable basis. The Agency filed a reimbursement claim for vehicle purchase. The Agency submitted invoices to MTC when the vehicle initial order was made. The actual amount the Agency finally paid to the vendor included down payment, first month installment payment and final payoff amount, which was more than the amount claimed on the invoice submitted to MTC.

Recommendations:

- We recommend that the Agency comply with MTC's RM2 Guidelines and only request for reimbursement after the funds have actually been expended.

17. Transportation and Land Use Coalition - Safe Routes to Transit

Findings:

- No exceptions noted.

Recommendations:

- None.

Findings and Recommendations, Continued:

Capital Programs, Continued:

18. Tranbay Joint Powers Authority – Transbay Terminal/Downtown Caltrain Extension

Findings:

- We noted that the agency is not submitting invoices to MTC in a timely manner. Per MTC's RM2 Guidelines, agencies are encouraged to submit invoices at least on a quarterly basis.

Recommendations:

- We recommend that MTC consider changing its RM2 Guidelines regarding invoice submission.

19. Alameda County Congestion Management Agency – Express Bus South Route 84W Newark Blvd. HOV On Ramp

Findings:

- We noted that the agency did not expend the allocation within the year identified in the expenditure (cash flow) plan as stated in the MTC's RM2 Guidelines under Timely Use of Funds Provisions and Deadlines.
- We noted that the agency charged MTC a Direct Benefit Rate of 53% which is different than the Agency Direct Benefit Rate of 51% per the Indirect Cost Rate Calculation for the fiscal year 05/06. Per the agency, the rate of 53% that was used was the agency's rate per the Indirect Cost Rate Calculation for fiscal year 03/04 and that MTC verbally agreed with the agency on using this rate. We were not able to verify this agreement.
- We noted that the agency submitted two sets of invoices to MTC, one with an indirect cost rate of 135% of direct labor which is the rate per the Agency's Indirect Cost Rate Calculation for the fiscal year 03/04 and another with an indirect cost rate of 50% of direct labor. The agency stated that it is doing so to comply with certain federal regulations.

Recommendations:

- We recommend that MTC consider changing its RM2 Guidelines regarding Timely Use of Funds Provisions and Deadlines.
- We recommend that MTC document any agreements with the agency in writing so we can verify the agency's compliance with MTC's RM2 Guidelines.
- We recommend that the agency modify its billing process and only submit one set of invoices to MTC which reflects its actual indirect cost rate and then an adjustment to reflect that only 50% is being billed to MTC.

Findings and Recommendations, Continued:

Capital Programs, Continued:

20. Alameda County Congestion Management Agency - Express Bus South Route 84W HOV Lane Extension

Findings:

- We noted that the agency did not expend the allocation within the year identified in the expenditure (cash flow) plan as stated in the MTC's RM2 Guidelines under Timely Use of Funds Provisions and Deadlines.
- We noted that the agency charged MTC a Direct Benefit Rate of 53% which is different than the Agency Direct Benefit Rate of 51% per the Indirect Cost Rate Calculation for the fiscal year 05/06. Per the agency, the rate of 53% that was used was the agency's rate per the Indirect Cost Rate Calculation for fiscal year 03/04 and that MTC verbally agreed with the agency on using this rate. We were not able to verify this agreement.
- We noted that the agency submitted two sets of invoices to MTC, one with an indirect cost rate of 135% of direct labor which is the rate per the Agency's Indirect Cost Rate Calculation for the fiscal year 03/04 and another with an indirect cost rate of 50% of direct labor. The agency stated that it is doing so to comply with certain federal regulations.

Recommendations:

- We recommend that MTC consider changing its RM2 Guidelines regarding Timely Use of Funds Provisions and Deadlines.
- We recommend that MTC document any agreements with the agency in writing so we can verify the agency's compliance with MTC's RM2 Guidelines.
- We recommend that the agency modify its billing process and only submit one set of invoices to MTC which reflects its actual indirect cost rate and then an adjustment to reflect that only 50% is being billed to MTC.

21. Alameda County Congestion Management Agency - Express Bus South I-880 N Maritime Street HOV On Ramp

Findings:

- We noted that the agency submitted two sets of invoices to MTC, one with an indirect cost rate of 135% of direct labor which is the rate per the Agency's Indirect Cost Rate Calculation for the fiscal year 03/04 and another with an indirect cost rate of 50% of direct labor. The agency stated that it is doing so to comply with certain federal regulations.
- We noted that the agency charged MTC a Direct Benefit Rate of 53% which is different than the Agency Direct Benefit Rate of 51% per the Indirect Cost Rate Calculation for the fiscal year 05/06. Per the agency, the rate of 53% that was used was the agency's rate per the Indirect Cost Rate Calculation for fiscal year 03/04 and that MTC verbally agreed with the agency on using this rate. We were not able to verify this agreement.
- We noted that the amount claimed for direct labor on Reimbursement #10 did not agree with supporting documentation and was incorrectly calculated. The net effect of the error after taking into consideration its effect on the calculation of direct benefits and indirect cost that should have been billed to MTC amounted \$984.73 of overpayment by MTC.

Findings and Recommendations, Continued:

Capital Programs, Continued:

21. Alameda County Congestion Management Agency - Express Bus South I-880 N Maritime Street HOV On Ramp, Continued

Recommendations:

- We recommend that the agency modify its billing process and only submit one set of invoices to MTC which reflects its actual indirect cost rate and then an adjustment to reflect that only 50% is being billed to MTC.
- We recommend that MTC document any agreements with the agency in writing so we can verify the agency's compliance with MTC's RM2 Guidelines.
- We recommend that the agency ensure the accuracy of the reimbursement requests before submitting it to MTC. We also recommend that the agency offset the amounts billed incorrectly against future reimbursement requests.

22. Alameda County Congestion Management Agency - Express Bus South Ardenwood Blvd Park and Ride Lot

Findings:

- We noted that the agency submitted two sets of invoices to MTC, one with an indirect cost rate of 135% of direct labor which is the rate per the Agency's Indirect Cost Rate Calculation for the fiscal year 03/04 and another with an indirect cost rate of 50% of direct labor. The agency stated that it is doing so to comply with certain federal regulations.
- We noted that the agency charged MTC a Direct Benefit Rate of 53% which is different than the Agency Direct Benefit Rate of 51% per the Indirect Cost Rate Calculation for the fiscal year 05/06. Per the agency, the rate of 53% that was used was the agency's rate per the Indirect Cost Rate Calculation for fiscal year 03/04 and that MTC verbally agreed with the agency on using this rate. We were not able to verify this agreement.
- We noted that the amount claimed for direct labor on Reimbursement #10 did not agree with supporting documentation and was incorrectly calculated. The net effect of the error after taking into consideration its effect on the calculation of direct benefits and indirect cost that should have been billed to MTC amounted \$132.98 of underpayment by MTC.
- We noted that the agency did not expend the allocation within the year identified in the expenditure (cash flow) plan as stated in the MTC's RM2 Guidelines under Timely Use of Funds Provisions and Deadlines.

Recommendations:

- We recommend that the agency modify its billing process and only submit one set of invoices to MTC which reflects its actual indirect cost rate and then an adjustment to reflect that only 50% is being billed to MTC.
- We recommend that MTC document any agreements with the agency in writing so we can verify the agency's compliance with MTC's RM2 Guidelines.
- We recommend that the agency ensure the accuracy of the reimbursement requests before submitting it to MTC. We also recommend that the agency offset the amounts billed incorrectly against future reimbursement requests.
- We recommend that MTC consider changing its RM2 Guidelines regarding Timely Use of Funds Provisions and Deadlines.

Findings and Recommendations, Continued:

Capital Programs, Continued:

23. Alameda County Congestion Management Agency - I-880 North Safety Improvement

Findings:

- We noted that the agency submitted two sets of invoices to MTC, one with an indirect cost rate of 135% of direct labor which is the rate per the Agency's Indirect Cost Rate Calculation for the fiscal year 03/04 and another with an indirect cost rate of 50% of direct labor. The agency stated that it is doing so to comply with certain federal regulations.
- We noted that the agency charged MTC a Direct Benefit Rate of 53% which is different than the Agency Direct Benefit Rate of 51% per the Indirect Cost Rate Calculation for the fiscal year 05/06. Per the agency, the rate of 53% that was used was the agency's rate per the Indirect Cost Rate Calculation for fiscal year 03/04 and that MTC verbally agreed with the agency on using this rate. We were not able to verify this agreement.
- We noted that the amount claimed for direct labor on Reimbursement #10 did not agree with supporting documentation and was incorrectly calculated. The net effect of the error after taking into consideration its effect on the calculation of direct benefits and indirect cost that should have been billed to MTC amounted \$2,534.09 of underpayment by MTC.
- We noted that the Agency did not expend the allocation within the year identified in the expenditure (cash flow) plan as stated in the MTC's RM2 Guidelines under Timely Use of Funds Provisions and Deadlines.

Recommendations:

- We recommend that the agency modify its billing process and only submit one set of invoices to MTC which reflects its actual indirect cost rate and then an adjustment to reflect that only 50% is being billed to MTC.
- We recommend that MTC document any agreements with the agency in writing so we can verify the agency's compliance with MTC's RM2 Guidelines.
- We recommend that the agency ensure the accuracy of the reimbursement requests before submitting it to MTC. We also recommend that the agency offset the amounts billed incorrectly against future reimbursement requests.
- We recommend that MTC consider changing its RM2 Guidelines regarding Timely Use of Funds Provisions and Deadlines.

Findings and Recommendations, Continued:

Capital Programs, Continued:

24. Alameda County Congestion Management Agency – Rapid Transit Corridor Improvement

Findings:

- We noted that the agency submitted two sets of invoices to MTC, one with an indirect cost rate of 135% of direct labor which is the rate per the Agency's Indirect Cost Rate Calculation for the fiscal year 03/04 and another with an indirect cost rate of 50% of direct labor. The agency stated that it is doing so to comply with certain federal regulations.
- We noted that the agency charged MTC a Direct Benefit Rate of 53% which is different than the Agency Direct Benefit Rate of 51% per the Indirect Cost Rate Calculation for the fiscal year 05/06. Per the agency, the rate of 53% that was used was the agency's rate per the Indirect Cost Rate Calculation for fiscal year 03/04 and that MTC verbally agreed with the agency on using this rate. We were not able to verify this agreement.
- We noted that the amount claimed for direct labor on Reimbursement #10 did not agree with supporting documentation and was incorrectly calculated. The net effect of the error after taking into consideration its effect on the calculation of direct benefits and indirect cost that should have been billed to MTC amounted \$55.37 of overpayment by MTC.
- We noted that the Agency did not expend the allocation within the year identified in the expenditure (cash flow) plan as stated in the MTC's RM2 Guidelines under Timely Use of Funds Provisions and Deadlines.

Recommendations:

- We recommend that the agency modify its billing process and only submit one set of invoices to MTC which reflects its actual indirect cost rate and then an adjustment to reflect that only 50% is being billed to MTC.
- We recommend that MTC document any agreements with the agency in writing so we can verify the agency's compliance with MTC's RM2 Guidelines.
- We recommend that the agency ensure the accuracy of the reimbursement requests before submitting it to MTC. We also recommend that the agency offset the amounts billed incorrectly against future reimbursement requests.
- We recommend that MTC consider changing its RM2 Guidelines regarding Timely Use of Funds Provisions and Deadlines.

25. Metropolitan Transportation Commission – High Speed Rail Ridership Forecast Study

Findings:

- We noted that the agency did not expend the allocation within the year identified in the expenditure (cash flow) plan as stated in the MTC's RM2 Guidelines under Timely Use of Funds Provisions and Deadlines.

Recommendations:

- We recommend that MTC consider changing its RM2 Guidelines regarding Timely Use of Funds Provisions and Deadlines.

Findings and Recommendations, Continued:

Capital Programs, Continued:

26. Metropolitan Transportation Commission – Transit Connectivity Study

Findings:

- No exceptions noted.

Recommendations:

- No exceptions noted.

27. Metropolitan Transportation Commission – Regional Rail Integration Study

Findings:

- We noted that the agency did not expend the allocation within the year identified in the expenditure (cash flow) plan as stated in the MTC's RM2 Guidelines under Timely Use of Funds Provisions and Deadlines.

Recommendations:

- We recommend that MTC consider changing its RM2 Guidelines regarding Timely Use of Funds Provisions and Deadlines.

28. CalTrain– Regional Rail Integration Study

Findings:

- We noted that the agency did not expend the allocation within the year identified in the expenditure (cash flow) plan as stated in the MTC's RM2 Guidelines under Timely Use of Funds Provisions and Deadlines.
- We noted that the Agency is not submitting invoices to MTC in a timely manner. Per MTC's RM2 Guidelines, agencies are encouraged to submit invoices at least on a quarterly basis.

Recommendations:

- We recommend that MTC consider changing its RM2 Guidelines regarding Timely Use of Funds Provisions and Deadlines.
- We recommend that MTC consider changing its RM2 Guidelines regarding invoice submission.

29. Contra Costa County Transportation Authority /Caltrans – Caldecott Tunnel: Fourth Bore

Findings:

- No exceptions noted.

Recommendations:

- None.

Findings and Recommendations, Continued:

Capital Programs, Continued:

30. Contra Costa County Transportation Authority – State Route 24 Transit Study

Findings:

- No exceptions noted.

Recommendations:

- None.