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Board of Directors
Sacramento Transportation Authority
Sacramento, California

We have performed the procedures described in Attachment I, as of June 30, 2006 and for the year then ended, which were agreed to by the Sacramento Transportation Authority (Authority), solely to assist you (1) with respect to the monitoring of recipient compliance with applicable Transportation Expenditure Agreements for Measure A funds between the Authority and the respective recipient entity as it relates to the Entity Allocation; and (2) with respect to the monitoring of 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). This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified parties. 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, perform an examination, the objective of which would be the expression of an opinion on any of the Measure A or SAVSA recipient entities. Accordingly, we do not express such an opinion on the recipient entities compliance, specified elements, accounts or items. 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 Authority and is not intended to be and should not be used by anyone other than the Sacramento Transportation Authority.

December 1, 2006

ATTACHMENT I

PROCEDURES PREFORMED

At your request, we have performed certain procedures as of June 30, 2006 and for the year then ended with respect to recipient compliance with the applicable Transportation Expenditure Agreement 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, 2006 based on the amount set forth in the supporting schedules provided by the recipient entities.
4. You selected certain projects from the Measure A Expenditure Plan Combined Status Report for the fiscal year ended June 30, 2006 as follows:

County of Sacramento: Bradshaw Road - Florin to Morrison Creek Road Widening, Maintenance Projects, State Highway Projects, Folsom Boulevard - Sunrise to Aerojet Road Widening, Watt Avenue Streetscape/Landscape Improvements

Sacramento Air Quality Management District: Air Monitoring, Mobile Source Technology Demonstration

Sacramento Regional Transit District: Operating Support, Folsom Corridor, Fleet Maintenance and Improvements - Rail, Bus/Maintenance/Transportation Facility No. 2, South Rail Line-Operations

City of Sacramento: Neighborhood Traffic Management Program, Street Maintenance, Handicapped Access, Streetscape Planning and Design, Road Reconstruction

City of Citrus Heights: Traffic Signal Improvements, Street Safety Improvements, Maintenance Projects

City of Elk Grove: SR 99 @ Sheldon, Maintenance Projects

City of Rancho Cordova: Traffic Signal, Maintenance

For the projects selected above, we performed the following:

- a. Obtained the Expenditure Status Report for fiscal year ended June 30, 2006.
- 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, 2006 and agreed amounts to supporting documentation noting if the expenditure was consistent with the project descriptions in the Expenditure Plan.

5. We agreed the amounts in the Measure A Expenditure Plan Combined Status Report provided by the Authority for the fiscal year ended June 30, 2006 to the expenditure detail for the fiscal year ended June 30, 2006 provided by the recipient for the selected projects.

Further, we have performed certain procedures as of June 30, 2006 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 related to Pre-92 receipts and recomputed reported interest income for the year ended June 30, 2006 based on the amount set forth in the supporting schedules provided by the recipient entities.
4. For the fiscal year ended June 30, 2006, you selected the following recipient entities for verification of abandoned vehicle abatement expenditures:

City of Sacramento
County 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, 2006.
 - 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, 2006 and agreed amounts to supporting documentation noting if the expenditure was consistent with the allowable expenditures stated in the Handbook.
5. We agreed the amounts in the SAVSA Quarterly Status Report - All Entities provided by the Authority for the fiscal year ended June 30, 2006 to the amounts in the Quarterly Status report for the quarter ended June 30, 2006 provided by the recipient.

In connection with the procedures performed, the following items came to our attention:

- \$ For the City of Sacramento Abandoned Vehicle Program, we noted discrepancies between abatement action forms and Code Enforcement Activity Summary used to report the abatement information to the Authority. For our sample of one month and one crew, we noted 3 crew members with addition errors out of the 5 crew members. Had we expanded the sample size, we may have found additional discrepancies. We also noted that the third quarter was under reported by a net of 33 abatements due to

errors summarizing the data included on the quarterly reports, with voluntary abatements being understated by 126 and tows being overstated by 159. Since the allocation of abated vehicles money is affected by the number of abated vehicles reported by each recipient, we recommend that the City review its procedures for compiling the data to ensure accuracy of the information reported to the Authority.

- \$ For the County of Sacramento Abandoned Vehicle Program, we noted discrepancies between the final year end report generated in November 2006 and the quarterly reports for the number of abatements. The variance between the reports submitted to the Authority and the final year end is 331 under reported abatements, due to documentation not being entered into the COMPASS system in a timely manner. In addition, there is also a discrepancy between the quarterly and detailed towed vehicle reports for the fourth quarter—522 towed vehicles per the final year end quarterly summary but the detailed towed vehicle report shows 498 tows. Therefore, there is a discrepancy of 24 tows. Based on Mike Miller, Administrative Services Officer, the County is working on correcting the detailed towed vehicle report to ensure that it agrees to the quarterly summary submitted to the Authority. Since the allocation of abated vehicles money is affected by the number of abated vehicles reported by each recipient, we recommended that the County review its procedures for compiling data in a timely manner to ensure accuracy of the information reported to the Authority.

Prior Year Finding

- \$ Most of the Measure A funded projects in the City of Rancho Cordova are performed by the County of Sacramento. The County provides the City with a spreadsheet listing the expenditures by project by month, but the City does not receive supporting documentation for the expenditures. The City should be requesting documentation to evaluate whether the expenditures are for services provided to the City.

Current Status: We have determined that the City has adequate documentation to determine the nature of the work performed on behalf of the City for most of the expenditures made by the County for maintenance projects. However, it appears for work that the County contracts out to other entities, such as storm response, HAZ-MAT team, contract landscape maintenance and contract management, the City does not receive copies of the outside contractor invoices describing the nature of the services have been provided. These items represent 12% of the City's Measure A maintenance expenses. We understand that the program engineer reviews monthly reports from the County's accounting system and can request the invoices if determined necessary, but the City does not plan to request that the County provide these invoices at the time that the County bills them for these services.