



Preparing for a Surtax Audit

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Basic Financial Information

- Audits are Generally Done in Three-Year Cycles
- CAFRs and Budgets for All Years Under Audit
- Surtax Fund Financial Statements – Included in the CAFR, or a Separate Sub-fund?
- Detailed General Ledgers should support claimed amounts recorded in the Surtax or Other Funds (e.g. MOE General Fund Streetlighting, or Public Works Street-Related Expenditures)
- Documentary Support for Claimed Expenditures (e.g. invoices, payment details, worksheets supporting allocated costs)
- Bank Statements and Reconciliation Reports supporting Cash in Bank

Documentation to be Requested

- Monthly Circulator or On-Demand Ridership Statistics
- Contracts with Circulator Providers and Other Major Vendors
- Interest Earned on Equity in Pooled Cash – Allocation Methodology
- Surtax-Related Debt Service – Allocations Among Multiple Funding Sources, if Applicable

Report Matters

- Quarterly Reports – Should Tie to Claimed Expenditures
- Five-Year Transportation Plans – Starting Balance Should Include Any Unspent Balances from the Prior Audit
- Equity in Pooled Cash – Should Be No Less Than the Balance of Unspent Surtax

Common Audit Issues

- At least 20% of the Surtax Proceeds must be spent annually on Transit-related costs
- MOE requirement must be met annually
- Interest earnings on unspent funds must be credited as income to the Surtax Fund
- Fare, advertising, and any other revenues produced from Surtax-related activities must be recorded in the Surtax Fund and used strictly for Surtax-eligible activities

Common Audit Issues (continued)

- Surtax-funded expenditures cannot also be claimed as LOGT or Grant-funded costs
- Stand-alone landscaping – costs to install and maintain landscaping are only allowable for Surtax-funded road projects
- Payroll costs that include non-Surtax activities – only Surtax-related activities should be claimed (no landscaping, parks maintenance, etc.)
- Unspent funds must be spent within five years and planned projects must align with the Five-Year Transportation Plan