

2017-106 AUDIT SCOPE AND OBJECTIVES

Board of Equalization— Local Transportation Fund Assessment and Distribution

The audit by the California State Auditor will provide independently developed and verified information related to the Board of Equalization's (BOE) assessment and distribution of the Local Transportation Fund (LTF) sales and use tax imposed under the Bradley-Burns Uniform Local Sales and Use Tax Law (Bradley-Burns tax) and will include, but not be limited to, the following:

1. Review and evaluate the laws, rules, and regulations significant to the audit objectives.
2. Evaluate how the BOE assesses, collects, and distributes revenue derived from the Bradley-Burns tax and whether these processes comply with applicable laws. Also determine the following:
 - a. What controls are in place to ensure the collection of the Bradley-Burns tax on Internet sales.
 - b. How BOE assesses the Bradley-Burns tax on Internet sales, including whether the assessments differ for in-state and out-of-state sales.
 - c. How the assessment of Internet sales taxes under the Bradley-Burns tax compares to other Internet sales taxes within the state.
 - d. How California's rules related to the assessment of the Bradley-Burns tax compare to those of similar taxes in other states.
3. Determine whether counties' LTF revenues have varied significantly over the last five fiscal years. Determine what factors are contributing to the variations in revenue and which counties have been most affected by the funding fluctuations. Identify any other factors affecting the availability of consistent revenue into counties' LTFs.
4. To the extent possible, identify trends and the likely future impact on transit services of the following:
 - a. Internet sales versus sales at retail locations within the State.
 - b. Sales of taxable goods and services versus non-taxable goods and services.
5. Identify all exemptions and exclusions to the Bradley-Burns .25 percent tax and determine whether these exemptions and exclusions have significantly affected the distribution of funds in specific areas of the State. Evaluate whether any of these exemptions and exclusions are affecting the original intent of the Bradley-Burns tax.
6. To the extent possible, determine if increased Internet sales have benefitted some areas of the State more than others.
7. Review and assess any other issues that are significant to the audit.