StanCOG
Stanislaus Council of Governments

1111 I Street, Ste 308
Modesto, CA 95354
209.525.4600 Main
209.558.7833 Fax
www.stancog.org

June 10, 2026

Chair Buck Condit
Stanislaus Council of Governments Policy Board
1111 I Street, Suite 308
Modesto, CA 95354

Re: Measure L Oversight Committee Fiscal Year 2024-25 Annual Report

Dear Chair Condit and StanCOG Policy Board:

The Measure L Oversight Committee (MLOC) met on May 19, 2026, to review the completed FY 2024-25 Annual Independent Fiscal and Compliance Audits. This letter summarizes our findings and recommendations for the StanCOG Policy Board.

FINDINGS: AREAS OF NON-COMPLIANCE

The Measure L Oversight Committee reports the following findings from the completed FY 2024-25 independent auditor reports to the StanCOG Policy Board and the public:

1. Missing Administrative Expense Audit

Finding: StanCOG failed to provide the MLOC with the Annual Independent Audit of StanCOG's 1% Administration fund.
Status: No annual independent audit of StanCOG's 1% Administration Fund has been completed since FY 2022-23.

2. Missing Maintenance of Effort Audit Letters

Finding: StanCOG did not provide separate audit letters for each agency addressing Maintenance of Effort (MOE) compliance.
Status:

- In the letter of Schedule of Findings and Responses, the Auditor noted that the City of Patterson did not meet the MOE requirement.
- The auditor did not provide MOE compliance letters for the other audits reviewed by the MLOC.

3. Missing Evidence of Maintenance of Effort Audit Payments

Finding: StanCOG did not provide evidence that the agencies paid for the MOE audits, as required by the Measure L Master Funding Agreement.
Status:

- Staff reported to the MLOC that StanCOG has been paying for the MOE audits.
- This same issue was reported by the MLOC to the Policy Board in last year's MLOC Annual Report.

4. Partial Audit Coverage

Finding: StanCOG completed FY 2024-25 annual independent fiscal and compliance audits for 7 of the 13 agencies in the Measure L program.

Status:

- The FY 2024-25 Measure L Audits were prepared by Lance, Soll, & Lunghard, LLP (LSL).
- The MLOC reviewed seven audits at its April and May meetings.
- Six Agency audits remain delinquent. (See table below.)

Table: Status of Agency Audits

#	Status	Jurisdiction	Findings
1	Completed	Modesto	None
2	Completed	Newman	Material Weakness & Noncompliance — Website/Milestone Reporting (2025-001)
3	Completed	Patterson	Material Weakness & Noncompliance — MOE Shortfall $87,002 (2025-001)
4	Completed	Stanislaus County	Material Weakness — Revenue Accrual (2025-001); Noncompliance — Reporting & Website (2025-002)
5	Completed	MOVE	None
6	Completed	StanRTA	Material Weakness & Noncompliance — Milestone Reporting (2025-001)
7	Completed	Waterford	None
8	Not Completed (23-24 and 24-25)	Ceres	N/A
9	Not Completed	Hughson	N/A
10	Not Completed	Oakdale	N/A
11	Not Completed	Riverbank	N/A
12	Not Completed	Turlock	N/A
13	Not Completed (23-24 and 24-25)	StanCOG	N/A

5. Failure to Meet Annual Report Deadline

Finding: StanCOG will likely fail to meet the deadline for its Annual Report.
Status: The MLOC has not seen evidence that this deadline will be met in the foreseeable future.

AREAS OF CONCERN: ISSUES HIGHLIGHTED IN AUDITOR REPORTS

The MLOC reports the following concerns identified in the completed FY 2024-25 independent auditor reports to the StanCOG Policy Board and the public:

Material Weaknesses and Noncompliance

Finding: The County of Stanislaus, the City of Newman, the City of Patterson, and the StanRTA received findings of material weakness and noncompliance.

Recommendation: All four agencies agreed to corrective action plans; however, some plans need additional explanation.

Maintenance of Effort Non-Compliance

Finding: The City of Patterson did not meet its MOE requirement.

Recommendation: The Policy Board should direct StanCOG to either apply the Section 9.04 penalty by reducing Patterson's FY 2025-26 Local Streets and Roads allocation by $87,002 and redistributing those funds to compliant jurisdictions, or provide a written basis for not doing so.

Timely Reporting

Finding: Six agencies (including StanCOG) were delayed in their reporting to StanCOG.

Recommendation: In a letter to the Policy Board at its December 10, 2025, meeting, the MLOC asked the Policy Board to address this issue by March 31, 2026. The Policy Board did not act by that deadline.

ADDITIONAL CONCERNS

1% of Measure L Revenues for Public Awareness Outreach Program

The MLOC believes the allocation of 1% of Measure L revenues to the Public Awareness Outreach Program is not authorized by the Ordinance and requests that StanCOG review whether the allocation is consistent with the Ordinance and applicable statutes.

The MLOC asked the Policy Board to review this issue in December 2025. To date, the Policy Board has not done so.

AREAS OF CONCERN: ADDITIONAL ISSUES IDENTIFIED IN AUDIT REVIEW

Excessive Fund Balance Accumulation

Finding: The City of Modesto has a fund balance of $55,378,217 — equal to approximately 3.3 years of annual Measure L revenue. The balance grew by $10 million in a single year. This issue is longstanding. The MLOC raised concerns about excessive fund balances in its August 19, 2024, letter to the Policy Board and again in remarks to the Board in December 2025. The problem has worsened, not improved. The City of Modesto presented plans for using these funds to the MLOC on April 8, 2026. The City of Modesto's City Engineer indicated that staffing shortages will likely prevent any significant reduction in the fund balance in the near term.

Recommendation: The Policy Board should direct StanCOG to explore a fund exchange program. If jurisdictions cannot use funds in a timely manner, they should loan them to other jurisdictions with shovel-ready projects.

Maintenance of Effort Verification Is Absent from Most Audits

Finding: Only the City of Patterson's audit contains any MOE analysis. The audits for Modesto, Newman, Waterford, Stanislaus County, MOVE Stanislaus, and StanRTA contain no MOE compliance letter, no MOE verification, and no representation by the auditor that the three-year average test was performed.

Recommendation: The Policy Board should direct StanCOG to require, as a condition of audit acceptance, that LSL's engagement include explicit MOE compliance verification for all applicable jurisdictions, with the results reported in each audit. The MLOC also reiterates its recommendation that separate MOE compliance letters be issued for each jurisdiction.

Management's Discussion and Analysis Omitted Universally

Finding: Every governmental audit in this cycle — all seven — notes that management has omitted the Management's Discussion and Analysis (MD&A), which is required by the Governmental Accounting Standards Board and considered an essential part of financial reporting.

The MD&A provides narrative context that helps the MLOC understand the jurisdictions' decisions. Without it, the MLOC is reviewing numbers without context.

Recommendation: The Policy Board should direct StanCOG to request MD&A submission as a condition of audit acceptance for all jurisdictions, beginning with the FY 2025/26 audit cycle.

CONCLUSION

Measure L has delivered meaningful improvements for Stanislaus County residents, including repaved roads, safer intersections, pedestrian upgrades, and essential transportation services for seniors, veterans, and people with disabilities. The voters who approved this measure deserve assurance that every dollar is being used as promised and that the rules governing the program are being enforced.

The findings in this report are serious. Six of the thirteen audits are delinquent. MOE verification is missing from six of the seven completed audits. Patterson failed to meet its MOE requirement. The audit documents also contain factual and drafting errors. In addition, the 1% Outreach program allocation, first raised by the MLOC in December 2025, still lacks a legal opinion.

The MLOC takes its oversight responsibility seriously. We ask the Policy Board to act on these recommendations, make this letter publicly available as required by the Ordinance, and direct StanCOG staff to provide written responses to each recommendation.

Voters approved Measure L with the promise of 25 years of citizen oversight. That oversight is meaningful only if it leads to results. We look forward to working with the Policy Board and StanCOG to ensure Measure L continues to benefit Stanislaus County residents.

Sincerely,

Paul Van Konynenburg, Chair
StanCOG Measure L Oversight Committee