REPORT TO SHASTA COUNTY RTPA

SUBJECT		MEETING DATE	ITEM NUMBER
Accept Transportation Development Act (TDA) Fiscal and Compliance Audits for Year Ended June 30, 2008		04/28/09	4-7

RECOMMENDATION
It is recommended that the Board accept management letters and fiscal and compliance audits for the fiscal year ended June 30, 2008.

SUMMARY
In accordance with the rules and regulations governing TDA and Metropolitan Planning Organization (MPO) funds, annual fiscal and compliance audits must be completed for the RTPA and each claimant.

DISCUSSION
The California Public Utilities Code, the Code of Regulations, and federal planning regulations require annual fiscal and compliance audits. The following audits were completed for fiscal year 2007/08:

- RTPA - MPO Fund
- RTPA – MPO Single Audit
- RTPA - State Transit Assistance Fund
- RTPA – Local Transportation Fund
- Shasta County – TDA Fund
- Shasta Senior Nutrition Programs (SSNP)
- City of Anderson – TDA Fund
- City of Shasta Lake – TDA Fund
- City of Redding – TDA Fund
- City of Redding – Single Audit
- Redding Area Bus Authority – TDA and Federal Funds

The independent auditors reported no instances of non-compliance or weaknesses in internal controls, with the following exceptions:

City of Anderson
Several audit transactions were not recorded in the financial statements at year end. The auditor recommends taking steps to ensure that all transactions are posted. The City will ensure that audit information is prepared correctly.

Shasta Senior Nutrition Programs
SSNP had several findings related to accounting procedures (Attachment A). SSNP has implemented a policy for management of financial data.

In the interest of reducing the bulk of the agenda packet, copies of the audits are not included. They are available for inspection upon request.

ALTERNATIVES
There are no identified alternatives to the staff recommendation.

OTHER AGENCY INVOLVEMENT
The audits have been forwarded to the California State Controller's Office and Caltrans. This item has been reviewed by the Technical Advisory Committee (TAC) and TAC recommends approval.

FINANCING
The submittal of the fiscal audit will have no financial impact.

Daniel S. Little, AICP, Executive Director

DSL/SLC/jac

Attachment: SSNP Audit Findings

CURRENT YEAR
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2008

SIGNIFICANT DEFICIENCIES

ACCOUNTS RECEIVABLE CUT-OFF

Finding

During our review of subsequent cash receipts, we noted deposits that related to fiscal year ended June 30, 2008, but were not properly included in accounts receivable at year end.

Recommendation

It is recommended that management maintain accounts receivable for all revenues and compare balances to grant reports to ensure proper cutoff at year end.

Response

Management is currently keeping a log for grants receivable and verifying monthly.

ACCOUNTS PAYABLE CUT-OFF

Finding

During our search for unrecorded liabilities, we noted one invoice that was improperly included in accounts payable at June 30, 2008. The invoice was for rent payment for the Anderson dining center that was due for July 2008 and should not have been accrued at June 30, 2008. This could result in a disallowed cost for grant year ended June 30, 2008.

During our search for unrecorded liabilities, we also noted one invoice that was improperly excluded from accounts payable at June 30, 2008. The invoice was for food supplies purchased for the Redding facility dining center that were incurred during the fiscal year ended June 30, 2008, but were not properly accrued at year end. This could result in costs not being included in the current grant year and then being considered unallowable costs in the subsequent grant year.

Recommendation

It is recommended that management carefully review invoices received at year end to ensure accurate cut-off of accounts payable and proper posting of expenses to the correct accounting periods.

Response

Program services accounts payable for June 30 activities will be left open after year end so that additional payables can be accrued.

MATERIAL WEAKNESSES

EMPLOYEE EMBEZZLEMENT

Finding

During the fiscal year ended June 30, 2008, management discovered material embezzlement by the fiscal officer.

Recommendation

It is recommended that policies and procedures be implemented to allow for proper review and supervision of management and employees in order to prevent or detect fraudulent activity.

Response

Management has developed policy #35 (see attached) that specifically addresses internal control policies and procedures that allow for proper review and supervision of management and employees. The Board of Directors approved the final internal controls on February 22, 2009.

Finding

As a result of the material embezzlement, unallowable costs were discovered affecting some federal and state programs.

Recommendation

It is recommended that procedures be implemented to allow for proper review and supervision of management and employees in order to prevent or detect fraudulent activity and minimize the potential for unallowable costs charged to federal and state programs.

Response

Shasta Senior Nutrition Programs is in the process of paying back unallowable costs that have been identified to the proper agencies. In addition, the Agency has performed background checks on all employees and will continue to have background checks on prospective employees. All 300 volunteers are in the process of having a background check. Any volunteer who handles incoming cash has completed their background check.

As of January 1, 2008, CHW Mercy finance has taken over Shasta Senior Nutrition Programs' payroll and approved accounts payable processing. Additional segregation of duties has been implemented.