

STAFF REPORT



MEETING DATE:	6/25/13
SUBJECT:	Accept Fiscal Years 2009/10, 2010/11 and 2011/12 Triennial Performance Audit
AGENDA ITEM:	5-7
STAFF CONTACT:	Dave Wallace

STAFF RECOMMENDATIONS:

It is recommended that the board of directors accept the Triennial Performance Audit for the years ending June 30, 2010, 2011 and 2012.

DISCUSSION:

The agency is required, under the Transportation Development Act, to have an independent auditor perform the Triennial Performance Audit. DH Scott & Company has completed their audit of the agency for the years ending June 30, 2010, 2011 and 2012. The audit is attached.

The auditor has identified certain unmet requirements and made corresponding recommendations based on Transportation Development Act (TDA) regulations. The recommendations are based on findings that occurred while SRTA was under the county's system of internal controls and oversight. None of the findings were cited in previous audits. None of the findings resulted in any financial loss to the agency or its members. The auditor has recommended that SRTA:

1. Develop a process for bicycle and pedestrian claims;
2. Revise policies on annual productivity improvement recommendations to RABA;
3. No longer delay assessments to RABA for fare box ratio penalties;
4. Approve all revised claim amounts on a timely basis; and
5. Annually reconcile payments to RABA.

The executive director has responded to all recommendations most of which were addressed through revised policies and procedures approved this year as part of the transition of SRTA to an independent agency.

ALTERNATIVES:

The board of directors may modify or reject the audit. A rejection may jeopardize the agency's ability to meet the State Controller's required audit submission date of June 30, 2013.

FINANCING:

Findings in the audit had no material financial effect.

A handwritten signature in black ink, appearing to read "Daniel S. Little", is written over a horizontal line.

Daniel S. Little, AICP, Executive Director

Attachments: Triennial Performance Audit

SHASTA REGIONAL TRANSPORTATION AGENCY

PERFORMANCE AUDIT
JUNE 30, 2010, 2011, AND 2012

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TRANSMITTAL LETTER

Members of the Board
Shasta Regional Transportation Agency
Redding, California

We have conducted a performance audit of the Shasta Regional Transportation Agency for the three years ended June 30, 2012. We conducted our audit in accordance with the requirements of the California Public Utilities Code.

The purpose of this performance audit was to evaluate the efficiency, effectiveness, and the economy of the operation of the Shasta Regional Transportation Agency in accordance with the *Performance Guidebook for Transit Operators and Regional Transportation Planning Entities* as issued by the State of California Business, Transportation and Housing Agency, California Department of Transportation Mass Transportation Program.

This report is intended for the information of management, the Shasta Regional Transportation Agency and the California Department of Transportation. However, this report is a matter of public record and its distribution is not limited.

D. H. Scott & Company, LLP

Redding, California
June 20, 2013

SHASTA REGIONAL TRANSPORTATION AGENCY
Triennial Performance Audit
For the Three Years Ended June 30, 2012

Executive Summary

D. H. Scott & Company was retained by the Shasta Regional Transportation Agency (Agency) to conduct its Transportation Development Act (TDA) performance audit for fiscal years 2009-10 through 2011-12. As a Regional Transportation Planning Agency (RTPA), the Agency is required by Public Utilities Code (PUC) Sections 99246 and 99248 to prepare and submit an audit of its performance on a triennial basis to the California State Department of Transportation (Caltrans) as a condition to receive TDA funding. TDA funds are used for the Agency's administration and planning of public transportation, and distribution for public transit services and non-motorized projects.

This performance audit is intended to describe how well the Agency is meeting its administrative and planning obligations under TDA, as well as its organizational management and efficiency. To gather information for the TDA performance audit, D. H. Scott & Company conducted interviews with agency staff, reviewed various documents, and evaluated the Agency's responsibilities, functions, and performance of the TDA guidelines and regulations.

Below are summarized findings from the analysis:

1. Several findings of noncompliance with TDA regulations were reported for the year ending June 30, 2012, which were related to management and board monitoring of compliance with existing policies and procedures and TDA regulations.
2. The Agency has not adopted rules and regulations delineating procedures for the submission of claims for facilities provided for the exclusive use of pedestrians and bicycles.
3. As noted in prior performance audits, the Agency has not formed a Productivity Committee and annually identified, analyzed and recommended potential productivity improvements.
4. The Agency has not documented review of claimant audits and related submission to the State Controller within 180 days after fiscal year end.
5. As noted in prior performance audits, the Agency has calculated the penalty but not withheld the penalty when the Redding Area Bus Authority does not meet established fare box recovery ratios.
6. The Agency should adopt rules and regulations for the evaluation of claims under Article 4.5 as it relates to cost effectiveness of proposed community transit services.

SHASTA REGIONAL TRANSPORTATION AGENCY
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SECTION I

Introduction

The Agency has retained D. H. Scott & Company to conduct its TDA performance audit covering the most recent triennial period, fiscal years 2009-10 through 2011-12. As a Regional Transportation Planning Agency (RTPA), the Agency is required by PUC Sections 99246 and 99248 to prepare and submit an audit of its performance on a triennial basis to the California Department of Transportation (Caltrans) as a condition to receive TDA funding.

The performance audit, as required by TDA, is intended to describe how well the Agency is meeting its administrative and planning obligations under TDA.

The Agency is designated as the RTPA for Shasta County. The Agency is governed by a board which is comprised of three members from the County Board of Supervisors, one member from each of the City of Anderson, Redding and Shasta Lake and one member from the Redding Area Bus Authority (RABA).

As the RTPA for Shasta County (County), the Agency serves as a medium for policy decisions affecting the transportation system for the County. This is reflected in the planning and programming of local, state, and federal transportation funds towards projects that provide improved highway and road maintenance, safety, traffic congestion relief, and economic development.

The methodology for the audit included in-person interviews with the transportation planner and executive director, collection and review of agency documents and data analysis. The *Performance Audit Guidebook for Transit Operations and Regional Transportation Planning Entities*, published by Caltrans, was used to guide the development and direction of the audit.

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SECTION II

Compliance Requirements

This section of the audit report contains the analysis of the Agency's ability to comply with State requirements for continued receipt of TDA funds. The evaluation uses the guidebook, *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*, which was developed by Caltrans to assess transportation planning agencies. The guidebook contains a checklist of fourteen key compliance requirements taken from relevant sections of the CPUC and the California Code of Regulations (CCR). All fourteen compliance measures are applicable to the Agency. Each of these requirements is discussed in the table below, including a description of the Agency's efforts to comply with the requirements. In addition, the findings from the compliance review are described in Section V.

	Requirement	PUC Reference	Com-plied	Comments
(1)	All transportation operators and city or county governments which have responsibility for serving a given area, in total, claim no more than those (LTF) monies apportioned to that area.	99231	Y	The Agency has four areas of apportionment, Shasta County, the City of Redding, City of Anderson and the City of Shasta Lake.
(2)	The RTPE has adopted rules and regulations delineating procedures for the submission of claims for facilities provided for the exclusive use of pedestrians and bicycles.	99233 and 99234	N	We noted the Agency has not adopted written rules and regulations for the submission of claims for non-motorized allocations.
(3)	The RTPE has established a social services transportation advisory council. The RTPE must ensure that there is a citizen participation process that includes at least an annual public hearing	99238 and 99238.5	Y	The Agency has established a Social Services Transportation Advisory Council (SSTAC) as required under PUC 99238. The SSTAC participates in a number of issues, including the annual unmet transit needs hearings.

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SECTION II (Continued)

(4)	The RTPE has annually identified, analyzed and recommended potential productivity improvements which could lower the operating costs of those operators which operate at least 50% of their vehicle service miles within the RTPE's jurisdiction. Recommendations include, but are not limited to, those made in the performance audit. A committee for the purpose of providing advice on productivity improvements may be formed. The operator has made a reasonable effort to implement improvements recommended by the RTPE, as determined by the RTPE, or else the operator has not received an allocation which exceeds its prior year allocation.	99244	N	The Agency has not identified, analyzed or recommended potential productivity improvements to the Redding Area Bus Authority.
(5)	The RTPE has ensured that all claimants to whom it allocates Transportation Development ACT (TDA) funds submits to it and to the state controller an annual certified fiscal and compliance audit within 180 days after the end of the fiscal year	99245	N	The Agency has no documentation of review of claimant audits and their efforts to ensure the submission of audits to the State Controller's Office
(6)	The RTPE has designated an independent entity to conduct a performance audit of operators and itself (for the current and previous triennia). For operators, the audit was made and calculated the required performance indicators, and the audit report was transmitted to the entity that allocates the operator's TDA monies and to the RTPE within 12 months after the end of the triennium. If an operator's audit was not transmitted by the start of the second fiscal year following the last fiscal year of the triennium, TDA funds were not allocated to that operator for that or subsequent fiscal years until the audit was transmitted	99246 and 99248	Y Y	For the current three year period, the Agency has retained D. H. Scott & Company to conduct the audit of the Agency and the transit operator, Redding Area Bus Authority (RABA) The Agency RABA
(7)	The RTPE has submitted a copy of its performance audit to the Director of the California Department of Transportation. In addition, the RTPE has certified in writing to the Director, that the performance audits of operators located in the area under its jurisdiction have been completed	99246(c)	Y Y	The Agency RABA

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SECTION II (Continued)

(8)	The performance audit of the operator providing public transportation services shall include a verification of the operator's cost per passenger, operating cost per vehicle service hour, passengers per vehicle service mile, and vehicle service hours per employee, as defined in Section 99247. The performance audit shall include consideration of the needs and types of passengers being served and the employment of part-time drivers and the contracting with common carriers of persons operating under a franchise or license to provide services during peak hours, as defined in subdivision (a) of Section 99260.2.	99246(d)	Y	The performance audit of the operator (RABA) is being conducted by D. H. Scott & Company and includes all required elements.
(9)	The RTPE has established rules and regulations regarding revenue ratios for transportation operators providing services in urbanized and newly urbanized areas.	99270.1 and 99270.2	Y	Shasta County is designated as a small urban area and RABA provides fixed route and demand response service in the urban areas of the County. The Agency has established a fare box ratio goal of 17.3%.
(10)	The RTPE has adopted criteria, rules and regulations for the evaluation of claims filed under Article 4.5 of the TDA and the determination of the cost-effectiveness of the proposed community transit services	99275.5	N	The Agency adopted policy 6-5 for the evaluation of claims under Article 4.5. However, they do not monitor the Consolidated Transportation Services Agency that files claims under this Article.
(11)	State transit assistance funds received by the RTPE are allocated only for transportation planning and mass transportation purposes.	99310.5, 99313.3 and Prop. 116	Y	The Agency allocates State Transit Assistance (STA) funds for transit services only.
(12)	The amount received pursuant to Public Utilities Code, Section 99314.3; by each RTPE for state transit assistance is allocated to the operators in the area of its jurisdiction as allocated by the State Controller's Office	99314.3	Y	The Agency administers STA funds in accordance with the relevant PUC requirements. In fiscal year 2010 and 2012, STA funds were allocated to RABA. No STA funds were received or allocated in fiscal year 2011.

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SECTION II (Continued)

(13)	If TDA funds are allocated to purposes not directly related to public or specialized transportation services or facilities for exclusive use of pedestrians and bicycles, the transit planning agency has annually: Consulted with the Social Services Transportation Advisory Council (SSTAC) established pursuant to Public Utilities Code Section 99238; Identified transit needs, including: Groups who are transit-dependent or transit disadvantaged, Adequacy of existing transit services to meet the needs of groups identified, and Analysis of potential alternatives to provide transportation services; Adopted or re-affirmed definitions of "unmet transit needs" and "reasonable to meet", Identified the unmet transit needs, or there are unmet transit needs that are reasonable to meet.	99401.5	Y	The Agency conducts an annual Unmet Transit Needs process pursuant to PUC Section 99401.5. LTF funds have only been allocated to streets and roads after completion of the unmet needs process, and if there are remaining funds after the allocation to transit.
(14)	The RTPE has caused an audit of its accounts and records to be performed for each fiscal year by the county auditor or a certified public accountant. The RTPE must transmit the audit report to the State Controller within 12 months of the end of each fiscal year in accordance with the Basic Audit Program and Report Guidelines for California Special Districts prescribed by the State Controller. The audit shall include a determination of compliance with the TDA and accompanying rules and regulations. Financial statements may not commingle the state transit assistance fund, the local transportation fund, or other revenues or funds of any city, county or other agency. The RTPE must maintain fiscal and accounting records and supporting papers for at least four years following the fiscal year close.	CA Code of Regulations, Section 6642	Y	The accounting firm of D. H. Scott & Company conducted the financial audit of the Agency for fiscal year 2012. The financial audits for fiscal years 2010 and 2011 were conducted by Hathaway & Ksenzulak, LLP. The Annual Financial Reports were submitted to the State Controller within 12 months of the end of each fiscal year. The Agency also maintains fiscal and accounting records and supporting papers for at least four years following the fiscal year close.

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SECTION III

Prior Triennial Performance Audit Recommendations

This section reviews and evaluates the implementation of prior Triennial Performance Audit recommendations. This objective assessment provides assurance the Agency has made quantifiable progress toward improving the efficiency and effectiveness of its public transit program.

Productivity Improvements

Prior Recommendation: It was recommended that the Agency perform its functions pursuant to PUC Section 99244 which requires the Agency to annually identify, analyze and recommend potential productivity improvements.

We consider this a continuing recommendation as the Agency has not formed a committee or assigned this task to an existing committee.

Agency Corrective Action Plan: The Agency had previously assigned this task to the Social Services Technical Advisory Committee (SSTAC). The Agency has eliminated the SSTAC's responsibility to recommend potential productivity improvements. New policies and procedures have been developed to annually identify, analyze, and recommend potential productivity improvements.

Fare Box Ratio

Prior Recommendation: It was recommended that the Agency review its internal controls to ensure that the oversight and miscalculation of the Fare Box Ratio penalty would not occur.

We consider this a continuing recommendation. The Agency has calculated additional penalties for RABA when the fare box ratios were not met, however, the Agency has not assessed the penalties.

Agency Corrective Action Plan: The Agency has retroactively reduced RABA's fare box rate requirement which eliminated the penalty.

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SECTION IV

Detailed Review of RTPA Functions

In this section, a detailed assessment of the Agency's functions and performance as a RTPA during this audit period is provided. Adapted from Caltrans *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*, the Agency's activities can be divided into the following activities:

- Administration and Management
- Transportation Planning and Regional Coordination
- Claimant Relationships and Oversight
- Marketing and Transportation Alternatives
- Grant Applications and Management

Administration and Management

The Agency develops and submits claim forms to the board showing the estimated revenues of the Local Transportation Fund and the State Transit Assistance Fund as well as the estimated needs of the operator after being reduced by the estimated federal operating grants and fare revenues. The claim forms then apportion monies to the operator. Once these monies are apportioned and after the determination that there are no unmet needs in the area, the remainder of the LTF funds is apportioned under Article 8 to the cities and county in the region. Once approved by the board and by the claimants, the County Auditor is instructed to make equal monthly distributions from the fund to all claimants.

Because the Region is considered an air quality attainment area, the Agency is required to update the Regional Transportation Plan (RTP) every five years. The current plan was adopted and implemented in 2010. Every year the Agency adopts the Overall Work Program (OWP) which is approved by Caltrans as a condition to receiving Regional Planning Assistance funds. The RTP and OWP establish goals and objectives for the Agency. The completion of projects in the area such as the Dana to Downtown project and the I-5 widening show achievement of goals as outlined in the RTP and OWP.

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SECTION IV (Continued)

During 2012, the Agency began the implementation of a geographical information system (GIS) which integrates hardware, software and data for capturing, managing, analyzing and displaying all forms of geographically referenced information. The implementation of the GIS will streamline data storage for the region.

The governing board meets monthly and hears staff reports and executive director updates on projects. The board accepts and approves all required reports and plans in a timely manner.

During the fiscal years ending June 30, 2010, 2011 and 2012, the Agency staff were employees of the County of Shasta Public Works Department and followed the personnel policies and practices of the County of Shasta including annual performance evaluations and personnel benefits. In June 2012, the Agency separated from the County and became an independent entity. The executive director and several planners became employees of the Agency. The Agency has adopted personnel policies and practices including annual performance evaluations and benefit packages.

Transportation Planning and Regional Coordination

The 2010 RTP was adopted in 2009 by the Agency. The RTP provides general transportation policy guidance, identifies and assesses transportation needs, describes transportation available, and accounts for transportation needs over a 20 year horizon. The RTP accounts for anticipated growth, development and changing transportation demands by using a travel demand congestion model. The RTP includes an issue element which outlines the current and forecasted needs for the area, an objectives element that identifies goals of the Agency in relation to issues and objectives, a policy element that identifies policies in relation to issues and objectives and an action element which establishes both short and long-term plans for addressing the issues and needs and prioritizes projects including available funding. The Agency is currently developing and updating the RTP for approval and implementation in 2015.

The RTP is a high level overview of the needs and planning in the area. Based on the RTP, the Agency develops the OWP that outlines projects within the goals of the RTP. The OWP also specifies each entity's responsibility.

Claimant Relationships and Oversight

As noted in Section II and in the prior recommendations review, the Agency has not made productivity improvement suggestions to the operators as required by PUC 99244.

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SECTION IV (Continued)

The Agency assists RABA with the short-term transit plan and grants when it is required or requested of them. The Agency does not generally offer to provide technical and managerial assistance to RABA, as the board prefers a "hands off" approach.

The Agency has made the RTP, the OWP, the Regional Transportation Improvement Plan (RTIP), and Agency rules and regulations for operators and claimants available online and in print for review.

The Agency adopted Policy 6-6 that states the Agency will include claimant TDA funds when engaging an auditor for their fiscal and compliance audit unless the claimant notifies the Agency that the audit of their TDA funds will be included in their fiscal audit. During our compliance review, it was noted that there was no documentation from the City of Anderson or the City of Redding that they will be including the audit of their TDA funds in their annual audit. Additionally, the Agency did not document their review of the TDA fund audits to ensure compliance with TDA statutes.

While the Agency has approved claims consistently based on board policy, the processing and payments of claims were not made timely during the year ended June 30, 2012. In addition, original payment instructions provided to the County Auditor were altered and changed without board approval. Additionally, as noted in Section II and in the prior recommendations review, the Agency has continued to distribute funds to the operator without withholding the fare box penalties.

Marketing and Transportation Alternatives

The Agency does not conduct or coordinate a regional marketing program for public transportation. All marketing in relation to public transportation is performed by RABA. All rider and public surveys regarding the public transportation system are performed by RABA as well. The Agency does use these surveys when planning. The Agency is not actively involved in the daily operations of RABA. The Board has historically had a "hands off" approach in regards to RABA.

The Agency does issue comment letters regarding planning, zoning, and development projections by regional and local governments; however, they are reserved in their involvement due to the relationships with the member governments.

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SECTION IV (Continued)

The Agency and RABA have printed transit schedules available for those wishing to use the transit system. Information including routes, schedules and fares is also available on RABA's website.

The Agency participates in local programs such as Bike to Work Week and Healthy Shasta that encourage transportation alternatives such as cycling and walking.

Grant Application and Management

RABA staff prepares and submits the applications for themselves and the Agency certifies them when required. Other than certification of some applications, they do not coordinate or assist RABA with applications. RABA has not been denied grants because of errors or omissions. The Agency does not monitor RABA grants. The Agency is available for assistance if needed.

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SECTION V

FINDINGS AND RECOMMENDATIONS

The Agency recently received its financial and compliance audit for the year ended June 30, 2012. Following are the findings and recommendations from that audit that relate to TDA compliance.

MATERIAL WEAKNESSES

Finding Regarding TDA Payments and Related Compliance

Finding TDA 2012-1

Criteria:

California Code of Regulations Section 6636 states that the operator or transit service claimant shall spend moneys received from the local transportation fund or the state transit assistance fund only in accordance with the terms and conditions of the allocations, as set forth in the allocation instruction for the local transportation fund and the allocation resolution for the state transit assistance fund. If unforeseen situations develop during the year such that the operator or transit service claimant cannot comply with the terms and conditions of the allocations, the operator or transit service claimant shall request the transportation planning agency, county transportation commission, or metropolitan transit development board to consider a revised allocation instruction or allocation resolution.

Statement of Condition:

The Agency submitted revised monthly claims to the Auditor-Controller that did not have board approval.

Cause and Effect:

The Agency did not have adequate management and board monitoring procedures in place related to monitoring compliance with existing policies and TDA regulations. As a result, some existing policies were not enforced which resulted in non-compliance with both policy and/or TDA regulations.

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SECTION V (Continued)

Recommendation:

We recommend that the Agency adopt and implement management and board policies to monitor compliance with existing policies and TDA regulations.

Shasta Regional Transportation Agency's Corrective Action Plan:

The Agency has eliminated the true-up process and instituted new policies with regard to unused apportionments and revised claims. The Agency no longer allows claimants to have the direct ability to revise claims.

SIGNIFICANT DEFICIENCIES

Monitoring and Documentation Findings

Finding TDA 2012-2

Criteria:

PUC Section 99233 and 99234 states that the Agency must adopt rules and regulations delineating procedures for the submission of claims for facilities provided for the exclusive use of pedestrians and bicycles.

Statement of Condition:

We noted that the Agency funds pedestrian and bicycle facilities in the region from grant programs and other sources. The Agency historically uses the TDA funds for public or community transit services as allowed under PUC 99233.3. However the Agency does not have a policy in place stating how pedestrian and bicycle facilities will be funded or how they will handle such claims.

Cause and effect:

The Agency has not adopted rules and regulations delineating procedures for the submission of claims for facilities provided for the exclusive use of pedestrians and bicycles.

Recommendation:

We recommend that the Agency adopt rules and regulations regarding the submission of claims for facilities provided for the exclusive use of pedestrians and bicycles.

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SECTION V (Continued)

Shasta Regional Transportation Agency's Corrective Action Plan:

The Agency has now started to set aside funds for bicycle and pedestrian claims and will be adopting policies and procedures for such claims in October, 2013.

Finding TDA 2012-3

Criteria:

Per PUC Section 99244 the Agency has to annually identify, analyze, and recommend potential productivity improvements to the Redding Area Bus Authority (RABA) and the County of Shasta as transit operators. Recommendations are made which could lower operating cost of those operators. Recommendations include, but are not limited to, those made in the triennial performance audit.

Statement of Condition:

We noted that the Agency adopted Policy 6-1 "Policy to Determine Productivity Improvement of Transit Operators". However, the Agency is not adhering to their internal policy to make these productivity improvement recommendations to the transit operators. The policy states these procedures are performed by the Social Services Technical Advisory Committee (SSTAC), however, there is no documentation that the SSTAC's efforts meet the compliance requirement.

Finding TDA 2012-4

Criteria:

PUC Section 99245 states that the Agency has to ensure that all claimants who were allocated TDA funds submit to it and to the state controller an annual certified fiscal and compliance audit within 180 days after the end of the fiscal year. A 90 day extension may be granted.

Statement of Condition:

The Agency has adopted Policy 6-6 that states the Agency will include claimant TDA funds when engaging an auditor for their financial and compliance audit unless the claimant notifies the Agency that the audit of their TDA funds will be included in their financial audit. Historically the City of Anderson and City of Redding include the audit of TDA funds in their government wide audits. During our review we noted no documentation of review of claimant audits in order to ensure compliance with relevant TDA statutes.

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SECTION V (Continued)

Finding TDA 2012-5

Criteria:

PUC Section 99264 requires that an operator shall not be eligible for allocation if it routinely staffs two or more persons per vehicle for public transportation that is designed to be operated by one person.

Statement of Condition:

The Agency has no documentation regarding the staffing of vehicles that would indicate efforts towards compliance.

Finding TDA 2012-6

Criteria:

PUC Section 99268.9 states that if an operator was allocated funds during the year in which it did not maintain the required ratio of fare revenues to operating costs, the operator's eligibility to receive TDA monies shall be reduced during a subsequent penalty year.

Statement of Condition:

The Redding Area Bus Authority has been unable to meet the Agency's required fare box ratio requirement. Failure of a transit operator to meet required fare box ratios results in a penalty to the transit operator. RABA currently has a penalty of approximately \$90,000 from not meeting the fare box requirement in the 2010-11 fiscal year. While the Agency calculates the fare box revenue ratios as outlined in TDA policies, the Agency has not assessed the penalty on a timely basis.

Finding TDA 2012-7

Criteria:

PUC Section 99314.6 states that funds shall not be allocated for operating purposes pursuant to Sections 99313 and 99314 unless the operator meets one of two efficiency standards.

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SECTION V (Continued)

Statement of Condition:

The Agency adopted Policy 6-4 "Policy to Determine Qualifying Criteria for State Transit Operators" which outlines the calculation of the efficiency standards as required by PUC Section 99314.6. However there is no documentation of calculations and review of efficiency standards.

Finding TDA 2012-8

Criteria:

PUC Section 99251 states that no claim submitted by an operator pursuant to this chapter shall be approved unless it is accompanied by a certification completed within the last 13 months from the CHP indicating the operator is in compliance with Section 1808.1 of the vehicle code.

Statement of Condition:

The Agency did not obtain the required certification prior to the approval of the claim.

Finding TDA 2012-9

Criteria:

PUC Section 99266 states that no monies may be allocated to an operator whose claim includes funds for an increase in operating budget in excess of 15% above the preceding year unless the claim for increase is substantiated.

Statement of Condition:

The Agency calculates allocations to RABA as an operator based on RABA's prior year plus RABA's representation of known expenses. The Agency did not have any documentation to support the Agency's consideration of known increases (or increases in budgeted line items) that are in excess of 15% of the preceding year.

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SECTION V (Continued)

Finding TDA 2012-10

Criteria:

PUC Section 99268 states that expenditures of funds received from the LTF by an operator may, in no year, exceed 50% of amount required to meet operating, maintenance, and capital requirements unless exceptions are met.

Statement of Condition:

There is no documentation in the Agency records to support Agency efforts to meet this section. In the past, the Agency has made representations that RABA meets an exception under 6633.8 Extension of Service Excluded because of the addition of Demand Response Service in previous years. However, this exclusion is for extensions of service that have been in operation for less than 2 years and it only provides exclusion for operating costs for that extension.

Finding TDA 2012-11

Criteria:

California Code of Regulations Section 6649 states the transportation development agency shall not authorize the payment of monies from the LTF or the STA in excess of the amount that the claimant is eligible to receive during the fiscal year for which an allocation is made as evidenced by the claim filed, the budgets and financial statements of the claimant, the audits of the claimant and any other information available to the agency. Further it states that an amount paid to a claimant in excess of the amount that the claimant was eligible to receive in accordance with Sections 6633.1 and 6634 and the allocation instructions shall be recovered by the agency by demand of repayment or by reducing the amount the claimant is eligible to receive in the following fiscal year.

Statement of Condition:

The Agency has overpaid RABA approximately \$1,500,000 in the past four years for RABA's operations. In addition, the Agency has paid the City of Shasta Lake approximately \$535,000 in past years while failing to require the City of Shasta Lake to currently demonstrate a need for the prior payments.

SHASTA REGIONAL TRANSPORTATION AGENCY
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For the Three Years Ended June 30, 2012

SECTION V (Continued)

Cause and Effect:

The Agency did not have adequate management and board monitoring procedures in place related to monitoring compliance with existing policies and TDA regulations. As a result, some existing policies were not enforced which resulted in non-compliance with both policy and/or TDA regulations.

Recommendation:

We recommend that the Agency adopt and implement management and Board policies to monitor compliance with existing policies and TDA Regulations.

Shasta Regional Transportation Agency's Corrective Action Plan:

The Agency has completely revised TDA policies and procedures to insure compliance. The Agency has developed a handbook for the public and claimants to understand the TDA process and to add transparency to the TDA process. The board will be receiving training on TDA funding. TDA compliance has been segregated to allow for cross-checks. The Agency has formed a Fiscal Committee and hired a Chief Fiscal Officer who is a certified public accountant.

PERFORMANCE AUDIT FINDINGS

Finding 2012-12

Statement of Condition:

The Agency has not adopted rules and regulations delineating procedures for the submission of claims for facilities provided for the exclusive use of pedestrians and bicycles under Public Utilities Code Section 99234.

Cause and Effect:

The Agency relies on the Transportation Development Act Statutes and California Codes of Regulations guidebook and has not adopted its own rules and regulations. The board has not considered bicycle and pedestrian claims to be a high priority and has never encouraged the filing of these types of claims.

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SECTION V (Continued)

Recommendation:

We recommend that the Agency adopt rules and regulations regarding the submission of claims for facilities provided for the exclusive use of pedestrians and bicycles.

Shasta Regional Transportation Agency's Corrective Action Plan:

The Agency has now set aside funds for bicycle and pedestrian claims and will be adopting policies and procedures for such claims in October, 2013.

Finding 2012-13

Criteria:

The Public Utilities Code Section 99244 requires that the transportation planning agency shall annually identify, analyze, and recommend potential productivity improvements which could lower operating costs of those operators who operate at least 50 percent of the vehicle service miles within the area under its jurisdiction.

Statement of Condition:

The Agency has not annually identified, analyzed, and recommended potential productivity improvements which could lower the operating costs of the transit operator.

Cause and Effect:

The Agency does not have a productivity committee. Additionally, the Agency did not have adequate management and board monitoring procedures in place related to monitoring compliance with existing policies and TDA regulations. As a result, some existing policies were not enforced which resulted in non-compliance with both policy and/or TDA regulations.

Recommendation:

We recommend that the Agency adopt policies and procedures to ensure compliance with PUC 99244. In addition, we recommend that the Agency consider forming a committee for the purpose of providing advice on productivity improvements.

Shasta Regional Transportation Agency's Corrective Action Plan:

The Agency has adopted new policies and procedures for productivity improvements.

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SECTION V (Continued)

Finding 2012-14

Statement of Condition:

The Agency has not documented review of claimant audits and the related submission to the State Controller within 180 days of fiscal year end.

Cause and Effect:

The Agency does not have a policy to review claimant audits. Additionally, the Agency did not have adequate management and board monitoring procedures in place related to monitoring compliance with existing policies and TDA regulations. As a result, some existing policies were not enforced which resulted in non-compliance with both policy and/or TDA regulations.

Recommendation:

We recommend that the Agency adopt a policy to timely review claimant audit submissions for compliance with TDA regulations.

Shasta Regional Transportation Agency's Corrective Action Plan:

The Agency has adopted new policies and procedures for the review and filing of TDA audits.

Finding TDA 2012-15

Criteria:

Public Utilities Code Section 99275.5 requires that the transportation planning agency adopt criteria, rules, and regulations for the evaluation of claims filed under Article 4.5 and the determination of the cost effectiveness of the proposed community transit services to be provided.

Statement of Condition:

The Agency has not adopted rules and regulations for the evaluation of claims under Article 4.5 of the TDA.

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SECTION V (Continued)

Cause and Effect:

The Agency relies on the Transportation Development Act Statutes and California Codes of Regulations guidebook and has not adopted its own rules and regulations.

Recommendation:

We recommend that the Agency adopt rules and regulations for the evaluation of claims filed under Article 4.5 and the determination of the cost effectiveness of the proposed community transit services to be provided.

Shasta Regional Transportation Agency's Corrective Action Plan:

The Agency has adopted new policies and procedures to document the cost effectiveness of Article 4.5 claims.