REPORT TO SHASTA COUNTY RTPA

SUBJECT		MEETING DATE	ITEM NUMBER
Acceptance of RTPA Triennial Performance Audit		6/26/07	4-3

RECOMMENDATION
It is recommended that the Agency accept the triennial performance audit of the Regional Transportation Planning Agency (RTPA) for the fiscal years ending June 30, 2004/05/06.

SUMMARY
The object of the performance audit is to provide an independent evaluation of the RTPA’s overall compliance with laws and regulations governing the Transportation Development Act (TDA) and state and federal planning funds. A performance audit must be completed every three years. The RTPA retained the accounting firm of Donald R. Reynolds to perform the audit. Audit findings and staff responses follow in the discussion.

DISCUSSION
The provisions of the California Public Utilities Code (PUC) Section 99246 and the California Code of Regulations, Article 5.5, Section 6662.5 require a triennial performance audit of the RTPA be submitted to the Department of Transportation and State Controller triennially by July 1 of the following fiscal year. The audit for fiscal years ended June 30, 2004/05/06 has been completed and reviewed by staff. The conclusion is that “the RTPA is functioning in an efficient and effective manner. Agency staff appears to be proactive and aware of relevant laws, rules, and regulations and continually attempt to improve the RTPA operations.” Audit findings and responses are as follows:

Finding #1

Productivity Committee Functions: There has been a continuing recommendation that the RTPA form a productivity committee to evaluate transit services and recommend potential productivity improvements which could lower operating costs. This committee is not required by the PUC, but the Agency is required to monitor the productivity of the operators and their progress toward improvements.

RTPA Response: The RTPA has three committees that assist in evaluating the RTPA functions, including oversight of transit services. These agencies include the Consolidated Transportation Services Agency (CTSA), the Social Services Transportation Advisory Council (SSTAC), and the Technical Advisory Committee (TAC).

Finding #2

Farebox Ratio: PUC Section 99268 allows the RTPA to set the required farebox ratio for a transit operator. The RTPA is responsible for calculating the farebox ratio annually and is required to withhold TDA monies from an operator who does not comply with the farebox ratio. The penalty year is the fiscal year beginning one year after the end of the fiscal year during which the required ratio was not maintained.

Due to an unintentional oversight, the RTPA failed to recognize fiscal year 2003/2004 as a noncompliance year. This would result in 2004/2005 being a penalty year and TDA monies should have been withheld from the operator in fiscal year 2006/2007. According to the Joint Powers Agreement (JPA), the transit operator is subsidized in-part by agencies in the jurisdiction. If the transit operator incurs a penalty, the agencies in the JPA may contribute the amount of the penalty through their funds available for other uses.

RTPA Response: The RTPA shall review internal controls to avoid this oversight in the future. This oversight did not impact RABA or local agency funding.

Finding #3

Audit Requirements: It is recommended that the RTPA establish contracts with their subrecipients that require their subrecipients to audit the monies received from the RTPA under Circular A-133.

RTPA Response: The RTPA will revise Policy 5-3: Disbursement of Regional Surface Transportation Funds and Policy 6-6: Transportation Development Act (TDA) Compliance and Fiscal Audits to include audit language consistent with Circular A-133.

OTHER AGENCY INVOLVEMENT

Upon acceptance, the audit will be forwarded to the State Controller’s Office and the Department of Transportation. The Technical Advisory Committee (TAC) has reviewed this item and recommends approval.

FINANCING

This action will have no financial impact.

Daniel S. Little, AICP, Executive Officer

DSL/SLC/jac

Attachment: Performance Audit for June 30, 2004/05/06

SHASTA COUNTY REGIONAL TRANSPORTATION PLANNING AGENCY

PERFORMANCE AUDIT
JUNE 30, 2004, 2005 AND 2006

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Donald R. Reynolds
Certified Public Accountant

February 23, 2007

Board of Directors
Shasta County Regional
Transportation Planning Agency
Redding, California

Members of the Board:

The objective of the performance audit of the Shasta County Regional Transportation Planning Agency (Agency) is to provide an independent, high-level evaluation of the Agency's overall performance. It is intended to be diagnostic, determining where performance is good and where the need for improvements in performance may be indicated.

The audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities* issued by the California Department of Transportation, which requires a triennial performance audit. This audit is for the fiscal years ended June 30, 2004, 2005 and 2006.

The purpose of a performance audit is to determine compliance with laws and regulations that could significantly affect the acquisition, management and utilization of the resources of the Agency (economy and efficiency) and to determine whether programs are being carried out in conformity with laws and regulations (program results).

The object of the economy and efficiency portion of the audit is to consider whether, in carrying out its responsibilities, the Agency is giving due consideration to conservation of its resources and minimum expenditure of effort. The objective of the program results portion is to consider whether the programs or activities are meeting established objectives, the adequacy of systems for measuring effectiveness and to identify factors inhibiting satisfactory performance.

The audit focused on the following:

1. Reviewing the process of establishing goals and objectives.

2. Determining goals and objectives and how well they are documented and communicated.

3. Evaluating performance relative to those goals and objectives.

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In connection with those items, a number of functional areas were reviewed and evaluated. Performance was evaluated and documented based on interviews with management, policymakers and employees, as well as an analysis of key documents.

A part of the audit involved the identification, review and evaluation of internal administrative controls in effect. Administrative controls include the organization plan and procedures concerned with operational efficiency and adherence to managerial policies. Comments relating to material weaknesses, if any exist, are contained in the body of the report.

This report is organized into four parts. The first part contains general information about the Agency. The second part comprises findings and recommendations expressed as part of our review of the Agency. The third part contains findings and recommendations expressed in the prior performance audit report. The fourth part provides our conclusions and major recommendations.

GENERAL INFORMATION

Until October 1981, the Shasta County Local Transportation Commission coordinated transportation planning in Shasta County, using state funds for planning purposes. The 1980 federal census identified Shasta County as a metropolitan area of over 50,000 people, and thus eligible for designation as a Metropolitan Planning Organization (MPO) and as an eligible recipient of Federal Metropolitan Planning Funds (FHWA) and Federal Transit Administration (FTA) Section 5303 funds. The Governor designated the Shasta County Regional Transportation Planning Agency as the MPO for Shasta County in November 1981.

The Shasta County Regional Transportation Planning Agency, along with the Cities of Anderson, Redding, and Shasta Lake, the Redding Area Bus Authority, and Caltrans approved a Memorandum of Understanding (MOU) outlining legal foundations of the MPO, the planning, process, the obligations and responsibilities, the organizational makeup, and the funding process. The planning process is in compliance with the laws and guidelines developed by Caltrans and the Federal Department of Transportation. This responsibility includes development and adoption of these planning policies and documents:

- Transportation Policy Direction
- Review and coordination of transportation planning
- Preparation and endorsement of an Overall Work Program
- A Regional Transportation Plan (RTP)
- A Regional Transportation Improvement Plan (RTIP)
- A Federal Transportation Improvement Plan (FTIP)

These planning activities enable the local jurisdictions within the County of Shasta to qualify for a variety of state and federal funding for transportation projects and facilities.

A brief description of the Agency's planning activities is as follows:

<u>Overall Work Program</u>

The Overall Work Program (OWP) is a program of planning projects, which must be prepared and adopted annually. The OWP is a budgetary document intended to clarify the planning process and to meet federal. and state funding requirements.

<u>Regional Transportation Plan</u>

The Regional Transportation Plan (RTP) is prepared in compliance with state (California Government Code Sections 65080 et seq.) and federal (U.S. Code Title 23, Section 134 and 135 et seq) regulations governing regional and metropolitan planning and programming and has a 20-year plan horizon. Updated every 5-years, the plan contains discussions on regional transportation issues, problems and solutions, and includes goals and objectives for each transportation mode and area of concern.

Regional Transportation Improvement Program

The Regional Transportation Improvement Program is a biennial seven-year prioritization and summarization of all transportation capital improvement projects for the region.

Federal Transportation Improvement Plan

The RTPA is responsible for the Federal Transportation Improvement Program (FTIP). Every two years the RTPA is required to prepare and approve a 3-year program for planned transportation projects involving federal funding.

Transportation Development Act Fund

The Agency is required to administer Transportation Development Act (TDA) funds. This involves the review, evaluation and approval of TDA claims submitted by claimants. They are also responsible for the drafting of allocation instructions to disburse funds to eligible claimants in their region.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

In planning and performing our performance audit of the Agency for the years ended June 30, 2004, 2005, and 2006, we considered the characteristics and functions of the Agency's management. Those functions included, but were not limited to:

- Agency administration and management;
- Transportation planning and regional coordination;
- Claimant relationships and oversight;
- Marketing and transportation alternatives; and
- Grant applications and management.

We also examined evidence supporting the Agency's compliance with the Transportation Development Act as directly related to performance audits.

Based on our audit, our findings and recommendations are as follows:

Productivity Committee Functions

Public Utilities Code Section 99244 requires the RTPA annually identify, analyze, and recommend potential productivity improvements which could lower the operating costs of those operators who operate at least 50 percent of their vehicle service miles, within the area under its jurisdiction. The Agency may form a productivity committee to oversee those functions or it may be absorbed by one of it's existing committees.

The Agency is tasked with insuring that the operator has made reasonable effort to identify areas of improvement and implement improvements in those areas as recommended by the Agency.

There has been a continuing recommendation to the RTPA that a productivity committee must be formed. While the committee is not specifically required by the PUC, the Code does require that the Agency monitor the productivity of the operators and their progress toward improvements. Shasta County RTPA has not formed a productivity committee nor has it tasked any of its standing committees with the specific task of evaluating productivity or recommending methods to improve productivity. We recommend that the RTPA perform it's functions pursuant to Public Utilities Code Section 99244.

Agency's Response

The Shasta County RTPA does not believe it's necessary to form a productivity committee since they already have three committees. The Consolidated Transportation Services Agency (CTSA), the Social Services Transportation

Advisory Council (SSTAC), and the Technical Advisory Committee (TAC), who assist in evaluating the RTPA functions, including oversight of transit services.

Farebox Ratio

Public Utilities Code Section 99268 allows the RTPA to set the required ratio of fare revenues to operating costs (Farebox Ratio) at not less than 15 percent for an operator in a county with a population of 500,000 or less. The RTPA adopted farebox ratios of 18.5%, 19% and 15% for each of the operating years 2003/2004, 2004/2005, and 2005/2006 respectively. RABA's (the operator) actual farebox ratios were 15.53%, 13.54%, and 14.51% respectively. The RTPA is responsible for calculating the farebox ratio annually and is required to withhold TDA monies from an operator for noncompliance with the required farebox ratios established by the RTPA.

The first fiscal year for which an operator does not maintain the required ratio of fare revenues to operating cost is deemed a grace year, and it does not result in any penalty nor loss of eligibility for funds.

If an operator was allocated funds during a fiscal year in which it did not maintain the required ratio of fare revenues to operating cost, the operator's eligibility to receive moneys from the local transportation fund and allocations pursuant to Sections 99313.3 and 99314.3 shall be reduced during a subsequent penalty year by the amount of the difference between the required fare revenues and the actual fare revenues for the fiscal year that the required ratio was not maintained. The penalty year shall be the fiscal year that begins one year after the end of the fiscal year during which the required ratio was not maintained.

Finding

The RTPA had failed to recognize fiscal year 2003/2004 as a noncompliance year due to an unintentional oversight and miss-calculation of fairbox ratio. Consequently fiscal year 2004/2005 is considered the penalty year, and fiscal year 2005/2006 would be the year in which TDA monies should have been withheld. Due to the RTPA oversight and miss-calculation no TDA monies were not withheld from the operator.

Recommendation

We recommend that the RTPA review it's internal controls to insure that such an oversight and miss-calculation does not happen again.

Agency's Response

The Shasta County RTPA accepts the audit recommendation and will make every effort to avoid this oversight in the future.

PRIOR FINDINGS AND RECOMMENDATIONS

The previous performance audit was performed for the fiscal years ended June 30, 2001, 2002 and 2003.

Highlights of the findings and recommendations recorded within the performance report and the current status are as follows:

Recommendation

To ensure compliance with Public Utilities Code Section 99245, it was recommended that the Agency implement a policy requiring all claimants to whom it allocates TDA funds submit to it and to the State Controller annual certified fiscal and compliance audit reports within the specified period of time required by Public Utilities Code Section 99245. It was further recommended that the Agency notify the claimants that failure to do so could result in the suspension of funds until the reports are submitted.

Status

The Shasta County RTPA adopted policy #6-6 on July 23, 2002, which requires subrecipients to include TDA compliance and fiscal audits within the scope of the subrecipient annual audit and/or to provide the Shasta County RTPA with audit documentation. Policy #6-6 explains the consequences in the event that the subrecipients fail to submit the required reports within the specified period of time.

Recommendation

To ensure compliance with Public Utilities Code Section 99244, it was recommended that the Agency form a productivity committee to annually identify, analyze, and recommend potential productivity improvements which could lower the operating costs. It was further recommended that the Agency adopt a policy to require each operator to report on its own productivity, provide suggestions for improvement, and report on progress towards implementation of improvements.

Status

The Shasta County RTPA has not formed a productivity committee because it believes it's not necessary. The Agency did implement the second part of the recommendation requiring each operator to report on its own productivity, etc.

Recommendation

To ensure compliance with Sec IV.9 of the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*, it was recommend that the Shasta County RTPA establish contracts with their subrecipients that require their subrecipients to audit the monies received from the RTPA under Circular A-133.

Status

The Shasta County RTPA has not adopted a written formal policy requiring their subrecipients to audit the monies received from the RTPA under Circular A-133.

CONCLUSION

Overall, our conclusion is that the Agency is functioning in an efficient and effective manner. Agency staff appears to be proactive and aware of relevant laws, rules and regulations and continually attempt to improve the Agency's operations. The most significant of our recommendations is the review of the Agency's internal controls to insure farebox ratios are calculated correctly and to withhold TDA funds when operator fails to meet the required farebox ratio.

Donald R. Reynolds,
Certified Public Accountant
February 23, 2007