

## REPORT TO SHASTA COUNTY RTPA

| SUBJECT          | MEETING DATE | ITEM NUMBER |
|------------------|--------------|-------------|
| Policy Revisions | 6/26/07      | 4-5         |

### RECOMMENDATION

It is recommended that the Agency approve a revision to Policies 5-3: Disbursement of Regional Surface Transportation Program (RSTP) Funds and 6-6: Transportation Development Act (TDA) Compliance and Fiscal Audits.

### SUMMARY

A triennial performance audit is required to evaluate the agencies overall performance. The June 30, 2006, performance audit recommended that the Shasta County Regional Transportation Planning Agency (SCRTPA) have a formal policy for the audit requirements of federal monies.

### DISCUSSION

During the June 30, 2006, performance audit, it was recommended that the SCRTPA adopt a formal policy requiring that all federal monies distributed to subrecipients be audited in accordance with *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*.

It is recommended that the SCRPTA revise Policies 5-3 and 6-6 to include the following statement. "Any federal monies received from the SCRTPA must be audited under *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*."

### OTHER AGENCY INVOLVEMENT

The Technical Advisory Committee and the accounting firm of Donald R. Reynolds has reviewed this policy and recommends approval.

### FINANCING

Adoption of the staff recommendation will have no financial impact.

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Daniel S. Little, AICP, Executive Officer

DSL/SLC/jac

Attachment: Policy 5-3  
Policy 6-6  
Performance Audit Recommendation

|                                                                                              |                                                                                       |           |
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| <p style="text-align: center;"><b>SHASTA COUNTY RTPA<br/>POLICY AND PROCEDURE MANUAL</b></p> |                                                                                       | Number    |
|                                                                                              |                                                                                       | 5-3 Rev.1 |
| SECTION: Rules of the SCRTPA                                                                 | Regional Surface Transportation Program (RSTP)<br>Funding Allocations by Jurisdiction |           |
| APPROVAL DATE: June 26, 2007                                                                 |                                                                                       |           |
| Page No. 1 of 2                                                                              |                                                                                       |           |

## **POLICY FOR THE DISBURSEMENT OF REGIONAL SURFACE TRANSPORTATION PROGRAM (RSTP) FEDERAL EXCHANGE AND STATE MATCH REQUEST TO JURISDICTIONS**

### **BACKGROUND**

In March of 1993 (Resolution 5-93) the SCRTPA agreed to accept Exchange program funds as allocated under Section 182.6 of the Streets and Highways Code. Funds may be exchanged for nonfederal State Highway Accounts funds.

Resolution 5-93 states that funds are to be divided among the jurisdictions in the same manner as they are allocated to the SCRTPA. These funds shall be shared among the jurisdictions based on the ratio of the jurisdiction's latest urban area population estimate to that of the total County's urban area. Funds derived under Section 182.6 (d) (2) shall be allocated to the County as specified by law, and the balance of the funds shall be allocated between the cities and the County on the basis of the ratio of each jurisdiction's population growth from 1980-1990 to the County population growth during that period.

Each of the entities has the capability of selecting and prioritizing projects using those funds allocated to them. The SCRTPA delegates to each of the eligible entities project selection authority for projects to be funded under this program.

### **PROCEDURES**

The annual exchange funds are allocated to the SCRTPA on an annual basis from the Department of Transportation (DOT). The amount of funding allowable is calculated by the DOT.

Two factors are used to determine the amount allocated by jurisdiction. Amounts are first allocated based upon the population in the urban area based on 110% of the Federal Aid Urban (FAU) that preceded ISTEA. The remainder of funding, "other", is allocated based upon the growth in each entity from 1980 to 1990. The urban population is updated annually using the Department of Finance's E-1 report. These population figures determine the percentage of funding allocated to each jurisdiction based on the old FAU funding figures.

The amount of funds received from exchange that exceed the Old FAU are presented as “other” and are allocated based upon prior population figures for each jurisdiction as presented on the attached allocation schedule.

The City of Shasta Lake was incorporated on July 2, 1992. Prior to incorporation, Shasta Lake’s population was included in the unincorporated area of Shasta County. In order to obtain census data, the United States Census Bureau must incorporate a city for one year before it is recognized as a city. The first documented census data for the City of Shasta Lake occurred in 1994/1995. The City of Shasta Lake became eligible for exchange funds at this time, and was removed from the County’s population.

An allocation summary is disbursed to the jurisdictions that combine the Old FAU population allocations, and “other” funding allocations.

### **FINANCIAL CONTROLS**

City and county agencies must establish a separate account within their “Special Gas Tax Street Improvement Fund” or “County Road Fund” to deposit and account for State exchange and match payments received directly from the SCRTPA.

City and county expenditures of exchange and match funds will be subject to financial and compliance audits by State of California auditors.

**Any federal monies received from the SCRPTA must be audited under Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.**

Agencies are required to submit an annual document stating that RSTP exchange funds have been used for eligible projects as defined in Section 133(b). Agencies must submit documentation no later than July 31 of each year in order to receive distribution of current year exchange funds.

In the event of an adverse audit finding, the agency must return the State cash to the SCRTPA for allocation to other eligible projects. If an adverse finding is not corrected, a hold will be placed on future exchange and match payments to the jurisdiction until such time as the adverse findings are corrected to the satisfaction of the SCRTPA.

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| <p style="text-align: center;"><b>SHASTA COUNTY RTPA<br/>POLICY AND PROCEDURE MANUAL</b></p> |                                  | Number     |
|                                                                                              |                                  | 6-6 Rev. 1 |
| SECTION: TDA Guidelines and Procedures                                                       | TDA Compliance and Fiscal Audits |            |
| APPROVAL DATE: 6-26-07 Rev. 1                                                                |                                  |            |
| Page No. 1 of 2                                                                              |                                  |            |

**PROCEDURES TO INCLUDE TRANSPORTATION DEVELOPMENT ACT (TDA)  
ANNUAL COMPLIANCE AND FISCAL AUDIT IN AGENCY ANNUAL AUDITS, AND  
PROVIDE DOCUMENTATION FOR AUDITS**

**BACKGROUND**

Pursuant to Public Utilities Code Section 99245, the transportation planning agency shall be responsible for ensuring that all claimants to whom it directs the allocation of funds submit to the planning agency an annual certified fiscal audit conducted by an entity other than the claimant.

The Shasta County Regional Transportation Planning Agency (SCRTPA) has previously incorporated the claimant's annual TDA fiscal and compliance audits into the SCRTPA audit. This policy, as amended, will allow for the claimants to include the TDA audits within the scope of their own annual fiscal audits.

If a claimant determines that they will include the TDA fiscal audit within the scope of their annual fiscal audit, the claimant must notify the SCRTPA no later than June 1 of each calendar year of their determination. The SCRTPA will provide a document to the claimant prior to June 1 requesting that the claimant verify if the claimant will include the annual TDA audit, or if the audit will be included in the SCRTPA annual audit.

If the claimant requests that the SCRTPA include the TDA fiscal audit within the SCRTPA annual audit, the claimant shall designate one point of contact for all responses, documents and/or data regarding the audit.

Any federal monies received from the SCRTPA must be audited under *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*.

A report on the audit shall be submitted to the SCRTPA within 180 days after the end of the fiscal year. The planning agency may grant an extension of up to 90 additional days as it deems necessary. The claimant's annual TDA audit must comply with *Article 5.5 of the TDA Statutes and California Code of Regulations*. The claimant must provide a separate report, and the audit report shall include a certification of compliance with the Act.

Original Adoption 7-23-02  
Revision No. 1 6-26-07

Allocations may be delayed to any claimant that is delinquent in its submission of a fiscal and compliance audit report.

If a claimant determines that the SCRTPA is to include their audit within the SCRTPA annual audit, the following documentation must be provided to the SCRTPA no later than 30 days following the end of the claimant's fiscal year end:

1. General Ledger Detail for the audit period.
2. Reconciliation of cash balances. This reconciliation should agree to the agency's general ledger with adjustments to agree to the amount per the trial balance.
3. General Ledger Detail for the period July 1 to September 30 subsequent to the audit period.
4. Budgets for Revenues and Expenditures of TDA funds for the fiscal year.
5. Audited Financial Statements for the current year.
6. Documentation to support expenses funded by TDA disbursements.
7. Additional requests as needed by external auditors.

## **PROCEDURES**

1. Prior to June 1 of each year, the SCRTPA will provide documentation for claimant to confirm if the claimant or the SCRTPA will include the TDA audit within the scope of its annual fiscal and compliance audit.
2. If the claimant will provide its own TDA audit, the claimant is to provide a certification of compliance with the TDA act no later than 180 days after the close of the fiscal year. A period of no longer than 90 days may be granted to the claimant by the SCRTPA if deemed necessary.
3. If the SCRPTA is to include the TDA audit within its annual audit, the requested documentation must be provided to the SCRTPA no later than 30 days after the claimant's fiscal year end.
4. Claimant certified audited financial statements shall be provided to the SCRTPA no later than 180 days after the end of the fiscal year, or no later than 270 days from the end of the fiscal year if an extension has been granted.
5. Allocation for claimant may be delayed if delinquent in submission of their annual fiscal and compliance audit, or if claimant fails to provide requested documentation within the allotted time period.

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.