REPORT TO SHASTA COUNTY RTPA

SUBJECT		MEETING DATE	ITEM NUMBER
Acceptance of RTPA Triennial Performance Audit		10/26/04	3-4

RECOMMENDATION
It is recommended that the Board accept the triennial performance audit of the Regional Transportation Planning Agency (RTPA) for the fiscal years ending June 30, 2001,2002,2003.

SUMMARY
In accordance with the rules and regulations governing the Transportation Development Act (TDA) and State and Federal planning funds, a triennial performance audit must be completed for the RTPA. Some findings were noted by the auditor; each of the auditor's recommendations is addressed within the discussion that follows.

DISCUSSION
The provisions of the California Public Utilities Code, 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 Director of the California Department of Transportation. The audit for fiscal years ended June 30, 2001/02/03 has been completed and reviewed by staff. Recommendations are as follows:

Finding

- Public Utilities Code Section 99245 requires that all claimants that the Shasta County Regional Transportation Planning Agency allocates TDA funds to, submit to it and to the State Controller, annual certified fiscal and compliance audit reports within 180 days after the end of the fiscal year. For the fiscal years ended June 30, 2001, 2002 and 2003, the annual reports were submitted on April 15, 2002, January 10, 2003 and March 10, 2004, respectively. We continue to recommend that the Agency implement a policy that requires all claimants to which it allocates TDA funds to submit their annual fiscal and compliance audit reports within the specified time period to the appropriate agency.

RTPA Response

- The RTPA has adopted policy #6-6 in order to address this issue, which outlines the procedures that should be followed when submitting these reports.

Finding

- Public Utilities Code Section 99244 requires that a productivity committee be formed and 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 committee should be comprised of representatives from the management of the operators, organizations of employees of the operators, and users of the transportation services of the operators located within the area under the jurisdiction of the responsible entity.

RTPA Response

- The RTPA will research the feasibility of establishing a productivity committee for recommendation to the operator, the Redding Area Bus Authority (RABA), and the RTPA board.

Finding

- Public Utilities Code Section 99245 requires that the RTPA receive and audit annual financial reports from each operator within its jurisdiction within 180 days after the end of the fiscal year. During the performance audit, we noted that the financial reports were not received within the specified time period. We will continue to recommend that the RTPA ensure that its subrecipients submit their annual reports within 180 days after their fiscal year ends.

RTPA Response

- The RTPA shall make every effort to receive subrecipients' annual reports within the required timeframe. Policy #6-6 established a process for failure to submit annual reports and data.

Finding

- Per section IV.9 of the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*, it is suggested that the RTPA clearly identify grant eligibility and compliance requirements for its subrecipients. It also suggests that the RTPA develop a systematic method to verify and ensure compliance of each subrecipient. We 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.

RTPA Response

- The RTPA will develop a policy for subrecipients to include monies received from the RTPA in their Circular A-133 audit.

ALTERNATIVES
Board could choose not to accept the audit and direct staff to prepare alternate responses.

OTHER AGENCY INVOLVEMENT
Upon acceptance, the audits must be forwarded to the State Controller's Office.

FINANCING
This action will have no financial impact.

Daniel J. Kovacich
Daniel J. Kovacich, Executive Officer

SLC/jac

Attachment: Performance Audit

SHASTA COUNTY REGIONAL TRANSPORTATION PLANNING AGENCY

PERFORMANCE AUDIT
JUNE 30, 2001, 2002 AND 2003

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May 24, 2004

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, 2001, 2002 and 2003.

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

The Shasta County Regional Transportation Planning Agency (Agency) was created in February, 1972, as the designated planning agency for Shasta County. It was then known as the Shasta County Local Transportation Commission (LTC). The 1980 census established the Redding area as a Standard Metropolitan Statistical Area. The LTC was then designated as a Metropolitan Planning Organization (MPO) which mandates that the Agency carry out Federal transportation planning requirements and which also enables the Agency to receive Federal planning funds. The MPO was formalized by a Memorandum of Understanding (MOU) between the MPO, Shasta County, the City of Redding, the City of Anderson, the City of Shasta Lake, the Redding Area Bus Authority (RABA) and the California Department of Transportation. In 1984, the Shasta County MPO was changed to the Shasta County Regional Transportation Planning Agency.

The Agency is responsible for the development and adoption of transportation policy, review and coordination of transportation planning; a Regional Transportation Plan; and a Regional and Federal Transportation Improvement Program. 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:

Regional Transportation Plan

The Regional Transportation Plan (RTP) is a triennial document, which must be reviewed every three years and updated if necessary. The RTP presents regional transportation goals, objectives, and policies. The RTP also contains a transportation plan and program with special projects incorporating issues, needs, alternatives and impacts over a twenty-year time frame. All proposed transportation projects must be reviewed for consistency with the RTP.

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.

Overall Work Program

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.

Transportation Development Act Administrator

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, 2001, 2002, and 2003, 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:

Compliance Requirements

Public Utilities Code Section 99245 requires that all claimants that the Shasta County Regional Transportation Planning Agency allocates TDA funds to, submit to it and to the State Controller, annual certified fiscal and compliance audit reports within 180 days after the end of the fiscal year. For the fiscal years ended June 30, 2001, 2002 and 2003, the annual reports were submitted on April 15, 2002, January 10, 2003 and March 10, 2004, respectively. We continue to recommend that the Agency implement a policy that requires all claimants to which it allocates TDA funds to submit their annual fiscal and compliance audit reports within the specified time period to the appropriate agency.

Agency's Response

The RTPA has adopted policy #6-6 in order to address this issue, which outlines the procedures that should be followed when submitting these reports.

Productivity Committee Functions

Public Utilities Code Section 99244 requires that a productivity committee be formed and 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 committee should be comprised of representatives from the management of the operators, organizations of employees of the operators, and users of the transportation services of the operators located within the area under the jurisdiction of the responsible entity.

As an additional means of identifying potential productivity improvements, the Shasta County RTPA has proposed a policy to require RABA to report on its own productivity, provide suggestions for improvement, and report on progress towards implementation of improvements. This represents a proactive approach to fulfilling the responsibility, and therefore, we recommend that the Shasta County RTPA place a high priority on adopting and implementing this type of policy.

The committee should also meet on a regular basis and make some effort to identify potential efficiency improvements and monitor and evaluate the implementation of performance audit recommendations and other study recommendations.

This has been a continuing recommendation to the RTPA. The Shasta County RTPA has not formed a productivity committee. We will continue to recommend that the RTPA form a productivity committee pursuant to Public Utilities Code Section 99244.

Agency's Response

The RTPA will research the feasibility of establishing a productivity committee as recommended.

Reports and Information Received by the RTPA

Public Utilities Code Section 99245 requires that the RTPA receive and audit annual financial reports from each operator within its jurisdiction within 180 days after the end of the fiscal year. During the performance audit, we noted that the financial reports were not received within the specified time period. We will continue to recommend that the RTPA ensures that its subrecipients submit their annual reports within 180 days after their fiscal year ends.

Agency's Response

The RTPA shall make every effort to receive subrecipients' annual reports within the required timeframe. Policy #6-6 established a process for failure to submit annual reports and data.

Grant Application and Compliance

Per section IV.9 of the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities,* it is suggested that the RTPA clearly identify grant eligibility and compliance requirements for its subrecipients. It also suggests that the RTPA develop a systematic method to verify and ensure compliance of each subrecipient. We 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.

Agency's Response

The RTPA will develop a policy for subrecipients to include monies received from the RTPA in their Circular A-133 audit.

PRIOR FINDINGS AND RECOMMENDATIONS

The previous performance audit was performed for the fiscal years ended June 30, 1998, 1999 and 2000.

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 99275.5, it was recommended that the Agency incorporate the criteria, rules and regulations for the evaluation of community transit service claims filed under Article 4.5 of the Transportation Development Act and the determination of the cost effectiveness of the proposed community transit services within the Agency's policy and procedures manual.

Status

The Shasta County RTPA adopted policy #6-5 in July 2002, which outlines the procedures in evaluating the claims filed under Article 4.5 of the TDA. This policy was revised on July 22, 2003.

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 California Code of Regulations Section 6642, it was recommended that the Agency implement policies and procedures to ensure annual audits are submitted within the required time period.

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 Sections 99246 and 99248, it was recommended that the Agency implement policies and procedures to ensure all operators submit performance audits within the required time period and withhold TDA funds when filing requirements are not met.

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.

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 need to submit and have its respective entities submit required audits within timelines established by the State and we recommend that the Board develop policies and procedures to ensure the required filings are met in a timely manner. Agency management has determined that this will be a top priority for the administration for future audits.

D. H. Scott & Company LLP

Redding, California
May 25, 2004