STAFF REPORT

MEETING DATE:	**April 30, 2025**
SUBJECT:	**Receive Triennial Performance Audit Reports for Fiscal Years 2021/22 through 2023/24 for SRTA and RABA**
AGENDA ITEM:	**13**
STAFF CONTACT:	**Jessica Carlson, Chief Fiscal Officer**

SUMMARY:
SRTA consultant, Moore & Associates, has completed their Triennial Performance Audit (TPA) of the agency for the years ending June 30, 2022, 2023, and 2024. SRTA adheres to Transportation Development Act (TDA) regulations in an efficient and effective manner apart from two exceptions and one functional finding.

STAFF RECOMMENDATION:
It is recommended that the board of directors accept the Triennial Performance Audit of SRTA for the three years ending June 30, 2022, 2023, and 2024.

DISCUSSION:
Background – The TDA requires SRTA, as the Regional Transportation Planning Agency (RTPA), to have an independent auditor perform the TPA. Moore & Associates has completed their audit of the agency for the years ending June 30, 2022, 2023, and 2024 (Attachment A). Additionally, the TDA requires the RTPA to complete an independent TPA for any transit operators within its jurisdiction. RABA is the sole TDA transit operator in the Shasta Region and their audit is also attached (Attachment B).

SRTA Triennial Performance Audit Compliance Findings – The auditor has identified certain unmet requirements and made corresponding recommendations based on Transportation Development Act (TDA) regulations. None of the findings resulted in any financial loss to the agency or its members. SRTA adheres to TDA regulations in an efficient and effective manner apart from two compliance exceptions:

- SRTA's FY 2021/22 and FY 2022/23 TDA fiscal audits were not completed within 12 months of the end of the fiscal year.
- State Controller Financial Transaction Reports (FTR) for FY 2021/22 and FY 2022/23 were submitted after the January 31 deadline.

With respect to the FY 2021/22 fiscal audit, SRTA had been granted an extension to March 2023. Many factors contributed to the late submission, including the single audit from FY 2020/21 not being completed until September 29, 2022, resulting in a late start on FY 2021/22 financial statement preparation; consultant delays; auditor staffing issues and absences; scheduling conflicts; and internal auditor controls requiring multiple department reviews. This inadvertently caused the audit to be completed past the contracted deadline. SRTA staff performance was not determined as a reason for the missed deadline. Because the FY 2021/22 audit was late, the State Controller's Office (SCO) withheld the fourth quarter FY 2022/23 State Transit Assistance (STA) payments, though SRTA was still able to make payments to the jurisdictions as promised using available STA funds. These payments were released following submittal of the completed FY 2021/22 fiscal audit.

Several of the same factors impacted the FY 2021/22 fiscal audit contributing to the late submission of the FY 2022/23 fiscal audit, including a late start on FY 2022/23 financial statement preparation (due to the delayed FY 2021/22 audit); consultant delays; scheduling conflicts; and internal auditor controls requiring multiple department reviews. Fourth quarter FY 2023/24 STA payments were also withheld until the audit was completed. The board of directors and Fiscal & Policy Committee were aware of these previous issues as each yearly audit was completed.

Regarding the late Financial Transaction Reports (FTR) to the SCO, late submittals (after January 31) were the result of miscommunications, extenuating circumstances, or the required data not being available. Failure to submit the report on time can result in SRTA being out of compliance with the TDA. The FY 2021/22 FTR was submitted on February 10, 2023. The FY 2022/23 FTR was submitted on March 19, 2024, as SRTA staff were waiting for the agency's audited financial statements. Recently, SRTA staff have confirmed with the SCO that preliminary, unaudited financials can be used to submit an FTR by the deadline, and then the FTR can be updated once the audited figures become available. SRTA staff have now implemented a series of schedule reminders to keep track of reporting deadlines. Additionally, the FY 2023/24 FTR was submitted on time (January 30, 2025).

Functional Findings – There was one functional finding. While this finding is not a compliance finding, the auditors believe it is significant enough to be addressed within this review:

- SRTA did not implement one of its recommendations from the prior audit pertaining to operator productivity oversight: Create a transit operator productivity committee.

The SRTA Board of Directors did not favor creating a new committee during the last performance period. In addition, legislative requirements for transit operators to demonstrate TDA productivity improvements (i.e., fare box ratio) were suspended during the audit period as the public transportation industry seeks alternative methods of evaluating productivity, which consider state-wide impacts to ridership and delivery of service state-wide. Lastly, RABA was revising its performance metrics as part of their Short-Range Transit Plan update, which was adopted January 22, 2024. New procedures for monitoring operator productivity were not introduced during the audit period.

SRTA conducts regular monitoring of transit operator performance as part of the annual TDA claims process and Unmet Transit Needs process. The auditor has adjusted their recommendation stating that SRTA should consider making the productivity review a more formal component of the annual TDA claims process, starting in FY 2025/26, by adding a transit operator productivity assessment as part of the TDA claim process through the use of two forms: A Progress Report on Triennial Performance Audit Productivity and Transit Operator Performance Measures Form (Exhibits 7.2 and 7.3 respectively from Attachment A). Staff will review these forms for inclusion into the FY 2026/27 Transit Needs Assessment and claims process.

RABA Triennial Performance Audit Findings – Auditors reported RABA compliant with the requirements of the Transportation Development Act (TDA). Additionally, the transit operator generally functions in an efficient, effective, and economical manner. RABA was found to have implemented all three prior findings and recommendations, with no new compliance findings found during the audit period. However, the auditors did identify one functional finding: RABA would benefit from a dedicated financial-based position (not shared with the City of Redding).

There are numerous grants RABA manages and is interested in securing. Each grant comes with different reporting and compliance requirements, as well as the initial application effort. Having a dedicated financial staff position may allow RABA to secure and manage more grants. However, RABA's administrative, planning, and financial activities have transitioned over the last two years from having one primary position with several shared staff for various functions to a more dedicated team of staff, which happened during part of the recently audited reporting period. The recommendation is for RABA to use the current performance period (FY 2024/25 through FY 2026/27) to evaluate whether or not a dedicated financial staff position is necessary.

ALTERNATIVES:
The board may direct staff to clarify content in the report, suggest responses to the compliance findings, and make recommendations to implement during the next audit period ending June 30, 2027.

OTHER AGENCY INVOLVEMENT:
The Technical Advisory Committee (TAC) met on April 9, 2025, to review and discuss the Triennial Performance Audits of SRTA and RABA.

FISCAL & POLICY COMMITTEE REVIEW:
The Fiscal & Policy Committee met on April 14, 2025, to review and discuss the Triennial Performance Audits of SRTA and RABA.

FISCAL IMPACT:
There are no anticipated costs associated with resolving the compliance findings. There are nominal anticipated costs associated with the functional recommendation to incorporate the new forms into the TDA claims process and evaluate RABA for the performance criteria each year.

SRTA and regional transit operators must remain in compliance with the TDA to continue to receive funds from the Local Transportation Fund (LTF) and the State Transit Assistance (STA) program.

Sean Tiedgen, AICP, Executive Director

Attachments:
A: TDA Triennial Performance Audit of SRTA, FY 2021/22 through FY 2023/24
(available online at: https://www.srta.ca.gov/DocumentCenter/View/9788/FY-2022-2024-Triennial-Performance-Audit-of-SRTA)
B: TDA Triennial Performance Audit of RABA, FY 2021/22 through FY 2023/24
(available online at: https://www.srta.ca.gov/DocumentCenter/View/9789/FY-2022-2024-Triennial-Performance-Audit-of-RABA)