

STAFF REPORT

SUBJECT: Triennial Performance Audits
FY15/16, 16/17, 17/18

RECOMMENDED ACTION: Motion to Receive and Accept the Reports and Findings

DISCUSSION:

California's Transportation Development Act (TDA) requires that a triennial performance audit be conducted of public transit entities receiving TDA revenues and of the regional transportation planning agencies responsible for administering the Transportation Development Act. The purpose of the performance audit is to evaluate each recipient's effectiveness and efficiency in the use of its TDA funds.

SJCOG engaged Moore & Associates to conduct the audits of the San Joaquin Regional Transit District, the San Joaquin Regional Rail Commission, the City of Lodi, City of Manteca, City of Escalon, City of Tracy, City of Ripon and SJCOG itself.

As a result of the audits, the following recommendations were included in each report (the full report is available on request).

Triennial Performance Audit Findings/Recommendations FY 15/16, 16/17 & 17/18			
SJCOG Recommendations			
TDA Program Compliance Recommendations		Importance	Timeline
1	Continue to work with the fiscal and compliance auditor to ensure audits can be completed within the time stipulated by the TDA	Medium	FY2018/19
2	SJCOG should work with its auditor to ensure on-time completion of the triennial performance audits.	Medium	FY2018/19
3	When triennial performance audits are submitted more than one year following the end of the triennium, SJCOG should withhold TDA allocations until the audits are completed	Medium	FY2018/19
4	Upon completion of the triennial performance audit process, SJCOG must prepare a transmittal letter to Caltrans which certifies the completion of the operator audits and accompanies submittal of the RTPA audit	High	FY2018/19
Functional Recommendations		Importance	Timeline
1	Incorporate Caltrans' "Regional Transportation Plan Checklist for MPOs" into the RTP/SCS document	Medium	2022 Update
2	Incorporate a form that assesses the implementation status of productivity and/or TDA triennial performance audit Medi recommendations as part of the TDA claims process.	Medium	FY 2019/20
3	Consider adding a 0.5 FTE position for the Finance department.	Medium	FY 2019/20
Rail Recommendations			
TDA Program Compliance Recommendations		Importance	Timeline
1	Be mindful of filing deadlines for the State Controller's Report.	Low	Ongoing
SJRTD Recommendations			
TDA Program Compliance Recommendations		Importance	Timeline
1	RTD should continue to use the proper definition of "full-time equivalent" (FTE) when calculating Employees for reporting to the State Controller	Medium	FY2018/19

Manteca Recommendations			
Functional Recommendations		Importance	Timeline
1	The City should allocate its annual modal expenses according to the actual amount of service being provided.	Low	FY2018/19
2	Report only the appropriate modal data on the appropriate State Controller Report, and ensure FTE 20 data is reported accurately by mode.	High	FY2019/20
Tracy Recommendations			
TDA Compliance Recommendations		Importance	Timeline
1	Submit all future State Controller Reports on time.	High	Ongoing
2	The City should work with its TDA auditor to complete its fiscal audit on time.	High	FY2018/19
3	Monitor performance measures carefully to ensure the City can meet at least two of them each year.	High	Ongoing
4	Use the TDA definition of Full-Time Equivalent (FTE) employee for the City's State Controller reporting.	High	FY2018/19
Ripon Recommendations			
Functional Recommendations		Importance	Timeline
1	Do not count funds that are allocated through the TDA (whether LTF or STA) as local revenue for the purpose	High	FY2018/19
2	Use the same methodology for calculating operating costs for all reports.	High	FY2019/20
3	Post the Title VI Notice to the Public in all transit vehicles.	High	FY2018/19
Escalon Recommendations			
TDA Compliance Recommendation		Importance	Timeline
1	The City should ensure future State Controller reports are submitted within the stipulated timeframe	Medium	Ongoing
Functional Recommendations		Importance	Timeline
1	The City's transit webpage should, at a minimum, include route and schedule information, either located on the page itself or as a downloadable .pdf	High	ASAP
Lodi Recommendations			
Functional Recommendation		Importance	Timeline
1	The City should use the proper definition of "full-time equivalent" (FTE) when calculating Employees for reporting to the State Controller.	High	FY 2018/19.

SAN JOAQUIN REGIONAL TRANSIT DISTRICT
Triennial Audit Findings

Conclusions

With one exception, Moore & Associates finds RTD to be in compliance with the requirements of the Transportation Development Act. In addition, the entity generally functions in an efficient, effective, and economical manner.

Findings and Recommendations

Based on discussions with RTD staff, analysis of program performance, and an audit of program compliance and function, the audit team presents no compliance findings.

Moore & Associates has identified one functional finding:

RTD incorrectly reported “full-time equivalent” employees on its State Controller Reports in FY 2015/16 and FY 2016/17.

Program Recommendations

In completing this Triennial Performance Audit, Moore & Associates submits the following recommendations for RTD. They are divided into two categories: TDA Program Compliance Recommendations and Functional Recommendations. TDA Program Compliance Recommendations are intended to assist in bringing the operator into compliance with the requirements and standards of the TDA, while Functional Recommendations address issues identified during the audit that are not specific to TDA compliance.

Given there are no compliance findings, only functional findings are presented below.

Functional Finding 1: RTD incorrectly reported “full-time equivalent” employees on its State Controller Reports in FY 2015/16 and FY 2016/17.

Criteria: The Transit Operators Financial Transaction Report Instructions published by the State Controller state the following with respect to the reporting of Total Employees – Public and Contract:

Report the number of employee equivalents. Public Utilities Code section 99247(j) defines "Vehicle service hours per employee" as the vehicle service hours divided by the number of employees employed in connection with the public transportation system. Use the assumption that 2,000 person-hours of work in one year constitutes one employee. The number of employees shall also include those individuals employed by the operator which provide services to the agency of the operator responsible for the operation of the public transportation system even though not employed in that agency.³

Condition: When asked to provide methodology for calculating full-time equivalent (FTE) employees, RTD initially provided data used in its NTD report. However, the NTD report only includes hours for employees in a directly operated service. This would account for all administrative, operations, and maintenance hours for the directly operated service. It would not include hours worked by contract employees in the provision of contracted services. TDA regulations require transit operators to account for the total amount of time spent on transit activities, which is then divided by 2,000 to calculate full-time equivalent (FTE). This calculated figure should be reported in the State Controller Report under Employees.

In FY 2015/16, calculations based on the NTD report (which reports actual hours as well as a person-count) resulted in 180 FTE, while 194 FTE were reported to the State Controller. Zero employees were reported with respect to Dial-A-Ride services. In FY 2016/17, 200 FTE was calculated based on the NTD report, while 197 FTE were reported to the State Controller. Again, zero employees were reported with respect to Dial-A-Ride services. While the calculation methodology is correct (dividing hours worked by 2,000), the hours do not appear to include contract employees.

In FY 2017/18, the State Controller Report both included employees for Dial-A-Ride and calculated FTE using the TDA definition. Since RTD is using the TDA definition, this is considered a functional finding and not a compliance finding.

Cause: In prior years, there appeared to be a lack of understanding with respect to the definition of FTE for reporting to the State Controller.

Effect: Use of a definition other than the TDA definition puts RTD out of compliance with the TDA.

Recommendation: RTD should continue to use the proper definition of “full-time equivalent” (FTE) when calculating Employees for reporting to the State Controller.

Recommended Action(s): Given RTD has already demonstrated it is now using the TDA definition of full-time equivalent employee, the focus should be on continuing to calculate FTE correctly. Contractors need to provide RTD with a record of hours worked during the fiscal year prior to the development of the State Controller report. These hours should be added to RTD hours for calculation of fixed-route and demand-response FTE for reporting to the State Controller.

Timeline: FY 2018/19.

Anticipated Cost: Negligible.

TDA Program Compliance Recommendations		Importance	Timeline
1	RTD should continue to use the proper definition of "full-time equivalent" (FTE) when calculating Employees for reporting to the State Controller	Medium	FY2018/19

SJRTD RESPONSE: In FY16 and FY17, RTD reported FTE to its State Controller's Report using National Transit Database's (NTD) FTE definition. For its FY18 report, RTD learned that State Controller's Report requirement for FTE should follow TDA FTE definition, so RTD complied with the requirements in its FY18 State Controller's Report. We will continue to report FTE calculation in our State Controller's Report using the TDA FTE definition in upcoming report years.

CITY OF RIPON

Triennial Audit Findings

Conclusions

Moore & Associates finds the City of Ripon to be in compliance with the requirements of the Transportation Development Act. In addition, the entity generally functions in an efficient, effective, and economical manner.

Findings and Recommendations

Based on discussions with City staff, analysis of program performance, and an audit of program compliance and function, the audit team presents no compliance findings.

Moore & Associates has identified three functional findings. While these findings do not affect TDA compliance, we feel they are significant enough to be addressed within this audit.

1. LTF should not be counted as "local sales tax" on the State Controller's supplemental report.
2. Operating cost/expenses as reported on the TDA claim, to the State Controller, and in the TDA fiscal audit should be generally consistent with one another.
3. Transit vehicles appear to be missing the Title VI Notice to the Public, which should be displayed onboard.

Program Recommendations

In completing this Triennial Performance Audit, Moore & Associates submits the following recommendations for the City of Ripon. They are divided into two categories: TDA Program Compliance Recommendations and Functional Recommendations. TDA Program Compliance Recommendations are intended to assist in bringing the operator into compliance with the requirements and standards of the TDA, while Functional

Recommendations address issues identified during the audit that are not specific to TDA compliance.

Given there were no compliance findings, only functional recommendations are provided.

Functional Finding 1: LTF should not be counted as “local sales tax” on the State Controller’s supplemental report.

Criteria: In FY 2016/17, the State Controller’s Office began asking operators to complete a supplemental form to identify qualifying revenues that could be applied to fare-box recovery ratio calculations per PUC 99268.

Condition: On the form completed in FY 2016/17, staff included \$3,811 on line R11, identified as “Local Sales Tax (from other Local Governments).” On the State Controller Report completed earlier in the year, that amount was identified as Local Transportation Funds (LTF). LTF is not considered a qualifying revenue for calculating the fare-box recovery ratio. Per PUC 99268.19, as amended by Senate Bill 508, federal and state funds cannot be used for fare-box revenue supplementation. Fortunately, the amount is such that it does not make a difference between meeting and not meeting fare-box recovery requirements. The City receives sufficient Measure K funds (which are locally generated) that it meets its fare-box recovery ratio requirement absent any additional supplementation.

Cause: Given LTF is funded through sales tax, the City may mistakenly be counting it as a local funding source.

Effect: Such a mischaracterization of funds could have an impact on the fare-box recovery ratio calculation and, ultimately, the City’s eligibility to receive TDA funds.

Recommendation: Do not count funds that are allocated through the TDA (whether LTF or STA) as local revenue for the purpose of fare revenue supplementation.

Recommended Action(s): The City should be mindful of the characterization of LTF and STA funding as state TDA funds, not local funds, and be careful not to count those funds toward farebox revenue supplementation.

Timeline: FY 2018/19.

Anticipated Cost: Negligible.

RIPON RESPONSE: Implemented

Functional Finding 2: Operating cost/expenses as reported to the State Controller and in the City’s TDA fiscal audit should be consistent with one another.

Criteria: PUC 99247 provides a definition of operating cost, which includes all costs in the operating expense class of the Uniform System of Accounts and excludes depreciation and amortization expense classes.

Condition: While there is no evidence that the City uses a definition of operating cost that is inconsistent with the TDA, amounts reported to various sources vary considerably. For example:

	State Controller Report	City Budget (Actual)	TDA fiscal audit
FY 2015/16	\$49,233	\$49,232	\$49,134
FY 2016/17	\$33,226	\$33,227	\$28,975
FY 2017/18	\$27,647	\$27,648	\$30,685

While the State Controller Report and City Budget are consistent with one another, the TDA fiscal audit was significantly lower in FY 2016/17 and higher in FY 2017/18.

Cause: Modest discrepancies in operating cost are not uncommon, given the timing of preparation of the various reports and documents.

Effect: Large discrepancies can cast doubt on the accuracy of the City’s reporting, and have an impact on fare-box recovery ratios.

Recommendation: Use the same methodology for calculating operating cost for all reports.

Recommended Action(s): All operating cost data should be drawn from the same sources, and should be generally consistent regardless of where it is reported. Even if slight variations are identified through the audit process, large discrepancies should not be present.

Timeline: Beginning FY 2019/20.

Anticipated Cost: Negligible.

Management Response: The City does not believe it is feasible to implement this recommendation given the City’s financial statements are on a cash basis and the TDA audit is completed on an accrual basis. This causes the discrepancies in operating cost from year to year.

Functional Finding 3: Transit vehicles appear to be missing the Title VI Notice to the Public, which should be displayed onboard.

Criteria: The FTA requires any transit operator in receipt of federal funds, regardless of whether they are used for operating or capital, to prepare a Title VI program to ensure there is no discrimination based on race, color, or national origin. One element of this program is the Notice to the Public, which is typically displayed, at a minimum, onboard transit vehicles and on transit websites.

Condition: While the City displays its non-discrimination statement and Title VI complaint for on its website, transit vehicles do not include any signage pertaining to Title VI.

Cause: The demand-response vehicle may not include signage given it is typically used to transport Bethany Home residents. The cause of the omission on the two Gilligs is unclear.

Effect: If the City's Title VI program includes a statement that the Notice to the Public is posted onboard transit vehicles, then the City may be out of compliance with its own policy. If such a statement is not included, then while the City may be in compliance, it still does not adequately provide notice of Title VI.

Recommendation: Post the Title VI Notice to the Public in all transit vehicles.

Recommended Action(s): Prepare simple signage containing the Title VI Notice to the Public for display in all transit vehicles. A sample notice is provided in Appendix B of FTA Circular 4702.1B. The notice should be printed using a font large enough to be read by the average customer and provided in all languages identified as Safe Harbor languages by the City's Title VI program. Title VI notices are typically posted at the front of the vehicle, often above the front windshield.

Timeline: FY 2018/19.

Anticipated Cost: Negligible.

RIPON RESPONSE: Will implement in FY18/19

Functional Recommendations		Importance	Timeline
1	Do not count funds that are allocated through the TDA (whether LTF or STA) as local revenue for the purpose of fare revenue supplementation.	High	FY2018/19
2	Use the same methodology for calculating operating costs for all reports.	High	FY2019/20
3	Post the Title VI Notice to the Public in all transit vehicles.	High	FY2018/19

SAN JOAQUIN REGIONAL RAIL COMMISSION

Triennial Audit Findings

Conclusions

With one exception, Moore & Associates finds the Regional Rail Commission to be in compliance with the requirements of the Transportation Development Act. In addition, the entity generally functions in an efficient, effective, and economical manner.

Findings and Recommendations

Based on discussions with SJRRC staff, analysis of program performance, and an audit of program compliance and function, the audit team presents one compliance finding.

1. The FY 2015/16 State Controller Report was submitted late.
2. Moore & Associates has identified no functional findings.

Program Recommendations

In completing this Triennial Performance Audit, Moore & Associates submits the following recommendations for the SJRRC. They are divided into two categories: TDA Program Compliance Recommendations and Functional Recommendations. TDA Program Compliance Recommendations are intended to assist in bringing the operator into compliance with the requirements and standards of the TDA, while Functional Recommendations address issues identified during the audit that are not specific to TDA compliance.

Given there are no functional findings, only compliance findings are provided below.

Compliance Finding 1: The FY 2015/16 State Controller Report was submitted late.

Criteria: PUC 99243(a) requires transit operators to file an annual report with the State Controller's Office within a prescribed period of time. In FY 2015/16, the deadline was 110 days following the end of the fiscal year, or October 18, 2016, if filing electronically.

Condition: Per SJRRC staff, the FY 2015/16 State Controller Report was submitted late for two reasons. First, the SJRRC did not receive the letters from the State Controller's Office containing forms, instructions, and the submittal deadline. Second, SJRRC staff believed the filing deadline had been changed to January 31, 2017, beginning with that reporting year. Because they believed the deadline had been changed, staff did not follow up with the State Controller's Office when they did not receive the letter by the beginning of October. As soon as SJRRC staff was contacted by the State Controller's Office due to their failure to submit the report, SJRRC staff immediately requested a copy of the letter and forms and subsequently submitted SJRRC's report.

Cause: The cause of this finding was a combination of failing to receive official notification from the State Controller and a misunderstanding regarding a change in the filing deadline.

Effect: Regardless of cause, because the report was submitted late, SJRRC is out of compliance with the TDA.

Recommendation: Be mindful of filing deadlines for the State Controller's Report.

Recommended Action(s): Beyond noting the annual deadline for filing the State Controller's Report, no action is required at this time. The confusion that led to the late filing was due to a pending change in the submittal deadline, which has now taken place. Assuming no further changes are made to the submittal deadline, no future problems are anticipated.

Timeline: Ongoing.

Anticipated Cost: None.

SJRRC RESPONSE: As noted on the report we are aware of the State Controllers Report deadlines and no further action is required. We don't have any additional comments.

TDA Program Compliance Recommendations		Importance	Timeline
1	Be mindful of filing deadlines for the State Controller's Report.	Low	Ongoing

CITY OF MANTECA

Triennial Audit Findings

Conclusions

Moore & Associates finds the City of Manteca to be in compliance with the requirements of the Transportation Development Act. In addition, the entity generally functions in an efficient, effective, and economical manner.

Findings and Recommendations

Based on discussions with City staff, analysis of program performance, and an audit of program compliance and function, the audit team presents no compliance findings.

Moore & Associates has identified two functional findings. While these findings do not affect TDA compliance, we feel they are significant enough to be addressed within this audit.

1. In the reporting of operating expense by mode in FY 2015/16 and FY 2016/17, the City appeared to allocate its expenses equally between the two modes, despite a significant difference in annual Vehicle Service Hours.
2. In the FY 2017/18 State Controller Report, operating data for both modes was reported on both the general and specialized services reports, and Motor Bus FTE data was reported inconsistently between the two reports.

Program Recommendations

In completing this Triennial Performance Audit, Moore & Associates submits the following recommendations for the City of Manteca. They are divided into two categories: TDA Program Compliance Recommendations and Functional Recommendations. TDA Program Compliance Recommendations are intended to assist in bringing the operator into compliance with the requirements and standards of the TDA, while Functional Recommendations address issues identified during the audit that are not specific to TDA compliance.

Given there are no compliance findings, only Functional Recommendations are provided.

Functional Finding 1: In the reporting of operating expense by mode in FY 2015/16 and FY 2016/17, the City appeared to allocate its expenses equally between the two modes, despite a significant difference in annual Vehicle Service Hours.

Criteria: Given the City files separate reports to the State Controller for its fixed-route service and its specialized demand-response service, as well as for the NTD report, individual operating expenses must be reported for each mode.

Condition: In both FY 2016 and FY 2017, the operating expenses reported for each mode were very similar, if not identical, though the number of vehicle service hours operated for demand-response were less than half those operated for fixed-route service.

	Operating Expenses	Annual Revenue
FY 2016 Fixed-Route	\$436,998	10,023
FY 2016 Specialized Services	\$431,957	4,344
FY 2017 Fixed-Route	\$565,850	9,973
FY 2017 Specialized Services	\$565,850	4,559

Cause: When operating costs is not specifically itemized by mode, it cannot be accurately represented absent a defined calculation methodology.

Effect: Actual modal operating cost can be over- or under-represented, resulting in a skewed fare-box recovery ratio or other cost-related performance metrics.

Recommendation: The City should allocate its annual modal expenses according to the actual amount of service being provided.

Recommended Action(s): Each year, the City should define a ratio of fixed-route and demand-response operating costs based on annual revenue hours in order to accurately reflect the cost of each mode. See Chapter 5 for further explanation. Certain costs may need to be factored in on a mode-specific basis. If this is the case, that amount can be deducted from the total operating cost before determining the split of operating cost based on the percentage of hours, then added back in to the appropriate mode only.

By the time this report was finalized, the City had utilized a more consistent methodology in reporting its FY 2017/18 data, as shown below. As such, no further action is necessary provided the City continues to utilize such methods.

FY 2017/18	Fixed-Route	Demand-Response	System-Wide
Operating Cost (Actual \$)			
<i>National Transit Database</i>	\$1,105,745	\$451,642	\$1,557,387
<i>State Controller Report</i>	\$1,105,745	\$451,643	\$1,557,388
<i>NTD Percentage Split</i>	71.0%	29.0%	100.0%
<i>State Controller Report Percentage Split</i>	71.0%	29.0%	100.0%
Fare Revenue (Actual \$)			
<i>National Transit Database</i>	\$29,320	\$23,090	\$52,410
<i>State Controller Report</i>	\$29,320	\$23,090	\$52,410
Vehicle Service Hours (VSH)			
<i>National Transit Database</i>	10,320	4,177	14,497
<i>State Controller Report</i>	10,320	4,177	14,497
<i>NTD Percentage Split</i>	71.2%	28.8%	100.0%
<i>State Controller Report Percentage Split</i>	71.2%	28.8%	100.0%

Timeline: FY 2018/19.

Anticipated Cost: Negligible.

MANTECA RESPONSE #1: This recommendation has been implemented and used for FY 2017/18 reporting.

Functional Finding 2: In the FY 2017/18 State Controller Report, operating data for both modes was reported on both the general and specialized services reports, and Motor Bus FTE data was reported inconsistently between the two reports.

Criteria: The City of Manteca files separate Financial Transaction Reports to the State Controller, one for the regular (fixed-route) service and the other for the specialized (demand-response) service. Financial and performance data for the modes should be reported separately on the two reports.

Condition: In FY 2017/18, both reports included performance data for both modes, rather than only for the mode included in that report. In addition, FTE data for the fixed-route service (Motor Bus) was reported as 14 in the general report and as eight in the specialized services report. Demand-response FTE was reported as four in both reports.

Cause: While the cause of the errors in reporting is unclear, significant changes to the Financial Transaction Report form in FY 2017/18 may have been a contributing factor.

Effect: The errors in reporting create a misrepresentation of the operating characteristics of the City's transit service.

Recommendation: Report only the appropriate modal data on the appropriate State Controller Report, and ensure FTE data is reported accurately by mode.

Recommended Action(s): The City should ensure it accurately reports only the appropriate mode- specific data on each of the two Financial Transaction Reports it submits to the State Controller. Within this mode-specific data, FTE data should be accurately reported.

Timeline: FY 2019/20.

Anticipated Cost: Negligible.

MANTECA RESPONSE #2: The State Controller Report was recalled to make the correction and was resubmitted.

Functional Recommendations		Importance	Timeline
1	The City should allocate its annual modal expenses according to the actual amount of service being provided.	Low	FY2018/19
2	Report only the appropriate modal data on the appropriate State Controller Report, and ensure FTE 20 data is reported accurately by mode.	High	FY2019/20

CITY OF TRACY

Triennial Audit Findings

Conclusions

With four exceptions, Moore & Associates finds the City of Tracy to be in compliance with the requirements of the Transportation Development Act. In addition, the entity generally functions in an efficient, effective, and economical manner.

Findings and Recommendations

Based on discussions with City staff, analysis of program performance, and an audit of program compliance and function, the audit team presents four compliance findings.

1. State Controller Reports were submitted beyond the specified deadline in

- FY 2016 and FY 2017.
2. Fiscal audits were submitted late, well beyond the allowed 90-day extension.
 3. In FY 2017, the City did not achieve two of three performance measures established in lieu of fare-box recovery ratio.
 4. The City did not demonstrate use of the proper definition of Full-Time Equivalent in its reporting to the State Controller.

Moore & Associates has identified no functional findings.

Program Recommendations

In completing this Triennial Performance Audit, Moore & Associates submits the following recommendations for the City of Tracy. They are divided into two categories: TDA Program Compliance Recommendations and Functional Recommendations. TDA Program Compliance Recommendations are intended to assist in bringing the operator into compliance with the requirements and standards of the TDA, while Functional Recommendations address issues identified during the audit that are not specific to TDA compliance.

Given there are no functional findings, only TDA Compliance recommendations are provided.

Compliance Finding 1: State Controller Reports were submitted beyond the specified deadline in FY 2015/16 and FY 2016/17.

Criteria: PUC 99243(a) requires transit operators to file an annual report with the State Controller's Office within a prescribed period of time. In FY 2015/16, the deadline was 110 days following the end of the fiscal year, or October 18, 2016, if filing electronically. In FY 2016/17, the deadline was extended to seven months following the end of the fiscal year, or January 31, 2018.

Condition: In FY 2015/16, the deadline for submittal was October 18, 2016. The City's report was submitted on December 22, 2016. In FY 2016/17, the deadline for submittal was January 31, 2018. The City's report was submitted on March 19, 2018. In FY 2017/18, the State Controller Report was submitted on time.

Cause: The cause for the delay in submitting the State Controller Report was unclear.

Effect: Because the reports were submitted late, the City is out of compliance with the TDA.

Recommendation: Submit all future State Controller Reports on time.

Recommended Action(s): All employees involved in the preparation of the State Controller Reports should be aware of the January 31 deadline and strive to complete

and submit the report on time each year. Given the FY 2017/18 report was submitted on time, this issue may already be resolved.

Timeline: Ongoing.

Anticipated Cost: None.

TRACY RESPONSE #1: The City has hired Maze & Assoc. to complete and submit the State Controller's reports in a timely and more efficient matter in conjunction with the CAFR. The FY18 State Controller's report were submitted on time.

Compliance Finding 2: Fiscal audits were submitted late, well beyond the allowed 90-day extension.

Criteria: PUC 99245 requires transit operators to submit fiscal and compliance audits within 180 days following the end of the fiscal year (or with up to 90-day extension).

Condition: In FY 2015/16 and FY 2016/17, TDA fiscal audits were completed nearly a year after the end of the fiscal year. While the City was granted a 90-day extension, this exceeds the stipulated deadline of 180 days following the end of the fiscal year plus the extension. While the TDA auditor is under contract to SJCOG, not the City, it is still the City's responsibility to work with the auditor to complete its TDA audits in a timely manner, as well as request an extension if needed.

Cause: Several causes can result in the audit being completed late, including failure to close out the City's records in a timely manner, unavailability of personnel or documents, and lack of capacity on the part of the auditor.

Effect: Given the contract is through SJCOG, ultimately it is the RTPA's responsibility to ensure audits are completed on time. However, as a party to the audit, the City should take a proactive role in ensuring its timely completion.

Recommendation: The City should work with its TDA auditor to complete its fiscal audit on time.

Recommended Action(s): While the FY 2017/18 TDA fiscal audit was completed on time, the City should continue to work closely with its TDA auditor to ensure the TDA audit can be completed on time. If the audit cannot be completed within 180 days, an extension should be requested in writing, and documentation should be maintained for review at the next triennial performance audit. Should an audit be completed past the allowable extension period in a given fiscal year, the City should work with SJCOG and the auditor to determine the cause of the delay and strive to ensure the same delay does not happen the following year.

Timeline: FY 2018/19.

Anticipated Cost: Negligible.

TRACY RESPONSE #2: The TDA Audit is completed in conjunction with the CAFR. The FY18 CAFR was completed and published in December 2018. The City provided the TDA Auditors (Brown and Armstrong) with the published CAFR and the 90 extended deadline of March 31, 2018 was met.

Compliance Finding 3: In FY 2017, the City did not achieve two of three performance measures established in lieu of farebox recovery ratio.

Criteria: PUC 99405 allows an operator receiving allocations under Article 8(c) to be subject to regional, countywide, or subarea performance criteria, local match requirements, or fare recovery ratios adopted by resolution of the RTPA.

Condition: Along with Manteca, Lodi, and Escalon, the City of Tracy's performance is assessed using three performance measures. These performance measures are operating cost per revenue hour, passengers per revenue hour, and subsidy per passenger. Claimants must meet two of the three objectives or be within a five percent margin at the end of the three-year period. In FY 2016/17 and FY 2017/18, the City met its performance measure with respect to subsidy per passenger, but not operating cost per revenue hour or passengers per revenue hour. However, in FY 2016/17, the City was within five percent of the cost per revenue hour standard, which would put it in compliance with two metrics and therefore in compliance overall. This means FY 2017/18 would be the first non-compliant year, which would make it the one-time grace year.

Cause: In FY 2016/17, the City implemented a new operations contract, the cost of which was significantly higher than the previous year due to driver wage increases and additional staffing.

Effect: Such an operating cost increase without a corresponding increase in revenue hours resulted in a significant increase in operating cost per revenue hour.

Recommendation: Monitor performance measures carefully to ensure the City can meet at least two of them each year.

Recommended Action(s): The City should monitor its performance measures on an ongoing basis so as to meet its performance goals. If, based on the anticipated operating cost, fare revenue, and/or revenue hours, it does not appear the City will meet two of three performance measures, it should address those deficiencies and determine what actions it can take to work toward compliance, at a minimum by the of the three-year goal period.

Timeline: Ongoing.

Anticipated Cost: Negligible.

TRACY RESPONSE #3: The City of Tracy is currently working with SJCOG to update the performance measures for the next triennial performance period taking into consideration the current costs and forecasted costs. The City is expecting to have the updated performance measures approved by May 2019. Performances are monitored monthly through the monthly performance reports provided the City's operating contractor. If City foresees a potential issue in not meeting at least two of the performance measures, the City will evaluate ways to either increase ridership and/or decrease expenses. SJCOG will be notified of the potential issue and together work out a solution.

Compliance Finding 4: The City did not demonstrate use of the proper definition of Full-Time Equivalent in its reporting to the State Controller.

Criteria: The Transit Operators Financial Transaction Report Instructions published by the State Controller state the following with respect to the reporting of Total Employees – Public and Contract:

Report the number of employee equivalents. Public Utilities Code section 99247(j) defines "Vehicle service hours per employee" as the vehicle service hours divided by the

number of employees employed in connection with the public transportation system. Use the assumption that 2,000 person-hours of work in one year constitutes one employee. The number of employees shall also include those individuals employed by the operator which provide services to the agency of the operator responsible for the operation of the public transportation system even though not employed in that agency.³

Condition: The City's calculation methodology is unclear. While it is apparent the City is including contractor hours in its State Controller reporting, the City did not demonstrate how it calculated or defined those numbers.

Cause: There may be a disconnect between the individual responsible for preparation of the State Controller Report and those who review the Triennial Performance Audit findings, or a lack of understanding of how the FTE metric is defined by the State Controller. In some cases, the City accepts FTE as from the contractor without verifying that it has been calculated using the TDA definition.

Effect: Use of a definition other than the TDA definition puts the City out of compliance with the TDA.

Recommendation: Use the TDA definition of Full-Time Equivalent (FTE) employee for the City's State Controller reporting.

Recommended Action(s): Use payroll records from the City and the contractor to document the total amount of time spent on transit, and use that figure (divided by 2,000) to calculate FTE for reporting to the State Controller. Do not report a person-count, use a divisor of 2,080 hours, or use FTE figures used in budgeting to calculate Employees for the State Controller Report.

Timeline: FY 2018/19.

Anticipated Cost: Negligible.

TRACY RESPONSE #4: Staff on both the Transit and Finance side were unaware of the difference in FTE definitions. Moving forward, staff will use the TDA definition of FTE for the State Controller report.

	TDA Compliance Recommendations	Importance	Timeline
1	Submit all future State Controller Reports on time.	High	Ongoing
2	The City should work with its TDA auditor to complete its fiscal audit on time.	High	FY2018/19
3	Monitor performance measures carefully to ensure the City can meet at least two of them each year.	High	Ongoing
4	Use the TDA definition of Full-Time Equivalent (FTE) employee for the City's State Controller reporting.	High	FY2018/19

CITY OF ESCALON

Triennial Audit Findings

Conclusions

With one exception, Moore & Associates finds the City of Escalon to be in compliance with the requirements of the Transportation Development Act. In addition, the entity generally functions in an efficient, effective, and economical manner.

Findings and Recommendations

Based on discussions with City staff, analysis of program performance, and an audit of program compliance and function, Moore & Associates has identified one compliance findings:

1. In FY 2015/16, the State Controller Report was submitted after the stipulated deadline.

Moore & Associates has identified one functional finding. While this finding does not affect TDA compliance, we believe it warrants inclusion within this audit:

- 1 . The City's transit webpage does not effectively communicate eTrans service information.

Program Recommendations

In completing this Triennial Performance Audit, Moore & Associates submits the following recommendations for the City of Escalon. They are divided into two categories: TDA Program Compliance Recommendations and Functional Recommendations. TDA Program Compliance Recommendations are intended to assist in bringing the operator into compliance with the requirements and standards of the TDA, while Functional Recommendations address issues identified during the audit that are not specific to TDA compliance.

Compliance Finding 1: In FY 2015/16, the State Controller Report was submitted after the stipulated deadline.

Criteria: PUC 99243(a) requires transit operators to file an annual report with the State Controller's Office within a prescribed period of time. In FY 2015/16, the deadline was 110 days following the end of the fiscal year, or October 18, 2016, if filing electronically.

Condition: In FY 2015/16, the deadline for submittal was October 18, 2016. The City's report was submitted on October 27, 2016. While this was only one week past the deadline, it was still late.

Cause: The cause for the delay in submitting the State Controller Report was a challenge with uploading the document via the State Controller's FTP site.

Effect: Failure to submit the report on time results in the City being out of compliance with the TDA.

Recommendation: The City should ensure future State Controller reports are submitted within the stipulated timeframe.

Recommended Action(s): Beyond noting the annual deadline for filing the State Controller's Report, no action is required at this time. The next year's report was submitted on time, and the deadline extended to January 31.

Timeline: Ongoing.

Anticipated Cost: None.

Functional Finding 1: The City's transit webpage does not effectively communicate eTrans service information.

Criteria: Marketing and public information is a key functional area for a transit operator. Ready availability of route and schedule information is a critical component of this functional area.

Condition: While the transit webpage included a link to fare information, it does not include any route or schedule information, though it does feature a link to the Google Trip Planner. The City recently fixed some broken links and linked a user-friendly URL (www.escalonetrans.org) with its transit webpage.

Cause: The City may not include the service information because it includes the link to the Google Trip Planner.

Effect: While the Google Trip Planner provides route and schedule information, it does not provide a comprehensive overview of the route, stops, or hours of operation for potential riders.

Recommendation: The City's transit webpage should, at a minimum, include route and schedule information, either located on the page itself or as a downloadable .pdf file.

Recommended Action(s): The easiest solution may be to upload an electronic version of the existing Rider's Guide to the City's transit webpage.

Timeline: FY 2018/19.

Anticipated Cost: None.

TDA Compliance Recommendation		Importance	Timeline
1	The City should ensure future State Controller	Medium	Ongoing
	reports are submitted within the stipulated timeframe		
Functional Recommendations		Importance	Timeline
1	The City's transit webpage should, at a minimum,	High	ASAP
	include route and schedule information, either located on the page itself or as a downloadable .pdf		

Escalon Response #1: Staff has ensured that the Transit Operator Financial Report is submitted timely. There was an issue with the electronic submission and the Transit Coordinator had a documented conversation with Chi Ha, Fiscal Analyst, Local Government Reporting Section Division of Accounting and Reporting, California State Controller's Office on 10-28-16 on the issue and they accepted the submission once the issue was resolved internally with their FTP site.

Escalon Response #2: The City of Escalon changed over during the time when the auditor was doing field work and as a result, not all the information transferred over to the new site. The new webpage is being redesigned and will be updated by 5-15-19 by the Transit Coordinator. The old website had all of the information suggested by the auditor. See here for the old website: <http://web.archive.org/web/20180903023415/http://cityofescalon.org/departments/transit-services/>

CITY OF LODI

Triennial Audit Findings

Conclusions

With one exception, Moore & Associates finds the City of Lodi to be in compliance with the requirements of the Transportation Development Act. In addition, the entity generally functions in an efficient, effective, and economical manner.

Findings and Recommendations

Based on discussions with City of Lodi staff, analysis of program performance, and an audit of program compliance and function, the audit team presents one compliance finding.

1. The City's Full-Time Equivalent calculation uses 2,080 hours to calculate contractor FTE and does not appear to include City maintenance labor hours.

Moore & Associates has identified no functional findings.

Program Recommendations

In completing this Triennial Performance Audit, Moore & Associates submits the following recommendations for the City of Lodi. They are divided into two categories: TDA Program Compliance Recommendations and Functional Recommendations. TDA Program Compliance Recommendations are intended to assist in bringing the operator into compliance with the requirements and standards of the TDA, while Functional Recommendations address issues identified during the audit that are not specific to TDA compliance.

Given there are no functional findings, only TDA Compliance Recommendations are provided.

Compliance Finding 1: The City's Full-Time Equivalent calculation uses 2,080 hours to calculate contractor FTE and does not appear to include City maintenance labor hours.

Criteria: The Transit Operators Financial Transaction Report Instructions published by the State Controller state the following with respect to the reporting of Total Employees – Public and Contract:

Report the number of employee equivalents. Public Utilities Code section 99247(j) defines "Vehicle service hours per employee" as the vehicle service hours divided by the number of employees employed in connection with the public transportation system. Use the assumption that 2,000 person-hours of work in one year constitutes one employee. The number of employees shall also include those individuals employed by the operator which provide services to the agency of the operator responsible for the operation of the public transportation system even though not employed in that agency.³

³ Transit Operators Financial Transaction Report Instructions, California State Controller's Office, page 22.

Condition: In the documentation provided by the City to the audit team, contractor hours were divided by 2,080 to calculate FTE, which was then added to City transit FTE. Those numbers were then rounded. No mechanic hours were included in the calculation. These hours may have been included in the data reported to the State Controller, as that number of employees was slightly higher than what appeared on the City's documentation. Data from FY 2017/18 is shown below as an example.

	Total	Fixed-Route	Demand-Response
Contractor Hours	54,546.26	36,097.89	18,448.37
FTE (Divided by 2,080)	26.22	17.35	8.87
FTE (Divided by 2,000)	27.27	18.05	9.22

	Fixed-Route	Demand-Response		Fixed-Route	Demand-Response
	Based on 2,080			Based on 2,000	
Contractor	17.35	8.87		18.05	9.22
City Mechanics	0.00	0.00		0.00	0.00
City Admin	1.50	1.50		1.50	1.50
Total FTE	18.85	10.37		19.55	10.72
Rounded FTE	19	10		20	11

Cause: There appears to be a lack of understanding with respect to the definition of FTE for reporting to the State Controller.

Effect: Use of a definition other than the TDA definition puts the City out of compliance with the TDA.

Recommendation: The City should use the proper definition of “full-time equivalent” (FTE) when calculating Employees for reporting to the State Controller.

Recommended Action(s): In calculating FTE, the City should add together all hours worked by the contractor, all hours worked by administrative staff, and all hours worked by maintenance staff. This should include all hours worked (including overtime), but not hours for sick time, vacation, or leave (even though those hours might be paid out of the transit fund). Ideally, actual hours worked would be run for all dedicated City transit employees, though 2,000 hours could be counted for each full-time transit employee if necessary. Once the hours have been calculated, they can be split between fixed- route and demand-response using a percentage formula. The resulting hours should be divided by 2,000 and rounded to the nearest whole number for reporting to the State Controller. This method is demonstrated in the table below.

	Fixed-Route	Demand-Response
Contractor	36,097.89	18,448.37
City Mechanics	0.00	0.00
City Admin	3,000	3,000
Total hours	39,097.87	21,448.27
FTE (divided by 2,000)	19.55	10.72
Rounded FTE	20	11

Timeline: FY 2018/19.

Anticipated Cost: Negligible.

Functional Recommendation		Importance	Timeline
1	The City should use the proper definition of “full-time equivalent” (FTE) when calculating Employees for reporting to the State Controller.	High	FY 2018/19.

LODI RESPONSE: Our finding regarding the use of 2,080 hours to calculate FTE is based on past acceptable standards of practice. We were unaware that 2,000 hours was the requirement for reporting to the State Controller. Moving forward, Lodi has changed its FTE calculation methodology for future SCO reports. With regard to the issue of not including City mechanics hours into the FTE calculation methodology, this is due to the fact that there are no dedicated transit mechanics. Our City’s Fleet Maintenance Division charges back vehicle maintenance expenses to the transit operating budget. This practice has been in place since 1994 when the fixed route transit system was first implemented and has never been identified as a finding in the past.

SAN JOAQUIN COUNCIL OF GOVERNMENTS

Triennial Audit Findings

Conclusions

With four exceptions, we find San Joaquin Council of Governments, functioning as the RTPA, to be in compliance with the requirements of the Transportation Development Act. In addition, the entity generally functions in an efficient, effective, and economical manner. The compliance findings and the recommendations for their resolution are detailed below.

Findings and Recommendations

Based on the current review, we submit the following TDA compliance findings:

1. The City of Tracy’s TDA fiscal audits were submitted past the allowable extension in FY 2015/16 and FY 2016/17.
2. The FY 2013-FY 2015 Triennial Performance Audits were completed after the deadline set in the second extension requested by SJCOG.
3. SJCOG continued to allocate funds to operators even though triennial performance audits were not submitted by the start of the second fiscal year following the last fiscal year of the triennium.
4. SJCOG did not certify in writing completion of the prior triennial performance audit of its operators.

We also identified three additional functional findings. While these findings are not TDA compliance related, we believe they warrant inclusion within this review.

1. Compliance with 2017 Regional Transportation Plan requirements

could be more easily and effectively evaluated by incorporating Caltrans' "Regional Transportation Plan Checklist for MPOs" into the RTP/SCS document.

2. While SJCOG annually assesses operator performance during the TDA claims process, it does not currently assess the implementation status of productivity and/or TDA triennial performance audit recommendations.
3. The Finance Department warrants additional staffing in order to effectively accommodate all of its responsibilities.

In completing this Triennial Performance Audit, we submit the following findings and recommendations for the San Joaquin Council of Governments. They have been divided into two categories: TDA Program Compliance Findings and Recommendations and Functional Findings and Recommendations. TDA Program Compliance Findings and Recommendations are intended to assist in bringing the agency into compliance with the requirements and standards of the TDA, while Functional Findings and Recommendations address issues identified during the TPA that are not specific to TDA compliance. Each finding is presented with the elements identified within the 2011 *Government Auditing Standards* as well as one or more recommendations.

Compliance Finding 1: The City of Tracy's TDA fiscal audits were submitted past the allowable extension in FY 2015/16 and FY 2016/17.

Criteria: PUC 99245 requires the RTPA to ensure all claimants to whom it 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. One 90-day extension is allowable upon request.

Condition: SJCOG is responsible for contracting with an independent auditor to provide annual fiscal and compliance audits of itself and its TDA claimants. It regularly requests 90-day extensions for operators that are unable to complete these audits prior to 180 days following the end of the fiscal year. Nearly all of the operators were able to comply with the extended deadline. However, the City of Tracy's fiscal audits for both FY 2015/16 and FY 2016/17 were both completed in June of the year following the end of the fiscal year, which makes both audits more than 90 days late. In FY 2017/18, all audits were completed within the allowable 90-day extension.

Cause: The cause of the late completion of the audits is unclear. Given the majority of the audits were completed by the end of the 90-day extension, it is possible the auditor did not have the capacity to complete all of the audits on time.

Effect: When fiscal and compliance audits are submitted beyond the established deadline, this puts the RTPA out of compliance with the TDA. It also means the RTPA must withhold operator allocations until the TDA fiscal audit is submitted.

Recommendation: Continue to work with the fiscal and compliance auditor to ensure audits can be completed within the time stipulated by the TDA.

Recommended Action(s): Given all TDA audits for FY 2017/18 were completed on time, this recommendation may only require monitoring rather than active coordination. SJCOG should include deadlines in the auditor contract that are sufficient to ensure submittal of the triennial performance audits within 180 days following the end of the fiscal year or, if needed, within 180 days plus the additional 90-day extension. If audits are not submitted on time, TDA allocations must be withheld until the audits have been submitted.

Timeline: FY 2018/19.

Anticipated Cost: Negligible.

SJCOG RESPONSE: The TDA Fiscal Audits for the City of Tracy were late due to extenuating circumstances at the City. Brown Armstrong worked closely with the City of Tracy to try and complete them on-time, however, Tracy was unable to comply and complete the required audit work. Tracy indicated the issue was due to the late filing of their City Wide Audit in FY16/17 and staff turnover/shortages in FY15/16 and FY16/17 as well as the implementation of a new accounting software. They are now fully staffed and do not anticipate problems with future audits. The FY17/18 TDA Audit for the City of Tracy was on time.

Compliance Finding 2: The FY 2013 – FY 2015 Triennial Performance Audits were completed after the deadline set in the second extension requested by SJCOG.

Criteria: PUC 99246 requires the RTPA to designate an independent entity to conduct a performance audit of itself and its claimants. Audits are due by the end of the fiscal year following the end of the triennium.

Condition: All of the prior triennial performance audits were completed in March 2017, which is more than eight months past the original deadline of June 30, 2016. Even though SJCOG received extensions to this deadline (through February 28, 2017), the audits were still not completed on time.

Cause: The cause for the late completion of the triennial performance audits is unclear.

Effect: When audits are completed and submitted late, it affects the operators' allocation of TDA funds per CCR 6664.5 (see Compliance Finding 3).

Recommendation: SJCOG should work with its auditor to ensure on-time completion of the triennial performance audits.

Recommended Action(s): Include deadlines in the auditor contract that are sufficient to ensure submittal of the triennial performance audits before June 30. Ensuring on-time submittal of the triennial performance audits will also ensure TDA funds can be allocated to claimants without any delays. The current triennial performance audits are on track to be completed well ahead of June 30, 2019. Therefore, it is unlikely any action will need to be taken.

Timeline: FY 2018/19.

Anticipated Cost: Negligible.

SJCOG RESPONSE: The Triennial Performance Audits were late due to the previous TPA audit firm's inability to complete the reports on time. Extensions were filed, but PMC failed to meet two extension deadlines. The late reports were beyond SJCOG's control. The current Triennial Performance auditor has submitted all reports in a timely manner and we don't anticipate this being an issue in the future. SJCOG has made it a point to go out early to bid for the TPA Audits to get on a timeline that is ahead of schedule to prevent late filing.

Compliance Finding 3: SJCOG continued to allocate funds to operators even though triennial performance audits were not submitted by the start of the second fiscal year following the last fiscal year of the triennium.

Criteria: CCR 6664.5(c) stipulates "no operator shall be eligible to receive an allocation under Article 4 of the Act until the entity which determines the allocation to the operator has received the operator's performance audit pursuant to PUC Section 99248."

Condition: All of the prior triennial performance audits were completed in March 2017, which is more than eight months past the original deadline of June 30, 2016. Even though SJCOG received extensions to this deadline (through February 28, 2017), the audits were still not completed on time. However, SJCOG continued to allocate TDA funds between the end of FY 2015/16 and the completion of the audits in FY 2016/17.

Cause: SJCOG staff may be unaware of the impact of the late submittal of triennial performance audits on TDA allocations.

Effect: This can result in allocations being made when they should be delayed pending receipt of the completed triennial performance audits.

Recommendation: When triennial performance audits are submitted more than one year following the end of the triennium, SJCOG should withhold TDA allocations until the audits are completed.

Recommended Action(s): SJCOG staff should become more familiar with the consequences associated with late audit submittal. Even though no funding is ultimately lost, the delay in funding is intended to ensure the operator is performing appropriately before subsequent funding is allocated. The most straightforward remedy is to ensure audits are completed on time.

Given the TDA does not indicate whether receipt of a deadline extension affects how TDA funds should be allocated, we elected to include this as a compliance findings. Should a deadline extension be required in the future, SJCOG should discuss with Caltrans how the extension affects the allocation of TDA funds. No action is anticipated to be required in conjunction with the current triennial performance audit cycle.

Timeline: FY 2018/19.

Anticipated Cost: Negligible.

SJCOG RESPONSE: The finding is noted

Compliance Finding 4: SJCOG did not certify in writing completion of the prior triennial performance audit of its operators.

Criteria: CCR 6664.6 requires the RTPA to certify in writing to Caltrans that a triennial performance audit of its operators has been completed. This certification must include the name of the audited operator, the time and period covered by the performance audit, and the name of the auditor conducting the audit. This is different from the requirement of CCR 5554.5, which requires the RTPA to provide to Caltrans and the State Controller prior to September 1 a list of the entities that are subject to performance audits that fiscal year.

Condition: SJCOG staff were unable to provide any letter that had been submitted to Caltrans upon completion of the RTPA audit. Staff followed up with Caltrans to determine if the RTPA audit had been submitted. Caltrans responded that it did not have a transmittal letter but did have a copy of the prior SJCOG triennial performance audit. So while the SJCOG audit was received by Caltrans, there is no evidence SJCOG certified the triennial performance audits of its operators.

Cause: Unfamiliarity with the requirements associated with completion of triennial performance audits is the most likely cause.

Effect: Failure to certify the operator performance audits can cause the RTPA to be out of compliance with the TDA.

Recommendation: Upon completion of the triennial performance audit process, SJCOG must prepare a transmittal letter to Caltrans which certifies the completion of the operator audits and accompanies submittal of the RTPA audit.

Recommended Action(s): Per CCR 6664.6, certification of the operator audits must be in writing. It is most convenient to include all of these elements (transmittal letter with operator certification and submittal of the RTPA audit) in a single submittal. The submittal can be electronic if desired, which is also easy to document. Proof of this submittal should be retained for the compliance review during the next triennial performance audit. A letter template is provided as Exhibit 7.2 as well as separately in an editable format.

Timeline: FY 2018/19.

Anticipated Cost: None.

SJCOG RESPONSE: As a result of being so late on the completion of the audits, SJCOG failed to certify in writing. To prevent this from happening in the future, SJCOG has set this step as part of its procedures for the Triennial Performance Audits.

Functional Finding 1: Compliance with 2017 Regional Transportation Plan requirements could be more easily and effectively evaluated by incorporating Caltrans' "Regional Transportation Plan Checklist for MPOs" into the RTP/SCS document.

Criteria: MPOs are required to prepare Regional Transportation Plans (RTPs) per federal statute. The California Transportation Commission has the authority to prepare guidelines that reflect federal as well as state requirements for the development of RTPs. New RTP Guidelines were adopted by the California Transportation Commission on January 18, 2017. The new RTP Guidelines separated requirements for MPOs and RTPAs and included new requirements specific to Title VI and public health; incorporated new legislation passed since the prior guidelines in 2010; and updated the document to reflect MAP-21/FAST Act. The Federal Highway Administration (FHWA) describes the development and contents of the RTP in Title 23 CFR Part 450.324 et seq.

Condition: While SJCOG's 2018 RTP/SCS was certified (via resolution) as being in compliance with the 2017 guidelines, compliance is not easy to independently assess. In conjunction with the 2018 RTP Guidelines, Caltrans also developed RTP Guidelines Checklists for MPOs and RTPAs. SJCOG did not include the checklist for MPOs in its most recent RTP/SCS update.

Cause: Given the guidelines were approved in January 2017, there is no reason SJCOG's RTP/SCS should not be compliant, regardless of whether the checklist was included. These guidelines were referenced in the staff report and resolution at the time the RTP/SCS was adopted by the SJCOG Board (June 28, 2018), but specific compliance items were not detailed.

Effect: Because the RTP informs the state's Federal Transportation Improvement Plan (FTIP), a non-compliant RTP can result in a failure to identify projects and thereby receive funding. The checklist makes it easier to assess compliance with the 2017 Guidelines.

Recommendation: Incorporate Caltrans' "Regional Transportation Plan Checklist for MPOs" into the RTP/SCS document.

Recommended Action(s): Complete the RTP Checklist to clearly communicate compliance with RTP/SCS requirements to reviewers, and to easily identify locations of compliance elements. The 2018 version of this document (shown in Exhibit 7.2) was provided to SJCOG in conjunction with this audit and can also be downloaded from the Caltrans website at www.dot.ca.gov/hq/tpp/offices/orip/rtp/.

Timeline: As part of the 2022 RTP/SCS Update.

Anticipated Cost: Negligible.

SJCOG RESPONSE: The finding is noted

Functional Finding 2: While SJCOG annually assesses operator performance during the TDA claims process, it does not currently assess the implementation status of productivity and/or TDA triennial performance audit recommendations.

Criteria: PUC 99244 requires the RTPA to annually recommend potential productivity improvements for transit operators, either via a productivity committee or another means.

Condition: SJCOG currently assesses productivity as part of the annual TDA claim process. In addition, several operators have key performance metric goals in lieu of farebox recovery ratios. These goals are reassessed every three years, and compliance is reviewed during the annual TDA claim process. However, SJCOG does not assess the implementation status of performance audit or other recommendations on a regular basis.

Cause: While SJCOG is in compliance with PUC 99244, it can do more to help operators with their productivity and compliance by following up regularly regarding recommendations.

Effect: Recommendations that remain relevant but have not been implemented by the next triennial performance audit will likely be carried forward as findings in that audit.

Recommendation: Incorporate a form that assesses the implementation status of productivity and/or TDA triennial performance audit recommendations as part of the TDA claims process.

Recommended Action(s): Include an additional page to the TDA claim for operators to indicate the implementation status of recommendations from the triennial performance audit as well as other reviews (such as the FTA Triennial Review), if desired. A sample of such a form is provided in Exhibit 7.3, and an editable version was provided to SJCOG in conjunction with this audit.

Timeline: FY 2019/20.

Anticipated Cost: Negligible.

SJCOG RESPONSE: SJCOG will incorporate a status report into the ITC meeting agenda.

Functional Finding 3: The Finance Department warrants additional staffing in order to effectively accommodate all of its responsibilities.

Criteria: The functional review of the RTPA seeks to determine whether the RTPA has sufficient staff (in number and qualifications) to accomplish its functions.

Condition: At the time of this audit, Finance staff expressed their need to work overtime consistently in order to meet the requirements of their responsibilities. This indicates the workload has exceeded the ability of regular staff hours to accommodate it.

Cause: When available regular work hours do not align with work hour requirements, staff are required to work overtime to ensure work is completed on time and to required standards.

Effect: Occasional overtime work is often necessary to ensure specific tasks are completed. Ongoing overtime necessary to address the day-to-day workload can result in employee burnout as well as decreases staff flexibility to address unplanned issues or additional requirements.

Recommendation: Consider adding a 0.5 FTE position for the Finance department.

Recommended Action(s): Given other departments within SJCOG have half-time interns, it would be appropriate to add an additional half-time position specific to the Finance department. This position would be able to provide administrative/clerical support so as to free up higher-level staff for more specialized tasks.

Timeline: FY 2019/20.

Anticipated Cost: Modest.

SJCOG RESPONSE: The finding is noted

TDA Program Compliance Recommendations		Importance	Timeline
1	Continue to work with the fiscal and compliance auditor to ensure audits can be completed within the time stipulated by the TDA	Medium	FY2018/19
2	SJCOG should work with its auditor to ensure on-time completion of the triennial performance audits.	Medium	FY2018/19
3	When triennial performance audits are submitted more than one year following the end of the triennium, SJCOG should withhold TDA allocations until the audits are completed	Medium	FY2018/19
4	Upon completion of the triennial performance audit process, SJCOG must prepare a transmittal letter to Caltrans which certifies the completion of the operator audits and accompanies submittal of the RTPA audit	High	FY2018/19
Functional Recommendations		Importance	Timeline
1	Incorporate Caltrans' "Regional Transportation Plan Checklist for MPOs" into the RTP/SCS document	Medium	2022 Update
2	Incorporate a form that assesses the implementation status of productivity and/or TDA triennial performance audit Medi recommendations as part of the TDA claims process.	Medium	FY 2019/20
3	Consider adding a 0.5 FTE position for the Finance department.	Medium	FY 2019/20

FISCAL IMPACT

The Triennial Performance Audit is a requirement for claiming TDA funds.

COMMITTEE RECOMMENDATIONS

TAC, M&F and the Executive committees recommended receiving and accepting the Triennial Performance Audit reports and findings.

RECOMMENDED ACTION

SJCOG staff recommends that the SJCOG Board accept and receive the above Triennial Performance Audit reports and findings.