

**PERFORMANCE AUDIT
OF SIERRA COUNTY
TRANSPORTATION COMMISSION
FOR THE THREE YEARS
ENDED JUNE 30, 2018**

**AUDIT PREPARED FOR THE
SIERRA COUNTY
TRANSPORTATION COMMISSION**

**PREPARED BY
SMITH & NEWELL CPA's**

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Triennial Performance Audit
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EXECUTIVE SUMMARY

Smith and Newell CPAs was retained by the Sierra County Transportation Commission (SCTC) to conduct its Transportation Development Act (TDA) performance audit for Fiscal Years (FY) 2015-16 through 2017-18. As a Regional Transportation Planning Agency (RTPA), SCTC is required by Public Utilities Code (PUC) Sections 99246 and 99248 to prepare and submit an audit of its performance on a triennial basis to the California State Department of Transportation (Caltrans) to continue receiving TDA funding. TDA funds are used for SCTC administration and planning of public transportation, and distribution for public transit services and non-motorized projects.

This performance audit is intended to describe how well SCTC is meeting its administrative and planning obligations under TDA, as well as its organizational management and efficiency. To gather information for the TDA performance audit, Smith and Newell CPAs conducted interviews with agency staff, reviewed various documents, and evaluated SCTC's responsibilities, functions, and performance of the TDA guidelines and regulations.

Below are summaries of findings from the analysis:

1. SCTC conducts its management of the TDA program in a competent, professional manner.
2. SCTC has not transmitted all audit reports to the State Controller within 12 months of the end of the year.

One recommendation is provided to improve SCTC's administration and management relating to the TDA. The recommendation is described in detail in Section III of this audit. This recommendation is summarized as follows:

1. Transmit annual audit to the State Controller within 12 months of the end of the fiscal year.

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SECTION I - INTRODUCTION

The Sierra County Transportation Commission (SCTC) has retained the firm of Smith and Newell, CPAs to conduct its Transportation Development Act (TDA) performance audit covering the most recent triennial period, fiscal years 2015-16 through 2017-18. As a Regional Transportation Planning Agency (RTPA), SCTC is required by Public Utilities Code (PUC) Sections 99246 and 99248 to prepare and submit an audit of its performance on a triennial basis to the California Department of Transportation (Caltrans) in order to continue to receive TDA funding.

The performance audit, as required by the TDA, is intended to describe how well SCTC is meeting its administrative and planning obligations under the TDA.

The methodology for the audit included interviews with the transportation planner, collection and review of agency documents and data analysis. The Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities, published by the California Department of Transportation (Caltrans), was used to guide the development and direction of the audit.

Roles and Responsibilities

The Sierra County Transportation Commission is a statutory organization formed in 1973 by State legislation. As the County's RTPA, SCTC is responsible for transportation planning, programming, and fund allocation, as required by the state statutes. This includes the annual allocation of Transportation Development Act funds, as well as federal and local funds for highway, transit, rail, bicycle and other transportation projects.

In 1972, the Mills-Alquist Deddeh Act, also known as the Transportation Development Act (TDA), was passed by the California legislature. The purpose of the act was to develop and maintain a public transportation system within California and to give regional entities discretion on the efficient and effective use of these funds. The TDA provides for two major sources of funding, the Local Transportation Fund (LTF), and the State Transit Assistance (STA) fund. In conjunction with the sales tax funding, the legislature created Regional Transportation Planning Agencies (RTPA) throughout the state to administrate this new funding.

LTF revenues are derived from 1/4 cent of the retail sales tax collected statewide. The 1/4 cent is returned to the County by the State Board of Equalization according to the amount of tax collected in the County. The STA funds are derived from the statewide sales tax on gasoline and diesel fuel and are distributed by the State Controller's office in accordance with an apportionment formula. Other revenue sources include state and federal grants, including Rural Planning Assistance (RPA) and State Transportation Improvement Program Planning, Programming and Monitoring (STIP-PPM) grants.

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SECTION I - INTRODUCTION (CONTINUED)

Roles and Responsibilities (Continued)

SCTC's primary roles and responsibilities include:

- Development of regional transportation goals and objectives for Sierra County.
- Administration of Transportation Development Act (TDA) funds.
- Development and implementation of the Regional Transportation Plan (RTP).
- Preparation of the annual Overall Work Program (OWP).
- Review and comment on the State Transportation Improvement Program (STIP).
- Preparation of the Regional Transportation Improvement Program (RTIP), in collaboration with Caltrans.
- Coordination and interpretation of transportation planning.
- Review and prioritization of grant applications for various funding programs.

The SCTC and Caltrans mutually carry out the transportation planning process for the area in a manner that assures full compliance with state and federal laws, as well as the guidelines prepared by Sierra County, Caltrans, and the Federal Department of Transportation. The intent is to ensure that the planning decisions are reflective of, and responsive to, the partnership of the state, federal and local agencies.

Organization

SCTC is governed by a seven member board composed of three members appointed by the Sierra County Board of Supervisors, three members appointed by the City of Loyalton City Council, and one member from transit agencies within Sierra County appointed by the remaining six members of the SCTC Board.

Board meetings are held bi-monthly, with additional meetings held as necessary. Binding decisions are made by votes of SCTC's governing Board after staff and advisory committees provide informational input and recommendations. Members of the public have the opportunity to present their views and express support or opposition at meetings.

The following committees are available to assist in the administration of SCTC:

- Technical Advisory Committee
- Productivity Committee
- Citizen's Advisory Committee
- Airport Advisory Committee

These committees meet ad hoc and provide technical input on transportation issues and formulate recommendations for consideration by SCTC. Membership on these committees is comprised of technical, planning and engineering staff of the County of Sierra, the City of Loyalton and other state and federal agencies, Caltrans representatives, and SCTC staff or board members. Organization of these committees assures coordination and cooperation in the transportation planning process. These committees have not met during the audit period and are inactive. This does not appear to have had a detrimental effect on the SCTC.

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SECTION I - INTRODUCTION (CONTINUED)

Organization (Continued)

SCTC is also advised by the Social Services Transportation Advisory Council (SSTAC) which is statutorily required to serve as an advisory body on transit needs and issues of elderly, disabled, and low-income citizens. The SSTAC members are appointed by the Commission and include representation from various agencies and organizations, including transit providers representing the elderly, the disabled, and persons of limited means. The SSTAC is involved in the identification of transit needs in the region, recommends potential enhancements to the current transit system and participates in the annual unmet transit needs public hearing. The SSTAC generally meets annually prior to the scheduled public hearings for unmet transit needs.

Staffing

The SCTC personnel consists of Sierra County Public Works Department employees who serve concurrently for the Commission and the County of Sierra. The department head of the Public Works Department serves as the Executive Director of the Transportation Commission who reports to the SCTC governing Board. The Executive Director is responsible for the general administration of Commission activities. The Executive Director utilizes Public Works Department personnel consisting of a transportation secretary, transportation planner, and clerical and accounting staff as needed. Staff responsibilities include maintaining records, assisting in preparation and dissemination of public notices, agendas, agenda packets, and other official business. Additional responsibilities, normally performed by a transportation planner, include assisting in preparation of the annual Overall Work Program (OWP), grant billings, and transportation planning. Outside consultants are used when local expertise is not available.

Overall Work Program

As the Regional Transportation Planning Agency (RTPA) for Sierra County, the Commission is responsible for the development of the Regional Transportation Plan (RTP) which is part of the statewide transportation planning process. The RTP is a long range planning document which outlines the transportation goals and policies which have been adopted by the Commission to achieve a coordinated and balanced regional transportation system for the County. The RTP is required to be updated every five years and is submitted to Caltrans for approval.

Through a Memorandum of Understanding (MOU) with Caltrans, the Commission prepares the annual Overall Work Program (OWP) which reflects its ongoing transportation planning activities. The OWP responds to state priorities and identifies funding sources and expenditures for each work element presented in the OWP. The Commission receives funding from Caltrans to offset some of the expenses associated with the OWP. Local Transportation Fund monies and grants are also used to fund the OWP.

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SECTION II - AUDIT RESULTS

Results of Compliance Review

This section of the audit report contains the analysis of the SCTC’s ability to comply with State requirements for continued receipt of TDA funds. The evaluation uses the guidebook, “Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities”, which was developed by Caltrans to assess transportation planning agencies. The guidebook contains a checklist of fourteen key compliance requirements taken from relevant sections of the CPUC and the California Code of Regulations (CCR). Of the fourteen compliance measures, ten are applicable to SCTC. Each of these requirements is discussed in the table below, including a description of the Commission’s efforts to comply with the requirements. In addition, the findings from the compliance review are described in the text following the table.

	Requirement	PUC Reference	Comments
(1)	All transportation operators and city or county governments which have responsibility for serving a given area, in total, claim no more than those Local Transportation Fund (LTF) monies apportioned to that area.	99231	SCTC has two areas of apportionment, Sierra County and the City of Loyalton. SCTC allocates LTF monies to claimants based on contract agreements, transit operator funding needs and requirements of the TDA. Conclusion: Complied
(2)	The RTPE has adopted rules and regulations delineating procedures for the submission of claims for facilities provided for the exclusive use of pedestrians and bicycles.	99233 and 99234	We noted SCTC has not adopted written rules and regulations for the submission of claims for non-motorized allocations. However, we noted that the SCTC has not undertaken any Pedestrian/Bicycle projects in the period under review. Conclusion: Complied
(3)	The RTPE has established a social services transportation advisory council. The RTPE must ensure that there is a citizen participation process that includes at least an annual public hearing.	99238 and 99238.5	SCTC has established a Social Services Transportation Advisory Council (SSTAC) required under PUC 99238. The SSTAC participates on a number of issues, including the annual unmet transit needs hearings. Conclusion: Complied

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SECTION II - AUDIT RESULTS (CONTINUED)

Results of Compliance Review (Continued)

	Requirement	PUC Reference	Comments
(4)	<p>The RTPE has annually identified, analyzed and recommended potential productivity improvements which could lower the operating costs of those operators which operate at least 50 percent of their vehicle service miles within the RTPE’s jurisdiction. Recommendations include, but are not limited to, those made in the performance audit.</p> <ul style="list-style-type: none"> • A committee for the purpose of providing advice on productivity improvements may be formed. • The operator has made a reasonable effort to implement improvements recommended by the RTPE, as determined by the RTPE, or else the operator has not received an allocation that exceeds its prior year allocation. 	99244	<p>Sierra County does not include a transit operator within the meaning of the TDA.</p> <p>Conclusion: Not Applicable</p>
(5)	<p>The RTPE has ensured that 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.</p>	99245	<p>Completion/Submittal dates: County of Sierra Transit fund FY 2016: 12/16/16 FY 2017: 11/15/17 FY 2018: 04/23/19</p> <p>Conclusion: Complied</p>
(6)	<p>The RTPE has designated an independent entity to conduct a performance audit of operators and itself (for the current and previous triennia). For operators, the audit was made and calculated the required performance indicators, and the audit report was transmitted to the entity that allocates the operator’s TDA money and to the RTPE within 12 months after the end of the triennium. If an operator’s audit was not transmitted by the start of the second fiscal year following the last fiscal year of the triennium, TDA funds were not allocated to that operator for that or subsequent fiscal years until the audit was transmitted.</p>	99246 and 99248	<p>For the current three year period, SCTC has retained Smith and Newell, CPAs to conduct the audit of SCTC. No performance audit was required of any transit operator during the audit period.</p> <p>Conclusion: Complied</p>
(7)	<p>The RTPE has submitted a copy of its performance audit to the Director of the California Department of Transportation. In addition, the RTPE has certified in writing to the Director, that the performance audits of operators located in the area under its jurisdiction have been completed.</p>	99246 (c)	<p>Conclusion: Complied</p>

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SECTION II - AUDIT RESULTS (CONTINUED)

Results of Compliance Review (Continued)

	Requirement	PUC Reference	Comments
(8)	The performance audit of the operator providing public transportation services shall include a verification of the operator's cost per passenger, operating cost per vehicle service hour, passengers per vehicle service mile, and vehicle service hours per employee, as defined in Section 99247. The performance audit shall include consideration of the needs and types of passengers being served and the employment of part-time drivers and the contracting with common carriers of persons operating under a franchise or license to provide services during peak hours, as defined in subdivision (a) of Section 99260.2.	99246 (d)	No performance audit was required of any transit operator during the audit period. Conclusion: Not Applicable
(9)	The RTPE has established rules and regulations regarding revenue ratios for transportation operators providing services in urbanized and newly urbanized areas.	99270.1 and 99270.2	Transportation operators do not serve urbanized or newly urbanized areas. Conclusion: Not Applicable
(10)	The RTPE has adopted criteria, rules, and regulations for the evaluation of claims filed under Article 4.5 of the TDA and the determination of the cost-effectiveness of the proposed community transit services.	99275.5	The SCTC has not adopted rules and regulations for the evaluation of claims under Section 4.5. However, there was no eligible claimant for these funds during the audit period. Conclusion: Not Applicable
(11)	State transit assistance funds received by the RTPE are allocated only for transportation planning and mass transportation purposes.	99310.5 and 99313.3 and Proposition 116	SCTC allocates State Transit Assistance (STA) funds for transit services only. Conclusion: Complied
(12)	The amount received pursuant to Public Utilities Code, Section 99314.3; by each RTPE for state transit assistance is allocated to the operators in the area of its jurisdiction as allocated by the State Controller's Office.	99314.3	SCTC administers STA funds in accordance with the relevant PUC requirements. In FY 2014, STA funds were allocated to the County of Sierra and SCTC for administration and planning costs of transportation services. In FY 2016, these STA funds were paid. Conclusion: Complied

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SECTION II - AUDIT RESULTS (CONTINUED)

Results of Compliance Review (Continued)

	Requirement	PUC Reference	Comments
(13)	<p>If TDA funds are allocated to purposes not directly related to public or specialized transportation services or facilities for exclusive use of pedestrians and bicycles, the transit planning agency has annually:</p> <p>A. Consulted with the Social Services Transportation Advisory Council (SSTAC) established pursuant to Public Utilities Code Section 99238;</p> <p>B. Identified transit needs, including:</p> <ul style="list-style-type: none"> • Groups who are transit-dependent or transit disadvantaged, • Adequacy of existing transit services to meet the needs of groups identified, and • Analysis of potential alternatives to provide transportation services; <p>C. Adopted or re-affirmed definitions of “unmet transit needs” and “reasonable to meet;”</p> <p>D. Identified the unmet transit needs, or there are no unmet transit needs or there are unmet transit needs that are reasonable to meet.</p>	99401.5	<p>SCTC conducts an annual Unmet Transit Needs process pursuant to PUC Section 99401.5.</p> <p>LTF funds have only been allocated to streets and roads after completion of the unmet needs process, and if there are remaining funds after the allocation to transit.</p> <p>Conclusion: Complied</p>
(14)	<p>The RTPE has caused an audit of its accounts and records to be performed for each fiscal year by the county auditor or a certified public accountant. The RTPE must transmit the audit report to the State Controller within 12 months of the end of each fiscal year in accordance with the Basic Audit Program and Report Guidelines for California Special Districts prescribed by the State Controller. The audit shall include a determination of compliance with the TDA and accompanying rules and regulations. Financial statements may not commingle the state transit assistance fund, the local transportation fund, or other revenues or funds of any city, county or other agency. The RTPE must maintain fiscal and accounting records and supporting papers for at least four years following the fiscal year close.</p>	California Code of Regulations, Section 6642	<p>The accounting firm of Smith and Newell, CPAs conducted the financial audit of SCTC for FYs 2016, 2017 and 2018. The 2016 Annual Financial Report was not submitted to the State Controller within 12 months of the end of the fiscal year. The 2017 Annual Financial Report was submitted to the State Controller within 12 months of the end of the fiscal year, and the 2018 Annual Financial Report was submitted within 12 months of the end of the fiscal year.</p> <p>SCTC also maintains fiscal and accounting records and supporting papers for at least four years following the fiscal year close.</p> <p>Conclusion: Exception</p>

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SECTION II - AUDIT RESULTS (CONTINUED)

Results of the Review of the Implementation of Prior Audit Recommendations

This section reviews and evaluates the implementation of prior Triennial Performance Audit recommendations. This objective assessment provides assurance the SCTC has made quantifiable progress toward improving the efficiency and effectiveness of its public transit program.

Prior Recommendation No. 1

We recommend that SCTC adopt rules and regulations regarding the submission of claims for facilities provided for the exclusive use of pedestrians and bicycles in accordance with Public Utilities Code Sections 99233 and 99234.

Status

Not Applicable

Prior Recommendation No. 2

We recommend that SCTC allocate LTF funds based on population figures for eligible jurisdictions so the operators can claim their actual share of apportioned monies.

Status

Implemented

Prior Recommendation No. 3

We recommend the Board regularly receive financial reports about account balances, results of financial transactions and comparisons with budgeted revenues and expenditures that reflect all financial activity.

Status

Implemented

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SECTION II - AUDIT RESULTS (CONTINUED)

Results of the Functional Review of the RTPE

In this section a detailed assessment of SCTC's functions and performance as a RTPE during this audit period is provided. Adapted from Caltrans' Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities, SCTC's activities can be divided into the following activities:

- Administration and Management
- Transportation Planning and Regional Coordination
- Claimant Relationships and Oversight
- Marketing and Transportation Alternatives
- Grant Applications and Management

A. Administration and Management

SCTC is effectively organized given its limited resources to fulfill numerous responsibilities. Governance is provided by a board that generally meets bi-monthly. Board minutes indicate the meetings are well organized and board members are informed by staff about the issues. A published agenda is used for efficient consideration and approval of scheduled items.

Board minutes sufficiently document board actions and provide enough detail that interested citizens who cannot be present can have an understanding of what occurred at the meetings. The minutes and agendas are posted and are available for public access online and by request. The Board is presented with a variety of reports generally focused on regional transportation planning and TDA-related topics. We noted that while the Board annually approves its budget through the adoption of the Overall Work Plan (OWP), it does not receive monthly and year-to-date revenues and expenses communicating actual financial results.

SCTC staff performs support functions for SCTC and attends Board meetings. Staff prepares informational reports and recommendations to facilitate Board decisions and often is called upon at these meetings to answer questions and clarify information.

The SCTC is currently managed by the County of Sierra under an informal management agreement. County personnel assigned to manage the Commission are provided by the Department of Public Works. The Commission is staffed part time by several employees; an Executive Secretary, the Director of Public Works who serves as the Executive Director of the Commission, and a Transportation Planner. Additional staff support is obtained from personnel in the Public Works Department on an as needed basis.

As County employees, Commission staff members, are offered a comprehensive benefits package and follow the personnel policies and practices of Sierra County including annual performance evaluations. Staff receives training in federal and state transportation processes as funding and availability allow.

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SECTION II - AUDIT RESULTS (CONTINUED)

Results of the Functional Review of the RTPE (Continued)

A. Administration and Management (Continued)

The Commission prepares an annual OWP which details transportation planning activities in Sierra County, as required by Caltrans, and serves to establish the Agency's annual goals and objectives. The OWP delineates priorities which must be addressed by the Commission to obtain state subvention funding. We noted the work elements specified in the OWP incorporate activities for TDA administration. Progress towards goals and objectives is evaluated each quarter when the Commission reports to Caltrans. Revenue sources are itemized and expenditures are costed by work element. The Commission interfaces with the Public Works Department and receives monthly transaction reports from them. The Commission's management monitors budget to actual comparisons as often as necessary in order to track costs and revenues.

SCTC's Policy and Procedures Manual was adopted in June 2004.

B. Transportation Planning and Regional Coordination

In June 2015 the SCTC adopted the 2015 Regional Transportation Plan (RTP). The RTP provides the long-range, comprehensive direction for transportation improvements within Sierra County. SCTC is responsible for this document and its updating every five years.

The 2015 RTP contains the required policy, action and financial elements. However, we noted that short-range considerations were limited and that long-range efforts were focused on non-transit related issues such as maintaining existing condition of streets and road networks. Sierra County's ability to provide more comprehensive public transit services is limited because of its high cost, low ridership and scarce funding alternatives.

C. Claimant Relationships and Oversight

The TDA allocation process appears to work smoothly in Sierra County. Transit representatives from the non-profit agencies who claim TDA funds have been involved in the process and SCTC staff administers the process. SCTC staff works with applicants each year to make sure claims are submitted in a timely manner and when additional funding is needed that those needs are heard and met if funding is available.

SCTC has adopted a policy and procedures manual that communicates SCTC's policy and procedures on submission of TDA claims. The manual is more policy driven than it is instructional. Because of longstanding relationships with the two non-profit agencies who claim funding for transit services, SCTC staff work directly with the agencies' staff in submitting their annual budgets as a basis for their funding request. A contract is updated and approved by SCTC's board each year and allocation instructions are transmitted to the County's Auditor-Controller. As a result, no formal claim document is actually filed with the Commission.

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SECTION II - AUDIT RESULTS (CONTINUED)

Results of the Functional Review of the RTPE (Continued)

C. Claimant Relationships and Oversight (Continued)

The unmet transit needs process is a major element of SCTC's work on TDA related matters. In accordance with the TDA, SCTC instructs the SSTAC to meet and to identify unmet transit needs annually. Public input is requested by scheduling a public hearing, as well as soliciting comments via email or telephone. As required by state laws, the SSTAC reviews all findings before forwarding them to the SCTC Board for adoption. SCTC has adopted definitions of "unmet transit needs" and "reasonable to meet" that are used in determinations and findings. In the three-year audit period, SCTC did not identify any unmet needs that were reasonable to meet.

While the unmet transit needs process meets all the requirements of the TDA, we found the public hearings to have limited citizen participation. The region's population is widely dispersed making public participation a challenge. SCTC may want to consider alternative locations and methods of soliciting public comments, such as using a dedicated email address or a phone hotline. It may be effective to hold public hearings in multiple locations each year to encourage public participation.

D. Marketing and Transportation Alternatives

While the Commission advertises public meetings to involve citizen participation, the County's widely dispersed population and rough terrain make traditional marketing efforts less effective. We noted that Commission activities in the functional area of marketing and transportation alternatives were limited. Often, the most effective method of advertising is to post flyers at the local post offices, as most residents do not have home delivery of mail.

Most public transportation marketing and advertising responsibilities have been left to the County's two non-profit contract service providers. SCTC posts limited information on the County of Sierra's website, but does not have a separate website. We recommend the SCTC consider posting additional information on the County's website regarding its activities, as well as local transit information or links.

E. Grant Applications and Management

The Commission reviews and signs various grant applications and also provides technical assistance to the County.

As the areawide clearinghouse for federal grant applications, the Commission prepares or reviews and comments on applications to assure that duplication of activities is eliminated and to assure that no conflict exists with local policies. The Commission reviews all grant applications submitted to the State of California by the transit claimants.

In the past, the Commission has applied for grants to supplement its planning fund. Both Rural Planning Assistance (RPA) and State Transportation Improvement Program (STIP) grants have been received and are anticipated to be received in the future. In addition, other state funding has been successfully applied for, notably Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA). SCTC staff administers and monitors expenditures to ensure no lapse in grant funding.

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SECTION III - CONCLUSIONS AND RECOMMENDATIONS

A. Conclusions

The following summarizes the major conclusions obtained from this Triennial Performance Audit covering the years 2016 through 2018:

1. Of the fourteen compliance requirements, SCTC fully complied with nine of the requirements. Four additional requirements did not apply to SCTC.

B. Current Year Recommendations

Current Year Recommendation No. 1

We recommend that SCTC transmit the annual audit of its accounts and records to the State Controller within 12 months of the end of each fiscal year in accordance with the Basic Audit Program and Report Guidelines prescribed by the State Controller.

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