

Madera County Transportation Commission

Triennial Performance Audit, FY 2018 - FY 2020 Madera County Transportation Commission

FINAL REPORT
FEBRUARY 25, 2021



Prepared by Moore & Associates, Inc.

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Chapter 1 | Executive Summary

The Triennial Performance Audit of the Madera County Transportation Commission (MCTC) covers a three-year period ending June 30, 2020. The California Public Utilities Code requires all Regional Transportation Planning Agencies conduct an independent Triennial Performance Audit in order to be eligible for Transportation Development Act (TDA) funding.

In 2020, the Madera County Transportation Commission selected Moore & Associates, Inc., to prepare Triennial Performance Audits of itself as the RTPA and the three transit operators to which it allocates TDA funding. Moore & Associates is a consulting firm specializing in public transportation. Selection of the consultant followed a competitive procurement process.

This chapter summarizes key findings and recommendations developed during the Triennial Performance Audit (TPA) of the County of Madera’s public transit program for the period:

- Fiscal Year 2017/18,
- Fiscal Year 2018/19, and
- Fiscal Year 2019/20.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our review objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The review was also conducted in accordance with the processes established by the California Department of Transportation, as outlined in the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*.

The Triennial Performance Audit includes five elements:

1. Compliance requirements,
2. Follow-up of prior recommendations,
3. Analysis of internal goal setting and strategic planning efforts,
4. Review of the RTPA’s functions and activities, and
5. Findings and recommendations.

Test of Compliance

With two exceptions, MCTC adheres to Transportation Development Act (TDA) regulations in an efficient and effective manner:

1. The RTPA did not exercise sufficient control over the contract for the TDA fiscal audits of the operators to enable the operators to submit their respective audits within the established timeframe.
2. MCTC did not conduct the qualifying tests prior to the allocation of STA funds.

Status of Prior Recommendations

The prior Triennial Performance Audit – completed in 2018 by Moore & Associates, Inc. for the three fiscal years ending June 30, 2017 – included the following recommendations:

1. Develop standardized demographic presentations (maps, charts, etc.) that can be updated annually via US Census Bureau and California Department of Finance data and included within the Unmet Transit Needs summary of findings.
Status: Implemented.
2. Analyze the potential for designating a Consolidated Transportation Services Agency for potential efficiencies.
Status: Implemented.
3. Enforce the requirement that transit operators submit semi-annual performance reports.
Status: Partially implemented.
4. Re-evaluate administrative funding requirements.
Status: Implemented.
5. Identify industry experts for presentations/training regarding areas of interest to Madera County transit operators.
Status: Partially implemented.

Goal Setting and Strategic Planning

The primary planning document is the Regional Transportation Plan and Sustainable Communities Strategy (RTP-SCS). The RTP is a long-range (26-year) transportation plan providing a vision for regional transportation investments. The most recent update, which was completed in 2018 (and the most recent Amendment No. 1 adopted in March 2019), considers the role of transportation including economic factors, quality of life issues, and environmental factors. The Sustainable Communities Strategy (SCS) element, required under SB 375, demonstrates the integration of land use, transportation strategies, and transportation investments that will help Madera County meet regional greenhouse gas reduction targets. Other key planning activities include the annual development of the Overall Work Program and preparation of a Short Range Transit Development Plan every five years.

Findings and Recommendations

Based on the current review, we submit the aforementioned two TDA compliance findings.

We also identified one additional functional finding. While this finding is not a compliance finding, the auditors believe it is significant enough to be addressed within this review:

1. Transit operator audits contracted by MCTC do not include a detailed assessment of compliance with farebox recovery ratio requirements.

In completing this Triennial Performance Audit, we submit the following recommendations for the Madera County Transportation Commission as the RTPA. They have been divided into two categories: TDA Program Compliance Recommendations and Functional Recommendations. TDA Program Compliance Recommendations are intended to assist in bringing the agency into compliance with the requirements and standards of the TDA, while Functional Recommendations address issues identified during the Triennial Performance Audit that are not specific to TDA compliance.

Exhibit 1.1 Summary of Audit Recommendations

TDA Compliance Recommendations		Importance	Timeline
1	Work with MCTC’s auditor to ensure deadlines enabling timely completion of operator TDA fiscal audits are included within the audit contract.	High	FY 2020/21
2	For any operator using STA funds for operating purposes, MCTC should include the test against the two qualifying efficiency standards as part of the TDA claim process.	High	FY 2022/23
Functional Recommendations		Importance	Timeline
1	MCTC should require its fiscal auditor to include farebox recovery ratio calculations within the transit operator TDA fiscal and compliance audits.	High	FY 2020/21

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Chapter 2 | Audit Scope and Methodology

The Triennial Performance Audit (TPA) of the Madera County Transportation Commission covers the three-year period ending June 30, 2020. The California Public Utilities Code requires all Regional Transportation Planning Agencies conduct an independent Triennial Performance Audit in order to be eligible for Transportation Development Act (TDA) funding.

In 2020, the Madera County Transportation Commission selected Moore & Associates, Inc., to prepare Triennial Performance Audits of itself as the RTPA and the three transit operators to which it allocates funding. Moore & Associates is a consulting firm specializing in public transportation. Selection of Moore & Associates followed a competitive procurement process.

The Triennial Performance Audit is designed to be an independent and objective evaluation of MCTC as the designated RTPA for Madera County. Direct benefits of a triennial performance audit include providing RTPA management with information on the economy, efficiency, and effectiveness of their programs across the prior three years; helpful insight for use in future planning; and assuring legislative and governing bodies (as well as the public) that resources are being economically and efficiently utilized. Finally, the Triennial Performance Audit fulfills the requirement of PUC 99246(a) that the RTPA designate an independent entity other than itself to conduct a performance audit of its activities as well as those of each operator to whom it allocates TDA funding.

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that the audit team plans and performs the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on the audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions.

The audit was also conducted in accordance with the processes established by the California Department of Transportation (Caltrans), as outlined in the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*, as well as *Government Audit Standards* published by the U.S. Comptroller General.

Objectives

A Triennial Performance Audit has four primary objectives:

1. Assess compliance with TDA regulations,
2. Review actions taken by the RTPA to implement prior recommendations,
3. Evaluate the efficiency and effectiveness of the RTPA through a review of its functions, and
4. Provide sound, constructive recommendations for improving the efficiency and functionality of the RTPA.

Scope

The TPA is a systematic review of performance evaluating the efficiency, economy, and effectiveness of the regional transportation planning agency. The audit of MCTC included five tasks:

1. Review of compliance with TDA requirements and regulations.
2. Assessment of the implementation status of recommendations included in the prior Triennial Performance Audit.
3. Analysis of MCTC's internal goal setting and strategic planning functions.
4. Examination of the following functions:
 - Administration and Management,
 - Transportation Planning and Regional Coordination,
 - Claimant Relationships and Oversight,
 - Marketing and Transportation Alternatives, and
 - Grant Applications and Management.
5. Recommendations to address opportunities for improvement based on analysis of the information collected and the review of the RTPA's core functions.

Methodology

The methodology for the Triennial Performance Audit of MCTC as the RTPA included thorough review of documents relevant to the scope of the review, as well as information contained on MCTC's website. The documents reviewed included the following (spanning the full three-year period):

- Triennial Performance Audit reports for the prior review period;
- Annual budgets;
- Audited financial statements;
- State Controller Reports;
- Agency organizational chart;
- Board meeting minutes and agendas;
- Policies and procedures manuals;
- Regional planning documents;
- Overall work plans;
- Article 8 Unmet Transit Needs documentation;
- TDA claims manual; and
- TDA and transit funding allocations to operators.

Due to the ongoing COVID-19 pandemic, the methodology for this review included a virtual site visit on January 14, 2021, with Patricia Taylor (Executive Director), Troy McNeil (Deputy Director/Fiscal Supervisor), and Dylan Stone (Principal Regional Planner).

The report is comprised of seven chapters divided into three sections:

1. Executive Summary: A summary of the key findings and recommendations developed during the Triennial Performance Audit process.
2. TPA Scope and Methodology: Methodology of the audit and pertinent background information.
3. TPA Results: In-depth discussion of findings surrounding each of the subsequent elements of the audit:
 - Compliance with statutory and regulatory requirements,
 - Progress in implementing prior recommendations,
 - Goal setting and strategic planning,
 - Functional review, and
 - Findings and recommendations.

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Chapter 3 | Program Compliance

This section examines the Madera County Transportation Commission’s compliance with the State of California’s Transportation Development Act as well as relevant sections of California’s Public Utilities Commission code. An annual certified fiscal audit confirms TDA funds were apportioned in conformance with applicable laws, rules, and regulations. Although compliance verification is not a Triennial Performance Audit function, several specific requirements concern issues relevant to the performance audit. The RTPA considers full use of funds under CCR Section 6754(a) to refer to operating funds but not capital funds. The Triennial Performance Audit findings and related comments are delineated in Exhibit 3.1.

Compliance was determined through discussions with MCTC staff as well as an inspection of relevant documents, including the fiscal audits for each year of the triennium. Also reviewed were planning documents, Board actions, and other related documentation.

With three exceptions, MCTC adheres to Transportation Development Act (TDA) regulations in an efficient and effective manner:

1. The RTPA did not exercise sufficient control over the contract for the TDA fiscal audits of the operators to enable the operators to submit their respective audits within the established timeframe.
2. MCTC did not conduct the qualifying tests prior to the allocation of STA funds.

Developments Occurring During the Audit Period

The last half of FY 2019/20 is markedly different from the rest of the audit period. The impacts of the COVID-19 pandemic resulted in significant declines in ridership and revenue. In many instances, transit operators strove to retain operations staff despite adopting a reduced schedule, resulting in significant changes to many cost-related performance metrics. While infusions of funding through the CARES Act have mitigated some of the lost revenues, most transit programs have yet to return to pre-pandemic ridership and fare levels. As a result, the Triennial Performance Audits will provide an assessment not only of how COVID-19 impacted each organization, as well as how it responded to the crisis.

In addition to the COVID-19 pandemic, recent changes to the TDA will result in audit reports that look somewhat different than in years past. In the nearly 50 years since the introduction of the Transportation Development Act, there have been many changes to public transportation in California. Many operators have faced significant challenges in meeting the farebox recovery ratio requirement, calling into question whether it remains the best measure for TDA compliance. In 2018, the chairs of California’s state legislative transportation committees requested the California Transit Association spearhead a policy task force to examine the TDA, which resulted in a draft framework for TDA reform released in early 2020. The draft framework maintains the farebox recovery ratio requirement, but eliminates financial penalties and allows more flexibility with respect to individual operator targets.

Assembly Bill 90, signed into law on June 29, 2020, provides temporary regulatory relief for transit operators required to conform with Transportation Development Act (TDA) farebox recovery ratio

thresholds in FY 2019/20 (the last year covered by this audit) and FY 2020/21. While the ability to maintain state mandates and performance measures is important, AB 90 offers much-needed relief from these requirements for these years affected by the COVID-19 pandemic while TDA reform continues to be discussed.

AB 90 includes the following provisions specific to transit operator funding through the TDA:

1. It prohibits the imposition of the TDA revenue penalty on an operator that does not maintain the required ratio of fare revenues to operating cost during FY 2019/20 or FY 2020/21.
2. It requires the Controller to calculate and publish the allocation of transit operator revenue-based funds made pursuant to the State Transit Assistance (STA) Program for FY 2020/21 and FY 2021/22 based on the same individual operator ratios published by the Controller in a specified transmittal memo, and would authorize the Controller to revise that transmittal memo, as specified. It requires the Controller to use specified data to calculate those individual operator ratios. Upon allocation of the transit operator revenue-based funds to local transportation agencies pursuant to this provision, the Controller will publish the amount of funding allocated to each operator.
3. It exempts an operator from having to meet either of the STA efficiency standards for FY 2020/21 and FY 2021/22 and authorizes the operator to use those funds for operating or capital purposes during that period.
4. It requires the Controller to allocate State of Good Repair (SOGR) program funding for FY 2020/21 and FY 2021/22 to recipient transit agencies pursuant to the individual operator ratios published in the above-described transmittal memo.
5. It requires the Controller to allocate Low Carbon Transit Operations Program (LCTOP) funding for FY 2020/21 and FY 2021/22 to recipient transit agencies pursuant to the individual operator ratios published in the above-described transmittal memo.

The first item, the only one specific to FY 2019/20, will be taken into consideration during all operator compliance reviews. Other provisions will be considered with respect to audit recommendations.

Exhibit 3.1 Transit Development Act Compliance Requirements

Compliance Element	Reference	Compliance	Comments
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 monies apportioned to that area.	PUC 99231	In compliance	
The RTPA has adopted rules and regulations delineating procedures for the submission of claims for facilities provided for the exclusive use of pedestrians and bicycles (Article 3).	PUC 99233, 99234	In compliance	Chapter 4 of MCTC's TDA Guidebook fulfills this requirement.
The RTPA has established a social services transportation advisory council. The RTPA must ensure that there is a citizen participation process that includes at least an annual public hearing.	PUC 99238, 99238.5	In compliance	Unmet Transit Needs hearings held on: April 19, 2017 April 18, 2018 April 17, 2019 May 20, 2020
The RTPA has annually identified, analyzed, and recommended potential productivity improvements which could lower operating cost of those operators, which operate at least 50 percent of their vehicle service miles within the RTPA's jurisdiction. Recommendations include, but are not being limited to, those made in the performance audit. <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 RTPA as determined by the RTPA, or else the operator has not received an allocation that exceeds its prior year allocation. 	PUC 99244	In compliance	
The RTPA 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.	PUC 99245	Not in compliance*	TDA audits of the operators were filed after the allowable 90-day extension in FY 2017/18 and FY 2018/19.
The RTPA has submitted to the state controller an annual certified fiscal audit within 12 months of the end of the fiscal year.	CCR 6662	In compliance	FY 2017/18: February 13, 2019 FY 2018/19: December 30, 2019 FY 2019/20: January 6, 2021
The RTPA has submitted within 90 days after the end of the fiscal year an annual financial transactions report to the state controller.**	CCR 6660	In compliance***	FY 2017/18: February 1, 2019 FY 2018/19: January 30, 2020 FY 2019/20: January 28, 2021

*At the time this audit was completed, FY 2020 TDA fiscal audits for all transit operators were pending, but still within the allowable 90-day extension deadline.

**Beginning with FY 2016, the due date for State Controller Reports for RTPAs was extended to seven months after the end of the fiscal year. Amended through Government Code Section 53891(a).

***Technically, the FY 2017/18 report was submitted one day late. However, as subsequent reports were submitted on time and given the report was only one day after the deadline, we are not including this as a finding.

Compliance Element	Reference	Compliance	Comments
The RTPA 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 RTPA 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.	PUC 99246, 99248	In compliance	The prior audit was conducted by Moore & Associates, Inc. and was completed in February 2018. Moore & Associates was engaged to prepare the audits in 2021 as well.
The RTPA has submitted a copy of its performance audit to the Director of the California Department of Transportation. In addition, the RTPA has certified in writing to the Director that the performance audits of operators located in the area under its jurisdiction have been completed.	PUC 99246(c)	In compliance	Caltrans confirmed receipt of MCTC’s submittal. MCTC should ensure the submittal letter or email is filed where it can be easily retrieved.
For Article 8(c) claimants, the RTPA may adopt performance criteria, local match requirements, or fare recovery ratios. In such cases, the rules and regulations of the RTPA will apply.	PUC 99405	Not applicable	No alternative criteria have been adopted for Article 8(c) funding recipients.
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, passenger 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.	PUC 99246(d)	In compliance	
The RTPA has established rules and regulations regarding revenue ratios for transportation operators providing services in urbanized and newly urbanized areas.	PUC 99270.1, 99270.2	In compliance	
The RTPA 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.	PUC 99275.5	Not applicable	There are no designated Article 4.5 claimants in Madera County.

Compliance Element	Reference	Compliance	Comments
State transit assistance funds received by the RTPA are allocated only for transportation planning and mass transportation purposes.	PUC 99310.5, 99313.3, Proposition 116	In compliance	
Transit operators must meet one of two efficiency standards in order to use their full allocation of state transit assistance funds for operating purposes. If an operator does not meet either efficiency standard, the portion of the allocation that the operator may use for operations shall be the total allocation to the operator reduced by the lowest percentage by which the operator's total operating cost per revenue vehicle hour exceeded the target amount necessary to meet the applicable efficiency standard. The remaining portion of the operator's allocation shall be used only for capital purposes.	PUC 99314.6	Not in compliance	MCTC does not apply the efficiency test to transit operators as part of its STA allocation and claims process.
The amount received pursuant to the Public Utilities Code, Section 99314.3, by each RTPA for state transit assistance is allocated to the operators in the area of its jurisdiction as allocated by the State Controller's Office.	PUC 99314.3	In compliance	
<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> <ul style="list-style-type: none"> • Consulted with the Social Services Transportation Advisory Council (SSTAC) established pursuant to PUC Section 99238; • Identified transit needs, including: <ul style="list-style-type: none"> ▪ Groups that 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 alternatives; • Adopted or reaffirmed definitions of "unmet transit needs" and "reasonable to meet"; • Identified the unmet transit needs and those needs that are reasonable to meet; and • Adopted a finding that there are no unmet transit needs, that there are no unmet transit needs that are reasonable to meet, or that there are unmet transit needs including needs that are reasonable to meet. <p>If a finding is adopted that there are unmet transit needs, these needs must have been funded before an allocation was made for streets and roads.</p>	PUC 99401.5	In compliance	

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Chapter 4 | Prior Recommendations

This section reviews and evaluates the implementation of prior Triennial Performance Audit recommendations. This objective assessment provides assurance the Madera County Transportation Commission has made quantifiable progress toward improving both the efficiency and effectiveness of its programs.

The prior audit – completed in February 2018 by Moore & Associates, Inc. for the three fiscal years ending June 30, 2017 – included five recommendations:

1. [Develop standardized demographic presentations \(maps, charts, etc.\) that can be updated annually via US Census Bureau and California Department of Finance data and included within the Unmet Transit Needs summary of findings.](#)

Discussion: This recommendation was carried forward from the previous audit. PUC 99401.5(b) requires RTPAs to conduct “an annual assessment of the size and location of identifiable groups likely to be transit dependent or transit disadvantaged.” Some of this information was incorporated into the Short Range Transit Development Plan (which is updated every five years), but it is not included in the annual unmet transit needs report. Traditionally, the unmet transit needs process has relied on public comment and guidance from the SSTAC’s citizen members to identify unmet transit needs. However, MCTC and the SSTAC cannot make well-rounded decisions if there is information to which they do not have access. When updated demographic data is not integrated into the unmet transit needs process, it is possible that some transit-disadvantaged populations with valid transit needs are overlooked because they could not or would not speak up.

The prior audit recommended standardized maps and charts be prepared and used as templates for integration into the unmet transit needs process. MCTC staff and SSTAC members who are working on the unmet transit needs findings would then have access to this information and would be able to determine if there are needs that have yet to be identified, based on population changes over time. These maps and charts could be easily updated each year using current data.

Progress: Staff has enhanced the assessment of transit-dependent population with data, maps, etc.

Status: Implemented.

2. [Analyze the potential for designating a Consolidated Transportation Services Agency for potential efficiencies.](#)

Discussion: This recommendation was carried forward from the previous audit. PUC 99275.5 requires the RTPA to adopt 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. Given there are no current Article 4.5 claimants, MCTC does not have such criteria, rules, and regulations. (This was presented as a functional finding given MCTC did not have any Article 4.5 claimants.)

The prior audits recommended MCTC analyze the potential for designating a consolidated transportation services agency (CTSA) in an effort to improve the quality of transportation services to low mobility groups, achieve cost savings, potentially lower insurance premiums, and more efficiently use county resources. The prior audit noted MCTC should evaluate the impact and potential for cost and other efficiencies the designation of a CTSA would have in Madera County. As part of this assessment, MCTC should develop criteria, rules, and regulations for the evaluation of claims filed under Article 4.5.

Progress: Staff reviewed what other agencies were doing, discussed the issue with local transit operators regarding having a CTSA, and met with a potential CTSA agency. It was deemed there was not sufficient interest to designate a CTSA.

Status: Implemented.

3. [Enforce the requirement that transit operators submit semi-annual performance reports.](#)

Discussion: PUC Section 99244 requires each RPTA to annually identify, analyze, and recommend potential productivity improvements which could lower the operating costs of its transit operators. These recommendations must include, but are not limited to, recommendations related to productivity made in the performance audit.

This was presented as a functional finding given MCTC had already incorporated the Productivity Improvement Plan into its TDA claims process, thereby meeting the minimum requirements of PUC Section 99244. It was included as a finding so that MCTC can enhance its monitoring of Madera County transit operators.

In its 2017 TDA Guidebook, Section 8.3 indicated that a semi-annual transit operators' report was required of MCTC's TDA claimants. This report, as described in the Guidebook, included data such as revenue vehicle miles, days of service, revenue vehicle hours, ridership, fare revenue, and operating cost, as well as performance measures calculated from that data. MCTC had not been enforcing this type of reporting, instead only collecting performance data as part of specific planning efforts.

The prior audit noted, even though future TDA claims would include Form C, which requires operators to update MCTC as to their progress regarding productivity-related audit recommendations, it is important for MCTC to receive and review regular performance data. This enables the RTPA to monitor each operator's progress toward improving productivity as well as raise awareness of operators that may not be on track to meet particular milestones (such as farebox recovery) before the end of the fiscal year while there is still an opportunity to take corrective action.

Progress: Staff has requested performance reports and usually receives at least one of the two semi-annual reports in a given year. Staff continues to work with agencies to comply with this requirement.

Status: Partially implemented.

4. Re-evaluate administrative funding requirements.

Discussion: While not specifically identified in the TDA legislation, which charges the RTPA with responsibilities regarding the allocation of funds and monitoring of productivity, it is common throughout California for RTPAs to provide support and training opportunities for the transit operators to which they allocate TDA funding. Historically, MCTC has not provided beyond basic support for its operators from a mentoring perspective. Instead, it may refer the operator to a transit consultant, which is an unplanned expense for the operator depending upon the level of support needed.

In order for MCTC to provide a higher level of support for operators, the prior audit recommended MCTC re-evaluate the administrative funding it is claiming. This would provide MCTC with additional resources to support the transit operators with training or educational opportunities, or could fund some consultant support for claimants.

Progress: Staff evaluated the amount of administrative funding being withheld. Starting in FY 2018/19, the amount was increased for the first time in many years to sufficiently cover the administrative costs of administering the TDA funds and other transit funds as well as costs to consult with and assist operators in completing the required paperwork for all transit programs.

Status: Implemented.

5. Identify industry experts for presentations/training regarding areas of interest to Madera County transit operators.

Discussion: While not specifically identified in the TDA legislation, which charges the RTPA with responsibilities regarding the allocation of funds and monitoring of productivity, it is common throughout California for RTPAs to provide support and training opportunities for the transit operators to which they allocate TDA funding. Historically, MCTC has not provided beyond basic support for its operators from a mentoring perspective. Instead, it may refer the operator to a transit consultant, which is an unplanned expense for the operator depending upon the level of support needed.

As part of its effort to provide additional support and education/training for its claimants, the prior audit recommended MCTC identify opportunities to provide outside experts in areas of interest to itself and the operators. For example, one option might be to invite a consultant with experience specific to CTSA formation, governance, and operation to a quarterly transit meeting.

This would allow the operators to learn about CTSA's while also contributing to MCTC's exploration of CTSA's as discussed in Functional Finding 1.

Progress: MCTC staff have discussed training opportunities with the transit operators. Some of the requested training was provided by MCTC staff. Staff will continue to explore other areas of training with outside experts. Due to the COVID-19 pandemic, training opportunities and workshops have temporarily been placed on hold.

Status: Partially implemented.

Chapter 5 | Goal Setting and Strategic Planning

This chapter analyzes the Madera County Transportation Commission’s goal setting and strategic planning process. The primary planning document is the Regional Transportation Plan and Sustainable Communities Strategy (RTP-SCS). The RTP is a long-range (26-year) transportation plan providing a vision for regional transportation investments. The most recent update, which was completed in 2018 (and the most recent Amendment No. 1 adopted in March 2019), considers the role of transportation including economic factors, quality of life issues, and environmental factors. The Sustainable Communities Strategy (SCS) element, required under SB 375, demonstrates the integration of land use, transportation strategies, and transportation investments that will help Madera County meet regional greenhouse gas reduction targets.

The 2018 RTP identified four key “Principles to Success” intended to help MCTC achieve its vision for “a sound multimodal transportation system facilitating a vibrant economy, enhancing the physical and cultural environment, and ensuring a high quality of life for citizens in Madera County.” Those four principles are:

1. **Improved quality of life** through the integration of transportation system that promote access to affordable housing, education, jobs, and recreation.
2. **Prosperity** via enhanced economic viability through access to education and job opportunities.
3. **Cultural diversity** through a range of transportation modes and housing choices reflective of the region’s cultures and subcultures.
4. **Health and environment** by supporting citizen health, enhancing cultural and economic resources, and equitably distributing transportation resources.

The RTP further identified nine overarching goals to support the Principles of Success, as well as 49 objectives that identify specific actions in moving toward those goals. The goals are:

1. To support equitable access to effective transportation options for all, regardless of race, income, national origin, age, location, physical ability, or any other factor.
2. To promote intermodal transportation systems that are fully accessible, encourage quality and sustainable growth and development, support the region’s environmental resource management strategies, and are responsive to the needs for current and future travelers.
3. To promote and develop transportation systems that stimulate, support, sustain, and enhance the movement of people and goods to foster economic competitiveness of the Madera region.
4. To enhance transportation system coordination, efficiency, and intermodal connectivity to keep people and good moving and meeting regional transportation goals.
5. To maintain the efficiency, safety, and security of the region’s transportation system.
6. To improve the quality and sustainability of the natural and human built environment through regional cooperation of transportation systems planning activities.
7. To maximize funding to maintain and improve the transportation network.

8. To identify reliable transportation choices through the public participation process approved by MCTC.
9. To protect the environment and health of our residents by improving air quality and encouraging active transportation (non-motorized transportation, such as bicycling and walking).

The 49 objectives cover a wide range of activities intended to support the above goals. These objectives (detailed in Exhibit 5.1) are specific and measurable. The current RTP address accomplishments and progress toward goals since the prior version within each separate element of the Plan. For the 2022 update, MCTC may wish to tie these accomplishments to specific goals and objectives so as to better document its progress.

Exhibit 5.1 RTP Objectives

<p>Provide adequate public notice of public participation activities and time for public review and comment at key decision points.</p> <p>Conduct effective outreach to ensure fiscally sound transportation investments that result in improved system mobility and safety.</p> <p>Promote effective dialogue with agencies, developers, and users to help guide investment discussions and maintain and improve the effectiveness of the transportation system.</p> <p>Coordinate land use decisions and transportation systems with other affected agencies and the public.</p> <p>Ensure transparent planning for projects that benefit disadvantaged communities and vulnerable groups and actively engage affected communities.</p> <p>Prioritize transportation improvement projects that benefit disadvantaged communities.</p> <p>Identify transportation needs in disadvantaged communities through meaningful engagement.</p> <p>Identify innovative solutions that address the needs of disadvantaged communities and vulnerable groups.</p> <p>Support access to areas of opportunity, healthy food, clinics and hospitals, and parks, regardless of race, income, national origin, age, location, physical ability, or any other factor.</p> <p>Maintain partnership-based planning to achieve a social, economic and environmental well-being.</p> <p>Enhance the importance of transportation equity, public health, natural resource protection, and smart growth during update of the RTP/SCS.</p> <p>Provide the Madera region with transportation mobility options necessary to carry out essential daily activities and support equitable access to the region's assets.</p> <p>Shift investment strategies towards a variety of modes.</p> <p>Improve and maintain an integrated transportation network that reduces congestion and minimizes safety issues.</p>	<p>Strive to create a fully “seamless” intermodal transportation system by addressing critical linkages between modes based upon public needs.</p> <p>Maintain, repair and rehabilitate the existing and future regional transportation system.</p> <p>Undertake transportation investments that enhance the future economic viability and performance of the transportation system.</p> <p>Reduce the cost of doing business by providing for the efficient movement of goods, people and information.</p> <p>Combine elements of priority projects to maximize funding and provide for a well-connected and seamless transportation system.</p> <p>Support transportation improvements that connect residents to activity centers such as green spaces and community centers.</p> <p>Invest in modern regional aviation, public transit, and passenger rail systems to maintain the region's economic competitiveness with other regions, and to ensure continued economic prosperity.</p> <p>Support the study of first-mile last mile linkages near transit stops throughout the County.</p> <p>Promote community design that supports transit use and increases non-motorized transportation while still meeting the mobility needs of residents and employees.</p> <p>Support transportation improvements that provide access to affordable housing options connected to transit.</p> <p>Support transportation improvements that provide healthy and safe routes to schools and between activity centers.</p> <p>Support goals contained in city and county general plans that strive to enhance urban and community centers, promote the environmentally sensitive use of lands in Madera County, revitalize distressed areas, and collaborate with agencies to ensure that new growth areas are planned in a well-balanced manner focusing on walkability and livability.</p>	<p>Invest in the development of walkable communities that offer citizens the ability to access residences, jobs, retail, recreation, and other community amenities without the need to rely on an automobile.</p> <p>Encourage transportation systems that enhance walking or bicycling and that can help people increase physical activity, resulting in significant potential health benefits and disease prevention.</p> <p>Ensure that new project motorized, and active transportation or non-motorized transportation plans are enacted in the first phase of the project.</p> <p>Improve the integration of land use, urban design, transportation, rural and environmental feature preservation, and economic development policies and decisions through incentives and/or policies.</p> <p>Directly link land use, transportation, and air quality, thereby prompting reasonable growth management programs that effectively utilizes new transportation funds, alleviates traffic congestion and related impacts, and improves air quality.</p> <p>Use the Regional Housing Needs Assessment (RHNA) to prioritize local resource allocation and decide how to address existing and future housing and transportation needs resulting growth.</p> <p>Build communities that encourage healthy lifestyles and active living for all ages.</p> <p>Increase efforts to improve the form and function of transportation corridors in order to contribute to the “sense of place.”</p> <p>Work with local agencies to minimize the loss of natural lands, working lands, and groundwater recharge areas related to construction of transportation projects.</p> <p>Encourage local agencies to coordinate Transportation and Sustainable Communities Strategy Planning with Groundwater Sustainability Planning.</p> <p>Fulfill national and State mandates for environmentally sensitive planning, including the development of attractive alternatives to single-occupant driving and support for walking and bicycling consistent with provisions.</p>	<p>Coordinate with Caltrans and local agencies to mitigate the potential environmental impacts of projects.</p> <p>Support cooperative interagency and public-private environmental conservation efforts.</p> <p>Make transportation decisions that are compatible with air quality conformity objectives and the preservation of key regional ecosystems.</p> <p>Avoid disproportionately high adverse environmental impacts upon low-income individuals, the elderly, persons with disabilities or minority populations.</p> <p>Consider how transportation policies, programs, and investment strategies affect the overall health of people and the environment including reduction of greenhouse gas and air quality emissions, physical activity, and other environmental resources.</p> <p>Coordinate with Caltrans and the local agencies to protect the region's habitat, agricultural land and other natural resources for future and current generations.</p> <p>Support accessible and effective transportation options for seniors and persons with physical disabilities.</p> <p>Improve marketing and promotion of successful existing transportation services.</p> <p>Embrace promising and fiscally responsible transportation and information technologies (Intelligent Transportation Systems) that serve to interconnect systems and provide information to residents and travelers.</p> <p>Develop appropriate funding mechanisms to finance significant regional facilities.</p> <p>Encourage development in existing communities.</p> <p>Encourage local agencies to promote public transit, walking, bicycling, and ridesharing as viable and convenient alternatives to driving.</p>
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According to its FY 2020/21 Overall Work Program, MCTC's role is to foster intergovernmental coordination; undertake comprehensive regional planning with an emphasis on transportation issues; provide a forum for citizen input into the planning process; and to provide technical services to its member agencies. In all these activities MCTC works to develop a consensus among its members with regards to multi-jurisdictional transportation issues.

MCTC's annual Overall Work Program focuses on addressing State and Federal planning emphasis areas through a series of work elements. Each work element features clearly defined objectives, planned activities, and performance monitoring measures.

MCTC also prepares a Short Range Transit Development Plan (SRTDP) for Madera County transit operators. The most recent SRTDP was adopted in March 2017 and spans the period FY 2017/18 through FY 2021/22. It identifies county-wide goals and objectives, sets mode-specific performance standards, assesses recent transit system performance, makes recommendations based on a needs analysis, provides a financial plan, and identifies marketing strategies. The SRTDP is the primary planning document for Madera County transit operators.

The SRTDP sets forth five goals for transit programs county-wide. Each goal is supported by multiple objectives.

Goal 1: Provide safe, reliable, high quality, and economical public transportation.

Objectives:

1. Provide safe transit.
2. Provide reliable transit.
3. Provide service when and where it is needed.
4. Operate transit efficiently and economically.
5. Coordinate transit services with other regional transit operations.
6. Increase the level of public information about transit services.

Goal 2: Operate an efficient and effective system that maximizes service and minimizes cost impacts.

Objectives:

1. Provide productive transit service.
2. Maximize operating and capital costs.
3. Minimize overhead costs.
4. Maximize farebox recovery.
5. Take advantage of available external funds to support local transit.

Goal 3: Evaluate, monitor, and improve transit systems on an ongoing basis.

Objectives:

1. Implement a sound data collection process.
2. Undertake onboard ridership surveys on a regular basis.

3. Develop up-to-date management information.
4. Undertake regular monitoring of system data and management information.
5. Undertake ongoing performance evaluation.
6. Initiate service improvements as warranted.

Goal 4: Undertake effective marketing, outreach, and public participation.

Objectives:

1. Implement proactive marketing, outreach, and public participation strategies.
2. Coordinate with other regional transit systems, social service agencies, and other interested parties to ensure wide dissemination of transit information.
3. Present information directly to existing and potential riders through public presentations and participation at special community events.

Goal 5: Coordinate transit system development with community planning and development efforts and land use policy.

Objectives:

1. Encourage new facilities that may have public transit impacts to locate in current service areas, with pedestrian access from current stops.
2. Coordinate with appropriate jurisdictions to accommodate public transit, including provision for bus turnouts and other passenger amenities.
3. Encourage the reduction in vehicle trips by public transit usage. Trip reduction can have noticeable reductions in overall particulate matter and greenhouse gas emissions.

As with the RTP, the SD RTP highlights notable achievements and accomplishments during the prior five-year period, but does not tie these achievements to individual goals or objectives or report on specific progress toward the goals and objectives. MCTC should consider including such a review when it undertakes its next SRTDP update in FY 2021/22.

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Chapter 6 | Functional Review

A functional review of the Madera County Transportation Commission determines the extent and efficiency of the following functional activities:

- Administration and Management;
- Transportation Planning and Regional Coordination;
- Claimant Relationships and Oversight;
- Marketing and Transportation Alternatives; and
- Grant Applications and Management; and
- Impact of COVID-19 pandemic.

Administration and Management

The Madera County Transportation Commission (MCTC) is a state-designated regional transportation planning agency and federally recognized metropolitan planning organization created to address regional transportation issues. Its member agencies include the City of Chowchilla, City of Madera, and County of Madera.

MCTC's role as the RTPA is to foster intergovernmental coordination, undertake comprehensive regional planning with an emphasis on transportation issues, provide a forum for citizen input into the planning process, and provide technical services to its member agencies. MCTC is also responsible for administering Transportation Development Act (TDA) funds, including both State Transit Assistance (STA) funds and Local Transportation Funds (LTF).

The MCTC Policy Board is comprised of three members from the Madera County Board of Supervisors, one member from the City of Chowchilla city council, and two members from the City of Madera city council. The Board meets monthly on the third Wednesday at 3:00 p.m. Meetings typically take place in the MCTC Board Room at the MCTC offices (2001 Howard Road, Suite 201, Madera), which is served by Madera Metro Routes 2 and 3. However, during the COVID-19 pandemic, Board meetings have been conducted virtually using the GoToWebinar platform.

Members of the MCTC Policy Board serving during the audit period included:

- Brett Frazier, Supervisor, Madera County
- Max Rodriguez, Supervisor, Madera County
- Tom Wheeler, Supervisor, Madera County
- Robert Poythress, Supervisor, Madera County (alternate)
- David Rogers, Supervisor, Madera County (alternate)
- Waseem Ahmed, Councilmember, City of Chowchilla
- Ray Barragan, Councilmember, City of Chowchilla (alternate)
- Andrew Medellin, Mayor, City of Madera
- William Oliver, Councilmember, City of Madera (2017-2018)

- Jose Rodriguez, Councilmember, City of Madera (2019-2020)
- Donald Holley, Councilmember, City of Madera (alternate)

MCTC Board members participate in, or receive guidance from, the following committees:

Policy Advisory Committee

The Policy Advisory Committee (PAC) reviews transportation plans and programs prior to action by the commission. The PAC is comprised of the full MCTC Board plus one member representing the Caltrans District 6 Director. The PAC meets on an as-needed basis.

Technical Advisory Committee

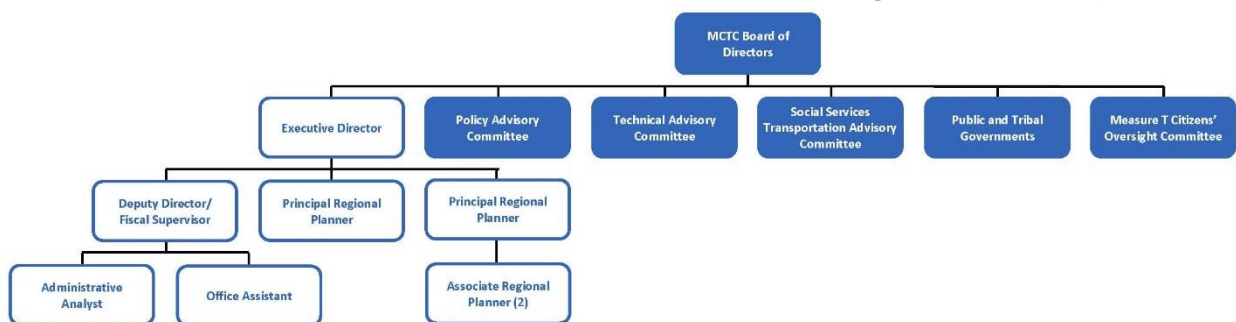
The Technical Advisory Committee (TAC) reviews staff work with respect to the Overall Work Program, advises the Board on transportation issues, and makes recommendations regarding planning and programming actions. The TAC is comprised of representatives from the County of Madera, City of Madera, City of Chowchilla, Tribal Governments, and one representative from Caltrans District 6. Representatives from the North Fork Rancheria of Mono Indians of California and the Picayune Rancheria of Chukchansi Indians of California, as well as representatives of other local tribes, are also invited to attend. The TAC meets monthly on the second Monday at 1:30 pm.

Social Services Transportation Advisory Council

The Social Services Transportation Advisory Council (SSTAC) addresses the needs of the transit-dependent, including the elderly, disabled, and low-income individuals. The SSTAC is comprised of citizens and meets two to three times annually, with the first meeting taking place in March prior to the annual unmet transit needs hearing and the second following the unmet transit needs hearing. The SSTAC works with staff to develop recommendations regarding unmet transit needs.

Reporting directly to the MCTC board is the Executive Director, who oversees a staff of seven. An organizational chart is presented in Exhibit 6.1.

Exhibit 6.1 Organizational Chart (FY 2019/20)



MCTC currently has one open position for an Associate Regional Planner. With the exception of this open position, the remaining level of staffing is sufficient. MCTC encourages staff to pursue professional development opportunities. Generally, the turnover rate is fairly low. MCTC staff are not represented

and all are full-time employees. All full-time staff are eligible for the agency’s comprehensive benefits package.

MCTC serves as the Regional Transportation Planning Agency (RTPA), Metropolitan Planning Organization (MPO), and Local Transportation Commission (LTC) for Madera County. As the RTPA, MCTC is responsible for adopting a regional transportation plan and a regional transportation improvement program. As the federally designated Metropolitan Planning Organization (MPO), MCTC receives state and federal transportation funds for regional activities detailed in its Overall Work Program (OWP).

MCTC is also a party to a number of cooperative agreements with State, local, and regional agencies as part of its commitment to a continuing, cooperative, and comprehensive transportation planning program:

- Caltrans and Madera County Transportation Commission MOU (comprehensive transportation planning);
- San Joaquin Valley Transportation Planning Agencies, Caltrans, and the San Joaquin Valley Air Pollution Control District MOU (cooperative agreement between agencies located within non-attainment boundaries);
- Madera County Transportation Commission and Member Agency Working Agreements;
- CalVans Joint Powers Agreement (California Vanpool Authority);
- San Joaquin Valley 511 MOU (traveler information); and
- San Joaquin Joint Powers Authority MOU (San Joaquin Rail Service).

Budget Process and Internal Controls

MCTC’s annual budget is provided in its Overall Work Program (OWP), which details specific work activities for the upcoming fiscal year. The OWP addresses MCTC’s state and federal planning requirements as well as local planning priorities.

The fiscal supervisor regularly reviews monthly reports and bank statements against project progress. MCTC uses Quickbooks for accounting. TDA claims are processed in a timely manner.

Claimant Relationships and Oversight

As the designated RTPA and a trusted source of transportation-related knowledge (as well as the conduit through which funding passes), MCTC staff interacts with its claimants on a regular basis. Monthly TAC meetings offer information on a broad range of topics, while quarterly transit meetings provide an additional opportunity for interactions specific to transit.

Traditionally, MCTC has been primarily involved in transit specific to funding and grant administration, rather than operations. Since the prior audit, there has been some interest on behalf of the transit operators in receiving more operational support from the RTPA. MCTC has become more hands-on and provides the transit operators with more resources and avenues for obtaining this guidance.

Transit Operator Productivity Monitoring

Historically, MCTC has only received operator performance data as part of a specific planning process (such as the SRTDP). However, the TDA Guidebook developed during the last triennial performance audit cycle includes a Productivity Improvement Plan (Form C), which requires operators to provide information regarding progress made toward implementing performance audit recommendations.

In addition, per the TDA Guidebook (page 8), operators are to submit to MCTC a semi-annual transit operators report, inclusive of performance data and performance measures. MCTC has been lax about collecting this data outside of a specific planning process but intends to become more stringent with delivery of the operator’s productivity deliverables. Doing so will open the dialogue for conversation for offering feedback and recommendations for improvement.

Transportation Planning and Regional Coordination

Each year, MCTC prepares its Overall Work Program (OWP), which documents past accomplishments, identifies scheduled work for the program year, and provides detailed budget information. The OWP represents a comprehensive record of the agency’s activities, major projects, and significant milestones.

During the audit period, MCTC adopted a number of updated regional planning documents, including:

- Regional Transportation Plan and Sustainable Communities Strategy, Amendment 1, 2018;
- Environmental Impact Report, 2018; and
- Federal Transportation Improvement Program, 2019.

In addition, MCTC’s Regional Transportation Improvement Plan was adopted in November 2019.

Transit Planning

MCTC prepares a Short Range Transit Development Plan (SRTDP) for Madera County transit operators. The SRTDP, which covers a five-year planning horizon, identifies county-wide goals and objectives, sets mode-specific performance standards, assesses recent transit system performance, makes recommendations based on a needs analysis, provides a financial plan, and identifies marketing strategies. The SRTDP is the primary planning document for Madera County transit operators. The next SRTDP update is scheduled for FY 2021/22.

Marketing and Transportation Alternatives

Each year, MCTC conducts an annual unmet transit needs hearing per PUC Section 99401.5, which requires all unmet transit needs determined to be “reasonable to meet” be met before LTF funds can be used for streets and roads. In 2020, the Unmet Transit Needs Hearing was held virtually on May 20, 2020. Historically there have been very few requests which are determined to be “reasonable to meet” in Madera County. During the Unmet Needs process, MCTC conducted surveys online via Facebook, on Survey Monkey, and at college fairs. These efforts proved to be helpful in understanding usage of transit, biking, and unmet transportation needs.

MCTC's regional marketing program is limited and consists of information on its website and a printed Guidebook, which is currently out of date. Most marketing and information have gone digital so MCTC has decided not to update or print anymore Guidebooks. The 2020 Merced County Grand Jury findings revealed bus schedule information is not readily available and bus schedules are difficult to read and understand. MCTC is currently working on a response to these findings and intend to address the discussed issues.

In 2020, MCTC also updated its Public Participation Plan to ensure compliance with the FAST Act. MCTC also serves on the City of Madera's Transit Advisory Board (TAB), which routinely addresses public feedback and makes recommendations to improve existing transit services. MCTC is exploring options to host virtual public participation opportunities during the pandemic.

MCTC's website (www.maderactc.org) provides an online presence for the RTPA. It features a library of planning documents as well as information about Madera County transit services, transportation planning and funding, CMAQ, Measure T, the unmet transit needs process, and Title VI. Current and archived (2017-2021) Board agendas and meeting minutes are available as well. MCTC has a presence on social media (Facebook and Twitter).

Grant Applications and Management

MCTC manages its own grants and handles distribution of TDA funds to the transit operators. All federal funds go through operators and Caltrans. Operators don't necessarily apply for discretionary grants. MCTC is indirectly involved with grant applications. They provide some consultation regarding transportation improvements.

In March, 2020 MCTC's Policy Board approved a revised Transportation Development Act Guidebook. The purpose of the document is to provide an overview of the TDA funding and claims processes and explain statutory provisions, policies, procedures, and administrative instructions in an effort to increase understanding and expedite the administrative process. The Guidebook is intended to supplement the TDA Statutes and California Codes of Regulations published by Caltrans.

In conjunction with the development of the TDA Guidebook, MCTC also added standard assurances to its TDA claims process. This arose from a prior audit recommendation. The claim forms also include a Productivity Improvement Progress Report (Form C), which tracks progress with respect to prior TDA audit recommendations.

Impact of COVID-19 pandemic

The greatest impact of the pandemic on MCTC was the disruption of momentum. In response to the COVID-19 pandemic, all staff is now working remotely. MCTC staff has targeted its focus on setting up staff to work at home and upgrading its network to improve security. The goal is to transition back to concentrate on performance metrics and regional planning.

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Chapter 7 | Findings and Recommendations

Conclusions

With two exceptions, we find the Madera County Transportation Commission, 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 finding and the recommendation for its resolution, as well as modest recommendations intended to improve the effectiveness of the organization as the RTPA, are detailed below.

Findings and Recommendations

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

1. The RTPA did not exercise sufficient control over the contract for the TDA fiscal audits of the operators to enable the operators to submit their respective audits within the established timeframe.
2. MCTC did not conduct the qualifying tests prior to the allocation of STA funds.

We also identified one additional functional finding. While this finding is not a compliance finding, the auditors believe it is significant enough to be addressed within this review:

1. Transit operator audits contracted by MCTC do not include a detailed assessment of compliance with farebox recovery ratio requirements.

In completing this Triennial Performance Audit, we submit the following findings and recommendations for the Madera County Transportation Commission. 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 RTPA did not exercise sufficient control over the contract for the TDA fiscal audits of the operators to enable the operators to submit their respective audits within the established timeframe.

Criteria: CCR 6662 requires the RTPA submit an annual audit of its accounts and records to the State Controller within 12 months of the end of the fiscal year. However, PUC 99245 requires the RTPA ensure a fiscal audit of transit operator TDA funds is completed within 180 days following the end of the fiscal year (generally December 31). The RTPA may grant an extension of up to 90 days (generally March 31) as it deems necessary.

Condition: MCTC was in compliance with submittal of its own annual fiscal audit throughout the audit period. However, MCTC also contracts for the single-year TDA fiscal audits for all transit operators. During the audit period, none of the operator audits were completed or submitted within the allowable 270-day period. This is due primarily to the late start of the auditors, who for FY 2019/20 had not started the audits at the time this report was prepared.

Cause: The cause for the late operator submittals is likely two-fold. First, the RTPA’s auditor may not contractually be held to the TDA-stipulated deadline, and therefore has no incentive to complete the audits by March 31. Second, the transit operators (cities and county) may close out their own books too late to complete the TDA audits by March 31.

Effect: Late submittal of the TDA fiscal audits, regardless of the cause, results in the transit operator and the RTPA being out of compliance with the TDA.

Recommendation: Work with MCTC’s auditor to ensure deadlines enabling timely completion of operator TDA fiscal audits are included within the audit contract.

Recommended Action: Ultimately, under PUC 99245, it is the RTPA’s responsibility to ensure on-time completion of the TDA fiscal audits of the transit operators, whether contracted by the RTPA or the individual entities. However, the RTPA does not have control over when the individual operators close out their books for the fiscal year. Therefore, it is important that both parties commit to timely completion of the TDA fiscal audits – the operators by ensuring financial data is available well before the submittal deadline, and the RTPA by ensuring the contracted auditor is held to that deadline to the greatest extent possible.¹ The RTPA should also document any extensions it grants beyond the 180-day deadline and ensure those are communicated to the State Controller’s Office.

Timeline: Beginning with TDA fiscal audits for FY 2020/21. Alternately, if the RTPA has an existing contract with an auditor, revisions to contracted timelines should be incorporated when the contract is renewed or rebid.

Anticipated Cost: Negligible.

Compliance Finding 2: MCTC did not conduct the qualifying tests prior to the allocation of STA funds.

Criteria: PUC 99314.6 sets forth qualifying criteria for using State Transit Assistance (STA) funds for operating purposes. The transit operator must meet at least one of two efficiency standards in order to use its full allocation for operating purposes. If the operator does not meet either efficiency standard, the amount available for operating is reduced by the lowest percentage by which the cost per revenue hours exceeded the target amount necessary to meet the efficiency standard. This remaining portion of the allocation may only be used for capital purposes.

¹ Corresponding findings have been included in the FY 2018 – FY 2020 TDA Triennial Performance Audits of the City of Chowchilla, City of Madera, and County of Madera..

Condition: Despite this requirement being in place since FY 2016/17, there is no evidence MCTC conducted the qualifying tests prior to allocating STA funding. As a result, all operators were considered free to use their full STA allocation for operating purposes as desired.

There are two tests to determine if an entity meets the qualifying criteria for using the full allocation of STA funds for operating purposes. One compares the operating cost per vehicle service hour for the most recent two years for which audited data is available, adjusted for CPI. The other compares cost per vehicle service hour for the two most recent three-year periods for which audited data is available, adjusted for CPI.

For FY 2017/18, the STA allocation would have been based on audited data from FY 2015/16 (because FY 2016/17 audited data would not have been available when the claim was prepared).

The two efficiency standards are as follows:

Efficiency Standard 1:

Z must be less than or equal to $[Y + (Y) * (CPI\%)]$ [CPI% = average percentage change in the CPI%]

Efficiency Standard 2:

$[(X + Y + Z) / 3]$ must be less than or equal to $[(W + X + Y)/3] + \{[(W + X + Y)/3] * (3\text{-year CPI\%})\}$

Cause: It is likely the qualifying test was not conducted because it was not the way MCTC had allocated its STA funds in prior years, and was still getting used to its new claim process.

Effect: Allocation of the full amount when an entity is not eligible to use the full amount for operating purposes can result in an over-allocation.

Recommendation: For any operator using STA funds for operating purposes, MCTC should include the test against the two qualifying efficiency standards as part of the TDA claim process.

Recommended Action(s): The STA worksheet (provided separately in Excel format) should be utilized as part of the TDA claims process for operators receiving STA for operating. If an operator does not meet either standard, the allocation should be reduced by the smallest percentage by which the standard is not met. That amount is then only eligible for capital uses.

AB 90, in addition to waiving the penalty for noncompliance with the farebox recovery ratio for two years, also waived the STA qualifying test for FY 2020/21 and FY 2021/22. Therefore this recommendation will not be relevant until 2022/23.

Timeline: FY 2022/23.

Anticipated Cost: Variable.

Functional Finding 1: Transit operator audits contracted by MCTC do not include a detailed assessment of compliance with farebox recovery ratio requirements.

Criteria: PUC 99245 requires the RTPA ensure all claimants submit a TDA fiscal audit to the State Controller. In addition, CCR 6667 identifies a series of compliance audit tasks that should be included in the fiscal audits of all transit claimants. Items (f) through (h) under that section require the auditor to include a calculation of fare revenue, local support, operating cost, and the amount required to meet the stipulated farebox recovery ratio.

Condition: Currently, none of the transit operator fiscal audits include such calculations, and only one included mention of the farebox recovery ratio at all.

Cause: Lack of awareness of this requirement may be the cause of the omission, especially if the auditor is not experienced in conducting TDA fiscal and compliance audits.

Effect: Failure to include this information in the TDA fiscal audit not only means the audit is missing this information, but that there is no “official” calculation of the farebox recovery ratio to be used in determining compliance and, where necessary, financial penalties.

Recommendation: MCTC should require its fiscal auditor to include farebox recovery ratio calculations within the transit operator TDA fiscal and compliance audits.

Recommended Action: Ideally beginning with the operator audits for FY 2019/20, MCTC’s auditor should include a farebox recovery ratio calculation and compliance assessment as part of the TDA fiscal and compliance audits. Examples of such calculations and findings are provided in Exhibits 7.1 and 7.2. Calculations should be included for the current and prior fiscal years.

Exhibit 7.1 Farebox Recovery Ratio Determination and Compliance (single mode)

3. COMPLIANCE REQUIREMENTS OF LOCAL TRANSPORTATION FUNDS

The TDA is defined at Chapter 4 of the *California Public Utilities Code* commencing with Section 99200. Funds received pursuant to Section 99260 of the TDA (Article 4) may only be used for specific purposes including the support of public transportation systems. Article 4 funds are the primary funding source for the Transit Fund. TDA funds are apportioned, allocated, and paid in accordance with allocation instructions from the Commission for specific transportation purposes.

The Transit Services Fund is subject to the provision of Section 6633.2 of Title 21, Division 3, Chapter 2, Article 4 of the *California Code of Regulations* requiring the calculation and adherence of fare and local support ratios for TDA transit funding. Accordingly, the Transit Services Fund must maintain a ratio equaling or exceeding 10%. The Transit Services Fund's fare ratio of operating revenues to operating expenses, as calculated below, indicates the Transit Services Fund was in compliance with the provisions of the TDA for the fiscal years ended June 30, 2016 and 2015. The fare ratio calculations are as follows:

June 30	2016		2015	
Passenger fares	\$	319,030	\$	340,043
LCTOP fare supplement		17,711		-
Advertising income		3,150		2,400
Applicable Operating Revenues	\$	339,891	\$	342,443
Operating expenses	\$	3,134,452	\$	3,563,749
Less: Depreciation		(278,611)		(138,139)
Less: Vehicle lease expense		(144,000)		(144,000)
Applicable Operating Expenses	\$	2,711,841	\$	3,281,610
Actual Fare Ratio		12.53%		10.44%

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Exhibit 7.2 Farebox Recovery Ratio Determination and Compliance (two modes/system)

NOTE 9 – REVENUE RATIO

The District is required under the TDA to maintain a fare revenue ratio of 10% for the elderly/handicapped Demand Response System and 20% for the Fixed Route System. The calculations of the ratios for 2016 and 2015 are as follows:

	Demand Response	Fixed Route	Combined
Fares fiscal year ended June 30, 2016	\$ 158,102	\$ 4,700,685	\$ 4,858,787
Operating expenses	\$ 2,445,320	\$ 27,597,500	\$ 30,042,820
Less: Depreciation	391,251	4,969,523	5,360,774
Net operating costs	\$ 2,054,069	\$ 22,627,977	\$ 24,682,046
Fare revenue ratio	7.7%	20.8%	19.7%
	Demand Response	Fixed Route	Combined
Fares fiscal year ended June 30, 2015	\$ 122,459	\$ 4,075,710	\$ 4,198,169
Operating expenses	\$ 2,131,949	\$ 26,706,287	\$ 28,838,236
Less: Depreciation	392,641	5,203,868	5,596,509
Net operating costs	\$ 1,739,308	\$ 21,502,419	\$ 23,241,727
Fare revenue ratio	7.0%	19.0%	18.1%

Per the calculation, the District did not meet the required 10% fare revenue ratio for Demand Response in fiscal year 2016 or 2015. However, per Section 6633.5 of the TDA, if the services of Demand Response and Fixed Route combined meet the 20% fare revenue ratio, the District would be compliant. The District's combined ratio for 2016 and 2015 is 19.7% and 18.1%, respectively, but does not meet the fare revenue ratio required by the TDA. If the District does not meet the required fare revenue ratios in future years, penalties may be assessed.

While some audits include more detail than others, the audit team recommends including as much detail as possible. This will enable the RTPA, transit operator, the Triennial Performance Audit auditor, and others to easily identify what revenues have been counted toward or excluded from the farebox recovery ratio calculation, as well as what expenses may have been excluded. In addition, this provides an “official” calculation of the farebox recovery ratio that can be used during the following year’s TDA claim process.

Timeline: Ideally beginning with FY 2019/20, as those audits have not yet been completed. If this is not possible, then beginning with audits for FY 2020/21.

Anticipated Cost: Negligible.

Exhibit 7.3 Summary of Audit Recommendations

TDA Compliance Recommendations		Importance	Timeline
1	Work with MCTC’s auditor to ensure deadlines enabling timely completion of operator TDA fiscal audits are included within the audit contract.	High	FY 2020/21
2	For any operator using STA funds for operating purposes, MCTC should include the test against the two qualifying efficiency standards as part of the TDA claim process.	High	FY 2022/23
Functional Recommendations		Importance	Timeline
1	MCTC should require its fiscal auditor to include farebox recovery ratio calculations within the transit operator TDA fiscal and compliance audits.	High	FY 2020/21

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