

SHASTA REGIONAL TRANSPORTATION AGENCY
METROPOLITAN PLANNING
ORGANIZATION FUND

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
JUNE 30, 2012

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D. H. SCOTT & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
A LIMITED LIABILITY PARTNERSHIP

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Gerald R. Tadina, CPA

REPORT OF INDEPENDENT AUDITORS

Honorable Chairman and Members of the Board
Shasta Regional Transportation Agency
Redding, California

We have audited the accompanying financial statements of the Metropolitan Planning Organization Fund of the Shasta Regional Transportation Agency, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of Shasta Regional Transportation Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the financial statements present only the Metropolitan Planning Organization Fund and are not intended to present fairly the financial position of the Shasta Regional Transportation Agency in conformity with accounting principles generally accepted in the United States of America.

The Shasta Regional Transportation Agency was unable to provide us with grant documents or contracts relating to the funds received under the Transportation Enhancement Program, therefore, we were unable to determine whether they were accounted for correctly and whether the Agency is in compliance. Additionally, as reflected in the schedules of findings and questioned costs for Transportation Development Act programs, the Agency lacked adequate internal controls relating to Transportation Development Act programs and we were unable to determine if material misstatements exist due to non-compliance.

In our opinion, except for the items described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Metropolitan Planning Organization Fund of the Shasta Regional Transportation Agency as of June 30, 2012, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2013, on our consideration of the Metropolitan Planning Organization Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedule of revenues and expenditures listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Metropolitan Planning Organization Fund of the Shasta Regional Transportation Agency. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements of the Metropolitan Planning Organization Fund of Shasta Regional Transportation Agency. Such information has been subjected to the auditing procedures applied in the audit of the financial statements for the year ended June 30, 2012 and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

D. H. Scott & Company LLP

Redding, California
February 20, 2013

SHASTA REGIONAL TRANSPORTATION AGENCY
METROPOLITAN PLANNING ORGANIZATION FUND

BALANCE SHEET
JUNE 30, 2012

ASSETS

Cash and investments	\$ 737,547
Due from other governmental agencies	2,255,080
Prepaid expenses	5,565
Deposits	<u>1,019</u>
Total assets	\$ <u>2,999,211</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	\$ 345,202
Due to other governmental agencies	1,600,474
Deferred revenue	<u>150,970</u>
Total liabilities	<u>2,096,646</u>
Fund balance:	
Unassigned	452,565
Assigned	<u>450,000</u>
Total fund balance	<u>902,565</u>
Total liabilities and fund balance	\$ <u>2,999,211</u>

See accompanying notes to the financial statements.

SHASTA REGIONAL TRANSPORTATION AGENCY
METROPOLITAN PLANNING ORGANIZATION FUND

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
STP Exchange Dollars	\$ -	\$ 1,600,474	\$ 1,600,474
Federal Highway Administration	674,918	498,205	(176,713)
Federal Transit Administration 5303	92,962	23,690	(69,272)
Federal Transit Administration 5311 Google	11,258	11,069	(189)
Federal Transit Administration 5304	71,001	-	(71,001)
In-Kind income	12,019	-	(12,019)
Transportation Development Act	4,114	114,095	109,981
Programming, planning and monitoring	557,462	439,351	(118,111)
Shasta College	-	9,031	9,031
Safe Routes to School	113,094	93,055	(20,039)
Proposition 84	467,435	472,330	4,895
Gain on sale	40,000	38,475	(1,525)
Interest income	-	6,131	6,131
Transportation Enhancement	-	218,552	218,552
Other	2,900	-	(2,900)
SPR	<u>285,000</u>	<u>75,576</u>	<u>(209,424)</u>
Total revenues	<u>2,332,163</u>	<u>3,600,034</u>	<u>1,267,871</u>
Expenditures:			
Planning and administration	2,332,163	1,775,294	556,869
STP exchange payments	-	1,600,474	(1,600,474)
Transportation Enhancement	<u>-</u>	<u>218,552</u>	<u>(218,552)</u>
Total expenditures	<u>2,332,163</u>	<u>3,594,320</u>	<u>(1,262,157)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>5,714</u>	<u>(5,714)</u>
Fund balance, beginning of year	1,255,403	1,255,403	-
Prior period adjustment	(358,552)	(358,552)	-
Fund balance, beginning of year, as restated	<u>896,851</u>	<u>896,851</u>	-
Fund balance, end of year	<u>\$ 896,851</u>	<u>\$ 902,565</u>	<u>\$ (5,714)</u>

See accompanying notes to the financial statements.

SHASTA REGIONAL TRANSPORTATION AGENCY
METROPOLITAN PLANNING ORGANIZATION FUND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General - The following is a summary of the significant accounting policies of the Metropolitan Planning Organization Fund (Fund) of the Shasta Regional Transportation Agency (Agency).

Reporting Entity - The Shasta Regional Transportation Agency was designated as the Shasta County Metropolitan Planning Organization (MPO) by the Governor of California in 1981.

In 1981, the Agency, the City of Redding, the Redding Area Bus Authority (RABA), the City of Anderson, the County of Shasta (County), and Caltrans approved a Memorandum of Understanding outlining legal foundations of the MPO, the planning process, the obligations and responsibilities, the organizational makeup, and the funding process.

The Agency is responsible for the development and adoption of transportation policy; review and coordination of transportation planning; a Regional Transportation Plan; and a Regional and Federal Transportation Improvement Program. These planning activities enable the local jurisdictions within the County of Shasta to qualify for a variety of state and federal funding for transportation projects and facilities.

The County of Shasta TDA Road Fund, the Redding Area Bus Authority, and the cities of Redding, Anderson and Shasta Lake are reimbursed by the Fund for operating expenditures incurred on behalf of the Agency. The Fund is in turn reimbursed by the Federal Highway Administration (FHWA), the Transportation Development Act, State Subvention and State Planning and Research funds.

During the year, the Agency changed its name from the Shasta County Regional Transportation Planning Agency to Shasta Regional Transportation Agency. All contracts, grants and obligations of the former Shasta County Regional Transportation Planning Agency were assumed by Shasta Regional Transportation Agency.

Continued)

SHASTA REGIONAL TRANSPORTATION AGENCY
METROPOLITAN PLANNING ORGANIZATION FUND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - The Fund's financial activity is accounted for under the category of governmental fund type activity according to accounting principles generally accepted in the United States of America as applied to governmental entities. There are four subcategories of governmental fund types, which include the general fund, special revenue funds, debt service funds, and capital project funds. All of the financial activity of the Fund is accounted for in a special revenue fund. The purpose of a special revenue fund is to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specified purposes.

Measurement Focus - Measurement focus is the accounting convention that determines:

1. Which assets and liabilities are included on an entity's balance sheet.
2. Whether its operating statements present "financial flow" information (revenue and expenditures) or "capital maintenance" information (revenues and expenses).

All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balances (net current assets) are considered to be a measure of "available spendable resources". Their operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Basis of Accounting - Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

(Continued)

SHASTA REGIONAL TRANSPORTATION AGENCY
METROPOLITAN PLANNING ORGANIZATION FUND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues - Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Agency, "available" means collectible within the current period or within 60 days after fiscal year-end.

Non-exchange transactions, in which the Agency receives value without directly giving equal value in return, include taxes and grants. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the Agency must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the Agency on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue - Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants received before eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures - On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

(Continued)

SHASTA REGIONAL TRANSPORTATION AGENCY
METROPOLITAN PLANNING ORGANIZATION FUND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting - The operating budget for the Metropolitan Planning Organization Fund is prepared on a basis consistent with generally accepted accounting principles and is adopted as a part of the Overall Work Program for the Shasta Regional Transportation Agency. The executive director is authorized to transfer budget amounts between accounts within any element of the Overall Work Program. Any revisions which alter the total expenditures of any element require approval by the Board of Members and Caltrans.

Portions of fund equity are recorded as reserves when segregation for future use is necessary and the funds are, therefore, not available for future apportionment or expenditure.

Cash and Investments - Cash and investments include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the County. The County pools idle cash from all funds for the purpose of increasing income through investment activities. Cash deposits are stated at cost, which approximates fair value. Investments are stated at fair value in accordance with Governmental Accounting Standards Board (GASB) Statement No. 40. Investment income is recorded as revenue in the individual funds based on the computed average interest rate of all investments and the average daily cash balance of each fund.

In-Kind Income/Expenditures - In-kind income/expenditures by the County of Shasta, the City of Redding, the City of Anderson, the City of Shasta Lake, and Redding Area Bus Authority were expended on behalf of the Shasta Regional Transportation Agency. This activity was budgeted but the income/expenditures are not included in these financial statements.

Personnel - The Agency had no employees. All personnel working in the Agency during the year ended June 30, 2012, were employees of Shasta County.

(Continued)

SHASTA REGIONAL TRANSPORTATION AGENCY
METROPOLITAN PLANNING ORGANIZATION FUND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance - In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which STA is bound to honor constraints on how specific amounts can be spent.

Nonspendable fund balance - amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

Restricted fund balance - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance - amounts that can only be used for specific purposes determined by formal action of STA's highest level of decision-making authority (the Board) and that remain binding unless removed in the same manner. Committed fund balance does not lapse at year-end. The formal action must occur prior to the end of the reporting period. However, the amount which will be subject to the constraint may be determined in the subsequent period. The formal action required to commit fund balance shall be Board resolution.

Assigned fund balance - amounts that are constrained by STA's *intent* to be used for specific purposes. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose. Assigned funds cannot cause a deficit in unassigned fund balance.

Unassigned fund balance - the residual classification that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

(Continued)

SHASTA REGIONAL TRANSPORTATION AGENCY
METROPOLITAN PLANNING ORGANIZATION FUND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When both restricted and unrestricted resources are available for use, it is LTF's policy to use restricted resources first, followed by the unrestricted, committed, assigned and unassigned resources as they are needed.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2: ANNUAL FINANCIAL STATEMENTS

These annual financial statements are intended to reflect the financial position, results of operations and compliance of the transactions of the Metropolitan Planning Organization Fund with the laws and regulations of the Transportation Development Act. They do not present fairly the financial position and results of operations of the Shasta Regional Transportation Agency, in conformity with generally accepted accounting principles.

Note 3: CASH AND INVESTMENTS

The cash and investments at June 30, 2012, consists of the following:

Cash on hand and in banks	\$ 43,208
Investments with County Treasury:	
Pooled cash and investments	<u>694,339</u>
Total cash and investments	<u>\$ 737,547</u>

(Continued)

SHASTA REGIONAL TRANSPORTATION AGENCY
METROPOLITAN PLANNING ORGANIZATION FUND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 3: CASH AND INVESTMENTS (Continued)

The Agency maintains a portion of its Metropolitan Planning Organization Fund cash in the Shasta County Treasury. The County pools these funds with those of other entities in the County and invests the cash. These pooled funds are carried at cost which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. The County of Shasta's financial statements may be obtained by contacting the County of Shasta Auditor-Controller's office at 1450 Court Street, Room 238, Redding, California 96001. The Treasurer's investments and policies are overseen by the Shasta County Treasury Oversight Committee.

Required disclosures for the Agency's deposit and investment risks at June 30, 2012, were as follows:

Credit risk	Not rated
Custodial risk	Not applicable
Concentration of credit risk	Not applicable
Interest rate risk	Not available

Investments held in the County's investment pool are available on demand and are stated at cost plus accrued interest, which approximates fair value.

At June 30, 2012, the carrying amount of the Agency's deposits was \$43,108, of which \$43,108 is unrestricted. The bank balance was \$47,655. Of the bank balance, \$47,655 was covered by Federal depository insurance.

SHASTA REGIONAL TRANSPORTATION AGENCY
METROPOLITAN PLANNING ORGANIZATION FUND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 4: DUE TO/FROM OTHER GOVERNMENTAL AGENCIES

Amounts due to/from other governments consist of the following at June 30, 2012:

	<u>Due From</u>	<u>Due To</u>
County of Shasta	\$ -	\$ 249,240
City of Redding	-	1,226,545
City of Shasta Lake	-	59,329
City of Anderson	-	65,360
Cal Trans	<u>2,250,080</u>	<u>-</u>
Totals	<u>\$ 2,250,080</u>	<u>\$ 1,600,474</u>

Note 5: PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Note 6: RECEIVABLES

No allowance for doubtful accounts is presented in the accompanying financial statements as management considers all receivables to be collectible.

Note 7: LEASES

The Agency leases office space. Monthly rent is \$3,056. The lease expires in June, 2015. Rent expense for the year ended June 30, 2012 was \$3,056.

Future rental obligations under the leases are as follows for the years ending June 30:

2013	\$ 36,672
2014	36,672
2015	<u>36,672</u>
Total	<u>\$ 110,016</u>

SHASTA REGIONAL TRANSPORTATION AGENCY
METROPOLITAN PLANNING ORGANIZATION FUND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 8: COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although management expects such amounts, if any, to be immaterial.

Note 9: PRIOR PERIOD ADJUSTMENT

The Agency erroneously recognized \$358,552 of Surface Transportation Enhancement funds as revenue prior to July 1, 2011. The restated excess of revenue over expenditures for the year ended June 30, 2011 is \$15,913.

Note 10: SUBSEQUENT EVENTS

The Agency has evaluated subsequent events through February 20, 2013, which is the date the financial statements were available to be issued.

On July 1, 2012, the Agency became a legally separate entity independent of the County.

SUPPLEMENTARY SCHEDULE

SHASTA REGIONAL TRANSPORTATION AGENCY
METROPOLITAN PLANNING ORGANIZATION FUND

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2012

	Federal Planning Funds	Federal Other Programs	State Program Funds	Interest and Other	Total
Revenues:					
STP Exchange Dollars	\$ -	\$ 1,600,474	\$ -	\$ -	\$ 1,600,474
Federal Highway Administration	498,205	-	-	-	498,205
Federal Transit Administration 5303	23,690	-	-	-	23,690
Federal Transit Administration Google	-	11,069	-	-	11,069
Transportation Development Act	-	-	114,095	-	114,095
Programming, Planning and Monitoring	-	-	439,351	-	439,351
State Planning and Research	-	75,576	-	-	75,576
Safe Routes to School	-	93,055	472,330	-	565,385
Proposition 84	-	-	-	38,475	38,475
Gain on sale	-	-	-	6,131	6,131
Interest income	-	-	-	9,031	9,031
Transportation enhancement	<u>-</u>	<u>218,552</u>	<u>-</u>	<u>-</u>	<u>218,552</u>
Total revenues	<u>521,895</u>	<u>1,998,726</u>	<u>1,025,776</u>	<u>53,637</u>	<u>3,600,034</u>
Overall work program expenditures:					
Development of the RTP	264,877	58,221	551,180	-	874,278
Financial planning	101,186	-	11,924	-	113,110
Non-motorized	22,107	-	-	-	22,107
Partnership planning	84,307	-	6,246	-	90,553
Technology application	25,728	17,355	-	-	43,083
Transit planning	23,690	11,291	17,037	-	52,018
Special planning studies	-	93,055	19,074	9,031	121,160
TDA administration	-	-	354,890	195	355,085
Capital assets	-	-	65,425	38,475	103,900
Other:					
STP exchange payments	-	1,600,474	-	-	1,600,474
Transportation enhancement	<u>-</u>	<u>218,552</u>	<u>-</u>	<u>-</u>	<u>218,552</u>
Total expenditures	<u>521,895</u>	<u>1,998,948</u>	<u>1,025,776</u>	<u>47,701</u>	<u>3,594,320</u>
Excess (deficiency) of revenues over expenditures	\$ <u>-</u>	\$(<u>222</u>)	\$ <u>-</u>	\$ <u>5,936</u>	\$ <u>5,714</u>

In-kind expenditures by the City of Redding, the City of Anderson and RABA were expended on behalf of the Agency. Therefore, this activity is not included as part of the financial statements and is included for information purposes only.

SUPPLEMENTAL SECTION



D. H. SCOTT & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
A LIMITED LIABILITY PARTNERSHIP

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Gerald R. Tadina, CPA

INDEPENDENT AUDITORS' REPORT ON
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
AND
COMPLIANCE WITH THE TRANSPORTATION DEVELOPMENT ACT,
THE CALIFORNIA ADMINISTRATIVE CODE,
AND THE RULES AND REGULATIONS OF THE
SHASTA REGIONAL TRANSPORTATION AGENCY

Honorable Chairman and Members of the Board
Shasta Regional Transportation Agency
Redding, California

We have audited the financial statements of the Shasta Regional Transportation Agency's Metropolitan Planning Organization Fund (MPO), as of and for the year ended June 30, 2012, and have issued our report thereon dated February 20, 2013. The financial statements present only the Metropolitan Planning Organization Fund and are not intended to present fairly the financial position and results of operations of the Shasta Regional Transportation Agency in conformity with accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Shasta Regional Transportation Agency's MPO's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Shasta Regional Transportation Agency's MPO's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of the Shasta County Regional Transportation Agency's MPO's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the fund financial statements will not be prevented, or protected and corrected on a timely basis. We consider the following deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2012-1 and TDA 2012-1.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies: 2012-2 through 2012-6 and TDA 2012-2 through TDA 2012-12.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Shasta Regional Transportation Agency's MPO's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs.

In connection with our audit referred to above, we also performed an audit for compliance with the Transportation Development Act, the California Administrative code, and the rules and regulations and allocation instructions of the Shasta Regional Transportation Agency, for the year ended June 30, 2012. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of tests disclosed twelve instances of noncompliance that are required to be reported under *Government Auditing Standards* and the Transportation Development Act.

We noted certain other matters that we reported to management of Shasta Regional Transportation Agency in a separate letter dated February 20, 2013.

The Shasta Regional Transportation Agency's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Shasta Regional Transportation Agency's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Finance Committee, Agency Board, others within the entity, federal awarding agencies, pass-through entities and the State Controller and is not intended to be and should not be used by anyone other than these specified parties.

D. H. Scott & Company LLP

Redding, California
February 20, 2013



D. H. SCOTT & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
A LIMITED LIABILITY PARTNERSHIP

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND
MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Chairman and Members of the Board
Shasta Regional Transportation Agency
Redding, California

Compliance

We have audited the Shasta Regional Transportation Agency's Metropolitan Planning Organization Fund (Agency) compliance with the types of compliance requirements described in the United States Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The Agency's major federal programs are identified in the summary of auditors' results section of the accompanying summary of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Agency's compliance with those requirements.

As described in items 2012-1 through 2012-6 in the accompanying schedule of findings and questioned costs, Shasta Regional Transportation Agency did not comply with requirements regarding compliance that are applicable to its federal programs. Compliance with such requirements is necessary, in our opinion, for Shasta Regional Transportation Agency to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Agency complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Agency's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-6 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2012-2 through 2012-6 to be significant deficiencies.

The Agency's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Agency's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, the Finance Committee, Agency Board, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

W. H. Scott & Company LLP

Redding, California
February 20, 2013

SHASTA REGIONAL TRANSPORTATION AGENCY
METROPOLITAN PLANNING ORGANIZATION FUND

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identification Number</u>	<u>Expenditures</u>
<u>U.S. Department of Transportation:</u>			
Passed through State of California, Department of Transportation	20.200		\$ 218,552
Federal Apportionment Exchange	20.205	X12-6093(035)	1,600,474
Federal Highway Administration	20.205	74A0142	498,205
Safe Routes to Schools	20.205	SRTSLN1-6093(33)	16,548
Safe Routes to Schools	20.205	SRTSLN1-6093(28)	<u>76,507</u>
Subtotal			<u>2,410,286</u>
<u>Federal Transit Administration:</u>			
Passed through State of California, Department of Transportation			
Metropolitan Planning Grant	20.505	74A0142	23,690
State Planning and Research	20.215	74A0142	75,576
5311f Google	20.509	649190	<u>11,069</u>
Subtotal			<u>110,335</u>
Total expenditures of federal awards			\$ <u>2,520,621</u>

See accompanying notes to the financial statements.

SHASTA REGIONAL TRANSPORTATION AGENCY
METROPOLITAN PLANNING ORGANIZATION FUND

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Note 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Shasta Regional Transportation Agency Metropolitan Planning Organization Fund and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2: SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the Metropolitan Planning Organization Fund of the Shasta Regional Transportation Agency provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Federal Apportionment Exchange	20.205	\$ 1,600,474
Federal Highway Administration	20.205	<u>414,993</u>
Total federal expenditures provided to subrecipients		<u>\$ 2,015,467</u>

SHASTA REGIONAL TRANSPORTATION AGENCY
METROPOLITAN PLANNING ORGANIZATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2012

SUMMARY OF AUDITORS' RESULTS

Financial statements

Type of auditors' report issued on financial statements	Qualified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified that are not considered to be material weaknesses	Yes
Noncompliance which is material to the financial statements	Yes

Federal Awards

Internal control over major programs:	
Material weaknesses identified	Yes
Significant deficiencies identified that are not considered to be material weaknesses	Yes
Type of auditors' report issued on compliance for major programs	Qualified
Any audit findings which are required to be reported under Section .510(a) of OMB Circular A-133	Yes
The dollar threshold used to distinguish between Type "A" and Type "B" programs was	\$300,000
Identified as a major program was:	
Department of Transportation (20.205)	
Auditee qualified as a low risk auditee under Section 0.530 of OMB Circular A-133	Yes

FINDINGS - BASIC FINANCIAL STATEMENTS AUDIT

See pages S-10 to S-15.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAMS

See pages S-10 to S-15.

SHASTA REGIONAL TRANSPORTATION AGENCY
METROPOLITAN PLANNING ORGANIZATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2012

MATERIAL WEAKNESSES

Finding 2012-1

Federal Program: Transportation Enhancement
Grant Number: Unknown
Federal Agency: U.S. Department of Transportation
Award Year: Multiple

Criteria:

Agencies responsible for administering programs that involve cost reimbursement contracts, grants, and other agreements with governmental units shall make available all records for review and audit in compliance with OMB Circular A-87.

Statement of Condition:

The Agency was unable to provide grant award documents, contracts, or other documents pertaining to this grant, so we were unable to determine compliance with this program.

Questioned Costs:

We are unable to determine if there are questioned costs associated with this finding.

Cause of Effect:

The Agency did not appear to adhere to grant monitoring policies in effect at the time. This contributed to the inability of the Agency to ensure compliance with the identified requirements.

Shasta Regional Transportation Agency's Corrective Action Plan:

The Agency has become independent and no longer under the internal controls of the County of Shasta. The Agency is unsure a grant award document exists. However, the requirement of a grant award document has been incorporated into new grant monitoring policies and procedures. The Agency has also formed a Fiscal Committee and hired a Chief Financial Officer who is a certified public accountant.

SIGNIFICANT DEFICIENCIES

Finding 2012-2

Federal Program: Federal Apportionment Exchange
Grant Number: X12-6093 (035)
Federal Agency: U.S. Department of Transportation
Award Year: 2011/2012

Criteria:

Per the terms of the agreement between Shasta Regional Transportation Agency (Agency) and the State of California (the pass-through entity), cities and counties that receive these funds are required to adhere to multiple requirements. To satisfy these requirements, the Agency obtains annual compliance representations from each recipient. However, those representations do not include the following requirements:

- Complying with OMB Circular A-87, Cost Principles for State and Local Government;
- Complying with 49 CFR, Part 18, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments;
- Agreement that Contract Cost Principles and Procedures, 48 CFR, Federal Acquisition Regulations System, Ch. 1, Part 31, shall be used to determine the allowability of individual project cost items.
- Establishment of a special fund for the purpose of depositing Exchange Funds within their Special Gas Tax Street Improvement Fund or County Road Fund.

Statement of Condition:

We noted that the Agency is obtaining compliance representations from each participating city and county, however, the representations obtained do not address the above-mentioned requirements.

Questioned Costs:

We are unable to determine if there are questioned costs associated with this finding.

Cause of Effect:

The Agency did not adhere to grant monitoring policies in effect at the time. This contributed to the inability of the Agency to ensure compliance with the identified requirements.

Shasta Regional Transportation Agency's Corrective Action Plan:

The Agency has become independent and no longer under the internal controls of the County of Shasta. The agency will revise the compliance certification. The correct certification process has been incorporated in the new grant monitoring policies and procedures.

Finding 2012-3

Federal Program: Safe Routes to School
Grant Number: Multiple
Federal Agency: U.S. Department of Transportation
Award Year: Multiple

Criteria:

The Agency has two grants for Safe Routes to School; one ending in April 2012, and another beginning in April, 2012. Per the terms of the contract between the Agency and the State of California (the pass-through entity), the Agency is to submit a Student Tally and Parent Survey within two months of beginning the project, as well as within two months of project completion. Additionally, the Agency is to submit a final report document that collectively constitutes a report of Expenditures within 180 days of project completion.

Statement of Condition:

We noted that the Agency submitted a Student Tally and Parent Survey at the time of application of a new grant. However, that submission was not within two months of the beginning of the project. The Agency did not submit a Student Tally and Parent Survey for the project that was completed during the year, nor did it submit the required final report documentation to the state.

Questioned Costs:

We are unable to determine if there are questioned costs associated with this finding.

Cause of Effect:

The Agency did not adhere to grant monitoring policies in effect at the time. This contributed to the inability of the Agency to ensure compliance with the identified requirements.

Shasta Regional Transportation Agency's Corrective Action Plan:

The agency has become independent and no longer under the internal controls of the County of Shasta. The Agency will file the final report documentation. The monitoring of sub-recipients has been incorporated in the new grant monitoring policies and procedures.

Finding 2012-4

Federal Program: Safe Routes to School
Grant Number: Multiple
Federal Agency: U.S. Department of Transportation
Award Year: Multiple

Criteria:

Per the terms of the contract between the Agency and the State of California (the pass-through entity), the Agency is required to ensure that no members of its elected board, council, or other key decision makers are on the Federal Government Excluded Parties List System (EPLS).

Statement of Condition:

We noted that the Agency did not check the EPLS to ensure that its elected board, council, or other key decision makers are included on the list.

Questioned Costs:

We are unable to determine if there are questioned costs associated with this finding.

Cause of Effect:

The Agency did not adhere to grant monitoring policies in effect at the time. This contributed to the inability of the Agency to ensure compliance with the identified requirements.

Shasta Regional Transportation Agency's Corrective Action Plan:

The Agency has become independent and no longer under the internal controls of the County of Shasta. The agency's checking the EPLS annually has been incorporated in the new grant monitoring policies and procedures.

Finding 2012-5

Federal Program: Safe Routes to School
Grant Number: Multiple
Federal Agency: U.S. Department of Transportation
Award Year: Multiple

Criteria:

Per the terms of the contract between the Agency and the State of California (the pass-through entity), all contractors, subcontractors, and sub-recipients that receive these funds are required to adhere to multiple requirements, as well as submit certifications of such to the State annually. Of those, the Agency is not currently confirming that the contractors, subcontractors, and sub-recipients are adhering to the following:

- Agreement that 48 CFR, Chapter 1, Part 31 will be used to determine the allowability of individual cost items;
- Complying with 49 CFR, Part 18, Uniform Administrative Requirements for Grants;
- Agreement to not discriminate on the basis of race, color, national origin, or sex, as mandated by 49 CFR, part 26;
- Complying with annual Certifications and Assurances for FTA, including "Certifications and Assurances Required of Each Applicant" and the "Lobbying Certification" in compliance with 49 U.S.C. Chapter 53 (the Agency is to submit these certifications to the State annually).

Statement of Condition:

The Personal Service Agreements (PSA) and service contracts we reviewed did not outline the above mentioned requirements, nor did the Agency submit the above-referenced certifications to the State.

Questioned Costs:

We are unable to determine if there are questioned costs associated with this finding.

Cause of effect:

The Agency did not appear to adhere to grant monitoring policies in effect at the time. This contributed to the inability of the Agency to ensure compliance with the identified requirements.

Shasta Regional Transportation Agency's Corrective Action Plan:

The agency has become independent and no longer under the internal controls of the County of Shasta. The agency is developing a new PSA agreement that incorporates the required adherence requirements. A new PSA has been incorporated into the new grant monitoring policies and procedures.

Finding 2012-6

Federal Program: Safe Routes to School
 Grant Number: Multiple
 Federal Agency: U.S. Department of Transportation
 Award Year: Multiple

Criteria:

The Agency is to refer to, and adhere to CFR Section 215.4 through 215.48 for procurement and disposal requirements for entities receiving federal grant funds.

Statement of Condition:

We noted that the Agency does not appear to follow certain federal procurement policies and procedures, by receiving contract services under an expired Personal Services Agreement (PSA). Additionally, the Agency disposed of assets purchased partially with FHWA funds without obtaining prior approval from the State of California FHWA office.

Questioned Costs:

We are unable to determine if there are questioned costs associated with this finding.

Cause of Effect:

The Agency did not adhere to grant monitoring policies in effect at the time. This contributed to the inability of the Agency to ensure compliance with the identified requirements.

Shasta Regional Transportation Agency's Corrective Action Plan:

The agency has become independent and no longer under the internal controls of the County of Shasta. The agency has developed a process to monitor PSA agreements. All grant requirements are now being incorporated into the new grant monitoring policies and procedures.

SHASTA REGIONAL TRANSPORTATION AGENCY
METROPOLITAN PLANNING ORGANIZATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
TRANSPORTATION DEVELOPMENT ACT PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2012

MATERIAL WEAKNESSES

Finding Regarding TDA Payments and Related Compliance

Finding TDA 2012-1

Criteria:

California Code of Regulations Section 6636 states that the operator or transit service claimant shall spend moneys received from the local transportation fund or the state transit assistance fund only in accordance with the terms and conditions of the allocations, as set forth in the allocation instruction for the local transportation fund and the allocation resolution for the state transit assistance fund. If unforeseen situations develop during the year such that the operator or transit service claimant cannot comply with the terms and conditions of the allocations, the operator or transit service claimant shall request the transportation planning agency, county transportation commission, or metropolitan transit development board to consider a revised allocation instruction or allocation resolution.

Statement of Condition:

The Agency submitted revised monthly claims to the Auditor-Controller that did not have board approval.

Questioned Costs:

We are unable to determine if there are questioned costs associated with this finding.

Cause and Effect:

The Agency did not have adequate management and board monitoring procedures in place related to monitoring compliance with existing policies and TDA regulations. As a result, some existing policies were not enforced which resulted in non-compliance with both policy and/or TDA regulations.

Shasta County Regional Transportation Planning Agency's Corrective Action Plan:

The Agency has eliminated the true-up process and instituted new policies with regard to unused apportionments and revised claims. The Agency no longer allows claimants to have the direct ability to revise claims.

SIGNIFICANT DEFICIENCIES

Monitoring and Documentation Findings

Finding TDA 2012-2

Criteria:

Per PUC Section 99244 the Agency has to annually identify, analyze, and recommend potential productivity improvements to the Redding Area Bus Authority (RABA) and the County of Shasta as transit operators. Recommendations are made which could lower operating cost of those operators. Recommendations include, but are not limited to, those made in the triennial performance audit.

Statement of Condition:

We noted that the Agency adopted Policy 6-1 "Policy to Determine Productivity Improvement of Transit Operators". However, the Agency is not adhering to their internal policy to make these productivity improvement recommendations to the transit operators. The policy states these procedures are performed by the Social Services Technical Advisory Committee (SSTAC), however, there is no documentation that the SSTAC's efforts meet the compliance requirement.

Finding TDA 2012-3

Criteria:

PUC Section 99233 and 99234 states that the Agency must adopt rules and regulations delineating procedures for the submission of claims for facilities provided for the exclusive use of pedestrians and bicycles.

Statement of Condition:

We noted that the Agency funds pedestrian and bicycle facilities in the region from grant programs and other sources. The Agency historically uses the TDA funds for public or community transit services as allowed under PUC 99233.3. However the Agency does not have a policy in place stating how pedestrian and bicycle facilities will be funded or how they will handle such claims.

Finding TDA 2012-4

Criteria:

PUC Section 99245 states that the Agency has to ensure that all claimants who were 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. A 90 day extension may be granted.

Statement of Condition:

The Agency has adopted Policy 6-6 that states the Agency will include claimant TDA funds when engaging an auditor for their fiscal and compliance audit unless the claimant notifies the Agency that the audit of their TDA funds will be included in their fiscal audit. Historically the City of Anderson and City of Redding include the audit of TDA funds in their government wide audits. During our review we noted no documentation of review of claimant audits in order to ensure compliance with relevant TDA statutes.

Finding TDA 2012-5

Criteria:

PUC Section 99264 requires that an operator shall not be eligible for allocation if it routinely staffs two or more persons a vehicle for public transportation that is designed to be operated by one person.

Statement of Condition:

The Agency has no documentation regarding the staffing of vehicles that would indicate efforts towards compliance.

Finding TDA 2012-6

Criteria:

PUC Section 99268.9 states that if an operator was allocated funds during the year in which it did not maintain the required ratio of fare revenues to operating costs, the operator's eligibility to receive TDA monies shall be reduced during a subsequent penalty year.

Statement of Condition:

The Redding Area Bus Authority has been unable to meet the Agency's required fare box ratio requirement. Failure of a transit operator to meet required fare box ratios results in a penalty to the transit operator. RABA currently has a penalty of approximately \$90,000 from not meeting the fare box requirement in the 2010-11 fiscal year. While the Agency calculates the fare box revenue ratios as outlined in TDA policies, the Agency has not assessed the penalty on a timely basis.

Finding TDA 2012-7

Criteria:

PUC Section 99314.6 states that funds shall not be allocated for operating purposes pursuant to Sections 99313 and 99314 unless the operator meets one of two efficiency standards.

Statement of Condition:

The Agency adopted Policy 6-4 "Policy to Determine Qualifying Criteria for State Transit Operators" which outlines the calculation of the efficiency standards as required by PUC Section 99314.6. However there is no documentation of calculations and review of efficiency standards.

Finding TDA 2012-8

Criteria:

PUC Section 99251 states that no claim submitted by an operator pursuant to this chapter shall be approved unless it is accompanied by a certification completed within the last 13 months from the CHP indicating the operator is in compliance with Section 1808.1 of the Vehicle code.

Statement of Condition:

The Agency did not obtain the required certification prior to the approval of the claim.

Finding TDA 2012-9

Criteria:

PUC Section 99266 states that no monies may be allocated to an operator whose claim includes funds for an increase in operating budget in excess of 15% above the preceding year unless the claim for increase is substantiated.

Statement of Condition:

The Agency calculates allocations to RABA as an operator based on RABA's prior year plus RABA's representation of known expenses. The Agency did not have any documentation to support the Agency's consideration of known increases or increases in budgeted line items that are in excess of 15% of the preceding year.

Finding TDA 2012-10

Criteria:

PUC Section 99268 states that expenditures of funds received from the LTF by an operator may, in no year, exceed 50% of amount required to meet operating, maintenance, and capital requirements unless exceptions are met.

Statement of Condition:

There is no documentation in the Agency records to support Agency efforts to meet this section. In the past, the Agency has made representations that RABA meets an exception under 6633.8 Extension of Service Excluded because of the addition of Demand Response Service in previous years. However, this exclusion is for extensions of service that have been in operation for less than 2 years and it only provides exclusion for operating costs for that extension.

Finding TDA 2012-11

Criteria:

California Code of Regulations Section 6649 states the transportation development agency shall not authorize the payment of moneys from the LTF or the STA in excess of the amount that the claimant is eligible to receive during the fiscal year for which an allocation is made as evidenced by the claim filed, the budgets and financial statements of the claimant, the audits of the claimant and any other information available to the agency. Further it states that in amount paid to a claimant in excess of the amount that the claimant was eligible to receive in accordance with Sections 6633.1 and 6634 and the allocation instructions shall be recovered by the agency by demand of repayment or by reducing the amount the claimant is eligible to receive in the following fiscal year.

Statement of Condition:

The Agency has overpaid the RABA approximately \$1,500,000 in the past four years for RABA's operations. In addition, the Agency has paid the City of Shasta Lake approximately \$535,000 in past years while failing to require the City of Shasta Lake to currently demonstrate a need for the prior payments.

Questioned Costs:

We are unable to determine if there are questioned costs associated with the above ten findings.

Cause and Effect:

The Agency did not have adequate management and board monitoring procedures in place related to monitoring compliance with existing policies and TDA regulations. As a result, some existing policies were not enforced which resulted in non-compliance with both policy and/or TDA regulations.

Shasta Regional Transportation Agency's Corrective Action Plan:

The Agency has completely revised TDA policies and procedures to insure compliance. The Agency has developed a handbook for the public and claimants to understand the TDA process and to add transparency to the TDA process. The board will be receiving training on TDA funding. TDA compliance has been segregated to allow for cross-checks. The Agency has formed a Fiscal Committee and hired a Chief Fiscal Officer who is a certified public accountant.

Finding Regarding CTSA and Performance Criteria

Finding TDA 2012-12

Criteria:

PUC Section 99275.5 states that the Agency must 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. Additionally, it states that the claimant must be in compliance with Section 99268.5 or the performance criteria or fare recovery ratios adopted by resolution of the Agency.

Statement of Condition:

The Agency has adopted criteria, rules and regulations for the evaluation of claims filed under Article 4.5 of the TDA. Policy 6-5 establishes these requirements as well as performance criteria as designated in 99268.5. The Agency has stated that claims for the CTSA will be 5% of all TDA revenue from the state. This calculation is performed with estimated revenue numbers for the claims process but they do not allow for more funding to the CTSA upon true up.

Questioned Costs:

We are unable to determine if there are questioned costs associated with this finding.

Cause and Effect:

The Agency does not have a policy in place to state if the allocation is adjusted in the true up process though all other claimant allocations are adjusted.

Shasta Regional Transportation Agency's Corrective Action Plan:

The Agency has completely revised TDA policies and procedures to insure compliance. The Agency has developed a handbook for the public and claimants to understand the TDA process and to add transparency to the TDA process. The board will be receiving training on TDA funding. TDA compliance has been segregated to allow for cross-checks. The Agency has formed a Fiscal Committee and hired a Chief Fiscal Officer who is a certified public accountant.

SHASTA REGIONAL TRANSPORTATION AGENCY
METROPOLITAN PLANNING ORGANIZATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

PRIOR YEAR RECOMMENDATIONS

<u>Program</u>	<u>Finding</u>	<u>Questioned Costs</u>
All Programs	None	N/A