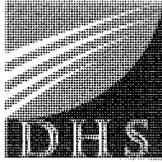


SHASTA REGIONAL TRANSPORTATION AGENCY  
STATE TRANSIT ASSISTANCE FUND

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

Shasta Regional Transportation Agency  
Redding, California

We have audited the accompanying financial statements of the State Transit Assistance 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 State Transit Assistance 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.

As reflected in the schedules of findings and questioned costs for the 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 State Transit Assistance 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 State Transit Assistance 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.

*D. N. Scott & Company LLP*

Redding, California  
February 20, 2013

SHASTA REGIONAL TRANSPORTATION AGENCY  
STATE TRANSIT ASSISTANCE FUND

BALANCE SHEET  
JUNE 30, 2012

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ASSETS

Current assets:	
Cash and investments	\$ 712,821
Taxes receivable	252,768
Due from other agency funds	<u>253,743</u>
Total current assets	<u>1,219,332</u>
Total assets	\$ <u>1,219,332</u>

LIABILITIES AND FUND BALANCE

Current liabilities:	
Due to other governments	\$ <u>8,374</u>
Total liabilities	<u>8,374</u>
Fund balance:	
Committed	<u>1,210,958</u>
Total fund balance	<u>1,210,958</u>
Total liabilities and fund balance	\$ <u>1,219,332</u>

See accompanying notes to the financial statements.

SHASTA REGIONAL TRANSPORTATION AGENCY  
STATE TRANSIT ASSISTANCE FUND

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

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Revenues:	
Sales tax	\$ 1,003,244
Interest income	<u>    3,328</u>
Total revenues	<u>1,006,572</u>
Expenditures:	
Claimants	<u>1,003,244</u>
Total expenditures	<u>1,003,244</u>
Excess of revenues over expenditures	<u>    3,328</u>
Other financing sources (uses):	
Operating transfer in	<u>    4,019</u>
Total other financing sources (uses)	<u>    4,019</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	7,347
Fund balance, beginning of year	796,075
Prior period adjustment	<u>407,536</u>
Fund balance, beginning of year (as restated)	<u>1,203,611</u>
Fund balance, end of year	\$ <u>1,210,958</u>

See accompanying notes to the financial statements.

SHASTA REGIONAL TRANSPORTATION AGENCY  
STATE TRANSIT ASSISTANCE FUND

STATEMENT OF ALLOCATIONS AND DISBURSEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

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	California Administrative Code Section <u>6730(a)</u>
Allocations	\$ <u>      -</u>
Disbursements:	
Redding Area Bus Authority	\$ 902,408
County of Shasta	<u>100,836</u>
Total disbursements	\$ <u>1,003,244</u>

See accompanying notes to the financial statements.

SHASTA REGIONAL TRANSPORTATION AGENCY  
STATE TRANSIT ASSISTANCE FUND

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The State Transit Assistance Fund (STA) is funded by the statewide sales tax on gasoline and diesel fuel using an allocation based on population and revenue. The STA may only be used for public transportation. STA is considered "spillover" revenue and may be seized by the Governor for the state's general fund.

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.

The following is a summary of the significant accounting policies of the STA fund of the Shasta Regional Transportation Agency.

Basis of Presentation - The STA'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 the financial activity of the STA is accounted for in special revenue funds. 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 expenditure 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).

(Continued)

SHASTA REGIONAL TRANSPORTATION AGENCY  
STATE TRANSIT ASSISTANCE FUND

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

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Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 - The STA is accounted for in a special revenue fund, using the modified accrual basis of accounting, whereby revenues are recognized when they become both measurable and available to finance expenditures of the current period and expenditures are generally recognized when the related fund liabilities are incurred.

Budgets and Budgetary Accounting - Budgetary information is not presented for this fund, as there is no annual appropriated budget.

Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by Shasta County. Shasta 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.

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

(Continued)

SHASTA REGIONAL TRANSPORTATION AGENCY  
STATE TRANSIT ASSISTANCE FUND

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

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Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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  
STATE TRANSIT ASSISTANCE FUND

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

-----

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

When both restricted and unrestricted resources are available for use, it is STA'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 accounting principles generally accepted in the United States of America 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 STA with the laws, rules 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 accounting principles generally accepted in the United States of America.

Note 3: CASH AND CASH EQUIVALENTS

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

Investments with County Treasury:	
Pooled cash and investments	\$ <u>712,821</u>
Total cash and investments	\$ <u>712,821</u>

(Continued)

SHASTA REGIONAL TRANSPORTATION AGENCY  
STATE TRANSIT ASSISTANCE FUND

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

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Note 3: CASH AND CASH EQUIVALENTS (Continued)

The Agency maintains its State Transit Assistance 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.

Note 4: DUE TO/FROM OTHER AGENCY FUNDS

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

	<u>Due From</u>	<u>Due To</u>
Local Transportation Fund	\$ <u>253,743</u>	\$ <u>      -</u>

SHASTA REGIONAL TRANSPORTATION AGENCY  
STATE TRANSIT ASSISTANCE FUND

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

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Note 5: DUE TO OTHER GOVERNMENTS

Due to other governments consist of amounts due to the County of Shasta for Burney Express Transit Services.

Note 6: FUND BALANCE

Committed - Committed fund balance at June 30, 2012 was \$1,210,958 and is restricted for future capital acquisitions by the Redding Area Bus Authority, by formal Board action.

Note 7: OPERATING TRANSFERS IN

Per Board policy, the Fund received \$4,019 from the Shasta Regional Transportation Agency's Local Transportation Fund for inclusion in the Redding Area Bus Authority capital reserve. The transfers are routine.

Note 8: PRIOR PERIOD ADJUSTMENT

During the current year, the Agency discovered that they did not fully recognize the April, 2007 increase in the Redding Area Bus Authority's capital reserve fund balance commitment. Additionally, the Agency discovered that disbursements made during the year ending June 30, 2011 included funds that were to be paid by the Local Transportation Fund. Therefore, a prior period correction was made increasing the Redding Area Bus Authority capital reserve and recognizing a due from other agency funds in the amount of \$407,536.

SHASTA REGIONAL TRANSPORTATION AGENCY  
STATE TRANSIT ASSISTANCE FUND

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

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Note 9: 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 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 INFORMATION



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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 State Transit Assistance Fund, 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 State Transit Assistance 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 State Transit Assistance Fund'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 State Transit Assistance Fund's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of the Shasta Regional Transportation Agency's State Transit Assistance Fund'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: 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: 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 State Transit Assistance Fund'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. A. Scott & Company LLP*

Redding, California  
February 20, 2013

SHASTA REGIONAL TRANSPORTATION AGENCY  
STATE TRANSIT ASSISTANCE FUND

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

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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 internal controls 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 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 that 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 internal controls 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  
STATE TRANSIT ASSISTANCE FUND

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

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PRIOR YEAR RECOMMENDATIONS

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