



# Modoc County Transportation Commission

Triennial Performance Audit

For the Years Ended

June 30, 2016 thru June 30, 2018



Modoc County Transportation Commission  
Triennial Performance Audit  
For the 3 Years Ended June 30, 2018

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Commissioners of the  
Modoc County Transportation Commission  
Alturas, California 96101

I have conducted a performance audit of the Modoc County Transportation Commission for the three years ended June 30, 2016, 2017, and 2018. The results of our audit and related recommendations and comments are contained within this report.

I conducted my audit in accordance with the standards applicable to performance audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States and with the guidance contained in the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*, Published by the California Department of Transportation. The purpose of this performance audit is to evaluate the efficiency, effectiveness, and economy of the Modoc County Transportation Commission.

This report is intended solely for the information and use of the management of the Modoc County Transportation Commission and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully Submitted,

Monica Derner CPA PC  
Alturas, California  
January 24, 2019

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**Executive Summary**

I was engaged to conduct a performance audit of Modoc County Transportation Commission (Commission). This audit was performed in accordance with Government Auditing Standards and was designed to satisfy the requirements specified in Public Utilities Code (PUC) section 99246 to evaluate the efficiency, effectiveness and economy of the organization's operations. This audit covers a three-year fiscal period beginning July 1, 2015 and ending June 30, 2018. My audit consisted of three main areas of focus that included 1.) a review of compliance with the Transportation Development Act (TDA), 2.) a review of the status of prior year performance audit recommendations, and 3.) a review of functional areas, . This summary presents my findings and recommendations.

During the course of conducting the performance audit, I assessed the Commission's compliance with applicable laws, rules and regulations as prescribed by the TDA. My compliance audit findings are briefly noted here and discussed in detail later in this report. My audit found that the Commission satisfied all of the compliance areas specified in the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*.

I also examined the key functional areas of operations. My functional audit findings are noted here and are further discussed later in this report. My audit found that the Commission filled a range of regional roles and responsibilities for Modoc County and the surrounding area. The Commission's responsibilities were carried out in an efficient and effective manner using a small staff and limited resources.

**Introduction**

This is the performance audit report of Modoc County Transportation Commission (Commission) as the designated Regional Transportation Planning Agency (RTPA) for Modoc County, covering the three-years ended June 30, 2018. The California Transportation Development Act requires that each transportation planning agency have a triennial performance audit of its activities. As provided in PUC Section 99246, the purpose of the performance audit is to "evaluate the efficiency, effectiveness, and economy of the operation of the entity being audited."

This performance audit follows the guidance given in the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*, published by the California Department of Transportation division of Mass Transportation in September 2008. This audit was also conducted in accordance with the efficiency, economy and effectiveness standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The methodology consisted of questionnaires completed by planning agency staff, review of pertinent documents, including published plans and guides, the prior performance audit, minutes, resolutions, staff reports and memoranda, the Commission's organization and procedure manual, and interviews of agency staff.

The audit focus is primarily on the administration of the Transportation Development Act and transit planning.

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Description of the Commission

The Commission was designated as the RTPA for Modoc County in 1972, created pursuant to Section 29535 of the State of California Government Code. As the RTPE, the Commission is responsible for transportation planning, programming, and fund allocation, as required by state statutes. This includes the annual allocation of Transportation Development Act funds, as well as federal and local funds for highway, transit, rail, bicycle and other transportation projects.

In 1971, the Mills-Alquist Deddeh Act (also known as the TDA) was passed by the California legislature. The purpose of the act was to develop and maintain a public transportation system within California and to give regional entities discretion on the efficient and effective use of these funds. The TDA provides for two major sources of funding. The LTF, and the STA fund. In conjunction with the sales tax funding, the legislature created RTPE throughout the state to administer this funding.

LTF revenues are derived from ¼ cent of the percent retail sales tax collected statewide which was 7.50%, 7.25%, and 7.25% respectively between June 30, 2015 and June 30, 2018. The ¼ cent is returned to the County by the California Department of Tax and Fee Administration (formerly known as the State Board of Equalization) according to the amount of taxes collected in the County. The STA funds are derived from the statewide sales tax on gasoline and diesel fuel and are distributed by the State Controller's Office in accordance with an apportionment formula. Other revenue sources include state and federal grants, including Rural Planning Assistance (RPA) and State Transportation Improvement Program Planning, Programming and Monitoring (STIP-PPM) grants.

Roles and Responsibilities

The Commission 's primary roles and responsibilities include:

- Development of regional transportation goals and objectives for Modoc County
- Administration of Transportation Development Act (TDA) funds
- Development and implementation of the Regional Transportation Plan (RTP)
- Preparation of the annual overall work program (OWP)
- Prioritizing transportation projects and adopting the Regional Transportation Improvement Program
- Coordination and interpretation of transportation planning
- Review and prioritization of grant applicants for various programs

The Commission and Caltrans mutually carry out the transportation planning process for the area in a manner that assures full compliance with state and federal laws, as well as the guidelines prepared by Modoc County, Caltrans, and responsive to the partnership of the state, federal and local agencies.

Organization

The Commission is governed by a six-member board composed of three members appointed by the Modoc County Board of Supervisors and three members appointed by the City of Alturas. The board meets bi-monthly, decisions are made by votes of the Commission's governing board after staff and advisory committees provide information input and recommendations. Members of the public have the opportunity to present their views and express support or opposition at meetings.

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The board is advised by the Technical Advisory Committee (TAC) on matters related to regional transportation planning including the development of the RTP and OWP, especially for prioritizing and programming projects. Membership is comprised of staff from related city and county departments and Caltrans District 2 representatives.

The Commission is also advised by the SSTAC which is statutorily required to serve as an advisory body on transit needs and issues of elderly disabled and low-income citizens. The Commission's SSTAC meets the basic requirements for membership and includes 9 members consisting of; one potential transit user over the age of 60, one potential transit user who is disabled, two representatives of local social service providers for seniors, two representatives of local social service providers for disabled persons, two representatives of a local social provider for persons of limited means, two representatives from Modoc Transportation Agency. The SSTAC is involved in the identification of transit needs in the region and recommends potential enhancements to the current transit to the scheduled public hearings for unmet transit needs.

### Staffing

Through the year ended June 30, 2018, the Commission's personnel consisted of three full-time Modoc County contract-employees and two part-time employees that handled day-to-day operations for both the Commission as well as Modoc Transportation Agency. Beginning July 1, 2016 and through the end of the audit period, the Commission employs and is responsible for its own personnel administration and reporting. The Commission's structure and operations remain unchanged.

The three full-time employees are the Executive Director, Senior Transportation Planner, and Chief Fiscal Officer. Staff responsibilities include maintaining records, assisting in preparation of dissemination of public notices, agendas, agenda packets and other official business. Additional responsibilities, normally performed by a transportation planner or other engineering legal or planning staff include assisting in preparation of the annual OWP, grant billings, transportation planning, including the RTP, and transportation contractor oversight.

### Overall Work Program

As the RTPE for Modoc County, the Commission is responsible for the development of the RTP which is part of the statewide transportation planning process. The RTP is a long-range planning document which outlines the transportation goals and policies which have been adopted by the Commission to achieve a coordinated and balanced regional transportation system for the county. The RTP is updated every five years and is submitted to Caltrans for approval.

Through a Memorandum of Understanding (MOU) with Caltrans, the Commission prepares the annual OWP which reflects its ongoing transportation planning activities. The OWP is reviewed and approved by Caltrans District 2. The OWP responds to state priorities and identifies funding sources and expenditures for each work element presented in the OWP.

The Commission receives funding sources and executes expenditures for each work element presented in the OWP. The Commission receives funding from Caltrans to offset some of the expenses associated with the OWP. LTF monies and grants are also used to fund the OWP.

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**Compliance Audit**

The performance Audit Guidebook lists specific RTPA compliance requirements. These were investigated by means of reviewing the Commission's records and interviewing the Commission's staff. The table below summarizes the audit findings relative to each of the compliance requirements. A discussion of each area of compliance follows and is referenced by item number.

	<b>RTPE Compliance Requirements</b>	<b>PUC Code Reference</b>	<b>Compliance</b>
1	All transportation operators and city or county governments which have responsibility for serving a given area, in total, claim no more than those LTF monies apportioned to that area.	99231	Yes
2	The RTPE has adopted rules and regulations delineating procedures for the submission of claims for the facilities provided for the exclusive use of pedestrians and bicycles.	99233 99234	Yes
3	The RTPE has established a SSTAC. The RTPE must ensure that there is a citizen participation process that includes at least an annual public hearing.	99238 99238.5	Yes
4	The RTPE has annually identified, analyzed, and recommended potential productivity improvements which could lower operating cost of those operators, which operate at least 50% of their vehicle service miles within the RTPE's jurisdiction. Recommendations include, but are not being limited to, those made in the performance audit: <ul style="list-style-type: none"> <li>• A committee for the purpose of providing advice on productivity improvements may be formed.</li> <li>• The operator has made a reasonable effort to implement improvements recommended by the RTPE, as determined by the RTPE, or else the operator has not received an allocation that exceeds its prior year allocation.</li> </ul>	99244	Yes
5	The RTPE has ensured that all claimants to whom it allocated TDA funds submit to it and to the state controller an annual certified fiscal and compliance audit within 180 days after then end of the fiscal year.	99245	Yes
6	The RTPE has designated an independent entity to conduct a performance audit of operators and itself (for the current and previous triennia). For operators, the audit was made and calculated the required performance indicators, and the audit report was transmitted to the entity that allocates the operator's TDA money, and to the RTPE within 12 months after the end of the triennium. If an operator's audit was not transmitted by the start of the second fiscal year following the last fiscal year of the triennium, TDA funds were not allocated that operator for that or subsequent fiscal years until the audit was transmitted.	99246 99248	Yes
7	The RTPE has submitted a copy of its performance audit to the Director of the CA DOT. In addition, the RTPE has certified in writing to the Director that the performance audits of the operators located in the area under its jurisdiction have been completed.	99246(c)	Yes
8	The performance audit of the operator providing public transportation services shall include a verification of the operator's cost per passenger, operating cost per vehicle service hour,	99246 (d)	Yes

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	passenger per vehicle service mile, vehicle service hours per employee, as defined in Section 99247. The performance audit shall include consideration of the needs and types of passengers being served and the employment of part time drivers and the contracting with common carriers of persons operating under a franchise or license to provide serves during peak hours, as defined in subdivision (a) of section 99260.2		
9	The RTPE has established rules and regulations regarding revenue ratios for the transportation operators providing services in urbanized and newly urbanized areas.	99270.1, 99270.2	Yes
10	The RTPE has adopted criteria, rules, and regulations for the evaluation of claims filed under Article 4.5 of the TDA and the determination of the cost effectiveness of the proposed community transit services.	99275.5	Yes
11	STA funds received by the RTPE allocated only for transportation planning and mass transportation purposes	99310.5, 99313.3, Proposition 116	Yes
12	The amount received pursuant to PUC section 99314.3; by each RTPE for state transit assistance is allocated to the operators in the area of its jurisdiction as allocated by the state.	99314.3	Yes
13	<p>If TDA funds are allocated to purposes not directly related to public or specialized transportation services or facilities of exclusive use of pedestrian and bicycle, the transit planning agency has annually:</p> <ul style="list-style-type: none"> <li>• Consulted with the SSTAC</li> <li>• Identify transit needs</li> <li>• Adopt or reaffirmed the definition of “unmet transit needs” and “reasonable to meet.”</li> <li>• Identified the unmet transit needs or there are no unmet transit needs, or there are unmet transit needs that are reasonable to meet.</li> </ul> <p>If a finding is adopted that there are unmet transit needs, these needs must have been funded before allocation was made for streets and roads</p>	99401.5	Yes
14	The RTPE has caused an audit of its account and records to be performed for each fiscal year by the county auditor or a CPA. The RTPE must transmit the audit report to the State Controller’s Office within 12 months of the end of each fiscal year in accordance with the Basic Audit Program and Report Guidelines for the CA Special Districts prescribed by the SCO.	CA Code of Regulations Section 6642	Yes



1. Discussion on Requirements of the Transportation Development Act Apportionment and Claims

The county auditor is required to furnish the RTPA with an estimate of the total amount available for the apportionment by February 1 each year for the next fiscal year. The auditor's estimate includes an estimate of anticipated sales tax revenue, with an addition or subtraction for differences between actual revenues in the current year and the estimate prepared the prior year. Before March 1 of each year, the RTPA is required to determine and advise potential claimants of their area apportionments.

Claimants wishing to receive an allocation, file an annual claim with the RTPA in accordance with the rules and regulations established by that transportation planning agency and in the absence of such rules and regulations, at least 90 days before the start of the fiscal year for which funds are apportioned.

Our review indicates that the Commission allocated TDA funds and processed claims as required by statute. Transit claims were filed and processed at various times during the audit period.

The process of obtaining LTF funds is a three-step process that includes apportionment, allocation, followed by payment. Before apportionment takes place, claims for administration planning and programming, certain pedestrian and bicycle projects, and consolidated transportation service agency activities receive priority. Once these priorities have been satisfied, the remaining funds are apportioned to jurisdictions. Modoc county has two eligible jurisdictions: Modoc County and the City of Alturas.

Once funds are apportioned, in this case to the County of Modoc and to the City of Alturas, the next priority funding is transit. Transit claims continue to receive priority status until there are no more transit needs which are reasonable to meet. In all years under audit, the Commission determined there were unmet transit needs which were reasonable to meet and there were no other claimants to file for non-transit related funding. Schedules of apportionment are used to determine how much funding each jurisdiction is eligible to claim.

During the audit period, no claimant claimed more than its share of funds apportioned to them.

2. Rules and Regulations for Pedestrian and Bicycle Facility Claims

Two percent of available LTF revenues may be set aside to fund facilities for the exclusive use of pedestrians and bicycles. During the audit period, the Commission did not set aside two percent to be used for future pedestrian and bicycle projects. Claims submitted for pedestrian and bicycle projects are subject to the same claims procedures as all other claims.

3. Social Services Transportation Advisory Council

Certain membership categories on the SSTAC are required that ensure representation from potential transit users who are 60 years or older and are disabled.

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The SSTAC is required to consist of the following members:

Minimum No of Representatives	Membership Category	Membership Requirement Met?
1	Potential transit user age 60 and older	Yes
1	Potential transit user who is disabled	Yes
2	Representative of a local social service provider for seniors	Yes
2	Representative of a local social service provider for the disabled	Yes
1	Representative of a local social service provider for persons of limited means	Yes
2	Representative from the local consolidated transportation services agency	Yes
	Other Representatives as deemed necessary	N/A

The requirement of the legislation has been met. The SSTAC participated in the unmet transit needs hearing process and advised the Commission on transportation matters from a citizen and social service agency perspective. The SSTAC had formal meetings in all three audit years. We reviewed the recommendations of the SSTAC meetings which convened prior to the unmet transit needs process. We noted in-depth discussions by its members and that members contributed information gained from involvement with their respective organizations and this information generated potential transit needs not currently being met. The Commission held public hearings concerning unmet transit needs each year and generated public participation.

4. Productivity Improvements

PUC Sec 99244 requires the RTPA to annually identify, analyze and recommend potential improvements that could lower the operating costs in transit operators in Modoc County. The recommendations must include at least productivity-related recommendations of the latest triennial performance audit. The RTPE may not approve any increase in an operator's transit allocation from the LTF unless the operator has made a reasonable effort to implement recommended improvements. The requirement for a productivity improvement committee was made optional in 1988. However, the requirement for the RTPE to make and follow up on recommendations is still in force.

5. Fiscal Audits

A 90-day extension may be granted beyond the 180-days from year-end deadline to submit to the State Controller's Office.

Certified fiscal audits were completed and forwarded to the state controller for each claimant receiving an allocation of TDA funds during the audit period. The claimants included Modoc Transportation Agency. The Commission also submitted its audit as required.

6. Triennial Performance Audits

As required by PUC Sec 99248, the Commission contracted with an independent firm to conduct a performance audit of the Commission within the time frame established by the TDA. A performance audit of Modoc Transportation Agency was also conducted and included the required performance indicators.

7. Submittal of Performance Audits to Caltrans

The Commission submitted a copy of its performance audit to the Department of Transportation. The certificate of completion for the operator performance audit was made.

8. Performance Audits of Operators

Only claimants receiving Article 4 funding are required to submit performance audits. For Modoc County, the only transit operator meeting this criterion was Modoc Transportation Agency. We reviewed the prior performance audit report and determined it complied with these requirements.

9. Rules and Regulations Regarding Revenue Ratios

Transit operators are normally required to maintain a minimum ratio of 10 percent as required by statute. However, during the audit period, MTA was the County's only transit operator that received funding as an article 8 claimant and therefore, was not subject to farebox ratio requirements.

10. Evaluation of Claims and Cost Effectiveness

All claims were paid from the proper apportionment and did not exceed allocation limits.

11. State Transit Assistance (STA) Funds

STA funds are required to be allocated only for public transportation purposes. The Commission's policy and procedures manual specifies that STA funds are limited to public transportation purposes. During the audit period, STA funds were allocated only for transit related purposes.

12. STA Allocation to Area of Jurisdiction as Allocated by SCO.

STA funds were allocated appropriately and used in the applicable jurisdiction.

13. TDA Funds Not Allocated to Public Transit

If TDA funds are used for purposes other than transit uses or exclusive pedestrian and bicycle projects, the RTPA must follow a process determining unmet transit needs as specified in PUC Sec. 99401.5. The RTPA must consult with the SSTAC, identify transit needs, adopt or reaffirm definitions of "unmet transit needs" and "reasonable to meet", identify any unmet transit needs that are reasonable to meet, and adopt a finding concerning the unmet transit needs. If the RTPA finds that there are unmet transit needs that are reasonable to meet, those needs must be funded before funds are allocated for street and road purposes.

The Commission annually conducts one public hearing to receive testimony on unmet transit needs. The public hearing notices are published in advance at the courthouse and in the local newspaper and receive citizen participation. Input is heard by oral presentations at public hearings or through letters, emails and telephone calls. Recommendations of the SSTAC are included in the Commission's public hearings.

Each request for service is evaluated by the Commission's staff, according to the Commission's definitions of "unmet need" and "reasonable to meet". The Commission adopted unmet need findings for each year under audit and in each year determined that there were unmet transit needs which were reasonable to meet.

14. Audit of Accounts and Records Submitted to SCO

The Commission submitted its annually audited accounts and records to the California State Controller's Office within 12 months of its year end for each year covered in this performance audit.

**Compliance Audit Findings**

The Commission apportioned and allocated Local Transportation Fund (LTF) and processed claims in accordance with the requirements of the TDA. We noted that the Commission does have a designated claim form and written instructions for claims filing and processing. The Commission maintained schedules of carryover apportionments by jurisdiction which it updated at the end of each fiscal year in the audit period. All claims were paid from the proper area of apportionment and apportionment balances were not exceeded.

The Commission has a Social Services Transportation Advisory Council (SSTAC) that meets the requirements of the TDA and minutes of its meetings reflected discussion of several potential unmet transit needs. The annual citizen participation process through public hearings was conducted as required by law. Annual hearings included comments from individuals and organizations that identified possible unmet transit needs. SSTAC conducted a formal public hearing in two of the three years audited. There was a SSTAC public meeting 3 years (the SSTAC public hearing legal notices are done each year).

The Commission requires and obtains fiscal audits of claimants as required by law. The Commission has contracted to have a performance audit of its activities and Article 8 claims and has submitted audits to the State Controller in compliance with these requirements.

The Commission followed the unmet needs process that complied with the requirements of the law and concluded that there were unmet transit needs which were reasonable to meet. As required by statute, the Commission did not approve claims for non-transit related purposes until needs which it determined were reasonable to meet had been satisfied.

State Transit Assistance (STA) funds were allocated only for eligible transit purposes. We noted the Commission's Policy and Procedures manual limits STA allocations to public transit purposes and the Commission adhered to the requirements during the audit period.

**Implementation of Prior Audit Recommendations**

Recommendation 1. The SSTAC should hold a public hearing at least annually prior to the Commission performing its annual unmet needs decision process.

Implementation. The Commission has held annual meetings since the recommendation was presented.

Status. Cleared

## **Functional Audit Findings**

### **Administration and Management**

The Commission conducts its business in an organized manner mostly because of experienced, knowledgeable staff. Procedural processes are written. The loss of key staff members would impact the Commission's ability to continue performing at existing levels of efficiency until vacant staff positions are adequately filled and processes are documented.

The Commission's board is well-informed of local transportation challenges and issues. We found the Commission's activities fulfilled its role to provide effective direction to management. Minutes to the Commission meetings reflect discussion of a variety of relevant issues.

### **Transportation Planning and Regional Coordination**

The Commission, as the transportation planning agency, coordinated its activities with several other agencies in the area. The Regional Transportation Plan was completed in 2014 and is revised every 5 years. The Regional/State Transportation Improvement Program was completed in 2016 and is revised bi-annually. Both documents are presented on the Commission's website in addition to 2016 and forward STIP shares for Modoc County.

### **Claimant Relationships and Oversight**

TDA funds were administered in a timely manner. Standardized claim forms are available for eligible entities. During the audit period, only Modoc Transportation Agency was eligible for TDA funds. The City of Alturas and Modoc County Road Department were eligible for TDA for street and road funds. The Commission, City, and County are eligible for LTF funds and the Agency was only eligible for STA funds.

### **Marketing and Transportation Alternatives**

Overall marketing efforts by the Commission increased over the three-year period compared with the previous audit period. Marketing programs are constrained by limited staffing and funding. Public transportation marketing and advertising responsibilities have been assigned to transit operator staff. Because the Commission and Modoc Transportation Agency use the same staff, marketing efforts were performed collectively as a group.

## **Recommendations**

No recommendations have been noted during this audit period.

**List of Acronyms Used**

LTF – Local Transportation Fund

MOU - Memorandum of Understanding

OWP – Overall Work Program

PUC - Public Utilities code

RPA - Rural Planning Assistance

RTP - Regional Transportation Plan

RTPA - Regional Transportation Planning Agency

SSTAC - Social Services Transportation Advisory Council

STA - State Transit Assistance

STIP-PPM - State Transportation Improvement Program: Planning, Programming and Monitoring

TAC - Technical Advisory Committee

TDA - Transportation Development Act