



Item #05-11-18
Receive/File

Board of Directors

November 10, 2005

Transportation Development Act Audits

Issue: Fiscal year 2004-2005 Transportation Development Act audits and Management comments.

Recommendation: The Administration Committee recommends that the Board of Directors receive and file the Transportation Development Act audits for SACOG, County of Sacramento, County of Sutter, County of Yolo, and County of Yuba.

Committee Action/Discussion: SACOG is required annually to have audited the Transportation Development Act funds, Local Transportation Funds (LTF) and State Transit Assistance Funds (STA), held under SACOG's control. The LTF funds are held at the four counties for which SACOG is the Regional Transportation Planning Agency: Sacramento, Sutter, Yolo, and Yuba. The STA funds are held by SACOG. SACOG has contracted with Richardson & Company to perform these audits.

Attached are the financial reports for each of the funds held by SACOG and the four counties. Each have cash balances, but that is because there are either unclaimed funds by the agencies or funds that were received at the end of the fiscal year and are as yet unallocated. We are increasing our communication efforts this year to work with those agencies having unclaimed funds to ensure they claim them for transit or streets and roads needs. Excess funds received at the end of the fiscal year will be included with the estimates for allocation in fiscal year 2006-07, which will occur in February 2006.

Also attached are comments about improvements to the procedures that can be made by SACOG and the Counties for managing these funds. After each comment, we have added a Management's Response of the steps we have taken to implement these recommendations.

Approved by:

Mike McKeever
Executive Director

MM:KW:gg
Attachments

Key Staff: Karen Wilcox, Director of Finance, (916) 340-6210

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Board of Directors
Sacramento Area Council of Governments
Sacramento, California

In planning and performing our audit of the financial statements of the County of Sacramento Local Transportation Fund and County of Sacramento State Transit Assistance Fund (the Funds) of the Sacramento Area Council of Governments (SACOG) for the year ended June 30, 2005, we considered SACOG's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. However, during our current year audit, we became aware of the following matters that have been included in this letter for your consideration:

TDA Compliance Issues

Sacramento Local Transportation Fund

Allocation instructions for the Local Transportation Fund refer to the SACOG guidelines for the frequency of payment of approved allocations per Section 6659 of the California Code of Regulations (i.e., single payment, monthly installments, quarterly installments, etc.). However, the SACOG guidelines do not specify the frequency of payment. It may be helpful to specifically identify the frequency of payment in the SACOG guidelines to help any new personnel at the County Auditor-Controller's Offices understand when to make payments to claimants.

Management Response

Management concurs with auditor recommendation. SACOG will be updating its TDA Guidelines to specify the frequency of payment.

Both Funds

The allocation instructions listed the Sacramento Regional Transit District's (SRTD) claim for a portion of the County of Sacramento's (the County) 2004/05 Local Transportation Fund apportionment as \$319,306. However, SACOG's Local Transportation Fund payable analysis shows the amount as \$347,743. In addition, \$32,448 of the 2002/03 Local Transportation Fund apportionment approved to be paid to the County remains unpaid at June 30, 2005. It is our understanding that these items will be approved for payment in August 2005. In addition, numerous prior year STAF allocations were not paid at year-end. We recommend the Local Transportation Fund and State Transit Assistance Fund payable analysis schedules be provided

To the Senior Planner on a regular basis for use in identifying and allocating unpaid prior year apportionments/allocations before current year apportionments/allocations are approved for payment.

Management Response

Management concurs with auditor recommendation. SACOG will take additional steps to improve the communication process with regard to LTF and STAF allocations to the claimants and the Senior Planner approving the claims. However, there are some STAF allocations unpaid at year-end because the jurisdiction has not filed a claim to receive the money. SACOG will continue to contact these jurisdictions, to encourage them to file claims.

The SRTD claimed \$543,787 of its 2004/05 State Transit Assistance Fund apportionment and \$461,787 of the County of Sacramento's 2003/04 Local Transportation Fund apportionment for capital reserves. Section 6634(b) of the California Code of regulations limits claims for capital purposes to the amount actually spent. As a result, it does not appear allowable to allocate Transportation Development Act (TDA) monies for capital reserves unless it is approved in the Local Transportation Fund under Section 6648, which is retained in the Fund and may not be paid to the claimant until a project is budgeted. The State Transit Assistance Fund does not appear to allow a capital reserve to be claimed. In addition, Section 99234(b)(2) of the TDA allows the County of Sacramento to claim its Local Transportation Fund apportionment for streets and roads purposes if there are no unmet transit needs within the SRTD service area.

Management Response

Management concurs with auditor recommendation. SACOG has reviewed this comment with Sacramento Regional Transit District staff and it has been determined that they will amend their claim for fiscal year 2004/05 to reallocate the reserve amount. Instead, the claim will request allocation to the Folsom-Amtrak light rail line which is a valid use of the funds. SRTD will in the future identify any reserve amounts and request that they be held until they have a use for the funds. SACOG will also implement a review process and training of other staff to identify such instances in the future.

It appears the section numbers under which Local Transportation Fund and State Transit Assistance Fund revenues are allocated to pay contracted transit service expenses are not consistent for all jurisdictions. The two alternatives available are Article 4, Section 99260(a) for operators or Article 8, Section 99400(c) for contracted transit services under LTF and 6730(a) for operators or 6731(b) for contracted transit services under STAF. We recommend SACOG review the section numbers used for contracted transit services for consistency. We also recommend SACOG document when it is appropriate to use each of the section numbers above for contracted transit service allocations in the SACOG guidelines.

Management Response

Management concurs with auditor recommendation. SACOG will take steps to strengthen its claim reporting process so expenses are coded consistently for all jurisdictions. SACOG has begun training other staff to assist in the claims review process.

SACOG should consider training an employee as a back-up for the Senior Planner in administering the TDA claim process since it will take several years to train an employee on the requirements of the TDA.

Management Response

Management concurs with auditor recommendation. SACOG began conducting the necessary training in October 2005 for two Transit Planners and the Senior Accountant to act as backup.

Other Comments

SACOG should consider requesting that the County revise the terminology used in the Fund's quarterly reports and general ledger to agree to the terminology used in the audited financial statements due to the change in the fund type.

Management Response

Management concurs with auditor recommendation. SACOG will work with Sacramento County to effect the necessary terminology changes.

During our prior year audit, we brought to your attention the following matters that warrant additional comment this year.

TDA Compliance Issues

Sacramento County Local Transportation Fund

The Sacramento County Local Transportation Fund balance has grown to over \$8.4 million at June 30, 2005 and only \$3.9 million of that amount was apportioned in the fiscal year 2005/06 apportionment. Section 6620 of the California Code of Regulations requires the unapportioned fund balance from the prior year to be included in the current year apportionment. We recommend SACOG determine what it considers to be a reasonable cushion to protect against a revenue shortfall and approve a Board Resolution establishing a fund balance designation for That amount. The fund balance in excess of the amount designated should be apportioned in the following year's apportionment.

Management Response

Management understands auditor concern. The fund balance at fiscal year end is largely a result of timing. When the apportionments are made in February of each year, the ending fund balance at June 30 is an estimate. Due to the uncertainty of sales tax receipts, the revenue source for LTF, there may be unanticipated increases or decreases in revenue by the actual year end closing. SACOG will consider a supplemental apportionment of funds to the claimants after the completion of the financial audit to attempt to reduce future fund balances.

The Resolution approving the City of Citrus Heights and City of Elk Grove claims approved pedestrian and bicycle allocations under Section 99400(d) of the Public Utilities Code, which is related to administrative and planning costs, rather than 99234, which is related to pedestrian and bicycle facilities. In addition, the SACOG planning program allocation for County of Sacramento was approved under Section 99402, which is related to streets and roads allocations, rather than Section 99262, which is related to transit services. We recommend that the code sections be verified prior to the preparation of the Resolution.

Management Response

Management concurs with auditor recommendation. SACOG will take additional steps to improve the review of the claim/resolution process to correct the coding errors.

Allocations have been reserved in the Sacramento County Local Transportation Fund for the City of Folsom under Section 6648 of the California Code of Regulations. Although Section 6648 does not specify whether interest should be earned on the reserve, SACOG has taken the position that interest will not be earned. To ensure claimants understand this treatment, we recommend that SACOG consider including the policy in its Transportation Development Act Guidelines.

Management Response

Management concurs with auditor recommendation. SACOG will be updating its TDA Guidelines to include the aforementioned interest policy.

Both Funds

Significant progress was made by SACOG in working with claimants to ensure claims were filed by fiscal year-end. However, we recommend SACOG continue to monitor which claimants have not filed claims and take steps to ensure claims for all unclaimed apportionments are filed by year-end on a routine basis.

Management Response

Management understands auditor concern. SACOG continues to monitor which jurisdictions have not filed their claims by year-end, and takes an active role in encouraging them to do so. However, SACOG cannot force a jurisdiction to file its claim. In some cases the jurisdiction can not file a claim until it has an approved budgeted use for the money; thus parts of the process are out of SACOG's control.

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We would like to take this opportunity to acknowledge the courtesy and assistance extended to us during the course of the examination. This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and does not affect our report dated August 19, 2005, on the financial statements of the County of Sacramento Local Transportation Fund and County of Sacramento State Transit Assistance Fund of SACOG.

Richardson & Company

August 19, 2005

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Board of Directors
Sacramento Area Council of Governments
Sacramento, California

In planning and performing our audit of the financial statements of the County of Sutter Local Transportation Fund (the Fund) of the Sacramento Area Council of Governments (SACOG) for the year ended June 30, 2005, we considered SACOG's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. However, during our audit we became aware of the following matters that have been included in this letter for your consideration:

TDA Compliance

Claim Administration and Payment

SACOG did not approve the payment City of Live Oak's Transportation Development Act claim with an allocation instruction because the City claimed its appointment as a capital reserve to be held in the Fund until the year the project is budgeted, as allowed by Section 6648 of the California Code of Regulations. However, the County Auditor-Controller's Office inadvertently paid \$221,720 of the amount without an approved allocation instruction as required by Section 6621 of the California Code of Regulations. The County of Sutter Auditor-Controller's office should be reminded to pay claims only after receipt of approved allocation instructions.

Management Response:

Management concurs with auditor recommendation. SACOG has already contacted the Yolo County Auditor's office regarding the inadvertent payment and has advised them to pay close attention to the allocation instructions and that they review the SACOG TDA Guidelines.

Other Comments

SACOG should consider requesting that the County revise the terminology used in the Fund's quarterly reports and general ledger to agree to the terminology used in the audited financial statements due to the change in the fund type.

Management Response:

Management concurs with auditor recommendation. SACOG will work with Sutter County to effect the necessary terminology changes.

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Board of Directors
Sacramento Area Council of Governments
Sacramento, California
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We would like to take this opportunity to acknowledge the courtesy and assistance extended to us during the course of the examination. This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and does not affect our report dated September 9, 2005, on the financial statements of the County of Sutter Local Transportation Fund of SACOG.

Richardson & Company

September 9, 2005

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Board of Directors
Sacramento Area Council of Governments
Sacramento, California

In planning and performing our audit of the financial statements of the County of Yolo Local Transportation Fund (the Fund) of the Sacramento Area Council of Governments (SACOG) for the year ended June 30, 2005, we considered SACOG's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. However, during our audit we became aware of the following matters that have been included in this letter for your consideration:

TDA Compliance

Claim Administration and Payment

SACOG did not approve the streets and roads portion of the City of Woodland's Transportation Development Act claim when the transit portion of the City's claim was approved for payment. However, the County Auditor-Controller's Office inadvertently paid the street and road claim amount without an approved allocation instruction as required by Section 6621 of the California Code of Regulations. The County of Yolo Auditor-Controller's office should be reminded to pay claims only after receipt of approved allocation instructions.

Management Response:

Management concurs with auditor recommendation. SACOG has already contacted the Yolo County Auditor's office regarding the inadvertent payment and has advised them to pay close attention to the allocation instructions and that they review the SACOG TDA Guidelines.

SACOG Planning Costs

In the SACOG Board Resolution and allocation instructions related to the SACOG planning allocation in the City of Woodland claim, Section 99402 was used for streets and roads planning rather than 99262 related to public transportation planning, even though the entire claim was made for public transportation purposes. In addition, the SACOG planning allocation related to

the City of Davis' claim did not separately list the amount of the allocation related to Section 99262 versus 99402. The SACOG planning allocation should specify whether the allocation was made under Sections 99262 or 99402 for use in the Schedule of Allocations and Expenditures in the audited financial statements.

Management Response:

Management concurs with auditor recommendation. SACOG will implement a review process for resolutions and allocation instructions so that typographical errors and incorrect section numbers are correct prior to their release.

Other Comments

SACOG should consider requesting that the County revise the terminology used in the Fund's quarterly reports and general ledger to agree to the terminology used in the audited financial statements due to the change in the fund type.

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We would like to take this opportunity to acknowledge the courtesy and assistance extended to us during the course of the examination. This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and does not affect our report dated August 25, 2005, on the financial statements of the County of Yolo Local Transportation Fund of the Sacramento Area Council of Governments (SACOG).

Richardson & Company

August 25, 2005

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Board of Directors
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In planning and performing our audit of the financial statements of the County of Yuba Local Transportation Fund (the Fund) of the Sacramento Area Council of Governments (SACOG) for the year ended June 30, 2005, we considered SACOG's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. However, during our audit we became aware of the following matter that has been included in this letter for your consideration:

Other Comments

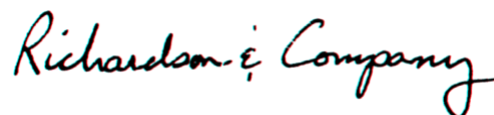
SACOG should consider requesting that the County revise the terminology used in the Fund's quarterly reports and general ledger to agree to the terminology used in the audited financial statements due to the change in the fund type.

Management Response

Management concurs with auditor recommendation. SACOG will work with Yuba County to effect the necessary terminology changes.

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We would like to take this opportunity to acknowledge the courtesy and assistance extended to us during the course of the examination. This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and does not affect our report dated September 6, 2005, on the financial statements of the County of Yuba Local Transportation Fund of the Sacramento Area Council of Governments (SACOG).



September 6, 2005