

**TAHOE REGIONAL PLANNING AGENCY
TRANSPORTATION DEVELOPMENT ACT
PERFORMANCE REPORT
FOR THE THREE YEARS ENDED JUNE 30, 2007**

Tahoe Regional Planning Agency
Transportation Development Act
Performance Report
For the three years ended June 30, 2007

TABLE OF CONTENTS

	<u>PAGE NO.</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
EXECUTIVE SUMMARY	3 - 5
PERFORMANCE AUDIT PROCEDURES	
Performance Auditing	6
Objectives	6
Scope	6 - 7
Methodology	7
COMPLIANCE REVIEW	
Summary Table of Results of Compliance Review	8
Narrative on Compliance Review	9 - 10
ANALYSIS OF FUNCTIONAL PERFORMANCE.....	11
REPORT ON COMPLIANCE AND MANAGEMENT CONTROLS BASED SOLELY ON A STUDY AND EVALUATION MADE AS PART OF A PERFORMANCE AUDIT	12 - 13



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INDEPENDENT AUDITOR'S REPORT

To the Governing Board
Tahoe Regional Planning Agency

We have conducted a performance audit of the Tahoe Regional Planning Agency (TRPA) for the three years ended June 30, 2007. Our audit was conducted in accordance with standards for performance audits contained in *Government Auditing Standard*, issued by the Comptroller General of United States.

The California Public Utilities Code (PUC) requires that all regional transportation-planning entities have a triennial performance audit conducted on their activities. Therefore, the objective of the audit was to fulfill a legal requirement and was intended to provide an independent, objective, and comprehensive review of the effectiveness of TRPA's administration of transportation funds.

The audit was based on the guidelines established in the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities* issued by the Mass Transportation Program of the California Department of Transportation (Caltrans) and *Government Auditing Standards* for performance audits issued by the Comptroller General of the United States. The audit covered in detail the following areas:

1. Review of compliance requirements.
2. Follow-up review of prior performance audit recommendations
3. Detailed review of the following TRPA functions:
 - RTPE administration and management.
 - Transportation planning and regional coordination.
 - Claimant relationships and oversight.
 - Marketing and transportation alternatives.
 - Grant applications and management.

Performance of TRPA was evaluated through interviews with planning personnel responsible for monitoring funding and developing the Regional Transportation Plan, along with the analysis and examination of pertinent documents. We also interviewed personnel at the transit operators in TRPA's jurisdiction.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2008 on our consideration of the Tahoe Regional Planning Agency's internal control and our tests of its compliance with certain provisions of laws and regulations as specified in the Transportation Development Act solely as they relate to this performance audit.



This report is intended solely for the use of management, the Governing Board, and the State Controller's Office of the State of California, and is not intended to be and should not be used by anyone other than these specified parties.

C. M. Ahlberg UP

Redwood City, California
November 7, 2008

Tahoe Regional Planning Agency
Transportation Development Act
Performance Report
For the three years ended June 30, 2007

EXECUTIVE SUMMARY

Performance audits are prepared to fulfill the requirements of Section 99246 of the Transportation Development Act (TDA), which requires performance audits of Regional Transportation Planning Entities (RTPE) every three years. This audit includes the basic compliance audit required by the TDA, a determination of TDA compliance, and a functional review of RTPE functions.

During our audit, we identified certain areas in which TRPA can improve performance. The following is a summary of our findings and recommendations:

Compliance Findings

I. Current Audit Findings

- a. Finding 1 - The fiscal and compliance audits of the operators are not consistently received within 180 days of the end of the fiscal year and documentation of the required certification to the State Controller was unavailable. This is a repeat recommendation from the June 30, 2004 triennial audit.

Recommendation - We recommend that TRPA develop a system of ensuring that the transit operators in the jurisdiction comply with report submission timetables. This system and expectations should be documented and communicated to the transit operators. Timetables must be adhered to or funding will be withheld.

Management Response - TRPA is monitoring the operator's submittal of fiscal and compliance audits. Since the hiring of a new transit planner/administrator, staff is able to ensure that these reports are submitted in a timely manner.

- b. Finding 2 - The requirement to complete a performance audit for the three years ended June 30, 2006 was not met within the specified timeframe by any of the operators. The operators have continued to receive allocations even though they did not submit the performance audits by the required timeline. This is a repeat recommendation from the June 30, 2004 triennial audit.

Recommendation - We recommend that TRPA establish a system to ensure that triennial performance audit reports are submitted on time to the Director of the California Department of Transportation. In addition, we believe TRPA should identify a person or persons responsible for maintaining this system and communicating the reporting requirements to operators on a regular basis.

Current Status - See management's response.

Management Response - Due to delays and a transition in staff, this project was completed on October 31, 2008. The State has been appraised that the triennial performance audits have been completed. With the hiring of the new transit planner/administrator, this person will be responsible for facilitating this project and shall maintain constant communication with the transit operators.

Tahoe Regional Planning Agency
Transportation Development Act
Performance Report
For the three years ended June 30, 2007

II. Status of Prior Audit Findings

In the performance audit completed for the three years ended June 30, 2004, it was noted that:

- a. Finding 1 - No evidence of an annual public hearing for social services transportation was provided for 2004.

Managements Response - No public hearing was needed as all funds were used in transit.

Status - In compliance.

Functional Area Recommendations

I. RTPE Administration and Management

- a. We recommend that TRPA train additional personnel in TDA administration and management functions to ensure that claims and reporting will be administered in a timely manner if the primary personnel responsible for this function is unavailable.

Managements Response - TRPA has hired a Transit Planner/Administrator that will be responsible for TDA administration and management functions. The Transportation Team Leader has been trained and is able to perform this function should the primary person be unavailable. In addition, the new Associate Transportation Planner working with the programming of funds will also be trained to understand TDA administration.

- b. We recommend that TRPA reevaluate the decision to reduce its own allocation of LTF funds for administration, planning and programming functions to determine if the use of additional funds (up to the amount allowed by Sections 99233.1 and 99233.2 of California PUC) would enable TRPA to assign sufficient resources to TDA functions to ensure compliance with regulations and to improve the timeliness of the administration process.

Managements Response - TRPA will reevaluate the decision to reduce the allocation of LTF for administration, planning and programming. With the hiring of the new Transit Planner/Administrator and his duties shared with the South Tahoe Area Transit Authority and Tahoe Transportation District related to transit planning and administration, there will be a greater and improve role in regional transit planning for the three entities.

II. Transportation Planning and Regional Coordination

- a. We recommend that TRPA staff clarify with Caltrans that the contents of the Federal Transportation Plan/Regional Transportation Plan contains all of the required elements for a Regional Transportation Plan.

III. Claimant Relationships and Oversight

- a. We recommend that TRPA meet with claimants in its jurisdiction and with the County auditors in its jurisdiction to clarify the responsibilities of each party with regard to submission of allocation estimates and claims and distribution of allocation instructions, and establish a methodology by

Tahoe Regional Planning Agency
Transportation Development Act
Performance Report
For the three years ended June 30, 2007

which accurate claims can be submitted and approved in a timely manner, for all claimants. Additionally, we recommend that TRPA establish a system of monitoring claims to ensure that monies are distributed to the claimants in a timely manner.

Managements Response - TRPA will develop a new TDA claim process and meet with the transit operators on a regular basis to keep them apprised of funding changes, as well as establish a methodology for ensure that claims are accurate and submitted in a timely manner. With the hiring of the new Transit Planner/Administrator, a better relationship with the County Auditor/Controllers office, as well as the State Controllers Office has been established.

Marketing and Transportation Alternatives

No recommendations.

Grant Applications and Management

No recommendations.

Tahoe Regional Planning Agency
Transportation Development Act
Performance Report
For the three years ended June 30, 2007

PERFORMANCE AUDIT PROCEDURES

Performance Auditing

Public transportation in the Tahoe region receives a significant portion of the funding necessary to operate through two programs, which make funds available through the Transportation Development Act (TDA). These two programs are the Local Transportation Fund (LTF) and State Transit Assistance Fund (STA). LTF revenues represent El Dorado and Placer County's allocation of the retail sales tax collected statewide. The counties receive 0.25¢ in sales tax for each dollar of retail sales. STA revenues are those allocated pursuant to sections 99313 and 99314 of the State of California Public Utilities Code by the State Controller. The Tahoe Regional Planning Agency (TRPA) administers the LTF and STA monies.

The TDA requires TRPA to engage an outside consultant to conduct a triennial performance audit of itself and all transit operators within its jurisdiction. The performance audits of Tahoe Area Regional Transit and South Lake Tahoe Area Ground Express (transit operators) for the period July 1, 2004 to June 30, 2007 were not complete during the statutory timeframe. The required performance audit was completed by El Dorado County. This performance audit of TRPA covers the three years ended June 30, 2007.

Objectives

The objectives of this performance audit are as follows:

- To meet the requirements of the TDA
- To provide management with useful information regarding past activities and provide insight for future planning efforts.
- To provide management with a review of an agency's organization and operations.
- To assure public accountability for the use of public funds.

A performance audit also provides an opportunity for an independent, objective, and comprehensive review of the economy, efficiency, and effectiveness of the entity being audited.

Scope

Local Transportation and State Transit Assistance Funds are a major source of funding for public transportation. Section 99246 of the California Public Utilities Code requires a triennial performance audit to evaluate the RTPE's, in this case TRPA's, efficiency and effectiveness in meeting the criteria set forth in the TDA. The performance audit does not encompass any functions performed by TRPA that do not relate to the TDA.

We conducted the performance audit in accordance with the following:

- Performance audit guidelines contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.
- TDA and California Code of Regulations (CCR).

Tahoe Regional Planning Agency
Transportation Development Act
Performance Report
For the three years ended June 30, 2007

- *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities published by Caltrans.*

Methodology

Our review of TRPA's activities with regard to these funds included interviews with staff responsible for transportation planning activities, and personnel employed by the operators under TRPA's jurisdiction, as well as a review of supporting documentation when practical.

Background

The 91st Congress consented to the creation of the Tahoe Regional Planning Agency (PL 91-148) during 1969 by the States of California and Nevada. The purpose, as outlined in the respective State legislation, is to maintain equilibrium between the region's natural endowment and its man-made environment, and to preserve the scenic beauty and recreational opportunities of the region. To this end, the Agency has prepared a Regional Plan. This Plan includes elements of land use, transportation, conservation, and public services and facilities.

In July 1984, pursuant to Government Code 29532.1, the State of California as the Transportation Planning Agency (RTPE) for the Tahoe Basin designated TRPA. The Transportation Development Act (TDA) is the governing document for each agencies and it mandates the preparation of a Regional Transportation Plan. In addition to TRPA's responsibility for drafting the Plan, TRPA is required to allocate and monitor the Local Transportation and State Transit Assistance Funds apportioned by the State of California to the Tahoe Basin under the TDA.

We recognize that TRPA is unique, in that regional transportation planning is not the primary function of the Agency, and also that TRPA's jurisdiction is unlike other regional transportation planning entities in California, as TRPA is responsible for activities within the entire Tahoe basin, an area which encompasses two states, five counties, and one city. As this is the case, we modified our procedures accordingly. This performance audit was limited to those operators governed by TDA.

The transit operators in TRPA's Jurisdiction are Tahoe Area Regional Transit (TART) and the South Tahoe Area Transit Authority (BlueGO), which consist of transit operations managed by the City of South Lake Tahoe and El Dorado County. TART is operated by Placer County; its ADA paratransit service is operated under contract to Alpine Taxi. BlueGO is operated under contract to Area Transit Management, Inc (ATM). The City of South Lake Tahoe and El Dorado County manage the contracts with ATM.

Tahoe Regional Planning Agency
Transportation Development Act
Performance Report
For the three years ended June 30, 2007

COMPLIANCE REVIEW

The following are the results of the compliance review performed as a portion of this audit. The purpose of this section is to determine TRPA's compliance with the applicable sections of the Transportation Development Act and the California Code of Regulations.

Summary Table of Results of Compliance Review

OPERATOR COMPLIANCE REQUIREMENTS	REFERENCE	STATUS
Operators claim on more than Local Transportation Fund (LTF) apportioned.	PUC Section 99231	In compliance
Adoption of rules and regulations for claims for pedestrians and bikes.	PUC Sections 99233.3 and 99234	Not applicable
Social Service Advisory Council established, including citizen participation and annual public hearing.	PUC Sections 99238 and 99238.5	Not applicable
Annual identification of productivity improvements.	PUC Section 99244	In compliance
Claimants' reports submitted to TRPA and State Controller within 180 days.	PUC Section 99245	Not in compliance
Triennial performance audits for TPAs and operators conducted and prescribed information included.	PUC Sections 99246 and 99248	Not in compliance
TRPA submit performance audit and written certification as to receipt of operator's performance audits.	PUC Sections 99246(c) and 99248(c)	Not in compliance
Operator triennial performance audits.	PUC Section 99246(d)	Not in compliance
Revenue ratios for TPAs with urban and nonurbanized areas.	PUC Sections 99270.01 and 99270.02	Not applicable
Adoption of rules, etc. for claims under Article 4.5.	PUC Section 99275.5	Not applicable
State Transit Assistance (STA) allocations only for planning and mass transit purposes.	PUC Sections 99310.5 and 99313.3; Prop 116	In compliance
STA funds are allocated to operators within the jurisdiction and as allocated by the Controller.	PUC 99314.3	In compliance
TDA funds not allocated to transportation services.	PUC 99401.5	Not applicable
TRPA financial audit and related transmittal.	CCR 6662	In compliance

Tahoe Regional Planning Agency
Transportation Development Act
Performance Report
For the three years ended June 30, 2007

Narrative on Compliance Review

1. *PUC Section 99231. All operators, which have responsibility for serving a given area, in total, claim no more than those LTF monies apportioned to that area.*

No claims in excess of apportionment occurred in any of the three years under audit.

2. *PUC Sections 99233.3 and 99234. Adoption of rules and regulations for bikes and pedestrians.*

Not applicable. No claims received in any of the three years for bikes and pedestrians.

3. *PUC Sections 99238 and 99238.5. Social Services Transportation Advisory Council established including citizen participation and annual public hearing.*

Not applicable. No public hearing required.

4. *PUC 99244. Annual identification of productivity improvements for operators within the jurisdiction.*

TRPA is continuously engaged in monitoring current and potential improvements as evidenced by its annual overall work programs, which are reviewed by Caltrans officials annually.

5. *PUC Section 99245. Claimants' fiscal and compliance audit reports submitted to TRPA and State Controller within 180 days after the fiscal year end.*

There was no evidence that TRPA was in possession of the financial statement audits of all the claimants or operators in its jurisdiction for the three years under audit. Additionally, there was no evidence that all the required reports were transmitted to the California State Controller's Office as required. TRPA has not complied with Section 99245.

6. *PUC Sections 99246 and 99248. Triennial performance audits for TPAs and operators conducted and prescribed information included, and a schedule of audits and a list of operators is provided to the Director and Controller each year.*

An independent certified public accountant conducted performance audits on TRPA for the three years ended June 30, 1989, 1992, 1995, 1998, 2001, and 2004. The current audit covers the three years ended June 30, 2007.

As for operators, we noted the audits for the three years ended June 30, 2006 have not been completed for TART and STAGE. As a result, TRPA has not complied with PUC 99246.

TRPA has submitted the list of audits and operators annually except in 2006. Therefore, compliance with PUC 99248 has not been established.

7. *PUC Sections 99246(c) and 99248(c). TRPA submits performance audit and written certification of the receipt of operator's performance audits to the Director of the California Department of Transportation.*

Tahoe Regional Planning Agency
Transportation Development Act
Performance Report
For the three years ended June 30, 2007

TRPA's performance audit for the prior triennial period, ending June 30, 2003, was submitted to the transit operators as a draft in April of 2005; however a final was not produced until June 1, 2008. The TART and BlueGO triennial performance audits were not completed within the required timeframe, this requirement was not met.

8. *PUC Section 99246(d). Operator triennial performance audits shall contain certain information required by the Transportation Development Act.*

TART and BlueGO has complied with the certain information as required by the Transportation Development Act, however, their reports were submitted late as a final on June 1, 2008. The draft was completed in April 2005.

9. *PUC Sections 99270.01 and 99270.02. Revenue ratios for TPAs with urban and nonurbanized areas.*

TRPA is classified as a non-urbanized area only; and, therefore, this section is not applicable.

10. *PUC Section 99275.5. Adoption of rules, etc. for claims under Article 4.5.*

Not Applicable at this time.

11. *PUC Sections 99310.5 and 99313.3; Proposition 116. STA allocation only for planning and mass transit purposes.*

All allocations were for transportation purposes.

12. *PUC Sections 99314.3. STA funds are allocated to operators within the jurisdiction and as allocated by the Controller.*

STA funds were allocated to operators in the jurisdiction as directed by the Controller.

13. *PUC Section 99401.5. TDA funds not allocated to transportation issues.*

All allocations were directly related to transportation issues; therefore, PUC Section 99401.5 is not applicable to TRPA.

14. *CCR 6662. TRPA audit and related transmittal.*

TRPA's financial audit was completed and contained a statement to the effect that TRPA complied with all significant statutory constraints on financial reporting. The annual financial transactions report was also completed and was submitted to the California State Controller.

Tahoe Regional Planning Agency
Transportation Development Act
Performance Report
For the three years ended June 30, 2007

ANALYSIS OF FUNCTIONAL PERFORMANCE

The following is an assessment of the functional effectiveness of TRPA with regard to TDA funds and their administration in accordance with our review of TRPA work programs and the related projects during the period.

RTPE Administration and Management

The Regional Transportation Plan (RTP) was adopted in 1992, and was affirmed in a timely manner in 1998. In August of 2000, the Federal Transportation Plan/Regional Transportation Plan (FTP/RTP) was adopted and reaffirmed in 2007. This updated and reaffirmed version of the RTP addresses compliance with both Federal and State requirements. Additionally, TRPA prepares an Overall Work Program (OWP) annually, which is approved by both the Governing Board and Caltrans to document internal tasks and goals related to transportation planning in the Tahoe Basin. This document provides the basis for staff direction and policy board evaluation as to whether staffs are fulfilling the needs of the RTPE.

Employee turnover has been an issue in the transportation planning department, which has led to the assignment of responsibilities other than operating an RTPE to transportation staff. Training is made available to transportation employees. The financial budget is prepared as a part of TRPA's overall budget and is also detailed in the OWP. Funding comes from the states of California and Nevada and federal grants.

Transportation Planning and Regional Transportation

The RTP is a detailed document, which focuses on the transportation improvements needed to meet transportation-related goals in the Tahoe Region. The RTP addresses the requirements of the Tahoe Regional Planning Compact, which requires a transportation plan for the Region that provides for an integrated development of a regional system of transportation. All interested parties are given ample opportunity to provide input for the RTP. TRPA staff is familiar with the unique concerns of the area, and that transportation improvement programs have been implemented to keep current with service levels.

Claimant Relationship and Oversight

Technical and managerial assistance is provided to the operators when requested and TTD has a technical advisory committee that is available for transit related concerns. TRPA is not monitoring claimant's compliance with TDA requirements sufficiently and is not utilizing remedies within the TDA, such as non release of funds, to encourage compliance.

TRPA should communicate TDA compliance requirements to operators, monitor compliance progress of operator, penalize operators for noncompliance with policy and law, and take appropriate steps if the operators fail to comply.

Grant Application and Management

All transportation grants are required to pass through TRPA for approval prior to submission, and are subject to TRPA's grant approval policies. TRPA provides grant writing assistance at the request of the operators. TRPA made effective efforts to assist in finding and securing grants for transit related items and all entities are fully aware of the extent of assistance available to them relative to grant processing.



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**REPORT ON COMPLIANCE AND MANAGEMENT CONTROLS BASED SOLELY ON A
STUDY AND EVALUATION MADE AS PART OF A PERFORMANCE AUDIT IN
ACCORDANCE WITH GOVERNMENTAL AUDIT'S STANDARDS**

To the Governing Board
Tahoe Regional Planning Agency

We have conducted a performance audit of the regional transportation planning functions of the Tahoe Regional Planning Agency (TRPA) as of and for the three years ended June 30, 2007, and have issued our report thereon dated November 7, 2008. We conducted our performance 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. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

Internal Control over Financial Reporting

In planning and performing our performance audit, we considered Tahoe Regional Planning Agency's management controls 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 Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify and deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of our performance audit, we performed tests of compliance with certain provisions of the Transportation Development Act and the California Code of Regulations, noncompliance with which



could have a direct and material effect on the functions of TRPA as a Regional Transportation Planning Entity. 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*, which are reported on page 7 of the performance audit report. We also noted certain additional matters that we have reported to the management of TRPA in a separate letter dated November 30, 2008.

This report is intended solely for the information and use of the Board, management, and the State Controller's Office of the State of California, and is not intended to be and should not be used by anyone other than these specified parties.

Redwood City, California
November 7, 2008