



FINAL REPORT
APRIL 2019

City of McFarland

Triennial Performance Audit FY 15/16 - 17/18



Kern Council of Governments

**Triennial Performance Audit,
FY 2015/16 – FY 2017/18**

City of McFarland

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Chapter 1

Executive Summary

In 2018, the Kern Council of Governments (Kern COG) selected Moore & Associates, Inc., to prepare Triennial Performance Audits of itself as the RTPA and the twelve transit operators to which it allocates TDA funding. Moore & Associates is a consulting firm specializing in public transportation. Selection of the consultant followed a competitive procurement process.

The California Public Utilities Code requires all recipients of Transit Development Act (TDA) Article 4 funding to complete an independent audit on a three-year cycle in order to maintain TDA funding eligibility. Audits of Article 8 recipients are encouraged.

The Triennial Performance Audit is designed to be an independent and objective evaluation of the City of McFarland as a public transit operator, providing operator management with information on the economy, efficiency, and effectiveness of its programs across the prior three fiscal years. In addition to assuring legislative and governing bodies (as well as the public) that resources are being economically and efficiently utilized, the Triennial Performance Audit fulfills the requirement of PUC Section 99246(a) that the RTPA designate an entity other than itself to conduct a performance audit of the activities of each operator to which it allocates TDA funds.

This chapter summarizes key findings and recommendations developed during the Triennial Performance Audit (TPA) of the City of McFarland's public transit program for the period Fiscal Year 2015/16 through Fiscal Year 2017/18.

The City of McFarland operates McFarland Dial-A-Ride, a curb-to-curb, demand-response service open to the general public throughout McFarland city limits. Service is first-come, first-serve; reservations may be made from one hour to one day in advance. The service operates Monday through Friday from 8:00 a.m. to 4:15 p.m.

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require the audit team plans and performs the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on the audit objectives. Moore & Associates believes the evidence obtained provides a reasonable basis for our findings and conclusions.

This audit was also conducted in accordance with the processes established by the California Department of Transportation (Caltrans), as outlined in the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*.



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The Triennial Performance Audit includes five elements:

- Compliance requirements,
- Follow-up of prior report recommendations,
- Analysis of program data reporting,
- Performance Audit, and
- Functional review.

Test of Compliance

With three exceptions, the City of McFarland met the test of compliance with respect to Transportation Development Act (TDA) regulations:

1. The City did not submit its State Controller Reports within the stipulated timeframe.
2. The City did not demonstrate use of the TDA definition of full-time equivalent (FTE) employee in its reporting to the State Controller.
3. In FY 2017/18, the City did not provide data to the TDA auditor until after the extended deadline for the audit to be submitted.

Status of Prior Recommendations

1. Submit all State Controller Reports by the stipulated deadline (90 days following the end of the fiscal year, or 110 days if submitting electronically).
Status: Not implemented.
2. Utilize the TDA definition in calculating and reporting Full-Time Equivalent (FTE) employees to the State Controller.
Status: Not implemented.
3. Ensure all transit performance data (including FTE) are reported on the City's State Controller Reports.
Status: Implemented

Findings and Recommendations

Based on discussions with City staff, analysis of program performance, and an audit of program compliance and function, the audit team presents three compliance findings:

1. The City did not submit its State Controller Reports within the stipulated timeframe.
2. The City did not demonstrate use of the TDA definition of full-time equivalent (FTE) employee in its reporting to the State Controller.
3. In FY 2017/18, the City did not provide data to the TDA auditor until after the extended deadline for the audit to be submitted.



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Moore & Associates has identified one functional finding. While this finding does not affect TDA compliance, we believe it warrants inclusion within this audit:

1. The City did not exclude the cost and revenue associated with its trial weekend service from its farebox recovery ratio calculation, even though it was eligible to do so.

Exhibit 1.1 Summary of Audit Recommendations

| TDA Compliance Recommendations | | Importance | Timeline |
|--------------------------------|---|------------|--------------|
| 1 | Submit all State Controller Reports by the stipulated deadline (January 31). | High | FY 2018/19 |
| 2 | Utilize the TDA definition in calculating and reporting Full-Time Equivalent (FTE) employees to the State Controller. | High | FY 2018/19 |
| 3 | The City should work with its auditors and Kern COG to determine what steps can be taken to facilitate on-time completion of its TDA fiscal audit, then implement those steps. | High | FY 2019/20 |
| Functional Recommendations | | Importance | Timeline |
| 1 | Should the City implement new transit service in the future, even on a trial basis, it should consider whether that service is eligible to be exempt from the farebox recovery ratio as well as whether the City wishes to exempt that service from its farebox recovery ratio. | Low | As warranted |



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Chapter 2

Review Scope and Methodology

The Triennial Performance Audit (TPA) of the City of McFarland’s public transit program covers the three-year period ending June 30, 2018. The California Public Utilities Code requires all recipients of Transit Development Act (TDA) funding to complete an independent review on a three-year cycle in order to maintain TDA funding eligibility.

In 2018, the Kern Council of Governments selected Moore & Associates, Inc., to prepare Triennial Performance Audits of itself as the RTPA and the twelve transit operators to which it allocates TDA funding. Moore & Associates is a consulting firm specializing in public transportation. Selection of the consultant followed a competitive procurement process.

The Triennial Performance Audit is designed to be an independent and objective evaluation of the City of McFarland as a public transit operator. Direct benefits of a Triennial Performance Audit include providing operator management with information on the economy, efficiency, and effectiveness of its programs across the prior three years; helpful insight for use in future planning; and assuring legislative and governing bodies (as well as the public) that resources are being economically and efficiently utilized. Finally, the Triennial Performance Audit fulfills the requirement of PUC Section 99246(a) that the RTPA designate an entity other than itself to conduct a performance audit of the activities of each transit operator to which it allocates TDA funds.

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require the audit team plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on the audit objectives. Moore & Associates believes the evidence obtained provides a reasonable basis for our findings and conclusions.

The audit was also conducted in accordance with the processes established by the California Department of Transportation (Caltrans), as outlined in the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*, as well as *Government Audit Standards* published by the U.S. Comptroller General.

Objectives

A Triennial Performance Audit has five primary objectives:

1. Assess compliance with TDA regulations;
2. Review improvements subsequently implemented as well as progress toward adopted goals;
3. Review the accuracy of data reporting;
4. Evaluate the efficiency and effectiveness of the transit operator; and
5. Provide sound, constructive recommendations for improving the efficiency and functionality of the transit operator.



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Scope

The TPA is a systematic review of performance evaluating the efficiency, economy, and effectiveness of the transit operator. The audit of the City of McFarland included five tasks:

1. A review of compliance with TDA requirements and regulations.
2. An assessment of the implementation of recommendations contained in prior performance audits.
3. A verification of the methodology for calculating performance indicators including the following activities:
 - Assessment of internal controls,
 - Test of data collection methods,
 - Calculation of performance indicators, and
 - Evaluation of performance.
4. Examination of the following functions:
 - General management and organization;
 - Service planning;
 - Scheduling, dispatching, and operations;
 - Personnel management and training;
 - Administration;
 - Marketing and public information; and
 - Fleet maintenance.
5. Conclusions and recommendations to address opportunities for improvement based upon analysis of the information collected and the audit of the transit operator's major functions.

Methodology

The methodology for the Triennial Performance Audit of the City of McFarland included thorough review of documents relevant to the scope of the audit, as well as information contained on the City's website. The documents reviewed included the following (spanning the full three-year period):

- Triennial Performance Audit report for the prior audit period;
- Monthly performance reports;
- State Controller Reports;
- NTD reports;
- Annual budgets;
- TDA fiscal audits;
- Transit marketing collateral;
- Fleet inventory;
- Preventive maintenance schedules and forms;
- Accident/road call logs;
- Customer complaint logs;
- Short Range Transit Plan; and
- Organizational chart.



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The methodology for this review included a site visit to McFarland city hall, located at 401 West Kern Avenue, on October 15, 2018. The site visit included interviews with Mario Gonzalez (Public Works Director), Roscio Mosqueda (Finance Director), and Vanessa Hernandez (Public Works Administrative Assistant).

This report is comprised of eight chapters divided into three sections:

1. Executive Summary: A summary of the key findings and recommendations developed during the Triennial Performance Audit process.
2. TPA Scope and Methodology: Methodology of the review and pertinent background information.
3. TPA Results: In-depth discussion of findings surrounding each of the subsequent elements of the audit:
 - Compliance with statutory and regulatory requirements,
 - Progress in implementing prior recommendations,
 - Data analysis,
 - Performance measures and trends,
 - Functional audit, and
 - Findings and recommendations.



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Chapter 3

Program Compliance

This section examines the City of McFarland’s compliance with the Transportation Development Act as well as relevant sections of the California Code of Regulations. An annual certified fiscal audit confirms TDA funds were apportioned in conformance with applicable laws, rules, and regulations. The Kern Council of Governments considers full use of funds under California Code of Regulations (CCR) 6754(a) as referring to operating funds but not capital funds. The TPA findings and related comments are delineated in Exhibit 3.1.

Compliance was determined through discussions with City of McFarland staff as well as a physical inspection of relevant documents including the fiscal audits for each year of the triennium, TDA claim forms, State Controller annual filings, California Highway Patrol terminal inspections, year-end performance reports, and other compliance-related documentation.

With three exceptions, the City of McFarland met the test of compliance with respect to all Transportation Development Act (TDA) regulations:

1. The City did not submit its State Controller Reports within the stipulated timeframe.
2. The City did not demonstrate use of the TDA definition of full-time equivalent (FTE) employee in its reporting to the State Controller.
3. In FY 2017/18, the City did not provide data to the TDA auditor until after the extended deadline for the audit to be submitted.

Recent Changes Regarding Compliance

Two changes specific to the TDA and TDA funding went into effect beginning July 1, 2016. The first change was an amendment to the Public Utilities Code specific to the definition of operating cost and what costs can be excluded. It should be noted that many of the exclusions pertain only to *changes* in certain costs, either over the prior year or beyond the change in the Consumer Price Index. They do not apply to *all* costs related to specified exclusion categories.

Senate Bill 508, dated October 9, 2015, amended Section 99268.17 to read as follows:

99268.17 (a) *Notwithstanding subdivision (a) of Section 99247, the following costs shall be excluded from the definition of “operating cost” for the purposes of calculating any required ratios of fare revenues to operating cost specified in this article:*

- (1) *The additional operating costs required to provide comparable complementary paratransit service as required by Section 37.121 of Title 49 of the Code of Federal Regulations, pursuant to the federal Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 120101 et seq.), as identified in the operator’s paratransit plan pursuant to Section 37.139 of Title 49 of the Code of Federal Regulations that exceed the operator’s costs required to provide comparable paratransit service in the prior year as adjusted by the Consumer Price Index.*



(2) Cost increases beyond the change in the Consumer Price Index for all of the following:

- (A) Fuel.*
- (B) Alternative fuel programs.*
- (C) Power, including electricity.*
- (D) Insurance premiums and payments in settlement of claims arising out of the operator's liability.*
- (E) State and federal mandates.*

(3) Startup costs for new services for a period of not more than two years.

(b) The exclusion of costs from the definition of operating costs in subdivision (a) applies solely for the purpose of this article and does not authorize an operator to report an operating cost other than as defined in subdivision (a) of Section 99247 or a ratio of fare revenue to operating cost other than as that ratio is described elsewhere in this article, to any of the following entities:

- (1) The Controller pursuant to Section 99243.*
- (2) The entity conducting the fiscal audit pursuant to Section 99245.*
- (3) The entity conducting the performance audit pursuant to Section 99246.*

The second change, also contained within Senate Bill 508, related to the type of funds that can be used to supplement farebox revenue. Prior to this bill, "local funds" was defined as "revenues derived from taxes imposed by the operator or by a county transportation commission." Senate Bill 508 amended Section 99268.19 to read:

99268.19 *If fare revenues are insufficient to meet the applicable ratio of fare revenues to operating cost required by this article, an operator may satisfy that requirement by supplementing its fare revenues with local funds. As used in this section, "local funds" means any non-federal or non-state grant funds or other revenues generated by, earned by, or distributed to an operator.*

This expanded definition opens up new revenue sources that can be used to offset farebox shortfalls. Applicable revenues include funds received through advertising, interest income, sale of surplus vehicles, and other such sources. While these funds are no longer limited to those generated by local taxes, they cannot be state or federal funds.

Another change affected the submittal deadline for the State Controller's Transit Operators Financial Transaction Report. Beginning with Fiscal Year 2016/17, the submittal deadline was changed from 110 days following the end of the fiscal year (typically October 18-20) to seven months following the end of the fiscal year (January 31). The original submittal deadline was in force during reporting for FY 2015/16, while the new deadline was utilized for FY 2016/17 forward.



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Exhibit 3.1 Transit Development Act Compliance Requirements

| Compliance Element | Reference | Compliance | Comments |
|--|-------------|----------------|--|
| State Controller Reports submitted on time. | PUC 99243 | Finding | FY 2015/16: January 11, 2017 FY 2016/17: February 15, 2018 FY 2017/18: March 28, 2019 |
| Fiscal and compliance audits submitted within 180 days following the end of the fiscal year (or with up to 90-day extension). | PUC 99245 | Finding | FY 2015/16: October 2, 2017 FY 2016/17: Not completed FY 2017/18: Not completed |
| Operator's terminal rated as satisfactory by CHP within the 13 months prior to each TDA claim. | PUC 99251 B | In compliance | March 14, 2016 April 6, 2017 April 2, 2018 – Unsatisfactory July 23, 2018 |
| Operator's claim for TDA funds submitted in compliance with rules and regulations adopted by the RTPA. | PUC 99261 | In compliance | |
| If operator serves urbanized and non-urbanized areas, it has maintained a ratio of fare revenues to operating costs at least equal to the ratio determined by the rules and regulations adopted by the RTPA. | PUC 99270.1 | Not applicable | |
| An operator receiving allocations under Article 8(c) may be subject to regional, countywide, or subarea performance criteria, local match requirements, or fare recovery ratios adopted by resolution of the RTPA. | PUC 99405 | Not applicable | |
| The operator's operating budget has not increased by more than 15% over the preceding year, nor is there a substantial increase or decrease in the scope of operations or capital budget provisions for major new fixed facilities unless the operator has reasonably supported and substantiated the change(s). | PUC 99266 | In compliance | FY 2015/16: 6.87% FY 2016/17: 4.35% FY 2017/18: 4.60% <i>Source: State Controller Reports, FY 2015 – FY 2017.</i> |
| The operator's definitions of performance measures are consistent with the Public Utilities Code Section 99247. | PUC 99247 | Finding | The City did not demonstrate it used the TDA definition for full-time equivalent (FTE). |

**While Kern COG contracts for TDA fiscal audits and the City has no control over this contract, it is the City's responsibility to provide data to the auditors in a timely manner. In FY 2017/18, as of April 1, 2019, the City had not yet provided its data to the auditor.*

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| Compliance Element | Reference | Compliance | Comments |
|---|-------------------------------|----------------|--|
| If the operator serves an urbanized area, it has maintained a ratio of fare revenues to operating cost at least equal to one-fifth (20 percent). | PUC 99268.2, 99268.4, 99268.1 | Not applicable | |
| If the operator serves a rural area, it has maintained a ratio of fare revenues to operating cost at least equal to one-tenth (10 percent). | PUC 99268.2, 99268.4, 99268.5 | In compliance | FY 2015/16: 11.22% FY 2016/17: 10.93% FY 2017/18: 10.06% |
| For a claimant that provides only services to elderly and handicapped persons, the ratio of fare revenues to operating cost shall be at least 10 percent. | PUC 99268.5, CCR 6633.5 | Not applicable | |
| The current cost of the operator's retirement system is fully funded with respect to the officers and employees of its public transportation system, or the operator is implementing a plan approved by the RTPA, which will fully fund the retirement system for 40 years. | PUC 99271 | In compliance | The City's defined contribution plan provides for retirement benefits to plan members and beneficiaries. The City contributes 10% of permanent employees' salaries who have at least three years of service. |
| If the operator receives State Transit Assistance funds, the operator makes full use of funds available to it under the Urban Mass Transportation Act of 1964 before TDA claims are granted. | CCR 6754 (a) (3) | In compliance | As a recipient of State Transit Assistance Funds, the City is making full use of federal funds available under the Urban Mass Transportation Act of 1964 as amended. FY 2016: \$41,506 (Operating) FY 2017: \$43,401 (Operating) FY 2018: \$45,584 (Operating) <i>Source: National Transit Database.</i> |
| In order to use State Transit Assistance funds for operating assistance, the operator's total operating cost per revenue hour does not exceed the sum of the preceding year's total plus an amount equal to the product of the percentage change in the CPI for the same period multiplied by the preceding year's total operating cost per revenue hour. An operator may qualify based on the preceding year's operating cost per revenue hour or the average of the three prior years. If an operator does not meet these qualifying tests, the operator may only use STA funds for capital purposes. | PUC 99314.6 | In compliance | |



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| Compliance Element | Reference | Compliance | Comments |
|--|-----------|---------------|----------|
| A transit claimant is precluded from receiving monies from the Local Transportation Fund and the State Transit Assistance Fund in an amount which exceeds the claimant's capital and operating costs less the actual amount of fares received, the amount of local support required to meet the fare ratio, the amount of federal operating assistance, and the amount received during the year from a city or county to which the operator has provided services beyond its boundaries. | CCR 6634 | In compliance | |



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Chapter 4

Prior Recommendations

This section reviews and evaluates the implementation of prior Triennial Performance Audit recommendations. This objective assessment provides assurance the City of McFarland has made quantifiable progress toward improving both the efficiency and effectiveness of its public transit program.

The prior audit – completed in March 2016 by Moore & Associates, Inc. for the three fiscal years ending June 30, 2015 – included three recommendations:

1. [Submit all State Controller Reports by the stipulated deadline \(90 days following the end of the fiscal year, or 110 days if submitting electronically\).](#)

Discussion: Public Utilities Code Section 99243 requires transit operators in receipt of TDA Article 4 funds to submit annual reports to the State Controller within 90 days following the end of the fiscal year (no later than September 30), or 110 days if filing electronically (typically October 18-20, depending on where the weekends fall). The prior audit noted the City submitted its State Controller Report late each year of the audit period.

The prior auditors recommended the City's Finance Director ensure the State Controller Report is submitted within the stipulated timeframe. Dated signature pages must be maintained for each fiscal year and provided to the TDA triennial performance auditor at the time of the next audit cycle.

Progress: State Controller Reports were submitted late in FY 2015/16 and FY 2016/17, despite the extension of the submittal deadline in FY 2016/17 to January 31.

Status: Not implemented.

2. [Utilize the TDA definition in calculating and reporting Full-Time Equivalent \(FTE\) employees to the State Controller.](#)

Discussion: The Transit Operators Financial Transaction Report Instructions published by the State Controller state the following with respect to the reporting of Total Employees – Public and Contract:

Report the number of employee equivalents. Public Utilities Code Section 99247(j) defines "Vehicle service hours per employee" as the vehicle service hours divided by the number of employees employed in connection with the public transportation system. Use the assumption that 2,000 person-hours of work in one year constitutes one employee. The number of employees shall also include those individuals



employed by the operator which provide services to the agency of the operator responsible for the operation of the public transportation system even though not employed in that agency.¹

The City included only drivers in its calculation of FTE each year of the audit period. No administrative or maintenance time was included in the calculation. TDA regulations require transit operators to account for the total amount of time spent on transit activities, which is then divided by 2,000 to calculate full-time equivalent (FTE). This should include all work hours, regardless of department or title. This calculated figure should be reported in the State Controller Report under Employees.

The prior auditors recommended the use of payroll records to document the total amount of time spent on transit, and that that figure (divided by 2,000) be used to calculate FTE for reporting to the State Controller.

Progress: The City continues to report only three FTE employees on its State Controller Report. It is unclear as to whether the City is using the TDA definition to calculate the number of employees reported to the State Controller. The City did not provide its calculation methodology for this audit, and the reported figure does not appear to include any administrative or maintenance time.

Note: City staff indicated they had implemented use of the TDA definition prior to the submittal of the FY 2017/18 State Controller Report. However, no documentation was provided during this audit.

Status: Not implemented.

3. [Ensure all transit performance data \(including FTE\) are reported on the City's State Controller Reports.](#)

Discussion: The prior auditors recommended ensuring State Controller Reports are fully complete, including performance data such as Vehicle Service Hours, Vehicle Service Miles, Passengers, and Employees (FTE).

Progress: In FY 2015/16, the City reported all required operating data in its State Controller Report. In FY 2016/17, all data except for Revenue Vehicle Inventory was reported. In FY 2017/18, all performance data was reported.

Status: Implemented.

¹ Transit Operators Financial Transactions Report Instructions, California State Controller's Office, page 22.



Chapter 5

Data Reporting Analysis

An important aspect of the Triennial Performance Audit process is assessing how effectively and consistently the transit operator reports performance statistics to local, state, and federal agencies. Often as a condition of receipt of funding, an operator must collect, manage, and report data to different entities. Ensuring such data are consistent can be challenging given the differing definitions employed by different agencies as well as the varying reporting timeframes. This chapter examines the consistency of performance data reported by the City of McFarland to the State Controller and Federal Transit Administration specific to the audit period. Submissions to these entities were included within the State Controller’s Transit Operators Financial Transactions Report (TOR) and the National Transit Database (NTD) report, respectively.

Exhibit 5.1 provides a comparison between performance data reported within the TOR and NTD reports for the current audit period (ending FY 2015/16 through FY 2017/18) and the data reported via monthly performance reports and TDA fiscal audits.

- **Operating Cost:** In FY 2015/16, the operating cost reported to the NTD was slightly higher than that reported on the TOR and in the City’s fiscal audit. This same issue was observed in FY 2017/18.
- **Fare Revenue:** In FY 2015/16, fare revenue reported to the NTD was slightly lower than that reported elsewhere. In FY 2016/17, fare revenue reported to the State Controller was slightly higher than that reported elsewhere.
- **Passengers:** The City appears to report its total number of trips, not the total number of passengers, when reporting “Unlinked Passenger Trips” on the NTD report. This results in the data reported to the NTD being significantly lower than that reported elsewhere.
- **Full-time Equivalent Employees (FTE):** The City did not provide sufficient data to compare FTE as reported to the State Controller to FTE calculated per the TDA methodology. As such, we could not confirm whether the data reported to the State Controller was correct.



Exhibit 5.1 Data Reporting Consistency

| Performance Measure | System-Wide | | |
|---------------------------------------|--------------|--------------|--------------|
| | FY 2015/16 | FY 2016/17 | FY 2017/18 |
| Operating Cost (Actual \$) | | | |
| <i>City Fiscal Audit</i> | \$143,068 | \$150,727 | Not provided |
| <i>National Transit Database</i> | \$150,851 | \$150,726 | \$164,641 |
| <i>State Controller Report</i> | \$144,443 | \$150,726 | \$149,500 |
| Fare Revenue (Actual \$) | | | |
| <i>City Fiscal Audit</i> | \$16,214 | \$15,831 | Not provided |
| <i>National Transit Database</i> | \$15,156 | \$15,831 | \$15,067 |
| <i>State Controller Report</i> | \$16,214 | \$16,480 | \$15,037 |
| Vehicle Service Hours (VSH) | | | |
| <i>Monthly Performance Reports</i> | 3,279 | 2,884 | 2,715 |
| <i>National Transit Database</i> | 3,279 | 2,884 | 2,715 |
| <i>State Controller Report</i> | 3,279 | 2,884 | 2,715 |
| Vehicle Service Miles (VSM) | | | |
| <i>Monthly Performance Reports</i> | 22,663 | 22,453 | 24,655 |
| <i>National Transit Database</i> | 22,663 | 22,453 | 24,655 |
| <i>State Controller Report</i> | 22,663 | 22,453 | 24,655 |
| Passengers | | | |
| <i>Monthly Performance Reports</i> | 23,922 | 22,126 | 21,168 |
| <i>National Transit Database</i> | 13,485 | 12,950 | 11,880 |
| <i>State Controller Report</i> | 23,922 | 22,126 | 21,168 |
| Full-Time Equivalent Employees | | | |
| <i>State Controller Report</i> | 3 | 3 | 3 |
| <i>Per TDA methodology</i> | Not provided | Not provided | Not provided |



Chapter 6

Performance Analysis

Performance indicators are typically employed to quantify and assess the efficiency of a transit operator's activities. Such indicators provide insight into current operations as well as trend analysis of operator performance. Through a review of indicators, relative performance as well as possible inter-relationships between major functions is revealed.

The Transportation Development Act (TDA) requires recipients of TDA funding to track and report five performance indicators:

- Operating Cost/Passenger,
- Operating Cost/Vehicle Service Hour,
- Passengers/Vehicle Service Hour,
- Passengers/Vehicle Service Mile, and
- Vehicle Service Hours/Employee.

To assess the validity and use of performance indicators, the audit team performed the following activities:

- Assessed internal controls in place for the collection of performance-related information,
- Validated collection methods of key data,
- Calculated performance indicators, and
- Evaluated performance indicators.

The procedures used to calculate TDA-required performance measures for the current triennium were verified and compared with indicators included in similar reports to external entities (i.e., State Controller and Federal Transit Administration).

Operating Cost

The Transportation Development Act requires an operator to track and report transit-related costs reflective of the Uniform System of Accounts and Records developed by the State Controller and the California Department of Transportation. The most common method for ensuring this occurs is through a compliance audit report prepared by an independent auditor in accordance with California Code of Regulations Section 6667². The annual independent financial audit should confirm the use of the Uniform System of Accounts and Records. *Operating cost* – as defined by PUC Section 99247(a) – excludes the following:

² CCR Section 6667 outlines the minimum tasks which must be performed by an independent auditor in conducting the annual fiscal and compliance audit of the transit operator.



- Cost in the depreciation and amortization expense object class adopted by the State Controller pursuant to PUC Section 99243,
- Subsidies for commuter rail services operated under the jurisdiction of the Interstate Commerce Commission,
- Direct costs of providing charter service, and
- Vehicle lease costs.

Vehicle Service Hours and Miles

Vehicle Service Hours (VSH) and *Miles (VSM)* are defined as the time/distance during which a revenue vehicle is available to carry fare-paying passengers, and which includes only those times/miles between the time or scheduled time of the first passenger pickup and the time or scheduled time of the last passenger drop-off during a period of the vehicle's continuous availability.³ For example, demand-response service hours include those hours when a vehicle has dropped off a passenger and is traveling to pick up another passenger, but not those hours when the vehicle is unavailable for service due to driver breaks or lunch. For both demand-response and fixed-route services, service hours will exclude hours of "deadhead" travel to the first scheduled pick-up, and will also exclude hours of "deadhead" travel from the last scheduled drop-off back to the terminal. For fixed-route service, a vehicle is in service from first scheduled stop to last scheduled stop, whether or not passengers board or exit at those points (i.e., subtracting driver lunch and breaks but including scheduled layovers).

Passenger Counts

According to the Transportation Development Act, *total passengers* is equal to the total number of unlinked trips (i.e., those trips that are made by a passenger that involve a single boarding and departure), whether revenue-producing or not.

Employees

Employee hours is defined as the total number of hours (regular or overtime) which all employees have worked, and for which they have been paid a wage or salary. The hours must include transportation system-related hours worked by persons employed in connection with the system (whether or not the person is employed directly by the operator). Full-Time Equivalent (FTE) is calculated by dividing the number of person-hours by 2,000.

Fare Revenue

Fare revenue is defined by California Code of Regulations Section 6611.2 as revenue collected from the farebox plus sales of fare media. (Fare revenue does not include additional local revenues that can be used to supplement the farebox recovery ratio.)

³ A vehicle is considered to be in revenue service despite a no-show or late cancellation if the vehicle remains available for passenger use.



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TDA Required Indicators

To calculate the TDA indicators for the City of McFarland, the following sources were employed:

- Operating Cost was not independently calculated as part of this audit. Operating Cost data were obtained via State Controller Reports for each fiscal year covered by this audit. Operating Cost from the reports was compared against that reported to the NTD and on the City's annual fiscal audit and was determined to be consistent with TDA guidelines. In accordance with PUC Section 99247(a), the reported costs excluded depreciation and other allowable expenses.
- Fare Revenue was not independently calculated as part of this audit. Fare Revenue data were obtained via State Controller Reports for each fiscal year covered by this audit. Fare revenue from the reports was compared against that reported to the NTD and on the City's annual fiscal audit and was determined to be consistent with TDA guidelines.
- Vehicle Service Hours (VSH) data were obtained via State Controller Reports for each fiscal year covered by this audit. Data from these reports were then compared with information included within the City's monthly performance data summary reports. The City's calculation methodology is consistent with PUC guidelines.
- Vehicle Service Miles (VSM) data were obtained via State Controller Reports for each fiscal year covered by this audit. Data from these reports were then compared with information included within the City's monthly performance data summary reports. This methodology is consistent with PUC guidelines.
- Unlinked trip data were obtained via State Controller reports for each fiscal year covered by this audit. Data from these reports were then compared with information included within the City's monthly performance data summary reports. The City's calculation methodology is consistent with PUC guidelines.
- Full-Time Equivalent (FTE) methodology was provided by the City. Consistency with the TDA definition (hours worked divided by 2,000) could not be verified.

System Performance Trends

Operating cost experienced modest increases during the audit period. Since FY 2012/13, operating cost saw a net increase of 41.5 percent, though the greatest single-year increase occurred in FY 2013/14. Since FY 2014/15, there has been a net increase of just 10.6 percent. Fare revenue decreased every year except FY 2016/17, which saw a 1.6 percent increase. Overall, fare revenue saw a net decline of 29.6 percent between FY 2012/13 and FY 2017/18.

Vehicle Service Hours (VSH) had its most significant increase of the past six years in FY 2015/16, followed by a nearly equal decline the following year. In total, there was a net increase of just 1.6 percent during the six-year period. Vehicle Service Miles (VSM) saw an opposite trend – the most significant decrease was in FY 2015/16, though VSM did not increase again until FY 2017/18. Overall, there was a net decrease of 12.1 percent between FY 2012/13 and FY 2017/18. Ridership has decreased steadily for the past six years, with the greatest decrease in FY 2015/16. This resulted in a 32.7 percent ridership loss since FY 2012/13.



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Cost/VSH and Cost/Passenger both increased throughout the audit period, while Cost/VSM fluctuated. Productivity-related metrics generally improved during the audit period, while the farebox recovery ratio declined.

Exhibit 6.1 System Performance Indicators

| Performance Measure | System-wide | | | | | |
|---|-------------|------------|------------|------------|------------|------------|
| | FY 2012/13 | FY 2013/14 | FY 2014/15 | FY 2015/16 | FY 2016/17 | FY 2017/18 |
| Operating Cost (Actual \$) | \$105,630 | \$134,377 | \$135,163 | \$144,443 | \$150,726 | \$149,500 |
| <i>Annual Change</i> | | 27.2% | 0.6% | 6.9% | 4.3% | -0.8% |
| Fare Revenue (Actual \$) | \$21,345 | \$19,786 | \$18,516 | \$16,214 | \$16,480 | \$15,037 |
| <i>Annual Change</i> | | -7.3% | -6.4% | -12.4% | 1.6% | -8.8% |
| Vehicle Service Hours (VSH) | 2,672 | 2,907 | 2,900 | 3,279 | 2,884 | 2,715 |
| <i>Annual Change</i> | | 8.8% | -0.2% | 13.1% | -12.0% | -5.9% |
| Vehicle Service Miles (VSM) | 28,059 | 26,058 | 27,114 | 22,663 | 22,453 | 24,655 |
| <i>Annual Change</i> | | -7.1% | 4.1% | -16.4% | -0.9% | 9.8% |
| Passengers | 31,462 | 29,958 | 27,700 | 23,922 | 22,126 | 21,168 |
| <i>Annual Change</i> | | -4.8% | -7.5% | -13.6% | -7.5% | -4.3% |
| Employees | 2 | 2 | 2 | 3 | 3 | 3 |
| <i>Annual Change</i> | | -7.6% | 17.4% | 23.5% | 0.0% | 0.0% |
| Performance Indicators | | | | | | |
| Operating Cost/VSH (Actual \$) | \$39.53 | \$46.23 | \$46.61 | \$44.05 | \$52.26 | \$55.06 |
| <i>Annual Change</i> | | 16.9% | 0.8% | -5.5% | 18.6% | 5.4% |
| Operating Cost/Passenger (Actual \$) | \$3.36 | \$4.49 | \$4.88 | \$6.04 | \$6.81 | \$7.06 |
| <i>Annual Change</i> | | 33.6% | 8.8% | 23.7% | 12.8% | 3.7% |
| Passengers/VSH | 11.77 | 10.31 | 9.55 | 7.30 | 7.67 | 7.80 |
| <i>Annual Change</i> | | -12.5% | -7.3% | -23.6% | 5.2% | 1.6% |
| Passengers/VSM | 1.12 | 1.15 | 1.02 | 1.06 | 0.99 | 0.86 |
| <i>Annual Change</i> | | 2.5% | -11.1% | 3.3% | -6.6% | -12.9% |
| Farebox Recovery | 20.2% | 14.7% | 13.7% | 11.2% | 10.9% | 10.1% |
| <i>Annual Change</i> | | -27.1% | -7.0% | -18.1% | -2.6% | -8.0% |
| Hours/Employee | 1192.9 | 1404.3 | 1193.4 | 1,093.0 | 961.3 | 905.0 |
| <i>Annual Change</i> | | 17.7% | -15.0% | -8.4% | -12.0% | -5.9% |
| TDA Non-Required Indicators | | | | | | |
| Operating Cost/VSM | \$3.76 | \$5.16 | \$4.98 | \$6.37 | \$6.71 | \$6.06 |
| <i>Annual Change</i> | | 37.0% | -3.3% | 27.9% | 5.3% | -9.7% |
| VSM/VSH | 10.50 | 8.96 | 9.35 | 6.91 | 7.79 | 9.08 |
| <i>Annual Change</i> | | -14.6% | 4.3% | -26.1% | 12.6% | 16.6% |
| Fare/Passenger | \$0.68 | \$0.66 | \$0.67 | \$0.68 | \$0.74 | \$0.71 |
| <i>Annual Change</i> | | -2.7% | 1.2% | 1.4% | 9.9% | -4.6% |

Sources: FY 2012/13 – FY 2014/15 data from prior Triennial Performance Audit.
FY 2015/16 – FY 2017/18 data from State Controller Reports.

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Exhibit 6.2 System Ridership

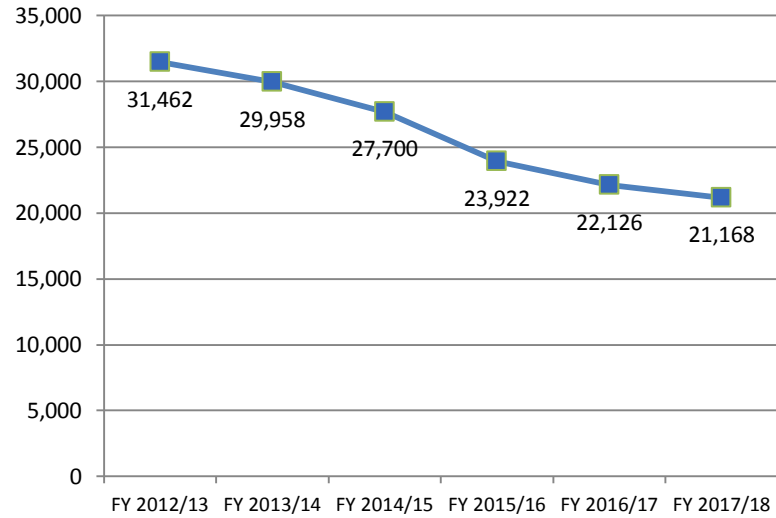


Exhibit 6.3 System Operating Cost/VSH

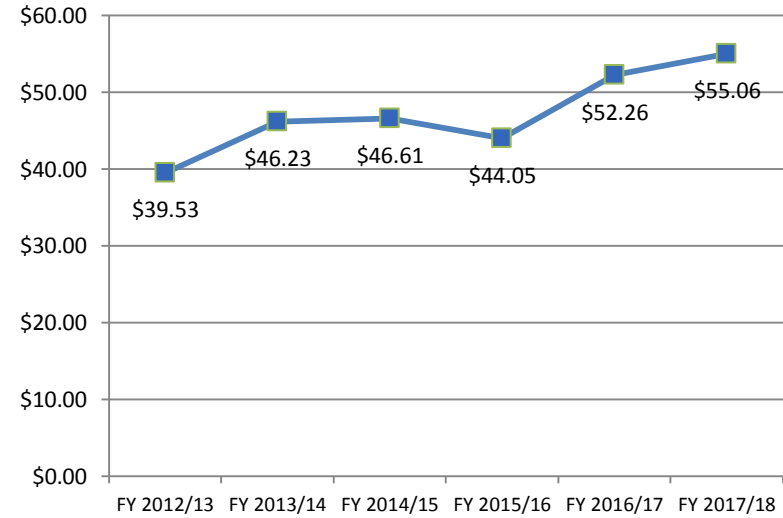


Exhibit 6.4 System Operating Cost/VSM

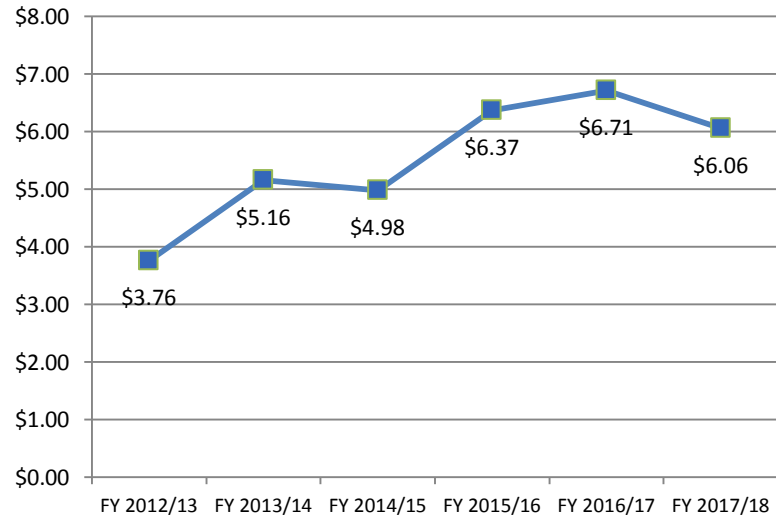
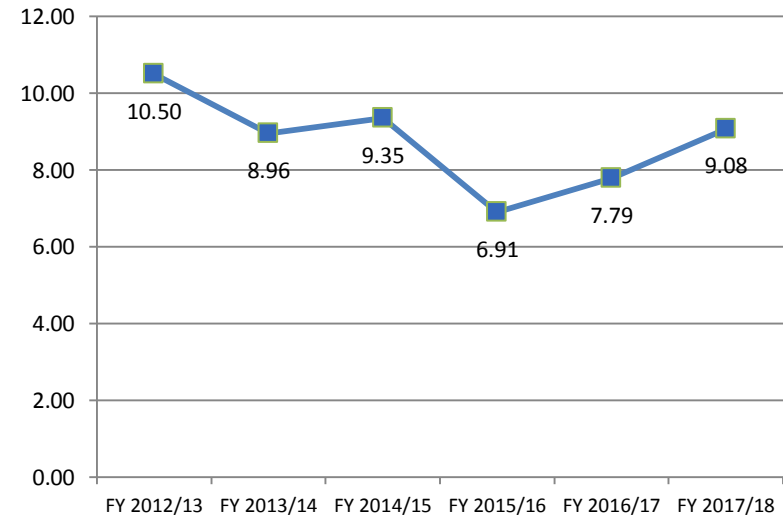


Exhibit 6.5 System VSM/VSH



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Exhibit 6.6 System Operating Cost/Passenger

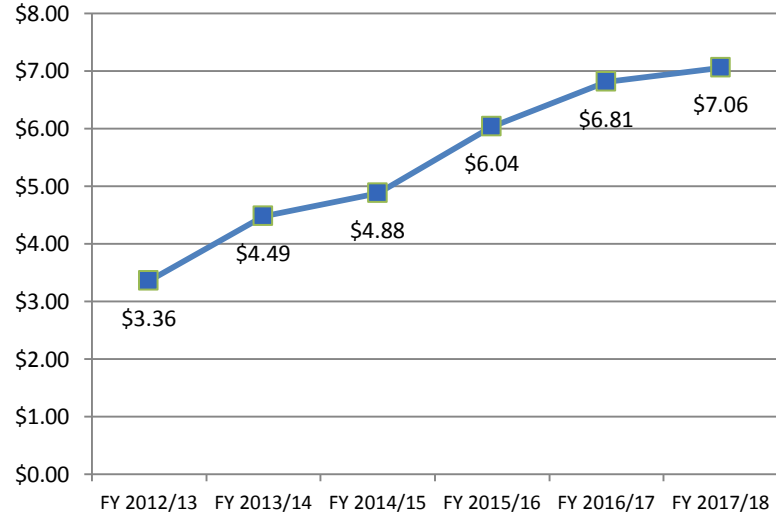


Exhibit 6.7 System Passengers/VSH

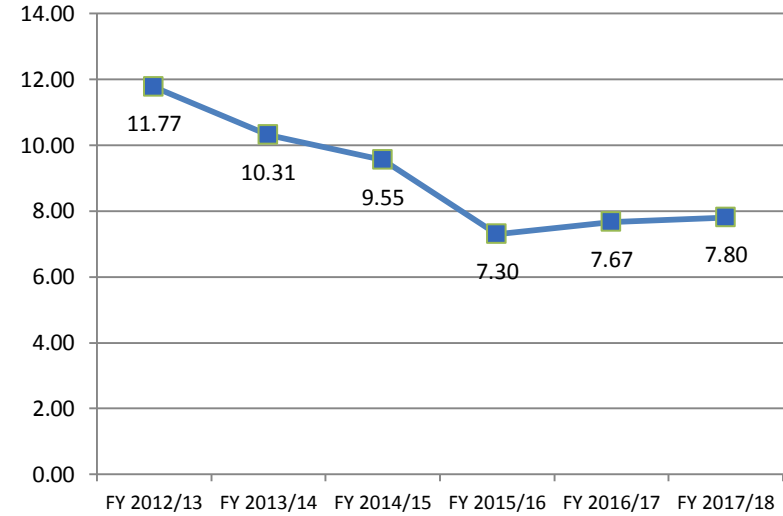


Exhibit 6.8 System Passengers/VSM

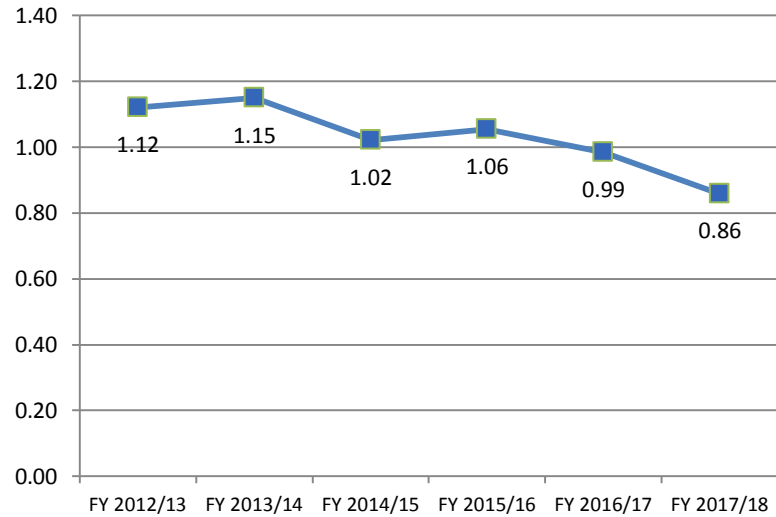
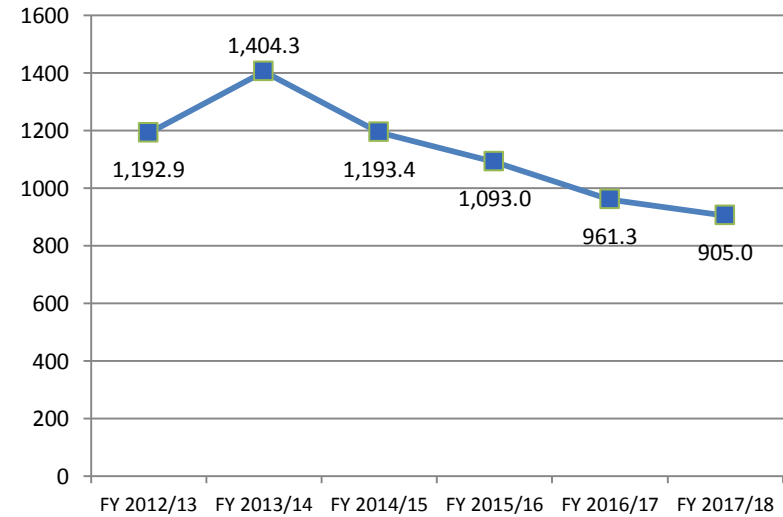


Exhibit 6.9 System VSH/FTE



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Exhibit 6.10 System Farebox Recovery

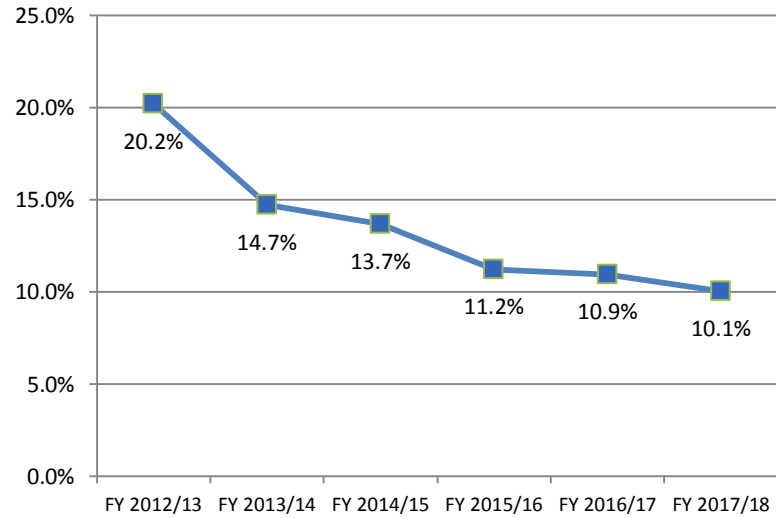
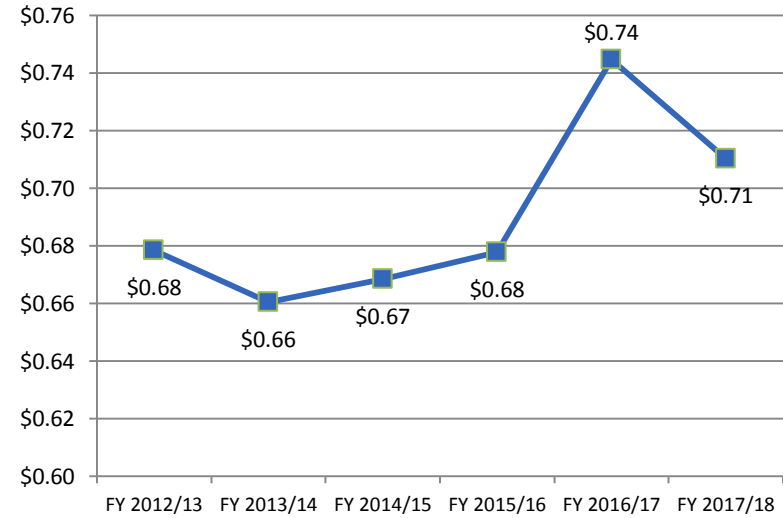


Exhibit 6.11 System Fare/Passenger



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Chapter 7

Functional Review

A functional review of the City of McFarland’s public transit program is intended to assess the effectiveness and efficiency of the operator. Following a general summary of the City’s transit services, this chapter addresses seven functional areas. The list, taken from Section III of the *Performance Audit Guidebook* published by Caltrans, reflects those transit services provided by the City of McFarland through its transit program:

- General management and organization;
- Service planning;
- Scheduling, dispatch, and operations;
- Personnel management and training;
- Administration;
- Marketing and public information; and
- Fleet maintenance.

Service Overview

The City of McFarland operates McFarland Dial-A-Ride, a curb-to-curb, demand-response service open to the general public throughout McFarland city limits. Service is first-come, first-serve; reservations may be made from one hour to one day in advance. The service operates Monday through Friday from 8:00 a.m. to 4:15 p.m.

Exhibit 7.1 McFarland Dial-A-Ride Fare Structure

| Passenger | One-Way Fare |
|---------------|--------------|
| Adults | \$1.00 |
| Seniors | \$0.50 |
| Children (3+) | \$0.50 |

Kern Transit provides additional service within McFarland via its Route 110, which connects McFarland residents with the cities of Bakersfield, Delano, Shafter, and Wasco.

General Management and Organization

The City’s transit program is overseen jointly by the Administrative Services Director (Finance Department) and Public Works Director (Public Works Department). Support is provided by a Staff Accountant and Public Works Assistant. Transit is formally located under the Public Works Department. The Public Works Assistant reviews performance data on a daily basis. The Public Works Director attends Kern COG TTAC meetings, while the Administrative Services Director and the Community Services Director attend other Kern COG meetings. The Administrative Services Director handles most funding, reporting, grants, claims, and is the contact in BlackCat. Some grants (such as PTMISEA) are handled by the Community Development Director.

The McFarland City Council is the governing body for the City’s transit service. Council meetings are held at Council Chambers (103 West Sherwood Ave.) on the second and fourth Thursday of each month at

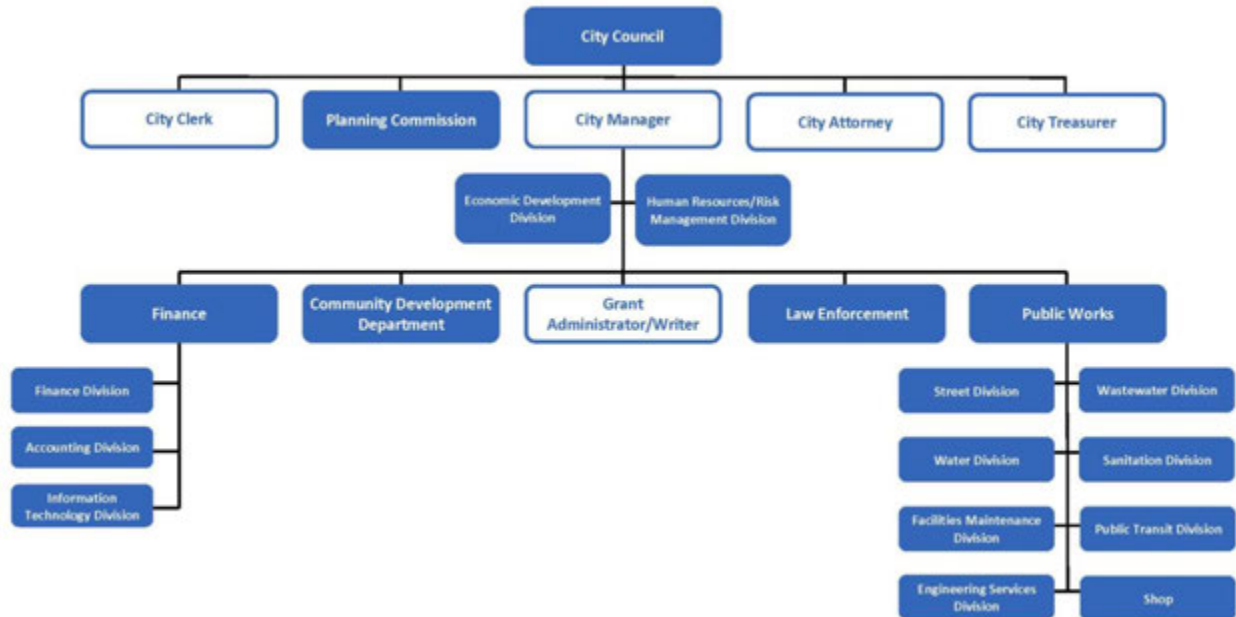
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6:00 pm. This location is served by Kern Transit Route 110. The City Council has not expressed concern about any issues specific to transit. There is no citizens' advisory committee.

Exhibit 7.2 Organizational Chart



Service Planning

Kern COG handles transit planning for the City of McFarland through the periodic development of a Short Range Transit Plan (SRTP) or Transit Development Plan (TDP). The most recent TDP was completed in April 2015. Several of the recommendations have been implemented, while others have yet to be addressed.

The only service change during the triennium was a six-month trial of weekend service (beginning February 6, 2016). This service was requested by Kern COG as the result of a TDP recommendation. The service operated from 8:00 a.m. to 3:00 p.m. but experienced little demand. As a result, the service was not continued past the trial period.

Scheduling, Dispatch, and Operations

Service is operated using two vehicles, with one vehicle reserved as a backup. There are currently no capacity issues.

The City provides its service “on-demand” and does not accept advance appointment, only same-day requests. The Public Works Assistant serves as dispatcher and takes calls between 7:00 a.m. and 4:00 p.m. A 15-minute window is provided for pickups. The City only books one-way trips; return trips must be booked when the customer is ready to travel. During lunch the drivers self-dispatch.

Fares are collected onboard using manual fareboxes. At the end of the day, the Street Supervisor pulls the vaults at the City Yard and delivers them to the Public Works Assistant, who counts the fares in a

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room with limited access. The fares are then taken up to Finance where they are counted a second time. Finance handles the deposit; money is transported to the bank via a daily armored car pickup.

Personnel Management and Training

The City has three full-time drivers, one of whom is standby and works as a supervisor in the Streets Department. Drivers are not unionized. All drivers have the same certifications and receive the City's standard benefits package (including retirement). There is very little employee turnover in the transit program.

Monthly safety meetings are conducted by the City's Supervisor/Trainer. All drivers are certified in CPR.

Administration

The Administrative Services Director handles risk management. The City is a member of the Central San Joaquin Valley Risk Management Authority (RMA) for general liability and workers' compensation programs,

The Administrative Services Director and Public Works Director jointly handle budgeting for transit.

Payroll is based on a punch clock that is summarized into a timesheet. Transit timesheets are reviewed by the Public Works Administration, signed by the employee, and then countersigned by the Public Works Director. They are then processed for payroll.

The Administrative Services Director oversees accounts payable. The City's purchasing function is separate from its disbursement function. Both the Administrative Services Director and Public Works Director manage procurement.

Marketing and Public Relations

The City's primary transit marketing tools are a bilingual service brochure and the transit webpage, which includes a Google Transit widget that provides a Spanish translation. The City also produces a quarterly newsletter with a brief section specific to transit (the content is prepared by the Public Works Assistant). The City's primary form of outreach is participation in public events. The City periodically undertakes surveys of transit riders, most of which are tied to grant projects or opportunities. These are handled by the Community Development Director on behalf of grants.

The Public Works Assistant flags all complaint calls and completes a customer service form. Compliments are announced by the Public Works Director to all drivers.

Maintenance

The City owns and maintains three gas-fueled transit vehicles: two cutaway buses and a minivan. All vehicles are ADA-accessible. Vehicles are equipped with fire extinguishers, first aid kits, and radios. Basic preventive maintenance is done in-house by City maintenance staff, while more complex tasks are contracted to a local maintenance vendor. The City adheres to a 45-day preventive maintenance schedule. Engine work, accident repairs, and body work are all sent out. The City's maintenance facility is sufficient for the level of work provided there. There are no issues with the prioritization of transit vehicles for maintenance. Transit vehicles are not used for any purposes other than transit.

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The City has a vehicle replacement plan in place (as part of its current TDP). Currently one vehicle needs to be replaced, but the City is in the process of accumulating grant funding for the replacement.

The City has bus shelters in four residential areas. These shelters are maintained by the Streets Department.

Exhibit 7.3 Fleet Inventory

| Vehicle # | Year | Make | Model | PAX | WC | Fuel | Mileage |
|-----------|------|--------|------------------|-----|----|------|---------|
| 3 | 2007 | Ford | E-450 Super Duty | 16 | 2 | Gas | 101,695 |
| 4 | 2016 | Ford | E-450 Super Duty | 21 | 2 | Gas | 30,140 |
| 2 | 2015 | Toyota | Sienna Van | 7 | 1 | Gas | 27,475 |



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Vehicle fueling and storage at Corporate Yard.



Vehicle fueling and storage at Corporate Yard.



McFarland Dial-A-Ride minivan.



McFarland Dial-A-Ride cutaway bus.



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Chapter 8

Findings and Recommendations

Conclusions

With three exceptions, Moore & Associates finds the City of McFarland to be in compliance with the requirements of the Transportation Development Act. In addition, the entity generally functions in an efficient, effective, and economical manner.

Findings and Recommendations

Based on discussions with City staff, analysis of program performance, and an audit of program compliance and function, the audit team presents three compliance findings:

1. The City did not submit its State Controller Reports within the stipulated timeframe.
2. The City did not demonstrate use of the TDA definition of full-time equivalent (FTE) employee in its reporting to the State Controller.
3. In FY 2017/18, the City did not provide data to the TDA auditor until after the extended deadline for the audit to be submitted.

Moore & Associates has identified one functional finding. While this finding does not affect TDA compliance, we believe it warrants inclusion within this audit:

1. The City did not exclude the cost and revenue associated with its trial weekend service from its farebox recovery ratio calculation, even though it was eligible to do so.

Program Recommendations

In completing this Triennial Performance Audit, Moore & Associates submits the following recommendations for the City of McFarland. They are divided into two categories: TDA Program Compliance Recommendations and Functional Recommendations. TDA Program Compliance Recommendations are intended to assist in bringing the operator into compliance with the requirements and standards of the TDA, while Functional Recommendations address issues identified during the audit that are not specific to TDA compliance.

Compliance Finding 1: The City did not submit its State Controller Reports within the stipulated timeframe.

Criteria: PUC 99243 requires public transit operators in receipt of TDA Article 4 funds to submit annual reports to the State Controller. In FY 2015/16, these reports were due within 90 days following the end of the fiscal year (no later than September 30), or 110 days if filing electronically (typically October 18-20, depending where the weekends fall). Beginning in FY 2016/17, the reports were due seven months following the end of the fiscal year (January 31). The new deadline was in place for report submittals in FY 2016/17 and FY 2017/18.



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Condition: In FY 2015/16, the City's State Controller Report was dated January 11, 2017, nearly three months following the stipulated deadline for that year. In FY 2016/17, the report was dated February 15, 2018, approximately two weeks following the stipulated deadline. In FY 2017/18, the report was dated March 28, 2019, nearly two months following the January 31 deadline.

Cause: The cause of the late submittals is unclear.

Effect: Late submittal of the State Controller Report placed the City out of compliance with the TDA.

Recommendation: Submit all State Controller Reports by the stipulated deadline (January 31).

Recommended Action(s): The City's Administrative Services Director and Public Works Director should work together to ensure the State Controller Report is submitted within the stipulated timeframe. In addition, dated signature pages must be maintained for each fiscal year and provided to the TDA triennial performance auditor at the time of the next audit cycle.

Timeline: FY 2018/19.

Anticipated Cost: Negligible.

Compliance Finding 2: The City did not demonstrate use of the TDA definition of full-time equivalent (FTE) employee in its reporting to the State Controller.

Criteria: The Transit Operators Financial Transaction Report Instructions published by the State Controller state the following with respect to the reporting of Total Employees – Public and Contract:

Report the number of employee equivalents. Public Utilities Code Section 99247(j) defines "Vehicle service hours per employee" as the vehicle service hours divided by the number of employees employed in connection with the public transportation system. Use the assumption that 2,000 person-hours of work in one year constitutes one employee. The number of employees shall also include those individuals employed by the operator which provide services to the agency of the operator responsible for the operation of the public transportation system even though not employed in that agency.⁴

Condition: The City did not provide the methodology it used in calculating FTE for the State Controller Report. However, as noted in the prior audit, it appeared to include only drivers, not administrative or maintenance time. TDA regulations require transit operators to account for the total amount of time spent on transit activities, which is then divided by 2,000 to calculate full-time equivalent (FTE). This should include all work hours, regardless of department or title. This calculated figure should be reported in the State Controller Report under Employees.

⁴ Transit Operators Financial Transactions Report Instructions, updated October 2018, page 23.

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Note: City staff indicated they had implemented use of the TDA definition prior to the submittal of the FY 2017/18 State Controller Report. However, no documentation was provided during this audit.

Cause: There may be a disconnect between the individual responsible for preparation of the State Controller Report and those who review the Triennial Performance Audit findings, or a lack of understanding of how the FTE metric is defined by the State Controller.

Effect: Use of a definition other than the TDA definition puts the City out of compliance with the TDA.

Recommendation: Utilize the TDA definition in calculating and reporting Full-Time Equivalent (FTE) employees to the State Controller.

Recommended Action(s): This recommendation is carried forward from the prior audit. Use payroll records to document the total amount of time spent on transit by all employees, and use that figure (divided by 2,000) to calculate FTE for reporting to the State Controller. This should include drivers and dispatchers as well as those who provide customer service, maintenance, reporting, grant preparation, administration, etc. If payroll data is not available, then the number of hours can be estimated based on the percentage of a position that is dedicated to transit.

Timeline: FY 2018/19.

Anticipated Cost: Negligible.

Compliance Finding 3: In FY 2017/18, the City did not provide data to the TDA auditor until after the extended deadline for the audit to be submitted.

Criteria: PUC 99245 requires TDA recipients to submit to an annual certified fiscal audit. In Kern County, Kern COG is responsible for contracting with an auditor to prepare these audits on behalf of most of the transit operators. These audits are due within 180 days following the end of the fiscal year, and a 90-day extension may be granted.

Condition: Given Kern COG is the contracting entity and the transit operators have little or no control over the terms of that contract, late audit submittals resulting from auditor delays are not typically included as findings for the operators. However, in FY 2017/18, as of April 1, 2019 (past the extended deadline of March 31), the City informed the performance audit team that it had yet to provide data to the TDA auditor. Therefore, given the City's actions have directly impacted the auditor's ability to complete the fiscal audit, this is included as a finding.

Cause: It is unclear why the City did not provide data to the fiscal auditor prior to the audit deadline. It is possible the data was not available earlier.

Effect: Delays in completing the TDA fiscal audit will result in the City's TDA allocation being withheld until the audit is completed.



Recommendation: The City should work with its auditors and Kern COG to determine what steps can be taken to facilitate on-time completion of its TDA fiscal audit, then implement those steps.

Recommended Action(s): The City should work closely with its Finance Department, City fiscal auditor, TDA fiscal auditor, and Kern COG to develop a timeline for its annual audits. If the TDA audit is dependent on data from the City's single audit, then the City must identify deadlines for the single audit so that the TDA fiscal audit can be completed on time. Resolution of this finding and recommendation will require the City to look at its annual close-out process in order to meet required reporting deadlines.

Timeline: FY 2019/20 (reporting for FY 2018/19).

Anticipated Cost: Negligible.

Functional Finding 1: The City did not exclude the cost and revenue associated with its trial weekend service from its farebox recovery ratio calculation, even though it was eligible to do so.

Criteria: PUC 99268.8 allows operators to exempt an extension of service from its farebox recovery ratio calculation for two years following the end of the fiscal year in which the service was put into operation. It defined "extension of service" as:

[A]dditions of geographical areas or route miles, or improvements in service frequency or hours of service greater than 25 percent of the route total, or the addition of new days of service, and...the addition of a new type of service.

Condition: In FY 2015/16, the City introduced a six-month weekend demonstration service. Since the service had only operated Monday through Friday, this service would have been eligible to be exempted from the farebox recovery calculation as it added a new day of service. However, there is no requirement that the City exempt a new service, and it has the option not to do so.

Cause: It is unclear whether the City chose not to exempt the new service or was unaware it had the option to do so.

Effect: The service was ultimately discontinued due to lack of demand, and the City's farebox recovery ratio remained above the 10 percent threshold. As a result, there was no negative effect associated with the non-exemption of the new service.

Recommendation: Should the City implement new transit service in the future, even on a trial basis, it should consider whether that service is eligible to be exempt from the farebox recovery ratio as well as whether the City wishes to exempt that service from its farebox recovery ratio.

Recommended Action(s): This recommendation is provided as an informational item only. Should the City wish to exempt any new services, it should verify that the service is eligible to be exempted and ensure that all operating data, costs, and revenues specific to that service are documented separately. Within 90 days following the end of the fiscal year in which the service is introduced, the City must



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submit to Kern COG a report on the extension of service. If these conditions cannot be met, or if the City determines exempting the service is not in its best interest, then it should not seek to exempt the extension of service.

Timeline: As warranted

Anticipated Cost: Negligible.

Exhibit 8.1 Summary of Audit Recommendations

| TDA Compliance Recommendations | | Importance | Timeline |
|--------------------------------|---|------------|--------------|
| 1 | Submit all State Controller Reports by the stipulated deadline (January 31). | High | FY 2018/19 |
| 2 | Utilize the TDA definition in calculating and reporting Full-Time Equivalent (FTE) employees to the State Controller. | High | FY 2018/19 |
| 3 | The City should work with its auditors and Kern COG to determine what steps can be taken to facilitate on-time completion of its TDA fiscal audit, then implement those steps. | High | FY 2019/20 |
| Functional Recommendations | | Importance | Timeline |
| 1 | Should the City implement new transit service in the future, even on a trial basis, it should consider whether that service is eligible to be exempt from the farebox recovery ratio as well as whether the City wishes to exempt that service from its farebox recovery ratio. | Low | As warranted |



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