City of Shafter

Triennial Performance Audit FY 15/16 - 17/18
Kern Council of Governments

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

City of Shafter

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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 Shafter 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 whom it allocates TDA funds.

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

The City of Shafter operates Shafter Transit, a curb-to-curb Dial-A-Ride service available to the general public. The service operates within Shafter city limits. Service is available on weekdays from 7:30 a.m. through 4:30 p.m. and Saturdays from 9:00 a.m. through 2:30 p.m. The service does not operate on Sundays or designated holidays.

On-demand, fixed-schedule transportation is also provided to certain areas outside Shafter city limits on weekdays from 9:00 a.m. to 4:00 p.m. Customers must call to request pickup along the fixed route.

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.
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
The City of Shafter met the test of compliance with respect to all Transportation Development Act (TDA) regulations.

Status of Prior Recommendations

1. The City should continue to use General Funds (generated locally from taxes imposed by the City of Shafter) to supplement its farebox revenue should the City’s farebox recovery ratio fall below the 10-percent threshold.

   **Status:** Implemented.

2. Continue to evaluate and implement as appropriate recommendations from the recently completed Transit Development Plan so as to increase transit ridership and fare revenue and lower operating costs, thereby improving the farebox recovery ratio to the point that local supplementation is not needed.

   **Status:** Implemented.

3. Ensure FTE data are reported accurately to the State Controller.

   **Status:** Implemented.

Findings and Recommendations
Based on discussions with City staff, analysis of program performance, and an audit of program compliance and function, Moore & Associates has identified no recommendations for the City of Shafter.
Chapter 2

Review Scope and Methodology

The Triennial Performance Audit (TPA) of the City of Shafter’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 Shafter 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.
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 Shafter 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 Shafter 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;
- Transit Development Plan; and
- Organizational chart.
The methodology for this review included a site visit to Shafter city hall, located at 336 Pacific Avenue, on October 16, 2018. The site visit included interviews with Jim Zervis (Administrative Services Director) and Silvia Granillo (Finance Accounting Manager) as well as a visit to the City’s Public Works Yard, located at 550 N. Shafter Avenue.

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 Shafter’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 Shafter 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.

The City of Shafter met the test of compliance with respect to all Transportation Development Act (TDA) regulations.

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 nonfederal 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.
### Exhibit 3.1 Transit Development Act Compliance Requirements

<table>
<thead>
<tr>
<th>Compliance Element</th>
<th>Reference</th>
<th>Compliance</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Controller Reports submitted on time.</td>
<td>PUC 99243</td>
<td>In compliance</td>
<td>FY 2015/16: September 23, 2016&lt;br&gt; FY 2016/17: November 17, 2017&lt;br&gt; FY 2017/18: October 30, 2018</td>
</tr>
<tr>
<td>Fiscal and compliance audits submitted within 180 days following the end of the fiscal year (or with up to 90-day extension).</td>
<td>PUC 99245</td>
<td>In compliance</td>
<td>FY 2015/16: October 31, 2016&lt;br&gt; FY 2016/17: November 7, 2017&lt;br&gt; FY 2017/18: October 24, 2018</td>
</tr>
<tr>
<td>Operator’s terminal rated as satisfactory by CHP within the 13 months prior to each TDA claim.</td>
<td>PUC 99251 B</td>
<td>In compliance</td>
<td>August 26, 2015&lt;br&gt; September 13, 2016&lt;br&gt; October 12, 2017</td>
</tr>
<tr>
<td>Operator’s claim for TDA funds submitted in compliance with rules and regulations adopted by the RTPA.</td>
<td>PUC 99261</td>
<td>In compliance</td>
<td></td>
</tr>
<tr>
<td>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.</td>
<td>PUC 99270.1</td>
<td>Not applicable</td>
<td></td>
</tr>
<tr>
<td>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.</td>
<td>PUC 99405</td>
<td>Not applicable</td>
<td></td>
</tr>
<tr>
<td>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).</td>
<td>PUC 99266</td>
<td>In compliance</td>
<td>FY 2015/16: 11.97%&lt;br&gt; FY 2016/17: 8.58%&lt;br&gt; FY 2017/18: 1.20%&lt;br&gt; &lt;em&gt;Source: State Controller Reports FY 2015 – FY 2017.&lt;/em&gt;</td>
</tr>
<tr>
<td>The operator’s definitions of performance measures are consistent with the Public Utilities Code Section 99247.</td>
<td>PUC 99247</td>
<td>In compliance</td>
<td></td>
</tr>
<tr>
<td>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).</td>
<td>PUC 99268.2, 99268.4, 99268.1</td>
<td>Not applicable</td>
<td></td>
</tr>
<tr>
<td>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).</td>
<td>PUC 99268.2, 99268.4, 99268.5</td>
<td>In compliance</td>
<td>FY 2015/16: 10.89%&lt;br&gt; FY 2016/17: 14.45%&lt;br&gt; FY 2017/18: 18.47%</td>
</tr>
<tr>
<td>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.</td>
<td>PUC 99268.5, CCR 6633.5</td>
<td>Not applicable</td>
<td></td>
</tr>
</tbody>
</table>
| Compliance Element                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Reference     | Compliance | Comments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |}
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</thead>
<tbody>
<tr>
<td>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.</td>
<td>PUC 99271</td>
<td>In compliance</td>
<td>Retirement benefits for City staff are funded through CalPERS.</td>
</tr>
<tr>
<td>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.</td>
<td>CCR 6754 (a) (3)</td>
<td>In compliance</td>
<td>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.</td>
</tr>
<tr>
<td>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.</td>
<td>PUC 99314.6</td>
<td>In compliance</td>
<td></td>
</tr>
<tr>
<td>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.</td>
<td>CCR 6634</td>
<td>In compliance</td>
<td></td>
</tr>
</tbody>
</table>

*Source: National Transit Database.*
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 Shafter 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. The City should continue to use General Funds (generated locally from taxes imposed by the City of Shafter) to supplement its farebox revenue should the City’s farebox recovery ratio fall below the 10-percent threshold.

   **Discussion:** PUC Section 99268.4 establishes a 10 percent farebox recovery minimum for non-urbanized transit systems in order to remain compliant with TDA. While other locally generated funds may be used to subsidize farebox recovery, the standard is also used as a measure of efficiency and productivity.

   In FY 2014/15, after experiencing a drop in the farebox recovery ratio to below the 10 percent threshold the prior year, the City began using General Fund monies to supplement its farebox revenue, thereby bringing the farebox recovery ratio back up past 10 percent.

   The prior audit team recommended the City continue to supplement farebox revenue in this manner so long as it is needed to stay in compliance with the TDA.

   **Progress:** For the past three years the City maintained the minimum 10 percent farebox ratio without the need for supplemental general funds. However, supplemental general funds were contributed for other purposes, further bolstering the farebox ratio calculation.

   **Status:** Implemented.

2. Continue to evaluate and implement as appropriate recommendations from the recently completed Transit Development Plan so as to increase transit ridership and fare revenue and lower operating costs, thereby improving the farebox recovery ratio to the point that local supplementation is not needed.

   **Discussion:** PUC Section 99268.4 establishes a 10 percent farebox recovery minimum for non-urbanized transit systems in order to remain compliant with TDA. While other locally generated funds may be used to subsidize farebox recovery, the standard is also used as a measure of efficiency and productivity.
In FY 2014/15, after experiencing a drop in the farebox recovery ratio to below the 10 percent threshold the prior year, the City began using General Fund monies to supplement its farebox revenue, thereby bringing the farebox recovery ratio back up past 10 percent.

The prior audit team recommended the City implement recommendations from its current TDP to ensure the system is operating efficiently and effectively.

**Progress:** During the past three years, the City implemented a fare increase, added service on Saturdays, and added an additional shift during the week to improve service levels, all of which were direct or indirect recommendations of the TDP. This resulted in an increase in fare revenue. As a result, local supplementation was not needed to achieve the required farebox recovery ratio.

**Status:** Implemented.

3. **Ensure FTE data are reported accurately 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 demonstrated use of the TDA definition for Full-Time Equivalents (FTE), which divides work hours by 2,000. However, this data was not reported accurately on the State Controller Reports in FY 2012/13 and FY 2013/14. The prior audit team recommended the City ensure it is including Employee (FTE) data on its State Controller Reports based on the TDA-mandated calculation methodology.

**Progress:** In FY 2015/16, it appears that a person-count was used for reporting FTE that year, though the calculation methodology provided by the City for that year is correct. In FY 2016/17, the proper methodology was used, but it is likely a rounding error resulted in the difference in reporting. In FY 2017/18, FTE was reported correctly. Therefore, the City has implemented this recommendation and accurately reported this metric to the State Controller.

**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 Shafter 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.

Overall, the data provided by the City of Shafter on its various reports is highly consistent. The only notable discrepancy is for full-time equivalent employees for FY 2015/16, which disagrees with the FTE hourly calculation provided by the City. (See Chapter 4 for further discussion.)
### Exhibit 5.1 Data Reporting Consistency

<table>
<thead>
<tr>
<th>Performance Measure</th>
<th>System-Wide</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY 2015/16</td>
</tr>
<tr>
<td>Operating Cost (Actual $)</td>
<td></td>
</tr>
<tr>
<td>TDA Fiscal Audit</td>
<td>$264,595</td>
</tr>
<tr>
<td>National Transit Database</td>
<td>$264,595</td>
</tr>
<tr>
<td>State Controller Report</td>
<td>$264,622</td>
</tr>
<tr>
<td>Fare Revenue (Actual $)</td>
<td></td>
</tr>
<tr>
<td>TDA Fiscal Audit</td>
<td>$28,811</td>
</tr>
<tr>
<td>National Transit Database</td>
<td>$28,811</td>
</tr>
<tr>
<td>State Controller Report</td>
<td>$28,811</td>
</tr>
<tr>
<td>Other Qualifying Revenues (SCO) or Other Directly Generated Funds (NTD)</td>
<td></td>
</tr>
<tr>
<td>National Transit Database</td>
<td>$27,947</td>
</tr>
<tr>
<td>State Controller Report</td>
<td>$27,948</td>
</tr>
<tr>
<td>Vehicle Service Hours (VSH)</td>
<td></td>
</tr>
<tr>
<td>Monthly Performance Reports</td>
<td>2,877</td>
</tr>
<tr>
<td>National Transit Database</td>
<td>2,876</td>
</tr>
<tr>
<td>State Controller Report</td>
<td>2,876</td>
</tr>
<tr>
<td>Vehicle Service Miles (VSM)</td>
<td></td>
</tr>
<tr>
<td>Monthly Performance Reports</td>
<td>48,262</td>
</tr>
<tr>
<td>National Transit Database</td>
<td>48,262</td>
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<tr>
<td>State Controller Report</td>
<td>48,262</td>
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<tr>
<td>Passengers</td>
<td></td>
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<tr>
<td>Monthly Performance Reports</td>
<td>29,576</td>
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<td>National Transit Database</td>
<td>29,576</td>
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<tr>
<td>State Controller Report</td>
<td>29,576</td>
</tr>
<tr>
<td>Full-Time Equivalent Employees</td>
<td></td>
</tr>
<tr>
<td>State Controller Report</td>
<td>7</td>
</tr>
<tr>
<td>Per City methodology</td>
<td>2</td>
</tr>
<tr>
<td>Per TDA methodology</td>
<td>2</td>
</tr>
</tbody>
</table>
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 6667. 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.
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- 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. 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.
TDA Required Indicators

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

- Operating Cost was not independently calculated as part of this audit. Operating Cost data were obtained via TDA fiscal audits for each fiscal year covered by this audit. Operating Cost from the reports was compared against that reported to the State Controller and NTD 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 TDA fiscal audits for each fiscal year covered by this audit. Fare revenue from the reports is 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 and is consistent with the TDA definition (hours worked divided by 2,000).

System Performance Trends

Despite a decline in performance and efficiency during the last triennium, the current audit cycle was characterized by overall system improvement. While operating cost increased, there were corresponding increases in fare revenue, vehicle service hours, vehicle service miles, and ridership across the past three years. This resulted in improvements in many performance metrics.

Over the past six years, the City experienced a net 22.9 percent increase in operating cost. Fare revenue saw a net increase of 27.2 percent, which resulted in an overall increase in the farebox recovery ratio (especially during the last three years, which all achieved a farebox ratio of over 10 percent). Vehicle service hours and vehicle service miles increased by 29.2 percent and 12.0 percent, respectively, across the last six years, while ridership increased by 9.2 percent across the same period.

Operating cost per vehicle service hour improved across the triennium, dropping from $96.99 in FY 2014/15 (when it peaked) to $81.56 in FY 2017/18 (its lowest point in six years). Given the different rates of increase for vehicle service hours and ridership, passengers per VSH fell from a high of 10.57 in FY 2012/13 to a low of 8.93 in FY 2017/18.
### Exhibit 6.1  System Performance Indicators

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Operating Cost (Actual $)</td>
<td>$248,819</td>
<td>$272,567</td>
<td>$270,313</td>
<td>$264,595</td>
<td>$270,066</td>
<td>$305,854</td>
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<td><strong>Annual Change</strong></td>
<td>9.5%</td>
<td>-0.8%</td>
<td>-2.1%</td>
<td>2.1%</td>
<td>13.3%</td>
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<td>Fare Revenue (Actual $)</td>
<td>$26,932</td>
<td>$26,649</td>
<td>$24,930</td>
<td>$28,811</td>
<td>$28,376</td>
<td>$34,262</td>
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<td><strong>Annual Change</strong></td>
<td>-1.1%</td>
<td>-6.5%</td>
<td>15.6%</td>
<td>-1.5%</td>
<td>20.7%</td>
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<tr>
<td>Vehicle Service Hours (VSH)</td>
<td>2,902</td>
<td>2,905</td>
<td>2,787</td>
<td>2,876</td>
<td>3,110</td>
<td>3,750</td>
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<td><strong>Annual Change</strong></td>
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<td>-4.1%</td>
<td>3.2%</td>
<td>8.1%</td>
<td>20.6%</td>
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</tr>
<tr>
<td>Vehicle Service Miles (VSM)</td>
<td>51,126</td>
<td>51,422</td>
<td>48,734</td>
<td>48,262</td>
<td>50,918</td>
<td>57,286</td>
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<td>-1.0%</td>
<td>5.5%</td>
<td>12.5%</td>
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<td>Passengers</td>
<td>30,662</td>
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<td>28,064</td>
<td>29,576</td>
<td>30,787</td>
<td>33,494</td>
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<td><strong>Annual Change</strong></td>
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<td>5.4%</td>
<td>4.1%</td>
<td>8.8%</td>
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<td>Employees</td>
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<td>3</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td><strong>Annual Change</strong></td>
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<td>-3.6%</td>
<td>-25.9%</td>
<td>0.0%</td>
<td>50.0%</td>
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<tr>
<td>Operating Cost/VSH (Actual $)</td>
<td>$85.74</td>
<td>$93.83</td>
<td>$96.99</td>
<td>$92.00</td>
<td>$86.84</td>
<td>$81.56</td>
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<tr>
<td><strong>Annual Change</strong></td>
<td>9.4%</td>
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<td>-5.1%</td>
<td>-5.6%</td>
<td>-6.1%</td>
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<tr>
<td>Operating Cost/Passenger (Actual)</td>
<td>$8.11</td>
<td>$9.16</td>
<td>$9.63</td>
<td>$8.95</td>
<td>$8.77</td>
<td>$9.13</td>
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<td><strong>Annual Change</strong></td>
<td>12.8%</td>
<td>5.2%</td>
<td>-7.1%</td>
<td>-1.9%</td>
<td>4.1%</td>
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<tr>
<td>Passengers/VSH</td>
<td>10.57</td>
<td>10.25</td>
<td>10.07</td>
<td>10.28</td>
<td>9.90</td>
<td>8.93</td>
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<td>-3.0%</td>
<td>-1.7%</td>
<td>2.1%</td>
<td>-3.7%</td>
<td>-9.8%</td>
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</tr>
<tr>
<td>Passengers/VSM</td>
<td>0.60</td>
<td>0.58</td>
<td>0.58</td>
<td>0.61</td>
<td>0.60</td>
<td>0.58</td>
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<tr>
<td><strong>Annual Change</strong></td>
<td>-3.5%</td>
<td>-0.5%</td>
<td>6.4%</td>
<td>-1.3%</td>
<td>-3.3%</td>
<td></td>
</tr>
<tr>
<td>Farebox Recovery</td>
<td>10.8%</td>
<td>9.8%</td>
<td>9.2%</td>
<td>10.9%</td>
<td>10.5%</td>
<td>11.2%</td>
</tr>
<tr>
<td><strong>Annual Change</strong></td>
<td>-9.7%</td>
<td>-5.7%</td>
<td>18.1%</td>
<td>-3.5%</td>
<td>6.6%</td>
<td></td>
</tr>
<tr>
<td>Hours/Employee</td>
<td>1036.4</td>
<td>1037.5</td>
<td>1032.2</td>
<td>1,438.0</td>
<td>1,555.0</td>
<td>1250.0</td>
</tr>
<tr>
<td><strong>Annual Change</strong></td>
<td>0.1%</td>
<td>-0.5%</td>
<td>39.3%</td>
<td>8.1%</td>
<td>-19.6%</td>
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<tr>
<td>TDA Non-Required Indicators</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Operating Cost/VSM</td>
<td>$4.87</td>
<td>$5.30</td>
<td>$5.55</td>
<td>$5.48</td>
<td>$5.30</td>
<td>$5.34</td>
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<tr>
<td><strong>Annual Change</strong></td>
<td>8.9%</td>
<td>4.6%</td>
<td>-1.2%</td>
<td>-3.3%</td>
<td>0.7%</td>
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<tr>
<td>VSM/VSH</td>
<td>17.62</td>
<td>17.70</td>
<td>17.49</td>
<td>16.78</td>
<td>16.37</td>
<td>15.28</td>
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<tr>
<td><strong>Annual Change</strong></td>
<td>0.5%</td>
<td>-1.2%</td>
<td>-4.0%</td>
<td>-2.4%</td>
<td>-6.7%</td>
<td></td>
</tr>
<tr>
<td>Fare/Passenger</td>
<td>$0.88</td>
<td>$0.90</td>
<td>$0.89</td>
<td>$0.97</td>
<td>$0.92</td>
<td>$1.02</td>
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<tr>
<td><strong>Annual Change</strong></td>
<td>1.9%</td>
<td>-0.8%</td>
<td>9.7%</td>
<td>-5.4%</td>
<td>11.0%</td>
<td></td>
</tr>
</tbody>
</table>

Sources: FY 2012/13 – FY 2014/15 data from prior Triennial Performance Audit.  
FY 2015/16 – FY 2017/18 data from State Controller Reports.  
FY 2016 FTE from City calculations.
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 Shafter’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 Shafter 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 Shafter operates Shafter Transit, a curb-to-curb Dial-A-Ride service available to the general public. The service operates within Shafter city limits. Service is available on weekdays from 7:30 a.m. through 4:30 p.m. and Saturdays from 9:00 a.m. through 2:30 p.m. The service does not operate on Sundays or designated holidays.

Trips are provided on a first-come, first served basis. Requests for service require a minimum 20-minute advance notice prior to pick-up, but times are not guaranteed. Riders may connect with Kern Transit, which provides service to Lost Hills-Bakersfield (Route 115) and Delano-Bakersfield (Route 110) via a stop at Shafter city hall.

On-demand, fixed-schedule transportation is also provided to certain areas outside the Shafter city limits on weekdays from 9:00 a.m. to 4:00 p.m. Customers must call to request pickup along the fixed route.

<table>
<thead>
<tr>
<th>Fare Category</th>
<th>Dial-A-Ride</th>
<th>Fixed-Route</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Public</td>
<td>$1.25</td>
<td>$1.50</td>
</tr>
<tr>
<td>Senior/Disabled/Youth</td>
<td>$1.00</td>
<td>$1.25</td>
</tr>
<tr>
<td>Children under 5</td>
<td>Free</td>
<td>Free</td>
</tr>
</tbody>
</table>

Frequent Rider cards are also available and may be purchased at Shafter city hall or onboard the vehicles. Cards provide eleven rides for the price of ten.
General Management and Organization
The City’s Administrative Services Director oversees the Transit program, with assistance from the Finance department. The five-member City Council serves as the City’s principal policy making body and members are directly elected for four-year overlapping terms. The City Council meets the first and third Tuesday of the month at 7:00 p.m. at Shafter City Hall (336 Pacific Avenue). This location is served by Kern Transit Routes 110 and 115. The City does not have a transit citizen advisory body.

The City Council has been concerned about the frequency with which the electric vehicles require maintenance.

Service Planning
The Kern Council of Governments (RTPA) is responsible for transit planning for the City of Shafter through the periodic development of a Short Range Transit Plan (SRTP) or Transit Development Plan (TDP). The most recent TDP was completed in May 2016. Several of the recommendations have been implemented, including a fare increase, trial Saturday service, and allowing two children to ride free with each fare-paying adult.

In FY 2016/17, the City introduced Saturday service from 10:00 a.m. to 3:30 p.m. New vehicles also resulted in increased capacity.

In FY 2017/18, the City implemented a fare change following the recommendations of a rate study. The City also began offering a free-ride program, providing free rides to seniors all day and to the general public on Saturdays. The free-ride program ended in May 2018 when the grant funding was exhausted, but ridership remained solid compared to before the program.

The City is currently monitoring development in several areas including Logistics Park, Gossamer Grove, and Bishops River. Approximately 200 homes are being added annually in southeast Shafter, which is at
the extreme edge of the city’s corporate boundary. College students typically use Kern Transit, as do dialysis patients who use it to access non-emergency medical transportation.

**Scheduling, Dispatch, and Operations**

During the week, service is provided with three vehicles. Saturday service is provided using one vehicle. The electric vehicles do not have the battery capacity to last a full day, so they are switched out at lunchtime. A fifth driver shift was added (12:30 p.m. to 4:30 p.m.) to cover the extra demand, which especially helps with afternoon school-related travel.

All dispatching is done manually by the drivers, who self-dispatch. Typically the lead driver takes the calls.

Passengers are counted manually. Vehicles are not equipped with fareboxes; fares are handed to the drivers, who place money in a bank bag. Total revenue is between $100 and $200 per day. Drivers bring the bank bags and paperwork to a finance clerk at the end of their shifts. Finance generates one receipt for all daily fares by driver and delivers fares to the bank on a daily basis.

**Personnel Management and Training**

The City currently has six part-time drivers and one trainee; four of whom receive CalPERS benefits. Drivers are not unionized. All drivers are City employees, and are eligible for benefits based on the City’s compensation structure. All City employees are subject to the same personnel and discipline rules. The City is not actively recruiting for more drivers.

The Kern County Superintendent of Schools provides all driver training. The City does not hold regular safety meetings, but is looking into online/webinar training opportunities.

**Administration**

The Administrative Services Manager is responsible for grant writing and coordinating with an outside audit firm. The Finance Accounting Manager is responsible for reporting. A Management Analyst uses Laserfiche Enterprise Content Management (ECM) software for data gathering and analysis.

The City is self-insured. The Administrative Services Manager is responsible for risk management as well as procurement. The City does not have an internal audit function.

Payroll is based on handwritten timesheets for part-time employees (all transit drivers). Approximately 80 percent of employees utilize direct deposit.

**Marketing and Public Relations**

The City promotes its transit program using a bilingual brochure and flyer, as well as content available on the City’s website. Flyers are developed specific to different promotions. Community outreach is conducted at the senior center. The City does not sell vehicle exterior advertising, but uses the space on its vans to promote City programs.

The Apple Market buys bulk fares (approximately $100 per month). In addition, homebuilder Lennar hires the City for a flat fee to run shuttles to new home developments on Saturdays.
Customer complaints are received by the Finance Accounting Manager. While there have been no significant complaints, the City has started logging the calls.

Maintenance
The City’s fleet consists of four all-electric Zenith nine-passenger vehicles, three Dodge Caravan minivans, and two Ford minivans (used as spares). A fleet inventory is provided in Exhibit 7.3.

Maintenance is provided at the City’s Corporate Yard. The City’s fleet shop is shared with other City vehicles and includes a lift, parts area, and fenced storage yard. Weekly emails between maintenance and Finance provide updates regarding vehicle availability. Charging stations are also located at the Corporate Yard.

The biggest program challenge is maintenance and repair of the electric vehicles, which can be excessive given they are a first-generation product. A local repair shop handles many of the electric vehicle issues. There is significantly more downtime on these vehicles when compared to the City’s gas-fueled vehicles. In addition, parts generally have to be shipped in. The vehicle manufacturer is aware of this issue, and extended the vehicle warranty by a year (at no cost to the City) as compensation.

GPS equipment has been installed in all vehicles, enabling real-time tracking. Vehicles are also equipped with fire extinguishers and first aid kits.

All future replacement vehicles will be electric vehicles. The City is due for its next round of replacement vehicles in FY 2019/20.

The City has one bus shelter, located at the corner of Pacific Avenue and Hwy 43/Central Valley Hwy. It is maintained by the City’s Public Works Department.

<table>
<thead>
<tr>
<th>Agency ID #</th>
<th>Year</th>
<th>Make</th>
<th>Model</th>
<th>PAX</th>
<th>WC</th>
<th>Fuel</th>
<th>Mileage</th>
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<td>1</td>
<td>Electric</td>
<td>16,197</td>
<td>Active</td>
</tr>
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</table>
City of Shafter

Triennial Performance Audit, FY 2015/16 - 2017/18

Final Report

City of Shafter battery-electric shuttle.

City of Shafter battery-electric shuttle.

City of Shafter gas-powered minivan.

City of Shafter gas-powered minivan.
City of Shafter
Triennial Performance Audit, FY 2015/16 - 2017/18
Final Report

City of Shafter Corporate Yard.
Charging stations at Corporate Yard.

Maintenance bay at Corporate Yard.
Maintenance bay at Corporate Yard.
City of Shafter
Triennial Performance Audit, FY 2015/16 - 2017/18
Final Report

Bus shelter at 336 Pacific Ave.

Information kiosk at bus shelter.

Information kiosk at bus shelter.

Interior of battery-powered shuttle.
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City of Shafter
Triennial Performance Audit, FY 2015/16 - 2017/18
Final Report

Chapter 8
Findings and Recommendations

Conclusions
Moore & Associates finds the City of Shafter to be in compliance with the requirements of the Transportation Development Act. In addition, the entity 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 no compliance or functional findings.

Program Recommendations
Moore & Associates has identified no recommendations for the City of Shafter.