



TDA Triennial Performance Audit FY 2018/19 - FY 2020/21

City of McFarland

Kern Council of Governments
Final Report
September 2023



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Chapter 1 | Executive Summary

In 2023, 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.

The California Public Utilities Code requires all recipients of Transit Development Act (TDA) Article 4 funding to undergo an independent performance audit on a three-year cycle in order to maintain 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 whom it allocates 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 2018/19,
- Fiscal Year 2019/20, and
- Fiscal Year 2020/21.

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 that 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. The audit team concludes the evidence obtained provides a reasonable basis for its 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,
- Prior recommendations,
- Analysis of program data reporting,
- Performance Audit, and
- Functional review.

Test of Compliance

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

1. State Controller Reports submitted well beyond the deadline for all three fiscal years.
2. TDA fiscal audits have yet to be completed for all three fiscal years.
3. The City did not meet the 10 percent farebox recovery ratio requirement in FY 2018/19.
4. The City did not correctly calculate operating cost within the STA efficiency tests, and did not pass either in either FY 2018/19 or FY 2019/20.
5. Use of the TDA definition of full-time equivalent (FTE) employee in preparing the State Controller Reports could not be confirmed.

Status of Prior Recommendations

The prior audit – completed in April 2019 by Moore & Associates, Inc. for the three fiscal years ending June 30, 2018 – included four recommendations:

1. [Submit all State Controller Reports by the stipulated deadline \(January 31\).](#)
Status: Not implemented.
2. [Utilize the TDA definition in calculating and reporting Full-Time Equivalent \(FTE\) employees to the State Controller.](#)
Status: Implementation in progress.
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.](#)
Status: Implementation in progress.
4. [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.](#)
Status: No longer relevant.

Findings and Recommendations

Based on discussions with City staff, analysis of program performance, and a review of program compliance and function, the audit team submits the aforementioned compliance findings for the City of McFarland.

1. State Controller Reports submitted well beyond the deadline for all three fiscal years.
2. TDA fiscal audits have yet to be completed for all three fiscal years.
3. The City did not meet the 10 percent farebox recovery ratio requirement in FY 2018/19.
4. The City did not correctly calculate operating cost within the STA efficiency tests, and did not pass either in either FY 2018/19 or FY 2019/20.
5. Use of the TDA definition of full-time equivalent (FTE) employee in preparing the State Controller Reports could not be confirmed.

The audit team has identified two functional findings. While these findings are not compliance findings, the audit team believes they warrant inclusion in this report:

1. The City filed TDA claims without having completed the required TDA fiscal audits.
2. The City's website and linked documents are outdated.

In completing this Triennial Performance Audit, we submit the following recommendations for the City of McFarland's public transit program. They have been 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 triennial audit that are not specific to TDA compliance.

Exhibit 1.1 Summary of Audit Recommendations

TDA Compliance Recommendations		Importance	Timeline
1	Ensure future State Controller Reports are submitted prior to the January 31 deadline.	Medium	FY 2023/24
2	Work with the City and its auditors to complete TDA fiscal audits.	High	FY 2023/24
3	Identify sources of local supplementation that can be used to bring the City's farebox recovery ratio up to 10 percent beginning in FY 2023/24.	High	FY 2023/24
4	Correctly calculate operating cost in conducting the STA efficiency tests, and reserve an appropriate percentage of STA funds for capital purposes if neither test is passed.	High	ASAP
5	Ensure the TDA definition of full-time equivalent (FTE) employee is used in preparation of the State Controller Reports.	Medium	FY 2023/24
Functional Recommendations		Importance	Timeline
1	Do not submit TDA claims to Kern COG for any year for which the TDA audit for two years prior has not been completed.	High	Ongoing
2	Update transit marketing collateral to reflect current transit service offerings.	Medium	ASAP

Chapter 2 | Audit 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 2023, 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, Inc. 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 that 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. The audit team concludes the evidence obtained provides a reasonable basis for its 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 (TPA) has four primary objectives:

1. Assess compliance with TDA regulations;
2. Review improvements subsequently implemented as well as progress toward adopted goals;
3. Evaluate the efficiency and effectiveness of the transit operator; and
4. 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 McFarland included five tasks:

1. A review of compliance with TDA requirements and regulations.
2. A review of the status of recommendations included in the prior Triennial Performance Audit.
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. Comparison of data reporting practices:
 - Internal reports,
 - State Controller Reports, and
 - National Transit Database.
5. 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.
6. 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 for the prior audit period;
- Most recent Short Range Transit Plan/Transit Development Plan;
- Monthly performance reports;
- State Controller Reports;
- National Transit Database reports;
- Annual budgets;
- TDA fiscal audits;
- Transit marketing collateral;
- TDA claims;
- Fleet inventory;

- Preventive maintenance schedules and forms;
- California Highway Patrol Terminal Inspection reports;
- Accident/road call logs;
- Customer complaint logs; and
- Organizational chart.

Given impacts of the ongoing COVID-19 pandemic, the methodology for this audit included a virtual site visit with City representatives on June 27, 2023. The audit team met with Diego Viramontes (Finance Director), Jonathan Arceo (Accounting Supervisor), Florentine Ortiz (Public Works Director), and Pat Jacobs (Interim Public Works Director), and reviewed materials germane to the triennial audit.

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,
 - Status of prior recommendations,
 - Consistency among reported data,
 - 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 City 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.

Status of compliance items was determined through discussions with City staff as well as an inspection of relevant documents including the fiscal audits for each year of the triennium, State Controller annual filings, California Highway Patrol terminal inspections, National Transit Database reports, year-end performance reports, and other compliance-related documentation.

Six compliance issues were identified for the City of McFarland:

1. State Controller Reports submitted well beyond the deadline for all three fiscal years.
2. TDA fiscal audits have yet to be completed for all three fiscal years.
3. The City did not meet the 10 percent farebox recovery ratio requirement in FY 2018/19.
4. The City did not correctly calculate operating cost within the STA efficiency tests, and did not pass either in either FY 2018/19 or FY 2019/20.
5. Use of the TDA definition of full-time equivalent (FTE) employee in preparing the State Controller Reports could not be confirmed.

Developments Occurring During the Audit Period

The FY 2018/19 – FY 2020/21 audit period was significantly different than prior audit periods. The impacts of the COVID-19 pandemic resulted in significant declines in ridership and revenue, while changes to the TDA provided compliance waivers and amended existing legislation. In many instances, transit operators strove to retain operations staff despite adopting a reduced schedule, resulting in significant changes to many cost-related performance metrics. While infusions of funding through the CARES Act mitigated some of the lost revenues for federally funded programs, many transit operators have yet to return to pre-pandemic ridership and fare levels. As a result, this Triennial Performance Audit will provide an assessment not only of how COVID-19 impacted the organization, but how it responded to the crisis.

In the 50 years since introduction of the Transportation Development Act, there have been many changes to public transportation in California. Many operators have faced significant challenges in meeting the farebox recovery ratio requirement, calling into question whether it remains the best measure for TDA compliance. In 2018, the chairs of California's state legislative transportation committees requested the California Transit Association spearhead a policy task force to examine the TDA, which resulted in a draft framework for TDA reform released in early 2020. The draft framework maintains the farebox recovery ratio requirement, but eliminates financial penalties and allows more flexibility with respect to individual operator targets. These changes have yet to be implemented due to the COVID-19 pandemic.

Assembly Bill 90, signed into law on June 29, 2020, provided temporary regulatory relief for transit operators required to conform with Transportation Development Act (TDA) farebox recovery ratio

thresholds in FY 2019/20 and FY 2020/21. Assembly Bill 149, signed into law on July 16, 2021, provided additional regulatory relief by extending the provisions of AB 90 through FY 2022/23 and adjusting definitions of eligible revenues and operating costs. While the ability to maintain state mandates and performance measures is important, these measures enable transit operators to adjust to the impacts of COVID while continuing to receive their full allocations of funding under the TDA.

Together, these two pieces of legislation include the following provisions specific to transit operator TDA funding under Article 4 and Article 8. Only AB 90 was in effect during this audit period, though both assembly bills are detailed below.

AB 90 includes the following provisions specific to transit operator funding through the TDA:

1. It prohibits the imposition of the TDA revenue penalty on an operator that does not maintain the required ratio of fare revenues to operating cost during FY 2019/20 or FY 2020/21.
2. It requires the Controller to calculate and publish the allocation of transit operator revenue-based funds made pursuant to the State Transit Assistance (STA) Program for FY 2020/21 and FY 2021/22 based on the same individual operator ratios published by the Controller in a specified transmittal memo, and would authorize the Controller to revise that transmittal memo, as specified. It requires the Controller to use specified data to calculate those individual operator ratios. Upon allocation of the transit operator revenue-based funds to local transportation agencies pursuant to this provision, the Controller will publish the amount of funding allocated to each operator.
3. It exempts an operator from having to meet either of the STA efficiency standards for FY 2020/21 and FY 2021/22 and authorizes the operator to use those funds for operating or capital purposes during that period.
4. It requires the Controller to allocate State of Good Repair (SOGR) program funding for FY 2020/21 and FY 2021/22 to recipient transit agencies pursuant to the individual operator ratios published in the above-described transmittal memo.
5. It requires the Controller to allocate Low Carbon Transit Operations Program (LCTOP) funding for FY 2020/21 and FY 2021/22 to recipient transit agencies pursuant to the individual operator ratios published in the above-described transmittal memo.

Assembly Bill 149, signed into law on July 16, 2021 (and therefore not in effect during the audit period), provides additional regulatory relief with respect to Transportation Development Act (TDA) compliance. It extends the provisions of AB 90 through FY 2022/23 as well as provides additional regulatory relief including:

1. Waiving the annual productivity improvement requirement of Section 99244 through FY 2022/23.
2. Adding a temporary provision exempting operators from farebox recovery ratio requirements provided they expend at least the same amount of local funds as in FY 2018/19.
3. Expanding the definition of “local funds” to enable the use of federal funding, such as the CARES Act or CRRSAA, to supplement fare revenues and allows operators to calculate free and reduced fares at their actual value.
4. Adjusting the definition of operating cost to exclude the cost of ADA paratransit services, demand-response and microtransit services designed to extend access to service, ticketing/payment systems, security, some pension costs, and some planning costs.

5. Allowing operators to use STA funds as needed to keep transit service levels from being reduced or eliminated through FY 2022/23.

AB 149 also calls for an examination of the triennial performance audit process, to ensure the practice continues to be effective and beneficial.

Exhibit 3.1 Transit Development Act Compliance Requirements

Compliance Element	Reference	Compliance	Comments
State Controller Reports submitted on time.	PUC 99243	Finding	FY 2018/19: May 27, 2020 FY 2019/20: March 8, 2021 FY 2020/21: March 21, 2022
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	Audits for the three-year period have yet to be completed.
Operator's terminal rated as satisfactory by CHP within the 13 months prior to each TDA claim.	PUC 99251 B	In compliance	April 2, 2018 (Unsatisfactory) July 24, 2018 August 13, 2019 September 29, 2020 September 7, 2021
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	
Except as otherwise provided, the allocation for any purpose specified under Article 8 may in no year exceed 50% of the amount required to meet the total planning expenditures for that purpose.	PUC 99405	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 2018/19: -3.40% FY 2019/20: -18.69% FY 2020/21: +6.35%

Compliance Element	Reference	Compliance	Comments
The operator's definitions of performance measures are consistent with the Public Utilities Code Section 99247.	PUC 99247	Finding	The City has yet to demonstrate use of the TDA definition of FTE Employees for reporting to the State Controller.
The operator does not routinely staff with two or more persons a vehicle for public transportation purposes designed to be operated by one person.	PUC 99264	In compliance	Confirmed in TDA claim certifications.
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	Finding	FY 2018/19: 9.17% FY 2019/20: 6.72% (waiver) FY 2020/21: 0.00% (waiver) <i>Source: SCO Reports, FY 2019 – FY 2021.</i>
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	
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 operating purposes according to a sliding scale.	PUC 99314.6	Finding	The City incorrectly excluded the full cost of insurance and fuel in its calculation of operating cost for the STA efficiency tests, instead of correctly excluding increases in the cost of fuel and insurance over the change in CPI. As a result, the City did not pass either test in FY 2018/19 or FY 2019/20.

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 April 2019 by Moore & Associates, Inc. for the three fiscal years ending June 30, 2018 – included four recommendations:

1. [Submit all State Controller Reports by the stipulated deadline \(January 31\).](#)

Discussion: 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. The prior auditor recommended the City’s Administrative Services Director and Public Works Director work together to ensure the State Controller Report is submitted within the stipulated timeframe. In addition, it noted that 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 for all three fiscal years covered by this audit were submitted well beyond the established deadlines.

Status: Not implemented.

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

Discussion: 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.

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.

This recommendation was carried forward from the prior audit. The prior auditor explained the City should 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. That should include drivers and dispatchers as well as those who provide customer

service, maintenance, reporting, grant preparation, administration, etc. The auditor noted 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.

Progress: The City did not provide any documentation regarding full-time equivalent (FTE) employee calculation methodology as part of the current audit. However, during the site visit, staff reported citing just the one transit driver. Given other positions only devote a fraction of their time to transit, this data is likely to be the same using the TDA definition. The City needs to calculate FTE, though, in order to confirm it is being reported correctly.

Status: Implementation in progress.

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.

Discussion: 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 was included as a finding.

The prior auditor recommended 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. The auditor noted 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 required the City to look at its annual close-out process in order to meet required reporting deadlines.

Progress: Due to a change in personnel and a backlog in City financial audits, the TDA fiscal audits were delayed. The City is in the process of amending this issue.

Status: Implementation in progress

4. 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.

Discussion: 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.

This recommendation was provided as an informational item only. The auditor noted 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 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.

Progress: As this was an informational item, no progress was necessary.

Status: No longer relevant.

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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 both internally as well as to outside entities during the audit period.

The City did not provide any monthly performance reports during this audit period, so internal documentation could not be compared to external reports. In the absence of TDA fiscal audits, operating cost was obtained from the City's comprehensive annual financial reports (CAFRs).

- **Operating cost:** Different costs were reported as operating cost in the City's comprehensive annual financial reports, the State Controller Reports, and the National Transit Database (NTD) reports. The cause of these variances is unknown.
- **Fare Revenue:** Fare revenue was reported consistently among all three reports.
- **Vehicle Service Hours (VSH):** Vehicle Service Hours was reported consistently in FY 2018/19 and FY 2019/20. In FY 2020/21, the VSH reported to the NTD was nearly three times higher than that reported to the State Controller.
- **Vehicle Service Miles (VSM):** Vehicle Service Miles was reported consistently in FY 2019/20 and FY 2020/21. In FY 2018/19, the VSM reported to the NTD was exactly 3,000 higher than that reported to the State Controller (27,761 versus 24,761), which may indicate a data entry error on one of the reports. However, absent the monthly performance reports, it could not be determined which was correct.
- **Passengers:** Ridership was significantly different between the two reports. However, absent the monthly performance reports, it could not be determined which was correct.

Exhibit 5.1 Data Reporting Comparison

Performance Measure	System-Wide		
	FY 2018/19	FY 2019/20	FY 2020/21
Operating Cost (Actual \$)			
<i>City of McFarland CAFR</i>	\$126,278	\$92,321	\$79,452
<i>National Transit Database</i>	\$157,001	\$55,392	\$70,926
<i>State Controller Report</i>	\$132,002	\$98,239	\$75,907
Fare Revenue (Actual \$)			
<i>City of McFarland CAFR</i>	\$12,106	\$6,600	\$0
<i>National Transit Database</i>	\$12,106	\$6,600	\$0
<i>State Controller Report</i>	\$12,106	\$6,600	\$0
Vehicle Service Hours (VSH)			
<i>Monthly Performance Reports</i>	Not provided	Not provided	Not provided
<i>National Transit Database</i>	3,192	1,034	451
<i>State Controller Report</i>	3,192	1,034	114
Vehicle Service Miles (VSM)			
<i>Monthly Performance Reports</i>	Not provided	Not provided	Not provided
<i>National Transit Database</i>	27,761	9,128	3,857
<i>State Controller Report</i>	24,761	9,128	3,857
Passengers			
<i>Monthly Performance Reports</i>	Not provided	Not provided	Not provided
<i>National Transit Database</i>	13,329	5,152	2,137
<i>State Controller Report</i>	23,499	9,048	3,459
Full-Time Equivalent Employees			
<i>State Controller Report</i>	3	1	1

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 6667¹. 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) – excluded the following during the audit period²:

¹ 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.

² Given the passage of AB 149, the list of excluded costs will be expanded beginning with FY 2021/22.

- 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.

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 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 in the City's comprehensive annual financial reports and appeared to be consistent with TDA guidelines. In accordance with PUC Section 99247(a), the reported costs excluded depreciation and other allowable expenses. However, the significant variance between reports called into question which one accurately reflects the costs for the City's transit services.
- 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. This appears to be consistent with TDA guidelines as well as the uniform system of accounts.
- Vehicle Service Hours (VSH) data were obtained via State Controller Reports for each fiscal year covered by this audit. The City calculates VSH by logging times in and out of service. 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. The City calculates VSM by subtracting deadhead and out-of-service miles from total vehicle mileage (as noted on each vehicle's odometer). This methodology is consistent with PUC guidelines.
- Unlinked trip data were obtained via State Controller Reports for each fiscal year covered by this audit. The City logs all rides on a daily driver log, which is consistent with PUC guidelines. However, given the significant discrepancies between reports, it is unclear whether the recorded data is accurate and/or accurately reported.
- Full-Time Equivalent (FTE) data were obtained from State Controller Reports for each fiscal year covered by this review. Use of the TDA definition regarding FTE calculation could not be confirmed.

System Performance Trends

(Note: Given the significant differences in the operating cost and passengers reported across the documents reviewed, it could not be determined which was correct. As such, all data used is from the State Controller Reports.)

Operating cost fluctuated during the prior audit period and decreased during the current audit period. Cost decreased 51.7 percent during the audit period, and experienced a 47.4 percent net decrease over the past six years. Fare revenue decreased every year since FY 2016/17, dropping to zero the last year of the audit period. Prior to this, the greatest decrease was between FY 2018/19 and FY 2019/20, which saw a decrease of 45.5 percent.

Vehicle Service Hours (VSH) saw a net decrease of 96.5 percent across the six-year period. VSH dropped 67.6 percent in FY 2019/20 and another 89 percent in FY 2020/21. Vehicle Service Miles (VSM) experienced an 83 percent net decrease during the same period. VSM decreased 63.1 percent in FY 2019/20 and another 57.7 percent in FY 2020/21. Ridership was equally impacted; it decreased a net 85.5

percent over the six-year period, with 61.5 percent and 61.8 percent decreases in FY 2019/20 and FY 2020/21, respectively.

Cost-related metrics typically provide an indicator of a system's efficiency, while passenger-related metrics offer insight into its productivity. Improvements are characterized by increases in passenger-related metrics and decreases in cost-related metrics. Operating cost per vehicle service hour, vehicle service mile, and passenger all increased significantly during the audit period, reflective of a decline in efficiency. Productivity was mixed, as passengers per VSM saw a net decrease during the audit period. This change is not surprising, given the impact of the COVID-19 pandemic on transit operations and ridership. However, given the extremely low VSH, passengers per VSH more than tripled between FY 2019/20 and FY 2020/21, though the variance between reports with respect to VSH that year call that figure into question.

Exhibit 6.1 System Performance Indicators

Performance Measure	System-wide					
	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21
Operating Cost (Actual \$)	\$144,443	\$150,726	\$149,500	\$157,002	\$98,239	\$75,907
<i>Annual Change</i>		4.3%	-0.8%	5.0%	-37.4%	-22.7%
Fare Revenue (Actual \$)	\$16,214	\$16,480	\$15,037	\$12,106	\$6,600	\$0
<i>Annual Change</i>		1.6%	-8.8%	-19.5%	-45.5%	-100.0%
Vehicle Service Hours (VSH)	3,279	2,884	2,715	3,192	1,034	114
<i>Annual Change</i>		-12.0%	-5.9%	17.6%	-67.6%	-89.0%
Vehicle Service Miles (VSM)	22,663	22,453	24,655	24,761	9,128	3,857
<i>Annual Change</i>		-0.9%	9.8%	0.4%	-63.1%	-57.7%
Passengers	23,922	22,126	21,168	23,499	9,048	3,459
<i>Annual Change</i>		-7.5%	-4.3%	11.0%	-61.5%	-61.8%
Employees	3	3	3	3	1	1
<i>Annual Change</i>		0.0%	0.0%	0.0%	-66.7%	0.0%
Performance Indicators						
Operating Cost/VSH (Actual \$)	\$44.05	\$52.26	\$55.06	\$49.19	\$95.01	\$665.85
<i>Annual Change</i>		18.6%	5.4%	-10.7%	93.2%	600.8%
Operating Cost/Passenger (Actual \$)	\$6.04	\$6.81	\$7.06	\$6.68	\$10.86	\$21.94
<i>Annual Change</i>		12.8%	3.7%	-5.4%	62.5%	102.1%
Passengers/VSH	7.30	7.67	7.80	7.36	8.75	30.34
<i>Annual Change</i>		5.2%	1.6%	-5.6%	18.9%	246.7%
Passengers/VSM	1.06	0.99	0.86	0.95	0.99	0.90
<i>Annual Change</i>		-6.6%	-12.9%	10.5%	4.4%	-9.5%
Farebox Recovery	11.2%	10.9%	10.1%	7.7%	6.7%	0.0%
<i>Annual Change</i>		-2.6%	-8.0%	-23.3%	-12.9%	-100.0%
Hours/Employee	1,093.0	961.3	905.0	1,064.0	1,034.0	114.0
<i>Annual Change</i>		-12.0%	-5.9%	17.6%	-2.8%	-89.0%
TDA Non-Required Indicators						
Operating Cost/VSM	\$6.37	\$6.71	\$6.06	\$6.34	\$10.76	\$19.68
<i>Annual Change</i>		5.3%	-9.7%	4.6%	69.7%	82.9%
VSM/VSH	6.91	7.79	9.08	7.76	8.83	33.83
<i>Annual Change</i>		12.6%	16.6%	-14.6%	13.8%	283.3%
Fare/Passenger	\$0.68	\$0.74	\$0.71	\$0.52	\$0.73	\$0.00
<i>Annual Change</i>		9.9%	-4.6%	-27.5%	41.6%	-100.0%

*Sources: FY 2015/16 – FY 2017/18 data from prior Triennial Performance Audit.
FY 2018/19 – FY 2020/21 data from State Controller Reports.*

Exhibit 6.2 System Ridership

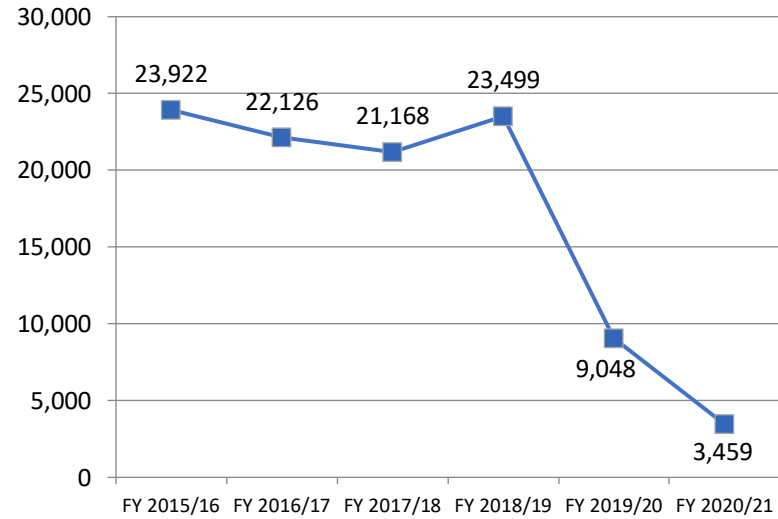


Exhibit 6.3 System Operating Cost/VSH

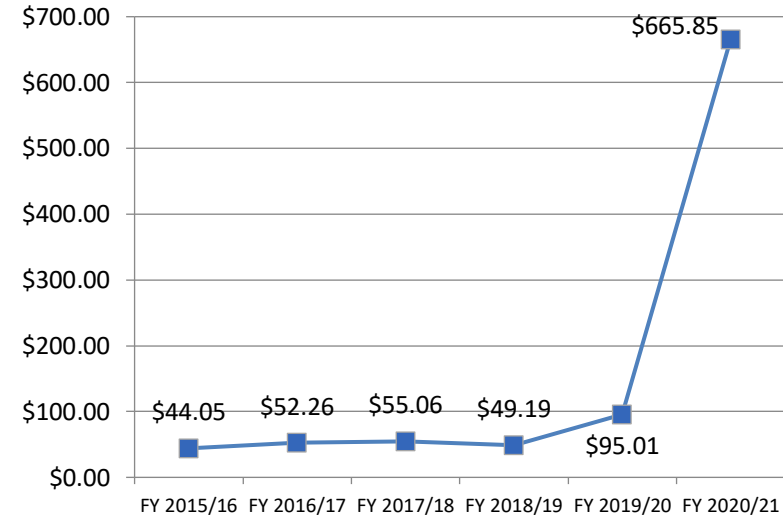


Exhibit 6.4 System Operating Cost/VSM

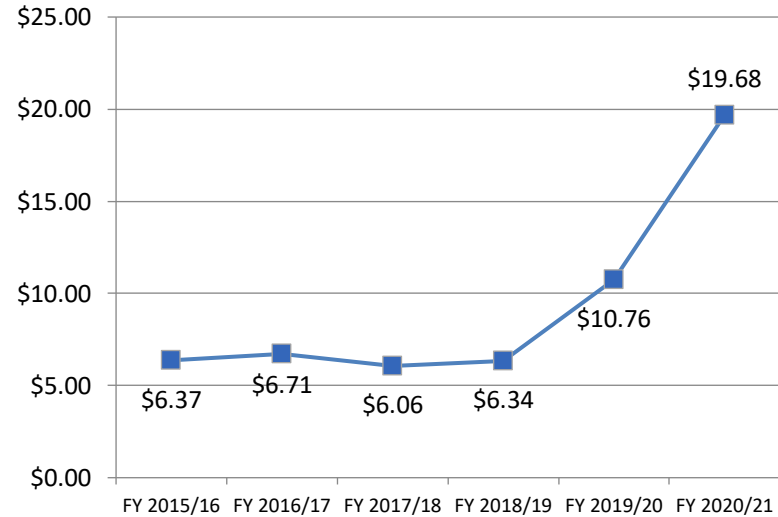


Exhibit 6.5 System VSM/VSH

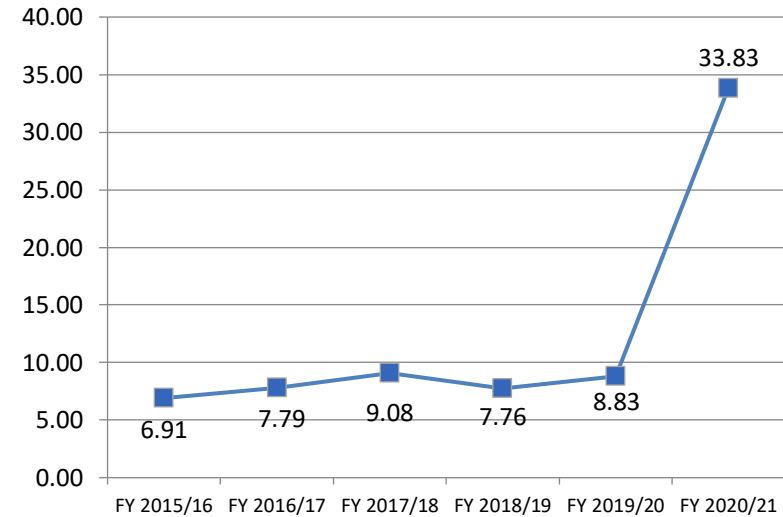


Exhibit 6.6 System Operating Cost/Passenger

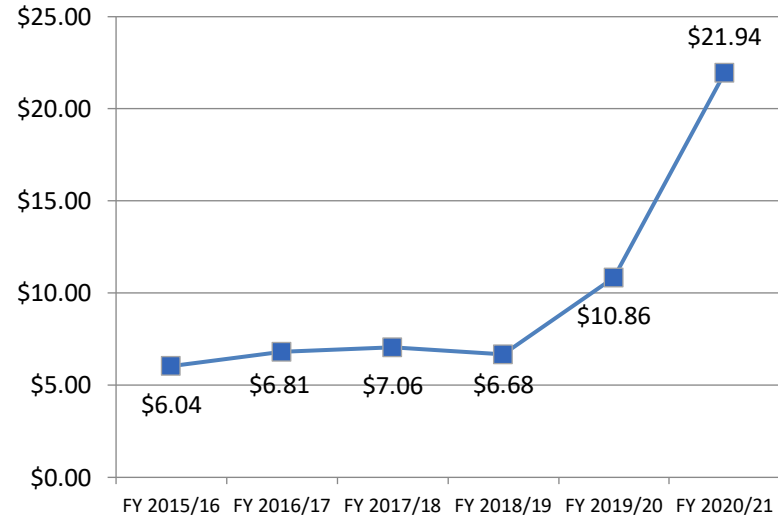


Exhibit 6.7 System Passengers/VSH

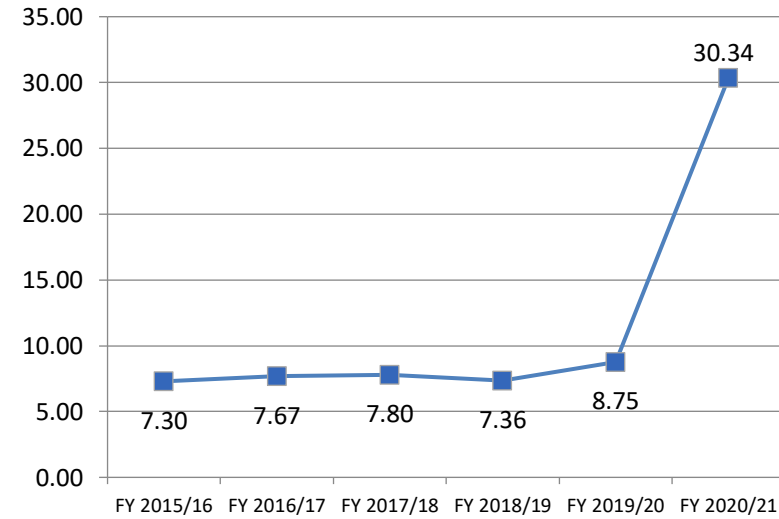


Exhibit 6.8 System Passengers/VSM

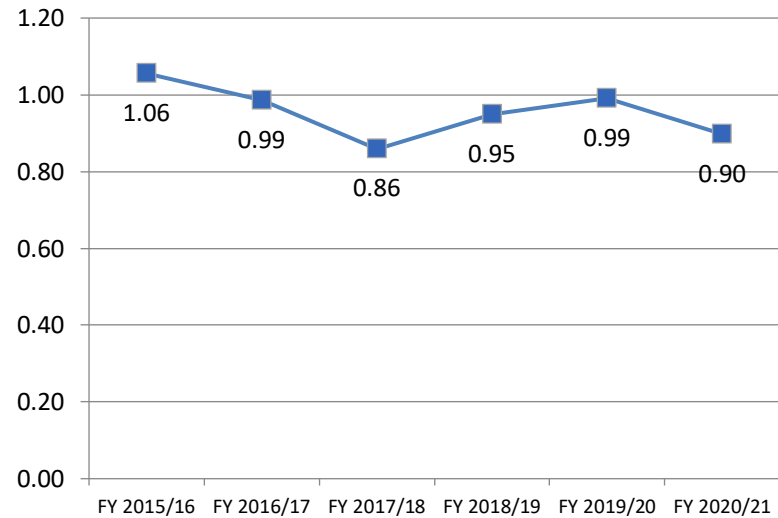


Exhibit 6.9 System VSH/FTE

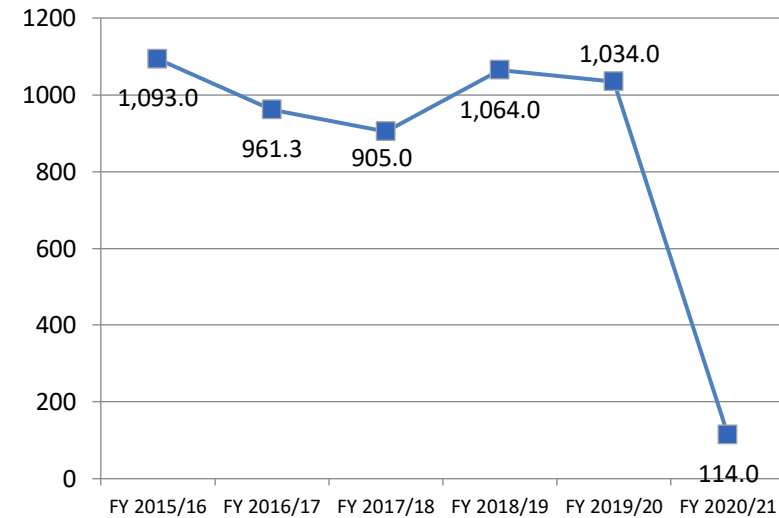


Exhibit 6.10 System Farebox Recovery

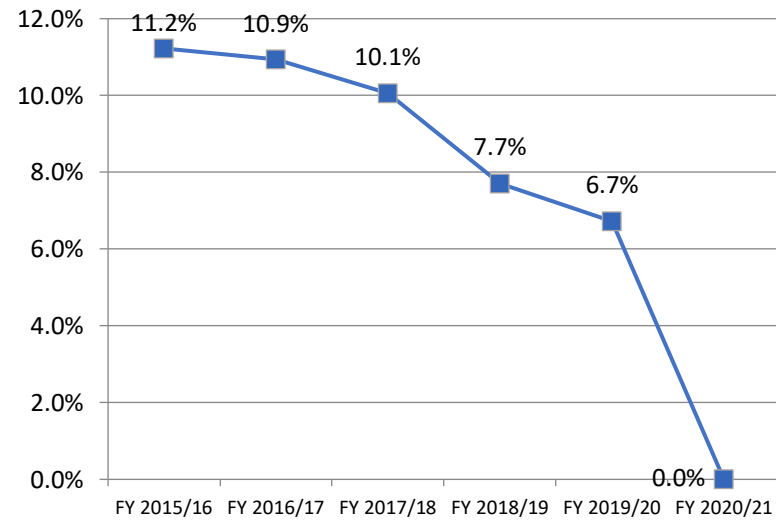
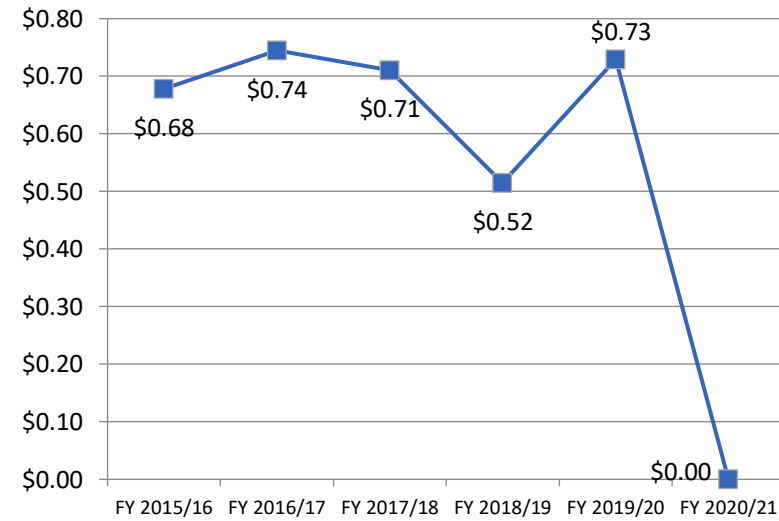


Exhibit 6.11 System Fare/Passenger



Chapter 7 | Functional Review

A functional review of 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 City of McFarland through its transit program:

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

The City’s fare structure is shown in Exhibit 7.1. However, fares have been free since the COVID-19 pandemic.

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.

Response to COVID-19 Pandemic

In response to the COVID-19 pandemic, transit service was reduced to accommodate social distancing practices. One passenger was permitted to ride at a time. While hours of operation did not change, the service went fare free with the assistance of LCTOP funding. The pandemic revealed to the City its lack of preparedness to meet requirements during the pandemic.

However, with federal and state funding the City was able to invest in technology that allowed service to continue operating. Now, the City feels it is in a better position to move forward and more prepared for future issues.

General Management and Organization

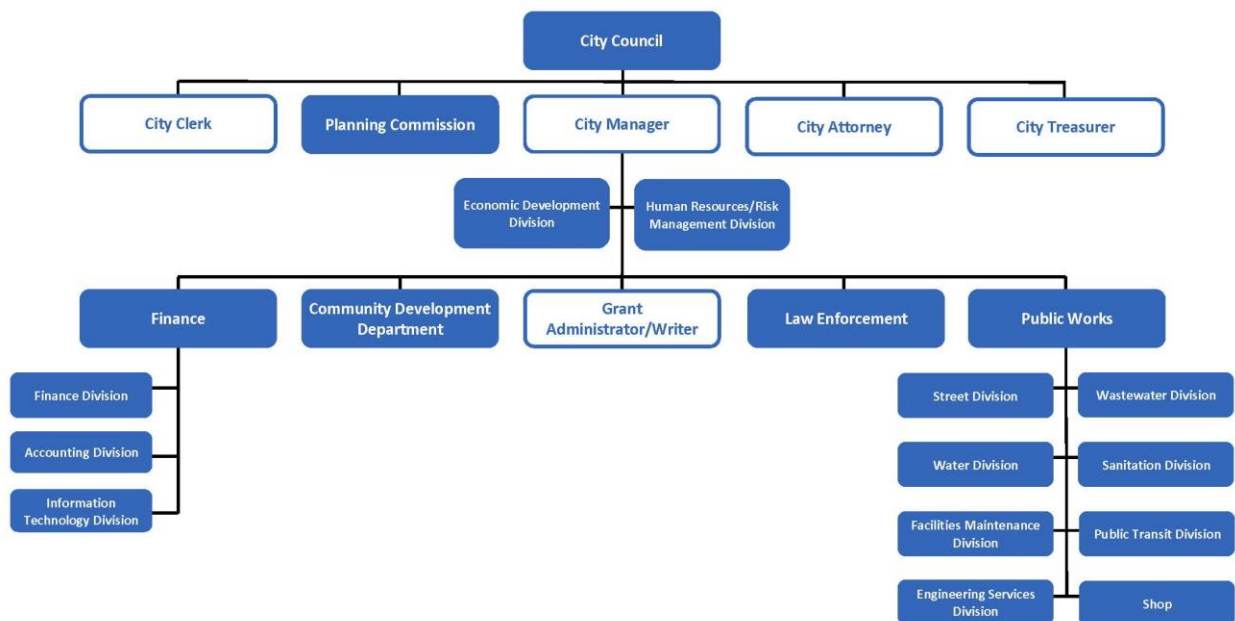
The City's transit program is operated in house by City employees. The program is overseen jointly by the Administrative Services Director (Finance Department) and Public Works Director (Public Works Department). Support is provided by a Staff Accountant and Public Works Assistant. Transit is formally 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 transit program is staffed by a single full-time driver who has been with the City for 12 years. At one time, there was a second part-time driver who also operated the City's street sweeper. The second driver took a job elsewhere and the City is interested in hiring another part-time driver with a GPPV license, a position that has been challenging to fulfill. Historically, the City has only hired drivers who are already licensed. Currently, the level of demand does not warrant two full-time drivers. Therefore, the additional part-time driver would be a flex position and assist in other areas.

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 6:00 pm. This location is served by Kern Transit Route 110, but the City's transit program ends operation prior to the meeting time. The City Council has expressed an interest in building a transit station for operations including maintenance and storage. There is no citizens' advisory committee.

The relationship between the City and the Kern Council of Governments is positive and effective.

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. Kern COG is in the process of identifying grants to fund updates to outdated planning efforts.

There have been no service or fare changes (beyond the free fares since the COVID-19 pandemic) within the three-year period covered by this audit. No formal rider survey has been conducted since the TDP process. Any feedback from customers is communicated to the driver and passed along to the rest of the program.

Administration

The Finance Director and Public Works Director jointly handle budgeting for transit. Comparison of budgeted versus actual revenue and expenditures are conducted when staff pay an invoice. The City uses Tyler Incode 10 and will transition to ERP Pro software for budgeting. However, this data is not typically reported to the City Council. The Finance Director oversees grant compliance and is actively seeking Community Development Block Grant (CDBG) funding for the transit facility and funding for vehicle replacement.

The Human Resource Director handles risk management. The City is a member of the Central San Joaquin Valley Risk Management Authority (CSJVRMA) for general liability and workers' compensation programs. The City processes claims by completing a claim form and submitting it to the CSJVRMA. Public Works is responsible for periodically reviewing the City's safety practices.

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. Direct deposit is available to all employees, and the majority participate.

The City has a purchasing policy that is compliant with the municipal code. It is the responsibility of the department authorizing the purchase to verify receipt before the invoice is processed for payment. All purchases under \$15,000 may be approved by the City Manager or purchasing officer. Purchases between \$15,000 and \$35,000 require three quotes and City Council approval, while anything larger than \$35,000 must follow a formal bid process and receive council approval.

Marketing and Public Relations

The City's primary transit marketing tool is the transit webpage, which includes a Google Transit widget that provides a Spanish translation. The website also includes Spanish translations of several downloadable .pdf documents. However, several of the documents are outdated (for example, the Title VI Program is dated 2014). It is unclear whether the service information on the webpage is accurate. The City has a billboard that lets the community know they are still operating. While the City has social media (e.g., Facebook), it is not used for transit. The City does not provide a printed brochure or other printed materials.

Most feedback is given to the driver and complaints are addressed as they come in. Only major issues typically require attention beyond the driver. A complaint form is available if a rider wants to escalate a complaint. Staff have not seen any transit-related complaints in the last year.

Scheduling, Dispatch, and Operations

Service is operated using two vehicles, though only one is needed when there is a single driver. There are currently no capacity issues. The City recently created a union (SEIU Local #521) which represents the transit drivers. This was formed after the audit period; a formal MOU was not yet in place at the time of the site visit.

Fares are collected onboard the using manual fareboxes on the bigger buses only. There is no farebox on the minivan. However, as no fares are currently being collected, this is not an issue. At present, the driver is only licensed to drive the minivan, though both the larger buses and minivan were used during the audit period (as the part-time driver was licensed to drive the buses). The driver uses a daily log to record passenger count, vehicle revenue hours (by logging times in and out of service), and vehicle revenue miles (by logging odometer readings).

Personnel Management and Training

The City has one full-time driver who receives the City's standard benefits package (including retirement). The City would like to hire an additional part-time driver with a GPPV certification. There is very little employee turnover in the transit program. The driver attends monthly safety meetings and attends OSHA defensive driving training.

Maintenance

The City owns and maintains two gas-fueled transit vehicles: one cutaway bus and a minivan. However, the current driver is only licensed to drive the minivan. Both 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 driver typically identifies when maintenance is due. Engine work, accident repairs, and body work are all sent out to local vendors.

The City is in the process of identifying grant funding for vehicle replacement.

Exhibit 7.3 Fleet Inventory

Vehicle #	Year	Make	Model	PAX	WC	Fuel
2	2015	Toyota	Sienna Van	7	1	Gas
4	2016	Ford	E-450 Super Duty	21	2	Gas

Chapter 8 | Findings and Recommendations

Conclusions

With five 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

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

1. State Controller Reports submitted well beyond the deadline for all three fiscal years.
2. TDA fiscal audits have yet to be completed for all three fiscal years.
3. The City did not meet the 10 percent farebox recovery ratio requirement in FY 2018/19.
4. The City did not correctly calculate operating cost within the STA efficiency tests, and did not pass either in either FY 2018/19 or FY 2019/20.
5. Use of the TDA definition of full-time equivalent (FTE) employee in preparing the State Controller Reports could not be confirmed.

The audit team has identified two functional findings. While these findings are not compliance findings, the audit team believes they warrant inclusion in this report:

1. The City filed TDA claims without having completed the required TDA fiscal audits.
2. The City's website and linked documents are outdated.

Program Recommendations

In completing this Triennial Performance Audit, the auditors submit the following recommendations for the City of McFarland's public transit program. 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. Each finding is presented with the elements identified within the 2011 *Government Auditing Standards* as well as one or more recommendations.

Compliance Finding 1: State Controller Reports submitted well beyond the deadline for all three fiscal years.

Criteria: PUC 99243 requires operators receiving funding under Article 4 to submit their Financial Transaction Report to the State Controller within seven months of the end of the fiscal year. No extensions are provided.

Condition: In FY 2018/19, the City's State Controller Report was not submitted until May 27, 2020. In FY 2019/20, the report was not submitted until March 8, 2021. In FY 2020/21, it was not submitted until March 21, 2022.

Cause: The cause of the late submittals could not be determined.

Effect: The State Controller Reports – as well as other items – were submitted after the established deadlines.

Recommendation: Ensure future State Controller Reports are submitted prior to the January 31 deadline.

Recommended Action: The City should work to resolve any underlying issues that resulted in the late submittal of reports.

Timeline: Beginning with FY 2022/23 report.

Anticipated Cost: None.

Management Response: City staff recognize the State Controller Reports were submitted after the established deadlines for three fiscal years. This delay was primarily due to the COVID-19 pandemic, significant organizational turnover, and other unforeseen circumstances. The City intends to assign a dedicated team responsible for the timely submission of reports, implement a tracking and reminder system for crucial deadlines, and conduct regular internal audits to ensure readiness for submission as corrective actions.

Compliance Finding 2: TDA fiscal audits have yet to be completed for all three fiscal years.

Criteria: PUC 99245 requires all Article 4 recipients to submit an annual TDA fiscal audit to the State Controller within 180 days of the end of the fiscal year. The RTPA has the authority to extend the deadline for another 90 days, typically to March 31. Audits for the prior fiscal year must be completed before TDA claims for the next fiscal year can be filed.

Condition: At present, the City's annual fiscal audits have been completed. The City realized early in 2023 that the fiscal audits from the years of the audit period had not been completed, which appeared to have been an oversight. This awareness was triggered when the auditor reached out about the FY 2021/22 TDA fiscal audit. The City has responded to initial data requests for the missing audit but they have yet to be completed.

Cause: The cause of the missing audits is likely due to delays in completing the City's financial audits.

Effect: The City cannot complete its TDA fiscal audits until the City's audits are completed.

Recommendation: Work with the City and its auditors to complete TDA fiscal audits.

Recommended Action: Work with the City and its auditors to ensure the fiscal audits can be completed as soon as possible. The goal should be to get back on schedule for on-time completion of audits for FY 2022/23.

Timeline: As soon as possible.

Anticipated Cost: None.

Management Response: The missing TDA fiscal audits were an oversight, likely related to broader delays in completing the City's financial audits due to COVID-19 impacts and staffing changes. The City intends to collaborate with the City's auditors to expedite completion of the missing audits and establish an internal process to monitor and ensure timely completion of future audits as corrective actions.

Compliance Finding 3: The City did not meet the 10 percent farebox recovery ratio requirement in FY 2018/19.

Criteria: PUC 99268.4 requires a transit operator serving a non-urbanized (rural) area to achieve a farebox recovery ratio of 10 percent in order to be eligible for its full allocation of TDA funding.

Condition: In FY 2018/19, as calculated within the State Controller Report (since no TDA fiscal audit was available), the City of McFarland had a system-wide farebox recovery ratio of 9.17 percent. The City also did not meet the 10 percent threshold in FY 2019/20 and FY 2020/21, but a penalty waiver under AB 90 eliminated the penalty for doing so. AB 149 extended these penalty waivers through FY 2022/23, but given the impact of the COVID-19 pandemic, it is unlikely the City will be able to meet the 10 percent requirement in FY 2023/24.

Cause: There are many causes for not meeting the farebox recovery requirement, including increasing operating costs and lower ridership/fare revenue.

Effect: When revenues and costs get out of balance, the farebox recovery ratio can drop below the required threshold.

Recommendation: Identify sources of local supplementation that can be used to bring the City's farebox recovery ratio up to 10 percent beginning in FY 2023/24.

Recommended Action: The City should ensure it has sufficient local supplementation in order to remain in compliance with the 10 percent farebox recovery ratio requirement. This could be through applying a sufficient amount of federal operating funds to the farebox revenue plus local supplementation calculation (as allowed under AB 149) or by applying City general funds in a sufficient amount.

Timeline: Beginning in FY 2023/24 (following the expiration of penalty waivers resulting from AB 149).

Anticipated Cost: To be determined.

Management Response: The failure to meet the farebox recovery ratio requirement is attributed to increased operating costs, lower ridership, and the financial strains imposed by the COVID-19 pandemic. The City intends to assess potential sources of local supplementation to improve the farebox recovery ratio and implement strategies to increase ridership and revenue as corrective actions.

Compliance Finding 4: The City did not correctly calculate operating cost within the STA efficiency tests, and did not pass either in either FY 2018/19 or FY 2019/20.

Criteria: PUC 99314.6 requires transit operators to meet one of two efficiency criteria in order to use STA funding for operational expenses. The measure of efficiency is based on change in cost per vehicle service hour. If an operator does not meet either test of efficiency, then the amount of STA funding available for operating expenses is reduced by the lowest percentage it exceeded the amount necessary to meet the standard.

Condition: The City provided STA eligibility worksheets labeled FY 2018/19 through FY 2021/22. However, the data on each worksheet ended with the claim year, which would not have been available at the time of the TDA claim. The worksheet should include the most recent year for which audited data are available. For FY 2018/19, for example, the most recently audited year should be FY 2016/17, as the claim form would be completed during FY 2017/18. If claims are submitted late, later audited data may be available, though this does not appear to be the case since the most recent audits have yet to be completed. When the efficiency tests were conducted as part of the triennial performance audit, the Modoc Transportation Agency was found to be fully eligible in FY 2018/19 and FY 2019/20. The test was waived for FY 2020/21 under AB 90 as part of the COVID-19 response.

In addition, when calculating operating cost for each year, the City appears to have excluded the full cost of fuel and insurance, rather than the increase in cost after being adjusted for CPI. For example, in FY 2016/17, the City cited an operating cost of \$179,484, minus depreciation, fuel, and insurance costs of \$28,757, \$11,124, and \$2,980 respectively, for a net operating cost of \$136,623. However, after examining actual costs from City budget documents, the change in the cost of fuel and insurance, after being adjusted for CPI, was actually \$899 and \$466, resulting in a net operating cost of \$149,362.

When the worksheets were reworked using the correct exclusions, this resulted in the City not passing either of the tests in either FY 2018/19 or FY 2019/20. In FY 2018/19, the lowest percentage by which the City did not pass was 0.94 percent, which would require the City to reserve 0.94 percent of its STA allocation for capital purposes. In FY 2019/20, the City would need to reserve 12.49 percent for capital purposes. This limitation did not apply in FY 2020/21, FY 2021/22, or FY 2022/23 as a result of AB 149.

Cause: A lack of understanding of how to calculate this metric is the most likely cause.

Effect: As a result, the City may have claimed STA funds for operating purposes that should have been reserved for capital.

Recommendation: Correctly calculate operating cost in conducting the STA efficiency tests, and reserve an appropriate percentage of STA funds for capital purposes if neither test is passed.

Recommended Action: The City should revise its STA worksheets to assess its eligibility to use STA funds for operating purposes using the appropriate exclusions and audited financial data. If, using this data, it determines it is not eligible to use the full amount for operating purposes for either FY 2018/19 or FY 2019/20, it should work with Kern COG to ensure the appropriate amount is claimed for capital purposes.

Timeline: As soon as possible.

Anticipated Cost: Negligible.

Management Response: The City acknowledges the incorrect calculation and misinterpretation of the efficiency criteria. This error was largely due to a lack of understanding of the specific metric. The City intends to revised the STA worksheets to ensure accurate calculations and provide training to staff to understand and correctly implement these calculations as corrective actions.

Compliance Finding 5: Use of the TDA definition of full-time equivalent (FTE) employee in preparing the State Controller Reports could not be confirmed.

Criteria: The State Controller, for its Transit Operator Financial Transaction Report, utilizes the TDA definition of full-time equivalent (FTE) employee for the reporting of employees. This definition, included as part of PUC 99247, calls for a definition of “employee” as total work hours divided by 2,000.

Condition: The City did not provide documentations for this metric as part of the current audit. As such, use of the TDA definition could not be evaluated or confirmed.

Cause: The cause of this failure to provide the data is unknown.

Effect: Compliance with this requirement could not be verified.

Recommendation: Ensure the TDA definition of full-time equivalent (FTE) employee is used in preparation of the State Controller Reports.

Recommended Action: The City should document all hours worked related to transit beginning with FY 2022/23. Hours should be based on either actual work performed. For individuals not dedicated to transit (such as the Public Works Director), hours may be estimated based on a percentage of time spent on transit. Once all hours have been totaled, divide by 2,000 to calculate the number of employees. Ensure the individual(s) completing the State Controller Report is aware of how to calculate this data using the TDA definition. Maintain documentation of this calculation methodology for the next Triennial Performance Audit.

Timeline: Beginning with the State Controller Report for FY 2022/23.

Anticipated Cost: None.

Management Response: The absence of proper documentation for the FTE metric was an oversight on the City’s part, and staff understand the importance of adhering to the correct definition. The City intends to implement a system to accurately track and document all hours related to transit and provide guidance to ensure proper calculation based on the TDA definition as corrective action.

Functional Finding 1: The City filed TDA claims without having completed the required TDA fiscal audits.

Criteria: Under CCR 6664, the RTPA may not make an allocation of TDA funds to any operator that is delinquent in its annual TDA financial audits. This is a functional finding because the Kern COG’s claim form does not require claimants to provide their TDA fiscal audits or certify that the audits have been

completed as part of its claim process. It merely asks for the date of the most recently completed TDA fiscal audit.

Condition: The City submitted TDA claims for each year of the audit period, even though TDA fiscal audits for those years had not been completed. The City noted that Kern COG paid the claims despite the missing audits.

Cause: It is likely this was caused by a lack of understanding of the TDA claim requirements, both by the City and Kern COG.

Effect: The City received payments from Kern COG for claims for which no TDA fiscal audit had been completed.

Recommendation: Do not submit TDA claims to Kern COG for any year for which the TDA audit for two years prior has not been completed.

Recommended Action: While the City should not have submitted claims to Kern COG when TDA fiscal audits had not been completed, the Kern COG also should not have paid any allocations specific to these claims for the same reason.

Timeline: All future TDA claims.

Anticipated Cost: None.

Management Response: The filing of TDA claims without completed audits was an unintentional error. The issue has been identified and will be addressed immediately. The City will develop clear procedures to prevent future premature claims as a corrective action.

Functional Finding 2: The City's website and linked documents are outdated.

Criteria: Marketing and Public Information is one of the functional areas examined during the audit process.

Condition: The flyer containing service hours and fares appears to have been created prior to the pandemic, though it is undated. There is no indication that the service is other than is represented on the website, and it is unclear if the free fares in effect during the COVID-19 pandemic are still in place. In addition, the website features the 2014 Title VI Program, a link to a closed transit survey,

Cause: It is the City's responsibility to provide current information on its website.

Effect: Failure to provide up-to-date information about the transit service online can result in confusion about when the service operates, especially among new residents or visitors.

Recommendation: Update transit marketing collateral to reflect current transit service offerings.

Recommended Action: While the website itself does not require an update, the files linked to it should be update to reflect current conditions. The service flyer should be dated, and if free fares are still in effect, this should be noted either on the flyer or the website. The link to the expired survey should be removed, and the most current Title VI Program, Notice to the Public, Complaint Process, and Complaint Forms should be posted. Even if information does not change frequently, these periodic updates should be made.

Timeline: Beginning in FY 2022/23, with ongoing maintenance.

Anticipated Cost: Negligible.

Management Response: The City acknowledges that its website and linked documents are outdated. It will take immediate steps to rectify this, including assigning a team to review and update the website and all linked documents regularly.

Exhibit 8.1 Audit Recommendations

TDA Compliance Recommendations		Importance	Timeline
1	Ensure future State Controller Reports are submitted prior to the January 31 deadline.	Medium	FY 2023/24
2	Work with the City and its auditors to complete TDA fiscal audits.	High	FY 2023/24
3	Identify sources of local supplementation that can be used to bring the City's farebox recovery ratio up to 10 percent beginning in FY 2023/24.	High	FY 2023/24
4	Correctly calculate operating cost in conducting the STA efficiency tests, and reserve an appropriate percentage of STA funds for capital purposes if neither test is passed.	High	ASAP
5	Ensure the TDA definition of full-time equivalent (FTE) employee is used in preparation of the State Controller Reports.	Medium	FY 2023/24
Functional Recommendations		Importance	Timeline
1	Do not submit TDA claims to Kern COG for any year for which the TDA audit for two years prior has not been completed.	High	Ongoing
2	Update transit marketing collateral to reflect current transit service offerings.	Medium	ASAP

Management Response

The City of McFarland remains committed to achieving full compliance with the requirements of the Transportation Development Act. It is taking immediate and determined steps to address the findings of this audit. Its corrective action plan reflects its commitment to efficiency, transparency, and accountability.

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