Santa Cruz County Regional Transportation Commission

--NOTICE--

Request for Proposals (RFP)
for Professional Services

2024 Triennial Performance Audits

The Santa Cruz County Regional Transportation Commission (RTC) invites interested parties to submit a proposal to conduct performance audits of the RTC, the Santa Cruz Metropolitan Transit District, and Community Bridges.

Issue Date: January 16, 2024
Closing Date: February 15, 2024, at 5:00 PM

Interested parties must deliver one (1) electronic PDF version of the proposal by the closing date.

Proposals relating to this RFP shall be submitted to:

Santa Cruz County Regional Transportation Commission
Subject: RFP2184 Triennial Performance Audits
Electronic: info@sccrtc.org
Phone: 831-460-3200

This notice, along with its enclosures, comprises the Request for Proposals (RFP) for this project. Responses should be submitted in accordance with the instructions set forth in this RFP. Email inquiries relating to this RFP should include “2024 Triennial Performance Audits” in the subject header. The RTC reserves the right to amend the RFP by addendum before the final proposal submittal date. This RFP and addenda will be available at: http://www.sccrtc.org/about/opportunities/rfp/.
DATE: January 16, 2024  
TO: Interested Consultants  
FROM: Mitch Weiss, Interim Executive Director  
SUBJECT: Request for Proposals (RFP) 2184 for Professional Services for 2024 Triennial Performance Audits

INVITATION
The Santa Cruz County Regional Transportation Commission (RTC) invites qualified and experienced consultants to submit a proposal for professional services with a Fee Schedule that includes an estimate of costs per task including other direct costs (ODCs) to complete the project. Please submit one (1) digital copy of your Proposal.

REQUEST FOR PROPOSALS
The RFP is available on the RTC website: www.sccrtc.org/about/opportunities/rfp/ and at the RTC office.

RESPONSE DUE DATE
Proposals are due in the Santa Cruz County Regional Transportation Commission (RTC) office by 5:00 PM on February 15, 2024. Any proposals received after the date and time specified above will not be considered. RFP Responses shall be considered firm offers to enter into a contract, as described in this RFP for a period of ninety (90) days from the time of submittal.

PROCUREMENT SCHEDULE

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<td>January 17, 2025</td>
<td>Final Audit Report Due</td>
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**CONTACT**

Responses and inquiries relating to this RFP shall be submitted to:

Santa Cruz County Regional Transportation Commission  
1101 Pacific Avenue, Suite 250, Santa Cruz, CA 95060  
831-460-3200 / Email: info@sccrtc.org

Email inquiries relating to this Request for Proposals should include “2024 Triennial Performance Audits RFP2184” in the subject header.
REQUEST FOR PROPOSALS RFP2184
2024 TRIENNIAL PERFORMANCE AUDITS FOR THE
SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION

Introduction

The Santa Cruz County Regional Transportation Commission (RTC), which serves as the Regional Transportation Planning Agency (RTPA) for Santa Cruz County, is required by Section 99246 of the California Public Utilities Code (the “Transportation Development Act”, hereinafter “TDA”) to triennially designate an entity other than itself to conduct a performance audit of its activities. Operators that receive funding under Article 4 of the TDA are required to have a performance audit. Between fiscal years (FY) 2022 and 2024, this includes:

- Santa Cruz Metropolitan Transit District (SCMTD)

Claimants that receive funding under Article 8 funds are not statutorily required to have a performance audit; however, to enable a comprehensive and objective review that serves the benefit of both the RTPA and the transit provider, performance audits should be conducted of all operators that are allocated funding under the TDA. These claimants include:

- Community Bridges
- Volunteer Center of Santa Cruz County

The Santa Cruz County Regional Transportation Commission (RTC), is soliciting proposals to conduct performance audits of the RTC, the Santa Cruz Metropolitan Transit District and Community Bridges for fiscal years **2021/22** through **2023/24**. Proposer to include a separate cost for the optional task of including the Volunteer Center.

The audits must be conducted in compliance with relevant sections of the Transportation Development Act and shall evaluate the efficiency, effectiveness, and economy of the operation of the entity being audited. They shall be conducted in accordance with the efficiency, economy, and program results portions of the Comptroller General’s “Standards for Audit of Governmental Organizations, Programs, Activities, and Functions.” The RTC further expects that the performance audits will be conducted consistent with the “Triennial Performance Audit Guidebook” issued by the California Department of Transportation.
Proposal Due Date
Interested firms must submit an electronic copy (in PDF format) of their proposal to the RTC offices via email to info@sccrtc.org no later than 5:00 p.m., Thursday, February 15, 2024. The RTC will accept a paper copy of proposal. If submitting a paper copy, postmarks will not be accepted as meeting deadline.

Scope of Work
The contractor shall provide consulting services as necessary to complete the following work items:

1. Triennial Performance Audit of the Santa Cruz County Regional Transportation Commission (RTC).

2. Triennial Performance Audit of the Santa Cruz Metropolitan Transit District (SCMTD).

3. Triennial Performance Audit of Agencies providing specialized transit services: Community Bridges (CB) and the Volunteer Center (VC) as an optional task.

General information about the RTC, SCMTD, Community Bridges and the Volunteer Center is included in Attachment A.

The audits must meet all requirements of California state law relating to performance audits of planning entities and operators, and the provisions of this request for proposals. Specifically, the contractor shall perform performance audits which comply with all applicable provisions of the California Code of Regulations and all other applicable state law including Sections 6662.5 and 6664.5 of the California Code of Regulations. The performance audit shall evaluate the efficiency, effectiveness, and economy of the operation of the entity being audited.

The evaluation of the performance of the RTC as Regional Transportation Planning Agency shall include, but not be limited to:

a. The manner and extent to which the RTC complies with legal and regulatory requirements, including its planning mission and its responsibility in administering transportation funding.

b. The manner and extent to which the RTC operations and planning objectives have responded to prior performance audit recommendations.

c. Review of RTC functions, including interviews with RTC management,
staff, and governing board, as well as with operators under the RTC jurisdiction. Supplemental interview with other regional agencies and State or federal agencies may be appropriate to gather more detailed information about any areas of concern.

d. The manner and extent to which the RTC’s financial records are managed.

e. A preliminary audit report or management letter discussing the evaluation of performance and recommendations for improvements or additional functional audits.

f. A final report.

The evaluation of the performance of Transit Operators (SCMTD), shall include, but not be limited to:

a. The manner and extent to which the transit operator has complied with legal and regulatory requirements and with the Regional Transportation Plan.

b. Progress toward the goals included in the Regional Transportation Plan.

c. Evaluation of progress in responding to prior performance audit recommendations.

d. Analysis of the transit performance indicators identified in the Performance Audit Guidebook and state law, which include operating cost per passenger, operating cost per vehicle service hour, passengers per vehicle service hour, passengers per vehicle service mile, and vehicle service hours per employee.

e. Review of SCMTD functions, to identify any concerns over inefficient or ineffective performance. A supplemental interview with other regional agencies and State or federal agencies may be appropriate to gather more detailed information about any areas of concern.

f. Preliminary management letters and a final report.

The Community Bridges and the Volunteer Center provide specialized transportation services and they do not receive Article 4 TDA funds. These agencies receive the funds from the City of Santa Cruz, which acts as the claimant under Article 8, Section 999400(c). However, for the purpose of this performance audit, the indicators, which are consistent with Sections 99246 and 99247 of the California Public Utilities Code, will be utilized where applicable.
**Presentation of the Final Report**
In addition to the production of a draft audit report for review and feedback, the work of the contractor shall include a presentation of the final audits to the Regional Transportation Commission and to the Santa Cruz Metropolitan Transit District Board of Directors in February 2025. In addition to the final presentation, the consultant shall meet with RTC staff and SCMTD staff as necessary to complete the project. It is expected that the contractor will fully brief the staff and be familiar with the claimants operations, as they relate to TDA, before issuing a final report and recommendations.

**Timeline and Budget**
The services of the consultant shall begin immediately following the execution of a professional services agreement. It is anticipated that this contract will begin in April 2024. The services and deliverables shall be completed in a professional manner by **January 17, 2025**.

**Contact Information**
The Santa Cruz County Regional Transportation Commission is the lead agency and client for all aspects of this project. Questions and correspondence should be directed to:

Tracy New, Director of Finance and Budget  
Santa Cruz County Regional Transportation Commission  
1101 Pacific Avenue, Suite 250, Santa Cruz, CA 95060  
Telephone: (831) 460-3200  
[info@sccrtc.org](mailto:info@sccrtc.org)

**Audit Oversight**
The work of the contractor will be supervised by RTC in consultation with representatives of the SCMTD.
INSTRUCTION TO PROPOSERS

Consultant Selection Schedule
Issue Request for Proposals: January 16, 2024
Proposals Due: February 15, 2024, by 5:00 p.m.
Review of Proposals/Interviews if necessary: week of March 4th
RTC Board Approves Selected Firm: April 4, 2024
Notice to Proceed: April 8, 2024
Final Audit Report Due: January 17, 2025
Presentation to the Commission: February 2025

Proposal Content and Organization
The intent of this RFP is to encourage responses which meet the stated requirements, and which propose the best methods to accomplish the work within the stated budget.

1. Title Page - Indicate RFP subject, name of proposer's firm, address, telephone number, name of contact person, and date of proposal.

2. Table of Contents - Identify the material in the proposal by section and page number.

3. Letter of Transmittal - Briefly state the proposer's understanding of the work to be done and commit to perform the work within the specified time period and budget. The letter should be signed by someone authorized to bind the consultant team. Include the names and contact information of all subcontractors. Provide the names and titles of individuals authorized to represent the proposer. Letter should include acknowledgement of all addenda and proposed exceptions to the draft contract. Letter should be no longer than three pages.

4. Profile of the Proposer – Describe the firm’s resources and provide evidence that it has the ability to complete the work solicited by this RFP in the time frame proposed.

5. Summary of Proposer's Qualifications and References - Describe similar projects performed. Provide a list of references for which similar work has been performed, as well as references for any proposed subcontractors. Include sample reports or sample materials produced. Sample reports can be summarized here and submitted in an Appendix digitally.

6. Proposed Staffing – Provide a list of proposed staff, their qualifications and backgrounds identifying the proposed project manager and staff positions for the study. Indicate what proportion of
their time key personnel will devote to this project and include statements that each of those key people have time to meet those obligations.

7. **Technical Approach** – Describe how the study is proposed to be conducted, including public outreach, data collection and compilation, analysis, consensus building and stakeholder approvals. Describe project management techniques and strategies to ensure quality and deliver project on time and within budget.

8. **Preliminary Schedule** - Provide a draft schedule for study completion.

9. **Cost Structure** - Provide a detailed cost breakdown, including estimated time by task, person, hourly rates, estimated travel time and travel expenses and materials cost.

**Required Attachment:**

Form 1 California Levine Act Statement

**Submittal of Proposals**

1. One electronic copy (in PDF format) of their proposal must be received via email info@sccrtc.org, no later than **5:00 pm on Thursday, February 15, 2024**. The RTC will accept a paper copy of proposal. If submitting a paper copy, postmarks will not be accepted as meeting deadline.

If selected for further consideration, firms should be available for oral interviews **March 4-8, 2024**. However, at the discretion of the RTC, the selection of a consulting firm may be made without oral interviews.

2. Costs to prepare the proposal shall be borne by the proposer.

3. The RTC reserves the option to reject any or all proposals, wholly or in part.

4. This request does not constitute an offer of employment or contract.

5. Any contract entered into as a result of this request will contain a clause that the consultant will abide by the Fair Employment Practice Act.

6. The RTC reserves the right to award the contract to the firm that presents the proposal which, in the judgment of the RTC, best
demonstrates the ability to conduct the audit, which shall include, but not be limited to, understanding of the purpose and requirement of the audit; approach to be followed and tasks to be performed; relative allocation of resources to key tasks; experience in public transit, performance auditing, and issues and functional area(s) to be analyzed; education and specific experience of the project team; and consideration of the cost proposal.

7. **Conflict of Interest:** The prospective consultant shall demonstrate no conflicts of interest, and a commitment to avoid potential conflicts that might arise from work performed for others, past associations or pending relationships. Prospective consultants shall disclose any financial, business or other relationship with RTC that may have an impact upon the outcome of this contract or RTC construction projects. The prospective consultant shall also list current clients who may have a financial interest in the outcome of this contract or RTC projects that will follow. In particular, the prospective consultant shall disclose any financial interest or relationship with any construction company that might submit a bid on RTC projects.

8. **Ownership of RFP Responses:** All documents, including specific RFP responses, submitted to the RTC become the property of the RTC. All materials submitted by proposers are subject to public inspection under the California Public Records Act (Government Code § 6250 et seq.), except that the RTC may withhold from disclosure clearly marked confidential trade secret information contained in any proposal, and proposer's submission of information so marked shall constitute its agreement to defend and indemnify the RTC from any claim or liability for nondisclosure thereof. After award of the contract (or if not awarded, after rejection of all proposals), all responses will be regarded as public records and will be subjected to review by the public. Any language purporting to render all or portions of the proposal confidential will be regarded as non-effective and will be disregarded.

**Proposal Evaluation and Selection Process**

1. The RTC’s Executive Director and staff will review the written proposals and, if necessary, invite two or more firms to an oral interview during the week of March 4, 2024. The RTC reserves the right to select a consultant based solely on the written proposals and not convene oral interviews.

2. Based upon the written proposal, the interview, reference checks and cost, the RTC Executive Director will recommend a preferred auditor to the RTC Board on April 4, 2024. After RTC approval, the Executive
Director will contact the firm selected as the preferred firm and attempt to negotiate a contract. If in the RTC’s Executive Director’s opinion, negotiations are not progressing toward a successful conclusion, the RTC Executive Director may negotiate with one other qualified firm.

3. The RTC reserves the right to amend the scope of work prior to the contract being signed, and reserves the right to amend the above process if it does not result in a contract.

**Method of Payment**
Payments will be made on a progress basis by task structured to meet the cash flow requirements of the consultant. Retention of 10% of the full contract amount may be held until after the work has been satisfactorily completed and accepted by the RTC.
ATTACHMENT A

Agency Descriptions

Santa Cruz County Regional Transportation Commission
The Santa Cruz County Regional Transportation Commission (RTC) is designated as the Local Transportation Commission (LTC) and the Regional Transportation Planning Agency (RTPA) for Santa Cruz County. The agency was originally established in 1972 under the provisions of the California Transportation Development Act (TDA) of 1971. TDA established one-quarter of 1 cent of the state sales tax collected locally as a fund primarily for public transportation purposes.

The RTC is comprised of 12 voting members. The membership composition is as follows:

- 5 County Board of Supervisors;
- 4 members representing the cities (one from each of the four Cities);
- 3 members appointed by the Santa Cruz Metropolitan Transit District Board of Directors;
- 1 ex-officio representative of Caltrans

Whereas the RTC had previously contracted with the County of Santa Cruz for staffing and administrative support services, on November 4, 2006 the RTC became an autonomous agency. The RTC has 23 full-time equivalent positions with 22 currently budgeted.

Functions of the RTC
The actions of the RTC are governed by TDA regulations, the California Code of Regulations, Santa Cruz County Ballot Measure D of 2016, Memoranda of Understanding with the Association of Monterey Bay Area Governments (AMBAG) and Caltrans, and the Regional Transportation Commission’s own Rules and Regulations. The RTC is responsible for administering the Transportation Development Act, for establishing regional transportation policy, and for developing specific transportation improvement programs for the county.

In addition to developing and adopting the Regional Transportation Plan (RTP) and maintaining various transportation programs, the RTC is responsible for biennially developing the Regional Transportation Improvement Program (RTIP). The RTIP is a summary of proposed countywide short-range capital improvement projects and programs. The RTIP must conform to the Regional Transportation Plan and is incorporated into the Federal Transportation Improvement Program (FTIP), which is prepared by AMBAG.
In 2001 Section 67941 was added to the Government Code that gave the Commission the power of eminent domain and the power to preserve, acquire, construct, improve, and oversee multimodal transportation projects and services on rail rights-of-the ways within Santa Cruz County. The RTC also serves as the rideshare agency for Santa Cruz County and the Service Authority for Freeway Emergencies (SAFE). In this capacity, the RTC owns and administers the motorist aid call box system on state highways in Santa Cruz County. In 2016, over two-thirds of Santa Cruz County voters approved Measure D which establishes a ½-cent transactions and use tax countywide for transportation and designates the RTC as the administering agency for Measure D.

More information on the RTC is available online at www.sccrtc.org

**Santa Cruz Metropolitan Transit District (Santa Cruz Metro)**
The Santa Cruz Metropolitan Transit District (Santa Cruz METRO) is the public transit operator for Santa Cruz County, which was formed in 1969. Also known as Metro, Santa Cruz Metro operates 23 fixed bus routes and ParaCruz, the Americans with Disabilities Act (ADA)-mandated paratransit service that complements fixed route bus service. In FY23, the system carries over 3 million passengers annually (average boardings- weekdays 10,382, weekend days 6,083) on over 2.5 million revenue miles. Santa Cruz Metro has over 308 employees (as of June 30, 2023) and an annual operating budget of approximately $61 million in FY23. Fares on local fixed-route buses are $2.00, with seniors and disabled riders paying $1.00. Fares on the commuter fixed-route buses are $7.00, with seniors and disabled riders paying $3.50.

Santa Cruz Metro is a recipient of Transportation Development Act funds as specified in RTC’s Rules and Regulations. Santa Cruz Metro is governed by an eleven-member board plus two ex-officio representative that meets monthly. More information on Santa Cruz Metro is available online at: www.scmtd.com

**Community Bridges**
Community Bridges is a non-profit organization providing seniors, families and children with nutrition, care, support and transportation services. It was designated as the Consolidated Transportation Services Agency in 1982 and provides critical safety net transportation services to seniors and people with disabilities, many of whom are low income. Lift Line has its own fleet of vehicles and trained drivers. In addition, Lift Line operates the Taxi Scrip program to provide subsidized taxi rides to seniors and people with disabilities. Lift Line provides about 80,000 rides to senior meal sites, medical appointments, care facilities and other vital services annually. Their
transportation program provides free paratransit transportation to low-income seniors (over age of 60) and or individuals with disabilities. Lift Line provides transportation beyond the ADA-mandated paratransit services. Community Bridges works with the City of Santa Cruz to receive Transportation Development Act funds as specified in the RTC’s Rules and Regulations. Community Bridges is governed by a 12-member board that convenes eight times a year. More information about Community Bridges’ Lift Line programs is available online at: http://www.communitybridges.org/liftline.htm

**Volunteer Center (cost proposal to separate as an optional task)**

The Volunteer Center is a non-profit organization with the mission to promote volunteerism throughout the community enabling people to share their skills and time to extend needed services in Santa Cruz County. The Volunteer Center has three offices; one in Santa Cruz, one in the San Lorenzo Valley and one in South County to serve the diverse and local needs of the area. The Transportation Program enlists volunteer drivers to use their own vehicles to provide up to one ride a week to senior citizens or people with disabilities to medical appointments, grocery shopping, or banking. Many people rely on this service to help them remain in their own homes, if they are not physically able to drive or take public transportation. Many of the clients using the Volunteer Center’s Transportation Program live in remote areas not served by transit or ParaCruz (the ADA-mandated paratransit). The Volunteer Center offers volunteer drivers supplemental insurance coverage and a mileage reimbursement.

The Volunteer Center works with the City of Santa Cruz to receive Transportation Development Act funds as specified in the RTC’s Rules and Regulations. The Volunteer Center is governed by a ten-member board. More information about the Volunteer Center is available online at: https://scvolunteercenter.org/programs/transportation-program
ATTACHMENT B Triennial Performance Audit Guidebook

State of California
Business, Transportation and Housing Agency
California Department of Transportation

Mass Transportation Program

Performance Audit Guidebook
for Transit Operators and
Regional Transportation Planning
Entities

September 2008 (third edition)
NOTICE

THE PREPARATION OF THIS GUIDEBOOK HAS BEEN FINANCED WITH FUNDS PROVIDED THROUGH THE TRANSPORTATION DEVELOPMENT ACT.

THE CONTENTS OF THIS GUIDEBOOK DO NOT NECESSARILY REFLECT THE OFFICIAL VIEWS OR POLICIES OF THE STATE OF CALIFORNIA. THIS GUIDEBOOK DOES NOT CONSTITUTE A STANDARD, SPECIFICATION OR REGULATION. THE INTENDED PURPOSE OF THIS GUIDEBOOK IS TO PROVIDE A GENERAL OVERVIEW AND GUIDANCE IN CONDUCTING PERFORMANCE AUDITS REQUIRED BY THE TRANSPORTATION DEVELOPMENT ACT.

THE STATE OF CALIFORNIA DOES NOT ENDORSE PRODUCTS OR SERVICES. A TRADE OR SERVICE NAME APPEAR HEREIN SOLELY BECAUSE THEY ARE CONSIDERED ESSENTIAL TO THE OBJECT OF THIS GUIDEBOOK

ANY REFERENCE TO UMTA IS TO BE READ AS FTA (FEDERAL TRANSIT ADMINISTRATION)
ACKNOWLEDGMENTS

THE DEPARTMENT OF TRANSPORTATION WISHES TO EXPRESS ITS APPRECIATION TO ARTHUR BAUER & ASSOCIATES, INC., FOR THEIR WORK IN UPDATING THIS PERFORMANCE AUDIT GUIDEBOOK FOR TRANSIT OPERATORS AND REGIONAL TRANSPORTATION PLANNING ENTITIES.

THE DEPARTMENT WOULD ALSO LIKE TO THANK THE TDA WORKING GROUP (TDAWG) WHICH ASSISTED THE DEPARTMENT IN DEVELOPING A REQUEST FOR PROPOSALS, AND PROVIDING GUIDANCE TO THE CONSULTANT. THE MEMBERS OF THE TDAWG CONSISTED OF REPRESENTATIVES FROM REGIONAL TRANSPORTATION PLANNING AGENCIES, TRANSIT OPERATORS, THE STATE CONTROLLER’S OFFICE AND OTHER INTERESTED PARTIES IN THE TRANSIT COMMUNITY.

FINALLY, THE DEPARTMENT WOULD LIKE TO THANK ALL THOSE WHOSE EXPERIENCE AND EXPERTISE IN THE AREAS OF PERFORMANCE AUDITS WERE AN INVALUABLE ASSET IN THE DEVELOPMENT OF THIS GUIDEBOOK.
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EXECUTIVE SUMMARY

WHAT IS THE PURPOSE OF THE GUIDEBOOK?

The purpose of the Guidebook is to provide information to agencies or individuals involved in a triennial performance audit. These agencies and individuals may include agencies contracting for a performance audit, agencies undergoing an audit, the auditors who conduct performance audits, and members of the public who are interested in the audit process. The information included in the Guidebook identifies requirements and guidelines that can be applied, the basic structure of the audit, specific information on reviewing transit operators and Regional Transportation Planning Entities and suggestions on how to prepare and present the audit report.

WHY DO A PERFORMANCE AUDIT?

The California Public Utilities Code requires that all transit operators and Regional Transportation Planning Entities have a triennial performance audit conducted of their activities.

While meeting the legal requirements for conducting a performance audit is important, a performance audit also provides an opportunity for an independent, objective and comprehensive review of the economy, efficiency and effectiveness of the entity being audited. The audit has other benefits, including:

- Provides management with useful information to assess past activities and provides insight for future planning efforts;
- Provides management with a review and evaluation of an agency's organization and operations;
- Presents an opportunity to utilize auditor expertise which can supplement staff work; and
- Assures accountability for the use of public funds.

WHAT IS A PERFORMANCE AUDIT?

A performance audit is a systematic process of evaluating an organization's effectiveness, efficiency and economy of operation under management control. The objectives of the audit are to provide a means for evaluating an organization's performance and to enhance the performance by making recommendations for improvements. The audit measures
performance against acceptable criteria and focuses on management's planning and control system. In addition, the audit evaluates the adequacy of an organization's systems and the degree of compliance with established policies and procedures. The evaluation results are reported to appropriate individuals or agencies requesting the audit or being audited, along with any recommendations for improvements.

**HOW IS A PERFORMANCE AUDITOR SELECTED?**

The Regional Transportation Planning Entity is responsible for ensuring that a performance audit is conducted and must select an auditor to perform the work. An auditor is normally selected through a Request for Proposal process. A sample Request for Proposal and tips for managing a performance audit are provided in Chapter V of the Guidebook.

**WHO RECEIVES THE PERFORMANCE AUDIT?**

The Department of Transportation receives copies of the performance audits of all Regional Transportation Planning Entities. Additionally, the Department receives certification from each Regional Transportation Planning Entity that required performance audits have been completed for all transit operators under the Entity's jurisdiction.

The Regional Transportation Planning Entities should receive and present to their governing boards not only their own performance audit, but also the performance audits of all transit operators under their jurisdiction. The audit report should also be presented to the officials of each audited entity. In addition, the report should be made available to members of the public.
SECTION I

INTRODUCTION
I. INTRODUCTION

The California Public Utilities Code requires that all transit operators and Regional Transportation Planning Entities (RTPEs)* have a triennial performance audit of their activities. Operators that receive funding under Article 4 of the Transportation Development Act (TDA) are required to have a performance audit. Those claimants that receive funding under Article 4.5 or Article 8 are not statutorily required to have a performance audit; however, to enable a comprehensive and objective review that serves the benefit of both the RTPA and the transit provider, performance audits should be conducted of all operators that are allocated funding under TDA.

The California Department of Transportation (Department) has the responsibility to ensure that the TDA is implemented. To assist the entities that are required to have performance audits conducted of their activities, the Department has developed the Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities (Guidebook). The purpose of this Guidebook is to assist entities involved in the conduct of triennial performance audits in meeting the requirements of the TDA and deriving maximum benefit from the audits.

This chapter describes the performance audit requirement for transit operators and RTPEs. It also discusses who should use this Guidebook, how the Guidebook is organized, how it was developed, and what its limitations are.

I.1 WHAT ARE THE PERFORMANCE AUDIT REQUIREMENTS?

Public Utilities Code Section 99246(a) requires that a Transportation Planning Agency shall designate entities other than itself, a County Transportation Commission, a Transit Development Board, or an operator to make a performance audit of its activities and the activities of each operator to whom it allocates Article 4 funds. It also stipulates that the transportation-planning agency will consult with the entity to be audited prior to designating the entity to make the performance audit.

Section 99246(b) of the Public Utilities Code, states that the performance audit shall evaluate the efficiency, effectiveness and economy of the operation of the entity being audited. It requires that the audit be conducted in accordance with the efficiency, economy and program results portion of the Comptroller General's “Standards for Audit of Governmental Organizations, Programs, Activities and Functions Programs.” The performance audits must be conducted on a triennial basis pursuant to a schedule established by the Transportation Planning Agency, a County Transportation Commission or a Transit Development Board (hereafter referred to as Regional Transportation Planning Entities or RTPEs) having jurisdiction over an operator.

*Regional Transportation Planning Entities include Transportation Planning Agencies, County Transportation Commissions, and Transit Development Boards.

Performance Audit Guidebook
for Transit Operators and Regional Transportation Planning Entities

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Public Utilities Code Section 99246(c) stipulates that the performance audit of the RTPE shall be submitted to the Director of the California Department of Transportation. In addition, it requires that the RTPE certify in writing to the Director that the performance audits of operators located in the area under its jurisdiction have been completed.

Public Utilities Code Section 99246(d) states that the performance audit of an operator providing public transportation services shall include, but not be limited to, a verification of the performance indicators defined in Section 99247 the Public Utilities Code. These performance indicators include:

- Operating cost per passenger;
- Operating cost per vehicle service hour;
- Passengers per vehicle service hour;
- Passengers per vehicle service mile; and
- Vehicle service hours per employee.

Section 99246(d) also requires that the performance audit of an operator providing public transportation services include, but not be limited to, consideration of the needs and types of passengers being served. In addition, it requires the consideration of the employment of part-time drivers and the contracting with common carriers of persons operating under a franchise or license to provide services during peak hours, as defined in subdivision (a) of Section 99260.2 of the Public Utilities Code. Finally, Section 99246(d) states that the performance audit may include performance evaluations both for the entire system or for the system excluding special, new or expanded services instituted to test public transportation service growth potential.

Public Utilities Code Section 99248 stipulates that no operator is eligible to receive an allocation under the TDA for any fiscal year until it transmits reports of its performance audit to the entity, which determines the allocation to the operator, and the transportation planning agency. However, California Code of Regulations Section 6664.5 (c) clarifies that this is applicable only to operators that receive an allocation under Article 4 of the Act. This must be done for the three-year period ending one year prior to the beginning of the fiscal year of the proposed allocation. The RTPE is required to make the reporting available to interested parties. The RTPE is also required prior to September 1st of each fiscal year to provide the Director of the California Department of Transportation and the State Controller a schedule of performance audits to be submitted during the fiscal year and a list of all operators or claimants who operated or commenced operations during the prior fiscal year.

As provided in Public Utilities Code Section 99246, Transportation Planning Agencies have the authority to designate the auditor for performance audits of themselves. They also have the authority to designate the auditor for performance audits of transit operators under the Agency's jurisdiction, after consulting with the respective operators.
Section 99249 of the Public Utilities Code states that the cost of the performance audit may be deemed an administrative cost of the transportation planning agency for the purpose of Section 99233.1. However, the Legislature encourages the use of funds made available by the federal government to support such purposes.

1.2 **WHO SHOULD USE THIS GUIDEBOOK?**

The Guidebook is designed to meet the needs of those entities, organizations and individuals who must familiarize themselves with triennial performance audit requirements, approaches and methodologies. Specifically, these entities, organizations and individuals may include the following:

- **Regional Transportation Planning Entities**
  Includes: Transportation Planning Agencies, County Transportation Commissions, and the Metropolitan Transit Development Board.

- **Transit Operators**
  Receive funding under Article 4 of the TDA are required to have a triennial performance audit of their activities. Those claimants that receive funding under Article 4.5 or Article 8 are not required to have a triennial performance audit under current law. However, to enable a comprehensive and objective review that serves the benefit of both the RTPA and the transit provider, performance audits should be conducted of all operators that are allocated funding under TDA.

- **Auditors**
  Who are selected to conduct triennial performance audits of RTPEs, transit claimants and operators; and

- **Other Interested Parties**
  Public officials and the general public, who are concerned with the use of public funds for transit in California.

While the interests and focus of these groups may vary, this Guidebook provides useful information and technical assistance to enable each group to both comply with performance audit requirements and benefit from the audit process and the results of performance audits.
1.3 WHAT INFORMATION SHOULD BE USED IN CONJUNCTION WITH THE GUIDEBOOK?

This Guidebook has been developed to assist entities involved in the conduct of triennial performance audits required under the TDA. While the Guidebook provides general information regarding performance audits requirements, suggested approaches and methodologies, there are additional publications that will provide specific information which will be necessary in understanding, defining the scope, and in conducting performance audits. These publications include:

- **Transportation Development Act, Statutes and California Code of Regulations,**
  by the California Department of Transportation, Division of Mass Transportation. (Note: the Department updates this document annually.) This document contains the amended statutes and related sections of the California Code of Regulations as adopted by the Department. Among the items that this document contains are:
  - California Government Code, Title 3, Division 3, Chapter 2, Article 11, commencing with Section 29530, establishing the Local Transportation Fund;
  - California Public Utilities Code, Division 10, Part 11, Chapter 4, commencing with Section 99200, detailing the statutes as enacted and amended by the State Legislature; and
  - California Code of Regulations, Title 21, Chapter 3, Subchapter 2, commencing with Section 6600, containing the text of the administrative regulations adopted by the Director of Department of Transportation with the advice and consent of the California Transportation Commission.

- **Standards for Audit of Governmental Organizations, Programs, Activities and Functions,**
  2007 Revision, published by the United States General Accounting Office and the Comptroller General of the United States is for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. This document contains the following information:
  - Standards for audits of government organizations, programs, activities and functions;
  - General standards for conducting performance audits; and
  - Fieldwork and reporting standards for performance audits.
I.4 HOW IS THE GUIDEBOOK ORGANIZED?

The Guidebook is organized into five major chapters and series appendices. This first chapter presents an overview of the Guidebook and an introduction to triennial performance audits of transit operators and RTPEs. It also describes legal requirements for conducting performance audits.

The second chapter defines a performance audit, identifies the major components of an audit, discusses the flow of a performance audit, as well as the major benefits to be derived from conducting audits.

The third chapter presents the major components of performance audits of transit operators. It discusses how transit operator performance indicators are verified and provides guidance on the review of major functions of transit operators. It also discusses different types of transit operators, and the need to adapt performance audit methodologies to the specific transit operator being audited. In addition, it describes the compliance and reporting requirements for performance audits of transit operators, as well as suggested steps for following up on prior performance audit report recommendations.

The fourth chapter discusses the conduct of performance audits for RTPEs. Specifically, the various functions and activities performed by different types of RTPEs. It also presents guidance on how to review these functions and activities and present findings and conclusions. In addition, this section discusses how to follow-up on prior performance audit recommendations regarding RTPEs, as well as how to review compliance requirements.

The fifth chapter describes a suggested procurement process that can be used to secure entities to conduct performance audits of transit operators and RTPEs. It also presents a sample Request for Proposal that can be adapted by entities seeking to procure performance audit services.

Finally, the Guidebook provides a series of Appendices that may be useful to better understand and utilize the Guidebook. These Appendices include a listing of commonly used acronyms, a glossary that defines key audit terms and an index of key terms.
1.5 HOW WAS THE GUIDEBOOK DEVELOPED?

This Guidebook was updated by the TDA Working Group comprised of statewide representatives from RTPAs, operators, and the California Department of Transportation. Arthur Bauer & Associates and Pacific Municipal Consultants provided technical assistance. The Guidebook replaces the “Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities,” dated January 1998, previously issued by the California Department of Transportation. The earlier Guidebook was one of the products of the Transit Performance Measures study project, funded in part by the California Department of Transportation and an Urban Mass Transportation Administration (UMTA) grant.

In developing this revised Guidebook, the following steps were taken to meet the varying needs and concerns of transit operators and RTPEs throughout the state.

- **Establish the TDA Working Group**
  
  The California Department of Transportation established a broadly represented TDA Working Group (TDAWG) to work with the Arthur Bauer & Associates, Inc., in the updating of the Guidebook. The objective of the TDAWG was to provide additional assurance there was an awareness and understanding of the interests and viewpoints of agencies, groups, and individuals concerned with the project. Staffs providing assistance to the project from the California Department of Transportation are listed in Appendix C.

- **Conduct a Literature Search and Legal Review**
  
  Staff from Arthur Bauer & Associates reviewed the most recent *TDA Statutes and California Codes of Regulations*, dated January 2005, to ensure the most recent changes in statute and California Code of Regulations were reflected in the Guidebook. The consultant also reviewed state legislation to account for new laws passed that would affect the conduct of a TDA performance audit.

- **Input from Transit Operators and RTPEs**
  
  The consultant worked with the TDA Working Group to solicit views on performance audits and the areas where the existing Guidebook could be improved.
I.6 GUIDEBOOK LIMITATIONS

This Guidebook contains sections, which cite the Public Utilities Code, the California Code of Regulations, and other requirements that may be subject to amendment or change. The Guidebook is useful as a reference document, but the reader should refer to existing statutes or codes to ensure that recent changes in law or regulation are considered in developing, conducting or reviewing performance audits.

Should the user have any questions regarding the content or use of the Guidebook, or require additional information, the user should contact:

California Department of Transportation  
Division of Mass Transportation  
State Grants Branch  
P.O. Box 942874 M.S. 39  
Sacramento, California 94274-0001  
(916) 654-9396  
Attn: TDA Program Manager
SECTION II

BACKGROUND ON PERFORMANCE AUDITS
II. BACKGROUND ON PERFORMANCE AUDITS

This chapter presents general background information regarding the purpose, definition and utility of a performance audit. Specifically, it describes what the benefits of a performance audit can be and how a performance audit differs from a financial audit. It also discusses the performance audit process and outlines standards for conducting a performance audit.

II.1 WHAT IS A PERFORMANCE AUDIT?

The "Standards for Audit of Governmental Organization, Programs, Activities and Functions" defines performance auditing as follows:

- A systematic process of evaluating an organization’s effectiveness, efficiency, and economy of operation under management's control and reporting to appropriate persons the results of the evaluation along with recommendations for improvements. Its objectives are to provide a means for evaluating an organization's performance and to enhance performance by making recommendations for improvements. Performance auditing requires measuring the degree of correspondence between actual performance and acceptable criteria and focuses on management's planning and control system. Both the adequacy of the system and the degree of compliance with established policies and procedures are evaluated.

The Comptroller General of the United States heads the General Accounting Office (GAO), which conducts reviews of government programs and activities for the federal government. In 1972, the Comptroller General issued "Standards for Audit of Government Organizations, Programs, Activities and Functions," often referred to as the "yellow book." These standards are to be followed by auditors and organizations when required by law, regulation, agreement or contract, or policy.

In 2007, the Comptroller General published an updated version of the "Standards for Audit of Governmental Organization, Programs, Activities and Functions." This version replaces the 1988 publication of the Comptroller General.

Section 99246(b) of the Public Utilities Code requires that the performance audit of transportation planning entities and operations shall evaluate the efficiency, effectiveness and economy of the operation of the entity being audited and shall be conducted in accordance with the efficiency, economy, and program results portions of the Comptroller General's "Standard for Audit of Governmental Organizations, Programs, Activities, and Functions."
II.2 WHAT ARE THE BENEFITS OF A PERFORMANCE AUDIT?

Triennial transportation performance audits are intended to provide an independent, objective and comprehensive review of the economy, efficiency and effectiveness of a transit operator or a RTPE. These audits also provide management of a transit operator or a RTPE with information to assess the contributions of their programs and activities in the past three years, as well as present helpful insights to management for use in future planning efforts.

The results of performance audits also provide a means of assuring legislative and governing bodies and the public that the resources of a transit operator or RTPE are being economically and efficiently utilized. In this way, the performance audit report can provide accountability for the use of public funds and for the actions of management, as well as document recent achievements. The performance audit report results can also be used by management of a transit operator or an RTPE to validate current goals and objectives, or emphasize the need for change in certain areas.

An indirect benefit of performance audits is the special skills or expertise that an auditor may bring to an audit engagement. The performance auditor may have specific expertise that can supplement the capabilities of the transit operator or the RTPEs' staff and provide additional insight into the operation of current programs and activities, as well as useful suggestions for improvement.

Finally, the management of transit operators and RTPEs are often preoccupied with addressing current issues or providing services on a day-to-day basis. The pressing demands of operating an organization on a daily basis can deter managers from taking a more broad-based look at their overall goals and objectives, as well as the impact of specific programs and activities. The triennial transportation performance audit affords management the opportunity to periodically have an independent and objective evaluation of their organization and operations that otherwise might not be feasible given the daily demands of managing transportation programs and activities.
II.3 HOW ARE PERFORMANCE AUDITS DIFFERENT FROM FINANCIAL AUDITS

The objective of performance auditing is to systematically evaluate an organization's effectiveness, efficiency, and economy of operation under management's control. The audit report communicates the results of the evaluation along with recommendations for improvements.

In contrast, the objective of financial auditing is to express an opinion by the independent auditor on the fairness with which an entity's financial statements present financial position, results of operations, and changes in financial position in conformity with generally accepted accounting principles. The auditor's report is the medium through which an opinion is expressed or, if circumstances require, disclaimed.

Exhibit II.1 on the next page summarizes the major differences between financial auditing and performance auditing.
### Exhibit II.1 COMPARISON OF FINANCIAL AND PERFORMANCE AUDITING

<table>
<thead>
<tr>
<th></th>
<th>FINANCIAL AUDIT</th>
<th>PERFORMANCE AUDIT</th>
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<tbody>
<tr>
<td><strong>Responsibility</strong></td>
<td>To attest to the fairness of financial statements.</td>
<td>To provide an independent view on the extent to which transportation operators and RTPEs are economically efficiently and effectively carrying out their responsibilities</td>
</tr>
<tr>
<td><strong>Information</strong></td>
<td>For third parties</td>
<td>For management, oversight bodies, and the public</td>
</tr>
<tr>
<td><strong>Direction of audit</strong></td>
<td>Retrospective</td>
<td>Retrospective and prospective</td>
</tr>
</tbody>
</table>
II.4 WHAT IS THE STRUCTURE OF A PERFORMANCE AUDIT?

The Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" sets forth the field work and reporting standards for performance audits. The major steps involved in a performance audit are shown in Exhibit II.2. Each of these steps is briefly described in the sections that follow.

Preliminary Review

An audit needs to be planned properly to ensure that it will be successful. The auditor's responsibility in planning the audit includes defining the audit objective and planning how the objectives can be attained while establishing a balance between audit scope, time frame and resources.

The information needed by the auditor to plan the audit varies with the objectives set forth in the audit agreement and activities of the entity to be audited. A preliminary review of the entity may be made to gather information on the overall activities of the entity and to help identify specific audit areas. It is a process for quickly gathering information, without detailed verification, on the entity's organization, programs, activities and functions. The preliminary review also should include collection of copies of prior audit reports and other internal and external studies that have been conducted regarding the entity being audited.

The preliminary review provides information about the systems and procedures used for managing finances and operations and for evaluating and reporting performance. It also provides information about the size and scope of the entity's activities, as well as areas in which there may be internal control weaknesses, uneconomical or inefficient operations, lack of effective goal achievement, or lack of compliance with laws and regulations. Tests to determine the significance of such matters are generally conducted in the detailed review phase of the performance audit.

The Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" states that due professional care should be used in conducting the audit and in preparing related reports. Due professional care includes follow-up on known findings and recommendation from previous audits that could have an effect on current audit objectives to determine whether prompt and appropriate corrective actions has been taken by entity officials or other appropriate organizations.
Exhibit II.2 OVERVIEW OF THE PERFORMANCE AUDIT REVIEW

- Preliminary Review
  - Background Review
  - Identify Functions
  - Verify Performance Indications
  - Test Compliance

- Detailed Review
  - Review Functions
  - Gather Documentation
  - Develop Findings

- Report Preparation
  - Draft Report
  - Forwarded Report to Management

- Finalization and Presentation
  - Meet and Discuss Report with Management
  - Make Necessary Changes in Report
  - Present Final Report

- Follow-up Review
  - Review Status of Report Recommendations

Performance Audit Guidebook
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II. Background on Performance Audits

The verification, analysis and review of the operators' performance indicators and testing of compliance with TDA requirements should be performed during the preliminary review phase of the performance audit. Steps necessary to audit the performance indicators and compliance areas will provide the auditor with an understanding of the entity's management systems and procedures. It will also provide information about the entity's activities, possible internal control weaknesses, reporting procedures, economy and efficiency of operations, and the extent to which the entity is achieving its goals.

Detailed Review

The purpose of the detailed review phase is to perform the work necessary to meet the audit objectives as set forth in the audit agreement and as established as the result of the preliminary review.

The detailed review phase of the performance audit builds on the results of the preliminary review and consists of gathering sufficient, competent, and relevant evidence to afford a reasonable basis for the auditors' judgments and conclusions regarding the organization, program, activity, or function under audit.

The evidence may be categorized as physical, documentary, testimonial, and analytical. Physical evidence is obtained by direct inspection or observation of activities of people, property, or events. Documentary evidence consists of information such as letters, written policies and procedures, contracts, accounting records, and management information on performance. Testimonial evidence is obtained from others through statements received in response to inquiries or through interviews. Analytical evidence includes computations, comparisons, reasoning, and analysis of information.

Report Preparation

The Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" states that written audit reports are to be prepared communicating the results of each performance audit. Written reports are necessary to (a) communicate the results of audits to officials at all levels of government, (b) make the results less susceptible to misunderstanding, (c) make the results available for public inspection, and (d) facilitate follow-up to determine whether appropriate corrective actions have been taken.

The performance audit standards provide that reports are to be issued promptly so as to make the information available for timely use by management, public officials and the general public. Appropriate contents for an audit report are described more thoroughly in Section II.6, titled "What Are the Reporting Standards for Performance Audits?", which begins on page 26.

Once the draft report is prepared, a copy should be provided to the management of the entity being audited for its review and comment.
Finalization and Presentation

After management has had an opportunity to review and comment on the draft audit report, the auditor should meet with management to discuss comments on the report. Based on the results of this meeting, the auditor should make any necessary changes in the audit report and prepare the final report.

The performance audit report should document the results of the audit. It also should contain the views of responsible officials of the organization, program, activity, or function audited concerning the auditors' findings, conclusions, and recommendations, and what corrective action is planned.

These views of responsible officials normally should be obtained in writing for significant findings, conclusions, and recommendations affecting the audited entity. If in the auditor’s opinion the comments are not valid, the auditors may choose to state their reasons for rejecting them. Conversely, the auditors should modify their report if they find the comments valid.

Upon the completion of the preparation of the report, including receipt and analysis of the views of the audited entity, the report should be presented to the officials of the audited entity, and in the case of reports on audits of operators, to the responsible RTPE, which provides the allocation of TDA funds.

Follow-Up Review

Management of the audited entity is primarily responsible for directing action and follow-up on recommendations. As a follow-up to the previous performance audit, the auditor's report should disclose the status of known but uncorrected significant or material findings and recommendations from prior performance audits that affect the current audit objective.

Public Utilities Code, Section 99244, stipulates that an RTPE should annually identify, analyze and recommend potential productivity improvements, which could lower the operating costs of those operators, which operate at least 50 percent of their service miles within the RTPEs jurisdiction. This provides an excellent opportunity for RTPEs to follow-up on the actions taken by operators in response to recommendations that are made in prior performance audit reports. RTPEs should apply similar scrutiny to the actions which they have taken in response to the performance audit reports of their own activities.
II.5 WHAT ARE THE FIELD WORK STANDARDS FOR PERFORMANCE AUDITS?

The Comptroller General has established various fieldwork standards for conducting performance audits. Exhibit II.3, on the next page, summarizes these major standards. The fieldwork standards are briefly described below.

**Work Should be Adequately Planned**

This standard places responsibility on the auditor or audit organization to thoroughly plan an audit. This includes defining the audit objectives and planning how the objectives can be attained while establishing a balance between audit scope, time frames, and staff-days to be spent to ensure optimum use of audit resources. Chapter III and Chapter IV each contain a suggested level of effort that may be needed to complete a typical performance audit of a transit operator and an RTPE, respectively.

**Staff Should be Properly Supervised**

This standard places responsibility on the auditor or auditing organization for seeing that staff who are involved in accomplishing the objectives of the audit receive appropriate guidance and supervision to ensure that the audit work is properly conducted and that the audit objectives are accomplished.

**An Assessment Should be Made of Compliance with Applicable Requirements of Statutes and Regulations**

The audit should include an assessment of compliance with applicable requirements of statutes and regulations. The level of the compliance assessment conducted will vary depending upon the scope and objectives of the performance audit. However, the audit should be designed so that the audit will provide reasonable assurance of detecting abuse or illegal acts that could significantly affect the audit objectives.

**An Assessment Should be Made of Applicable Internal Controls**

The auditor should make an assessment of applicable internal controls when necessary to satisfy the audit objectives. In audits having as objectives the assessment of the adequacy of particular internal controls, the auditor should design steps and procedures to assess the effectiveness of the prescribed control procedures or actual control practices, and may recommend changes where appropriate to strengthen controls.
II. Background on Performance Audits

Exhibit II.3 SUMMARY OF THE PERFORMANCE AUDIT FIELD WORK STANDARDS

<table>
<thead>
<tr>
<th>STANDARDS*</th>
<th>DESCRIPTION/RATIONALE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Work should be adequately planned.</td>
<td>Defines audit objectives, audit scope, time frames, and resources.</td>
</tr>
<tr>
<td>2. Staff should be properly supervised.</td>
<td>Staff receives appropriate guidance and supervision to ensure audit objectives are achieved.</td>
</tr>
<tr>
<td>3. An assessment should be made of compliance with applicable laws and regulations.</td>
<td>Audit steps and procedures should be employed, when appropriate, to ensure adherence by the applicable statutes and regulations.</td>
</tr>
<tr>
<td>4. An assessment should be made of applicable internal controls.</td>
<td>Audit steps and procedures should be used to assess the effectiveness of internal control procedures and practices.</td>
</tr>
<tr>
<td>5. Sufficient, competent and relevant evidence should be obtained.</td>
<td>Auditor judgments and conclusions should be supported by objective information and documented evidence.</td>
</tr>
</tbody>
</table>

Sufficient, Competent, and Relevant Evidence Should be Obtained

The auditor will obtain sufficient, complete and relevant evidence to afford a reasonable basis for the auditors' judgments and conclusions regarding the organization, program, activity, or function under audit. A record of the auditors' work is to be retained in the form of working papers. Working papers may include tapes, films, and discs. When computer-processed data are an important or integral part of the audit and the data's reliability is crucial to accomplishing the audit objectives, auditors need to satisfy themselves that the data are relevant and reliable.
II.6  WHAT ARE THE REPORTING STANDARDS FOR PERFORMANCE AUDITS?

The Comptroller General's Office has identified specific reporting standards for performance audits. Exhibit II.4, on the next page, summarizes these reporting standards. Each of these standards are described separately in the following sections.

**Written Audit Reports Should be Prepared**

Written reports are necessary to (a) communicate the results of audits to officials at all levels of government, (b) make the results less susceptible to misunderstanding, (c) make the results available for public inspection, and (d) facilitate follow-up to determine whether appropriate corrective actions have been taken.

**Reports Should be Issued Promptly**

Performance audit reports should be issued promptly so as to make the information available for timely use by management and public officials, and by other interested parties. To be of maximum use, the report must be timely. The value of a carefully prepared report to decision-makers may be reduced if it arrives too late. Therefore, the auditor should plan for the timely issuance of the audit report and conduct the audit with this goal in mind.

**The Report Should Include a Statement of the Audit Objectives and a Description of the Audit Scope and Methodology**

Knowledge of the objectives of the audit, and of the audit scope and methodology for achieving the objectives is needed by readers to understand the purpose of the audit, judge the merits of the audit work and what is reported, and understand any significant limitations.

Performance audit standards require the following specific topics to be included in the audit report:

- A full discussion of the audit findings, and the auditor's conclusions;
- The cause of problem areas noted in the audit;
- Recommendations for actions to correct the problem areas and to improve operations, when called for by the audit objectives;
- A statement that the audit was made in accordance with generally accepted government auditing standards and disclose when applicable standards were not followed;
- Significant internal controls that were assessed, the scope of the auditor's assessment work, and any significant weaknesses found during the audit;

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for Transit Operators and Regional Transportation Planning Entities

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# Exhibit II.4 SUMMARY OF PERFORMANCE AUDIT REPORTING STANDARDS

<table>
<thead>
<tr>
<th>STANDARDS*</th>
<th>DESCRIPTION/RATIONALE</th>
</tr>
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<tbody>
<tr>
<td>1. Written audit reports should be prepared.</td>
<td>Written reports communicate results for a wide audience, help avoid misunderstandings, and facilitate follow-up.</td>
</tr>
<tr>
<td>2. Reports should be issued promptly.</td>
<td>Make audit information available for timely use by management and other interested officials or parties.</td>
</tr>
<tr>
<td>3. Reports should include a statement of the audit objectives and a description of the audit scope and methodology.</td>
<td>Statement of audit objectives and a description of scope and methodology assist in understanding purpose and results of the audit.</td>
</tr>
<tr>
<td>4. Reports should be complete, accurate, objective and convincing.</td>
<td>Thorough, clear and concise reports effectively communicate audit results.</td>
</tr>
<tr>
<td>5. Written audit reports should be submitted to the appropriate officials.</td>
<td>Written reports should be submitted to the organizations or officials requiring or arranging for the audits, management, and other interested parties, as appropriate.</td>
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**Performance Audit Guidebook**

for Transit Operators and Regional Transportation Planning Entities

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II. Background on Performance Audits

- Notation of all significant instances of noncompliance and abuse and all indications or instances of illegal acts that could result in criminal prosecution that were found during or in connection with the audit;
- Pertinent views of responsible officials of the organization, program, activity, or function audited concerning the auditors' findings, conclusions, and recommendations, and what corrective action is planned;
- A description of any significant noteworthy accomplishments, particularly when management improvements in one area may be applicable elsewhere;
- A listing of any significant issues needing further study and consideration; and
- A statement about any pertinent information that was omitted because it is deemed privileged or confidential. The nature of such information should be described, and the basis under which it is withheld should be stated.

The Report Should be Complete, Accurate, Objective, and Convincing

The report should be written to be as clear and concise as the subject matter permits. This will ensure that the results of the audit can be understood by the management of the entity receiving the performance audit, as well as by other concerned or interested parties.

Written Audit Reports Should be Submitted by the Audit Organization to the Appropriate Officials

The performance auditor will submit written audit reports to the chief executive of the RTPE and to the chief executive of a transit operator that is being audited. Copies of the reports should also be sent to other officials who may be responsible for taking action on audit findings and recommendation and to others authorized to receive such reports, such as members of RTPE governing boards. Unless restricted by statute or regulation, copies should be made available for public inspection. RTPEs are required to send a copy of their performance audit reports to the Director of the California Department of Transportation.

Performance Audit Guidebook

for Transit Operators and Regional Transportation Planning Entities
SECTION III

PERFORMANCE AUDITS OF TRANSIT OPERATORS
III. PERFORMANCE AUDITS OF TRANSIT OPERATORS

This chapter describes the major work steps or elements of conducting performance audits of transit operators. Specifically, it discusses seven elements that include:

- Review of compliance requirements;
- Follow-up review of prior performance audit recommendations;
- Initial review of transit operator functions;
- Verification and use of performance indicators;
- Detailed review of transit operator functions;
- Preparation of the draft audit report; and
- Preparation and presentation of the final audit report.

The elements described in this chapter of the report are presented as guidelines. By utilizing these elements, the auditor conducting a performance audit of a transit operator will ensure that the audit meets the requirements of the Public Utilities Code and the California Code of Regulations. In addition, these elements are consistent with the "Standards for Audit of Governmental Organizations, Programs, Activities and Functions," published by the Comptroller General.

Although these elements are distinct and serve a variety of purposes, an auditor should not wait to complete one before starting another. Doing so could result in repetitive interviews and an audit which is more burdensome and time consuming than necessary.

Exhibit III.1, presented on the next page, provides an overview of the major elements in a performance audit of transit operators. Each of these elements is discussed separately in the sections presented below. In addition, this chapter provides information regarding the potential level of effort that may be needed to conduct a transit operator performance audit.

III.1 REVIEW OF COMPLIANCE REQUIREMENTS

Section 99245 of the Public Utilities Code requires an annual certified fiscal audit of each claimant of Transportation Development Act (TDA) funds, and specifies that the report on the fiscal audit shall include a certification that the funds allocated to the claimant pursuant to the TDA were expended in conformance with applicable laws and rules and regulations. Though the compliance verification requirement is not a responsibility of the performance auditor, several specific requirements are made by the TDA and accompanying regulations that concern issues treated in performance audits.
Exhibit III.1 MAJOR ELEMENTS IN A PERFORMANCE AUDIT OF TRANSIT OPERATORS

III.1 Review of Compliance Requirements

III.2 Follow-Up Review of Prior Performance Audit Recommendations

III.3 Initial Review of Transit Operator Function

III.4 Verification and Use of Performance Audit Indicators

III.5 Detailed Review of Transit Operator Function

III.6 Preparation of Draft Audit Report

III.7 Preparation and Presentation of Final Audit Report

Performance Audit Guidebook
for Transit Operators and Regional Transportation Planning Entities
This Guidebook includes a summary of certain key compliance issues which are closely related to performance audit issues. Exhibit III.2, presented on the next pages, describes selected compliance requirements and cites the relevant section of code or regulation.

**Suggested Audit Steps**

This section identifies three major steps that the performance auditor may utilize to review compliance requirements in the performance audit. These include: discussing compliance requirements with the transit operator, documenting evidence of compliance, and reporting the results of the compliance review.

- **Discuss Compliance Requirements with the Operator** - Most compliance requirements are the direct responsibility of the operator. However, some requirements may not be familiar to the operator, since the operator's compliance may be overseen by the RTPE. The auditor will need to investigate evidence of compliance, but these discussions should enable the auditor to gain a better understanding of the operator's systems and procedures.

- **Investigate Evidence of Compliance** - Based upon discussions with the operator and the RTPE, the auditor should determine whether objective evidence of compliance is necessary. Such evidence may consist of documents, calculated measures, or other data. If such evidence is judged necessary, the auditor should investigate and gather the best evidence available, taking care to meet the standards for performance audit fieldwork described in "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions."

- **Disclose Results of the Compliance Review** - The performance auditor will need to prepare a written report on the tests that were made of compliance by the transit operator with applicable laws and regulations. In addition, the auditor must report the results of these tests.

If the auditor finds an indication of non-compliance with any of the requirements summarized in this section, the auditor should:

- Make a corresponding finding in the performance audit report;
- Draw conclusions; and
- Make appropriate recommendations.
### Exhibit III.2 OPERATOR COMPLIANCE REQUIREMENTS

<table>
<thead>
<tr>
<th>OPERATOR COMPLIANCE REQUIREMENTS</th>
<th>REFERENCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The transit operator submitted annual reports to the RTPE based upon the Uniform System of Accounts and Records established by the State Controller.</td>
<td>Public Utilities Code, Section 99243</td>
</tr>
<tr>
<td>2. The operator has submitted annual fiscal and compliance audits to its RTPE and to the State Controller within 180 days following the end of the fiscal year, or has received the 90 day extension allowed by law.</td>
<td>Public Utilities Code, Section 99245</td>
</tr>
<tr>
<td>3. The CHP has, within the 13 months prior to each TDA claim submitted by an operator certified the operator’s compliance with Vehicle Code Section 1808.1 following CHP inspection of the operator’s terminal.</td>
<td>Public Utilities Code, Section 99251 B</td>
</tr>
<tr>
<td>4. The operator’s claim for TDA funds is submitted in compliance with rules and regulations adopted by the RTPE for such claims.</td>
<td>Public Utilities Code, Section 99261</td>
</tr>
<tr>
<td>5. If an 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>Public Utilities Code, Section 99270.1</td>
</tr>
<tr>
<td>6. The operator’s operating budget has not increased by more that 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>Public Utilities Code Section 99266</td>
</tr>
<tr>
<td>7. The operator’s definitions of performance measures are consistent with Public Utilities Code Section 99247, including (a) operating cost, (b) operating cost per passenger, (c) operating cost per vehicle service hour, (d) passengers per vehicle service hour, (e) passengers per vehicle service mile, (f) total passengers, (g) transit vehicle, (h) vehicle service hours, (i) vehicle service miles, and (j) vehicle service hours per employee.</td>
<td>Public Utilities Code, Section 99247</td>
</tr>
<tr>
<td>8. If the operator serves an urbanized area, it has maintained a ratio of fare revenue to operating cost at least equal to one-fifth (20 percent), unless it is in a county with a population of less than 500,000, in which case it must maintain a ratio of fare revenues to operating cost at least three-twentieths (15 percent), if so determined by the RTPE.</td>
<td>Public Utilities Code, Sections 99268.2, 99268.3, &amp; 99268.1</td>
</tr>
<tr>
<td>9. If the operator serves a rural area, it has maintained a ratio of fare revenues to operating costs at least equal to one-tenth (10 percent).</td>
<td>Public Utilities Code, Section 99268.2, 99268.4, &amp; 99268.5</td>
</tr>
<tr>
<td>10. The current cost of 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 RTPE, which will fully fund the retirement system for 40 years.</td>
<td>Public Utilities Code, Section 99271</td>
</tr>
<tr>
<td>11. If the operator receives state transit assistance funds, the operator makes full use of funds if available to it under the Urban Mass Transportation Act of 1964 before TDA claims are granted.</td>
<td>California Code of Regulations, Section 6754 (a) (3)</td>
</tr>
</tbody>
</table>

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III.2 FOLLOW-UP REVIEW OF PRIOR PERFORMANCE AUDIT RECOMMENDATIONS

"Standards for Audit of Governmental Organizations, Programs, Activities and Functions" state that due professional care by auditors includes follow-up on known findings and recommendations from previous audits that could have an effect on the current audit objectives to determine whether prompt and appropriate corrective actions has been taken by transit operator officials or other appropriate organizations.

To ensure that the performance audit is effective and valuable, a performance auditor needs to review and evaluate the operator's implementation of prior performance audit recommendations. Objective assessment of improvements provides assurance to the public that the operator has made efforts to improve its efficiency and effectiveness, and strengthens the integrity of the performance audit process.

Suggested Audit Steps

This section identifies four major audit steps that the performance auditor may utilize to follow-up on prior performance auditor recommendations regarding a transit operator. These steps include: obtaining and reviewing key documents; discussing prior audit report recommendations with transit operator management and staff and RTPE representatives; documenting evidence of the implementation of action on prior audit recommendations; and reporting on the results of the follow-up review. Exhibit III.3 on the next page, depicts the follow-up process on prior audit report recommendations.

- Obtain and Review Key Documents –
  The auditor will need to obtain and review (a) the prior performance audit (preferably the two most recent audits), (b) any advice or reports issued by the RTPE's productivity committee (if one has been established per Public Utilities Code Section 99244), (c) any recommendations made in management letters which may have accompanied the operator's fiscal audits, and (d) any other performance evaluation documents and data held by the operator or RTPE.

- Discuss Implementation of Recommendations with Operator and RTPE –
  The auditor should discuss the implementation status of each recommendation in the prior performance audit report with management and representatives of the transit operator, as well as with representatives from the RTPE, if appropriate. In most cases, the auditor will need to investigate evidence of recommendation implementation, but these discussions may provide a timesaving basis for those investigations. To exercise due professional care, the auditors may use a process that enables them to track the status of management's actions on significant or material findings and recommendations from prior audits. Such a process could include determining whether the following actions have occurred:

  Performance Audit Guidebook
  for Transit Operators and Regional Transportation Planning Entities
Obtain and Review Key Documents

Discuss Recommendation Implementation with Transit Operator and RTPE

Document Evidence of Implementation of Recommendations

Disclose Results of Follow-Up Review

Exhibit III.3 FOLLOW-UP ON PRIOR TRANSIT OPERATOR PERFORMANCE AUDIT RECOMMENDATIONS
Implementation of Recommendations. If implementation has been completed, the discussion may concern (a) the effectiveness and benefits from the recommendation and (b) difficulties and costs of implementing the recommendation.

- **Implementation In-Progress.** If implementation is underway, the discussion may address (a) the initiation date, (b) the current status, (c) the date implementation is expected to be complete, and (d) the difficulties and costs of implementation.

- **Implementation Not Begun.** If the operator has not initiated any efforts to implement the performance improvement recommendation, the auditor may want to investigate and determine whether (a) circumstances have changed, and the recommendation is no longer applicable or feasible, (b) the recommendation was unreasonable and inappropriate at the outset, or (c) the operator has negligently or intentionally rejected a valid recommendation. Each of these determinations may result in a finding in the auditor's report, and appropriate conclusions may need to be drawn and recommendations made.

- **Document Evidence of Implementation of Recommendations** –
  Based upon discussions with the operator and the RTPE, the auditor should obtain the best evidence verifying the implementation status of each recommendation in the prior performance audit report. Such evidence, which may consist of documents, observed practices, or other data, should meet the standards for performance audit fieldwork evidence described in "Standards for Audit of Governmental Organizations, Programs, Activities and Functions."

- **Disclose Results of Follow-up Review** –
  The management of the audited agency has the primary responsibility for directing action and following-up on prior audit report recommendations. The auditor's report should disclose the status of known but uncorrected significant or material findings and recommendations from prior audits that affect the current audit objective.
III.3 INITIAL REVIEW OF TRANSIT OPERATOR FUNCTIONS

The initial review of transit operator functions should provide the auditor with an understanding of the operator's characteristics, including a familiarity with the modes of service provided, types of service offered, and size of the operator. It also should provide a better understanding of the functions performed by the operator. Each of these items is briefly discussed in the following sections.

Operator Characteristics

A performance audit should take into consideration the geographic and socio-economic environment in which an operator must conduct its activities. A performance audit should also recognize the different modes of service and types of service provided by an operator. This is important because there may be varying objectives, operating practices, and levels of service associated with different modes or types of service. Thus, it is important that the auditor be aware of these characteristics when reviewing and assessing the economy, efficiency and effectiveness of an operator's functions.

Each of the following sections describes one characteristic that may be a helpful distinction in analyzing operator performance: mode of service, type of service, and number of peak vehicles operated (size).

Mode of Service

The mode of service is simply the form of service and type of vehicle used to provide transportation. These modes include:

- Bus (transit/coach, van, diesel, gasoline, etc.)
- Trolley Bus (a bus powered by an external source, such as overhead electric lines)
- Light Rail (e.g., the San Diego Trolley)
- Heavy Rail (e.g., BART)
- Ferry
- Cable Cars

The performance auditor will verify and calculate performance indicators separately for each mode of service, in order to ensure the consistency and usefulness of the indicators. Functional reviews of operators may need to be conducted distinctly for functions that are identified uniquely to each mode, such as service planning, scheduling, dispatch and operations, and maintenance. Other functional areas are not identified uniquely to each mode of service. For example: general management, and organization, personnel management and training, and administration. For these functional areas the performance auditor may conduct a single functional review for the entire operator's organization.
Type of Service

There are two general types of transportation service, which may be offered:

- Fixed-Route
- Demand-Responsive.

Fixed-route services follow a predetermined and scheduled route on a regular basis. Rail, trolley, and cable car service is always fixed-route, since the right of way is permanent. Bus or van service may be either fixed-route or demand-responsive. Ferry service is usually fixed-route since dock space is limited.

The performance auditor may verify and calculate performance indicators separately for each type of service within modes. The primary effect of this guideline is that performance indicators for bus service should be separated for fixed-route and demand-responsive service. Again, as the auditor conducts the functional review, interpretation will be necessary in evaluating the different responses received for fixed-route and demand-responsive systems.

Size of Operator

There are various measures that can be used to differentiate among the sizes of transit operators. One of the convenient measures that is used is the number of peak vehicles operated. Within this measurement scale, three categories of operators that have been used are:

- Small Operator -1 to 20 Vehicles
- Medium Operator -21 to 100 Vehicles
- Large Operator - 101 or More Vehicles

Vehicles used for all modes and all types of service should be combined in order to classify the operator's size. Only peak vehicles should be counted for purposes of assigning an operator to a size category. Aging or unused vehicles, which may be retained by operators for emergency use should not be counted.

Selection of performance indicators (other than the five required by the TDA) should be based upon results of the functional review, not necessarily upon operator size. As with the above classifications, the auditor may need to interpret functional review results in light of the operator's size. Size should not drive the functional review, however. The primary purpose for classifying operators by size is for recommendation development and format.
Functions Performed by the Operator

The performance auditor may find it useful to review existing documents to obtain a general familiarity with the functions performed by an operator. Such documents may include annual reports, short-range transit plans, service descriptions within the regional transportation plan, prior performance audits, etc. The performance auditor also should discuss the operator's functions with the operator. Most operator functions relate to:

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

At the initial review stage, the auditor should focus on:

- Resource commitment and level of management direction and control within a function.
- Observations or indicators of the efficiency, effectiveness of activities performed, and
- Whether the function is performed by the operator or by a contractor.

As the auditor identifies functions and notes the extent to which each function is performed, specific attention should be given to the operator's choice of those functions to be performed and those not performed. The auditor may need to consider not just the efficiency and effectiveness of the functions (which the functional review concerns), but the appropriateness of performing (or neglecting to perform) the function in the first place. Thus, the function identification may lead to suggestions for organizational strategy and/or restructuring.
III.4 VERIFICATION AND USE OF PERFORMANCE INDICATORS

Performance indicators are frequently used to quantify and review the efficiency and effectiveness of a transit operator's activities. Such indicators can provide insight on current operations, as well as on the operator's performance over a period of time. Through the review of performance indicators, an auditor also can gain a better understanding of the performance and interrelationship of the major functions of a transit operator. For example, Exhibit III.4 presents an illustration of the relationship between the performance indicator of "operating cost per vehicle service hour" and the major functions typically conducted by a transit operator.

Exhibit III.4 shows that the performance indicator "operating cost per vehicle service hour" is affected by at least four of the seven major operator functions. In this case, an operator's "operating cost per vehicle service hour" is affected by how efficiently and effectively an operator performs the following functions: (a) general management and organization; (b) scheduling, dispatch and operations; (c) personnel management and training; and (d) maintenance. The exhibit also shows that a single performance indicator should be considered in different ways so that an auditor can fully understand and appreciate how a transit operator conducts its business activities.

This section describes how an auditor can develop, use and interpret performance indicators. Specifically, it discusses the following activities:

- Assess internal controls
- Test data collection methods
- Calculate performance indicators

It should be noted that there are many factors that can influence a transit operator's performance indicators. These include geography, type of services provided, age and type of vehicles, and other locally specific conditions. Therefore, caution should be exercised in making comparisons between transit operators, since there may be significant differences between operators.
Assess Internal Controls

An auditor usually collects a variety of information from a transit operator to calculate performance indicators. To ensure that the information gathered is reliable and valid, an auditor must assess internal controls in place over collection of performance-related information. Specifically, a transit operator's internal controls are intended to do the following:

- Provide reasonable assurance that program goals and objectives are met.
- Ensure that resources are adequately safeguarded and efficiently used.
- Ensure that reliable data are obtained, maintained and fairly disclosed in reports.
- Ensure that laws and regulations that are complied with by the transit operator.
Exhibit III.4 ILLUSTRATION OF RELATIONSHIP BETWEEN A PERFORMANCE INDICATOR AND MAJOR TRANSIT OPERATOR FUNCTIONS
The United States General Accounting Office (GAO), in September 1990, published a document entitled “Assessing Internal Controls in Performance Audits.” In this document, the GAO outlined the key steps that an auditor should use in assessing internal controls. These include:

- Determine the significance and the sensitivity of the program subject matter;
- Assess susceptibility of misuse of resources, failure to attain objectives and noncompliance with laws and regulations;
- Identify and understand relevant internal controls;
- Determine what is already known about control effectiveness;
- Assess adequacy of control design;
- Determine through testing if controls are effective; and
- Report on internal control assessment and discuss needed corrective actions.

The assessment of internal controls requires that an auditor ensure that performance data used to calculate performance indicators are accurate. However, such an assessment will enable the auditor to rely on information provided by the transit operator and reduce the need for first-hand data collection or audit test work.

**Test Data Collection Methods**

The auditor needs to gather the following data to report on specific performance measures that must be verified and presented in a performance audit. These include:

- Operating Cost;
- Passenger Count;
- Vehicle Service Hours;
- Vehicle Service Miles;
- Employee Hours; and
- Fare Revenue.

This section of the Guidebook discusses audit steps to verify the performance data, calculate TDA-required performance indicators, and compute the fare box recovery ratio. Each of these data elements should be gathered separately for each type and each mode of service provided by an operator. A definition of each of the major terms used in this Chapter is presented in Appendix B.
Suggested Audit Steps

• Operating Cost
  ➢ **Verify Use of Uniform System of Accounts.** Verify that the operator keeps records of transit costs according to the Uniform System of Accounts and Records developed by the State Controller and the California Department of Transportation. Compliance with this requirement may be determined by reviewing a compliance audit report prepared by an independent auditor engaged by the operator in accordance with California Code of Regulations Section 6667, the annual independent financial audit should attest to the use of the Uniform System of Accounts and Records.

  ➢ **Add Costs For All Account Classes and Deduct Non-Operating Costs.** Obtain total fiscal year expense amounts from operator records for each cost object class as presented in the Chart of Accounts for the Uniform System of Accounts and Records. Verify that the total of expenses in all object classes equals the total expenses presented in audited financial reports for the operator. To compute operating costs, deduct the expenses specified in PUC Section 99247 (a). These exclusions include (a) cost in the depreciation and amortization expense object class adopted by the State Controller pursuant to PUC 99243, (b) all subsidies for commuter rail services operated under the jurisdiction of the Interstate Commerce Commission, (c) all direct costs of providing charter service, and (d) all vehicle lease costs.

• Passenger Count
  ➢ **Obtain Operator-Reported Passenger Counts.** Obtain copies of reports that provide a listing of passenger counts for the reporting period being audited.

  ➢ **Review Passenger Data-Gathering Methodology.** Obtain descriptions of passenger count data-gathering methodology (driver log, electronic fare boxes, periodic sample, etc.). Determine whether the data collection methodology is susceptible to material error.

To ensure the accuracy of passenger data, the auditor should observe and verify the passenger data collection process. If the auditor determines there is a significant deviation from operator-provided passenger data, the auditor should recalculate and report performance indicators based upon data extrapolated from a representative sample. If the error in operator data collection appears systematic (consistent in direction and magnitude), the extrapolation may simply be an adjustment of the operator's data. For example, if the sample shows that the operator consistently underestimates the number of riders by 20 percent, the auditor could adjust reported data upward by 20 percent. In such a case, the auditor should note the discrepancy and adjustment, and should recommend a change in procedures or practices to prevent the recurrence of the underestimation.
• **Vehicle Service Hours**

  ➢ **Obtain Operator-Reported Vehicle Service Hours.** Obtain copies of reports that provide a listing of vehicle service hours for the reporting period being audited.

  ➢ **Verify Vehicle Service Hour Definition Used.** Verify that vehicle service hours are compiled consistently in accordance with the definition included in the glossary to this Guidebook.

  ➢ **Review Vehicle Service Hour Data-Gathering Methodology.** The auditor should discuss with the operator the methods used to calculate vehicle service hours reported. For fixed route service, the operator should account for vehicle hours pertaining to (a) scheduled service; (b) changes in service schedules; and (c) confirmation that service was provided according to the established schedule, and that notations were made of service disruptions and cancellations.

    If fixed-route service hour data is unavailable, or has been gathered inconsistently with the definition included in the Glossary in Appendix B of this Guidebook, the auditor may need to reconstruct vehicle service hour data from operator records (schedules including changes, and cancellation/dispatch logs).

    Demand responsive service hours may be obtained from driver or dispatcher logs, since scheduled hours include "deadhead" travel time, i.e., travel time before the first passenger pick-up and after the last passenger drop-off. If demand-responsive service hour data is unavailable, or has been gathered inconsistently with the definition in the glossary of this Guidebook, the auditor should review a sample of driver logs to estimate a daily number of service hours per vehicle (the estimate should be separate for weekdays and weekend days). The auditor can then estimate the number of vehicle service hours by multiplying that number of daily service hours per vehicle by the number of vehicles operated each day (from dispatcher records).

• **Vehicle Service Miles**

  ➢ **Obtain Operator-Reported Vehicle Service Miles.** Obtain copies of reports that provide a listing of vehicle service miles for the reporting period being audited.

  ➢ **Verify Vehicle Service Hour Definition Used.** Verify that vehicle service hours are compiled consistently in accordance with the definition included in the glossary to this Guidebook.

  ➢ **Review Vehicle Service Mile Data-Gathering Methodology.** The auditor should discuss with the operator the methods used to count vehicle service miles reported. Fixed route systems may maintain mileage records for each segment of a route. If vehicle service miles are obtained from such records, the operator must account for vehicle service miles pertaining to (a) scheduled service; (b) changes in service schedules; and (c) confirmation that service was provided according to the established schedule, and that notations were made of service disruptions and cancellations.

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disruptions and cancellations. If such records are not maintained, or if the operator provides demand-responsive service, a mileage log should be used to record vehicle service miles (note that service miles do not include "deadhead" miles).

If the auditor suspects material errors in vehicle service mile data-gathering, the auditor should review a sample of calculated mileage for a route or a sample of driver logs to the total mileage actually traveled by the vehicle serving the route or making the demand responsive trips. Such total mileage for a sample of dates should be obtainable from vehicle maintenance records.

• Employees

- **Obtain From the Operator a Count of Employee Hours.** Obtain a count of the number of employee hours worked which were related to the operator's public transportation service.

- **Verify Employee Hours and Full-Time-Equivalency Definitions Used.** Verify that employee hours are compiled consistently with the definition included in the glossary to this Guidebook. It is important to note that the definition of a full-time-equivalent (FTE) employee under the TDA is based on a 2,000 person hours of work, while the definition used by UMTA is based on a 2,080 person hours of work. If the operator uses a different standard for FTE computation, their standard should be noted.

- **Review Employee Hour Data-Gathering Methodology.** The operator's payroll records are an ideal base source. Those records should be supplemented by information from cost allocation models if the operator receives services from other organizations. Alternatively, if accurate cumulative hour counts are not available from payroll sources, the weekly hours of each current employee may be summed and adjusted for hires and separations over the course of the triennium. Auditors should avoid using a simple headcount of employees.
If an operator contracts with a private vendor for transportation service, it should include contractor employee hours in the employee hour count.

**Fare Revenue**

- **Obtain Operator-Reported Fare Revenue.** Obtain the amount of total fiscal year fare revenues. For calculation of the fare box recovery ratio, the auditor will also need to obtain any fare revenue supplement made up from local funds.

- **Review Fare Data-Gathering Methodology.** Obtain descriptions of fare data-gathering methodology (driver log, daily cash count by vehicle or for the system, electronic fare boxes, etc.). Determine whether the data collection methodology is susceptible to material error. If operator's methodology is susceptible to error, the auditor should recommend procedures and practices to ensure fare data accuracy.

The integrity of the revenue data collection process should be tested by (a) dividing total fare revenue by passenger count to obtain an average fare per passenger, (b) sampling fare collection data at its source (see methodology above), and (c) comparing the two figures. Deviations may be an indicator of poor internal controls and a vulnerability to misappropriation of fare revenues. Note also that fare revenues and operating costs attributable to service extensions can be calculated separately as provided by Public Utilities Code Section 99268.8.

**Other Performance Data.** A wide variety of other performance data may be collected at the discretion of the auditor, or as requested by the RTPE. The particular data elements should be chosen during or after the functional review, as that review may indicate areas of concern and needs for improvement that may be important.

- **Verify Definition Used for Performance Data Item.** Ensure that data gathered by the operator are consistent with definitions provided within the glossary of this Guidebook, and are also internally consistent. It is important that the definitions used to gather data are current so that the basis for data is consistent with prescribed standards.

**Review Data-Gathering Methodology.** The auditor should discuss the methods used to gather performance data with the operator. If the auditor in his or her professional opinion believes that the method of gathering data is vulnerable to material error, the auditor should estimate the data by drawing sample data and extrapolating results using commonly accepted statistical techniques. If such a step is necessary, the auditor should recommend that the operator improve data collection methods, and should suggest potential improved methods.
• **Obtain Data From the Operator.** If, after reviewing or testing data collection methodologies, the auditor is satisfied that the operator's data collection methods are not susceptible to material error, the auditor should then request from the operator performance data for the triennial period being audited.

**Calculate Performance Indicators**

Using the data described above, the auditor must calculate at a minimum the following performance indicators for each fiscal year during the performance audit triennium.

**Suggested Audit Steps**

• **Calculate and Verify TDA-Required Performance Indicators.** Each performance indicator calculation consists of simple division. The five indicators which Section 99246(d) of the Public Utilities Code requires that the performance auditor verify are:
  - Operating Cost per Passenger;
  - Operating Cost per Vehicle Service Hour;
  - Passengers per Vehicle Service Hour;
  - Passengers per Vehicle Service Mile; and
  - Vehicle Service Hours per Employee.

• **Calculate and Verify the Farebox Recovery Ratio.** Though the fare box recovery ratio is not a required performance indicator under Section 99246(d) of the Public Utilities Code, Sections 99268 et seq. require that the fare box recovery ratio be calculated so that an operator's eligibility for funding can be determined. The RTPE is responsible for calculating this ratio annually, but the auditor should verify the ratio. The fare box recovery ratio calculation and verification are similar to that for TDA performance indicators, so it will be treated similarly here. Again, calculation consists of simple division to determine fare revenue as a percentage of operating cost.

The five TDA-required performance indicators are a basic legal minimum. Other performance indicators are often useful in analyzing operator performance, though the most useful indicators may not be the same for every operator.

• **Calculate Other Performance Indicators.** If, during preliminary interviews, the operator indicates a concern regarding efficiency, effectiveness or general performance, the auditor should gather data to evaluate the operator's performance in the area of concern, and should calculate and analyze relevant performance indicators. Also, during the functional review, an auditor may identify concerns over performances, which suggest the need to calculate and review additional performance indicators.
Generally, an auditor should choose to select and calculate relevant additional performance indicators beyond the five which are required by the TDA if and when: (a) the direction and/or strength of a trend is uncertain and additional information would be helpful; (b) the auditor believes that the operator and/or RTPE does not perceive a trend; (c) a change will be made (or has been made during the triennium) in service quality, technology, operating methods or management practices and a performance indicator will allow effective evaluation of that change's impact (it is also useful to have a baseline against which to measure the effect of prospective changes); (d) significant aspects of performance within a functional area are not captured by the five summary TDA measures, and additional indicators will assist in the analysis of the operator's performance by providing a more complete, more accurate, or more balanced picture; and (e) the RTPE requests calculation of an indicator. A variety of performance indicators can be used to analyze particular aspects of a transit operator's performance. Exhibit III.5, on the next page, suggests various performance indicators that may be useful in reviewing a transit operator's activities.

**Evaluate Performance Indicators**

Calculation and review of performance indicators may assist in guiding and focusing the analysis of functional areas. This section describes methods for evaluating indicators, and potential types of conclusions which an auditor may reach as the auditor evaluates indicators.

- **Discuss Indicators with Operator** - Since operators frequently will have calculated the indicators themselves, this step helps validate the auditor's work, as well as the operator's calculation methods. More importantly, the operator can assist the auditor in understanding the reasons for indicator trends and magnitudes. Having this discussion after indicators are calculated, but before they are thoroughly evaluated, can save both the auditor's and the operator's time and effort. Should the auditor's calculation of an indicator differ substantially from that of the operator, the discussion must focus on the definitions and data gathering methodology used by each.

- **Trend Analysis** - The easiest and probably the most useful analysis an auditor can make is to compare performance indicators to those calculated in prior years for the same operator. The comparison may be made within the triennium, and to the prior triennium. Though operator characteristics may change over time, internal comparisons are the best way to ensure that the indicators compared measure a similar geographic area, population, service quality, etc. Analysis of indicator trends by the auditor also identifies improvements and declines in performance and highlights areas for further audit investigation.
### Exhibit III.5 SUMMARY OF SELECTED POTENTIAL PERFORMANCE INDICATORS

<table>
<thead>
<tr>
<th>Category</th>
<th>Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GENERAL MANAGEMENT AND ORGANIZATION</strong></td>
<td>• Actual expenditures/budgeted expenditures</td>
</tr>
<tr>
<td></td>
<td>• Administrative cost/operating costs</td>
</tr>
<tr>
<td><strong>SERVICE PLANNING</strong></td>
<td>• Revenue vehicle service miles/total revenue miles</td>
</tr>
<tr>
<td></td>
<td>• Revenue vehicle service hours/total revenue vehicle hours</td>
</tr>
<tr>
<td></td>
<td>• Passengers/revenue vehicle miles</td>
</tr>
<tr>
<td></td>
<td>• Passengers/revenue vehicle hours</td>
</tr>
<tr>
<td></td>
<td>• Scheduled overtime hours/total scheduled hours</td>
</tr>
<tr>
<td></td>
<td>• Scheduled hours/total operator pay hours</td>
</tr>
<tr>
<td></td>
<td>• Fare box revenue/operating cost</td>
</tr>
<tr>
<td><strong>SCHEDULING, DISPATCH AND OPERATIONS</strong></td>
<td>• Operating cost/revenue vehicle mile</td>
</tr>
<tr>
<td></td>
<td>• Operating cost/revenue vehicle hour</td>
</tr>
<tr>
<td></td>
<td>• Operating cost/unlinked passenger trip</td>
</tr>
<tr>
<td></td>
<td>• Trips on-time/total trips</td>
</tr>
<tr>
<td></td>
<td>• Complaints/month</td>
</tr>
<tr>
<td></td>
<td>• Missed trips/total trips</td>
</tr>
<tr>
<td><strong>PERSONNEL MANAGEMENT AND TRAINING</strong></td>
<td>• Revenue vehicle mile/employee pay hours</td>
</tr>
<tr>
<td></td>
<td>• Revenue vehicle hours/employee pay hours</td>
</tr>
<tr>
<td></td>
<td>• Accidents/vehicle miles</td>
</tr>
<tr>
<td></td>
<td>• Accidents/vehicle service hours</td>
</tr>
<tr>
<td></td>
<td>• Lost days due to industrial accidents</td>
</tr>
<tr>
<td><strong>ADMINISTRATION</strong></td>
<td>• Administrative cost/revenue Vehicle hours</td>
</tr>
<tr>
<td></td>
<td>• Insurance expense (premiums and settled claim cost)/revenue vehicle hours</td>
</tr>
<tr>
<td></td>
<td>• Sick leave days/employee days</td>
</tr>
<tr>
<td></td>
<td>• Turnover in staff/total number of employees</td>
</tr>
<tr>
<td><strong>MARKETING AND PUBLIC INFORMATION</strong></td>
<td>• Marketing cost/total Admin cost</td>
</tr>
<tr>
<td></td>
<td>• Marketing cost/revenue service hours</td>
</tr>
<tr>
<td></td>
<td>• Prepaid fare revenues (e.g. transit pass sales)/total fare Revenues</td>
</tr>
<tr>
<td><strong>MAINTENANCE</strong></td>
<td>• Mechanic pay hours/revenue vehicle miles</td>
</tr>
<tr>
<td></td>
<td>• Mechanic pay hours/revenue vehicle hours</td>
</tr>
<tr>
<td></td>
<td>• Spare vehicles (the number of revenue exceeding the number to provide peak service)/total vehicles</td>
</tr>
<tr>
<td></td>
<td>• Maintenance cost/revenue vehicle mile</td>
</tr>
<tr>
<td></td>
<td>• Maintenance cost/revenue vehicle hour</td>
</tr>
<tr>
<td></td>
<td>• Revenue vehicle miles</td>
</tr>
<tr>
<td></td>
<td>• Roadway mechanical failures/revenue vehicle hours</td>
</tr>
<tr>
<td></td>
<td>• Number of missed trips (all causes)/total number of trips</td>
</tr>
</tbody>
</table>

**Performance Audit Guidebook**

for Transit Operators and Regional Transportation Planning Entities
Analyses of Performance Among Operators - It may be difficult to compare performance indicators between operators for a variety of reasons. The climate and geography in locales may vary, resulting in different fuel, oil, and vehicle maintenance costs. Population socioeconomics may also vary, and result in differing propensities to use public transportation, abilities to afford fares, and abilities to afford transit alternatives. Population density and other demographics may also vary, resulting in different alternatives to public transportation (e.g., in an urban area, commuting van pools may be viable.) Labor costs and the availability of labor also may vary. A comparison of operating indicators may also overlook differences in the efficiency and technology of capital equipment (vehicles, terminal, maintenance facilities, information systems, scheduling and dispatch, etc.). While analysis of performance among operators may provide some relevant data, extreme caution should be used in making and analyzing such comparisons. It may be useful to discuss planned comparisons with the operator and the RTPE.

- **Statutory and Regulatory Requirements** - The TDA establishes an efficiency-related performance standard concerning the fare box recovery ratio in Public Utilities Code Sections 99268, et seq. Generally, the ratio must be equal to the operator's fiscal year 1978-79 fare box recovery ratio, or equal to at least 20 percent for operators serving urbanized areas and equal to at least 10 percent for operators serving rural areas.

- **Potential Conclusions Concerning Indicator Variation** - After calculating indicators, analyzing trends, making any comparisons, and applying legal standards, the auditor may reach the following or other conclusions.

  - **Unusual Events.** Indicators may fluctuate due to events that are unlikely to recur, such as an earthquake (which forces much greater reliance on public transit), or an extended drivers' strike.

  - **Community Demographic or Socio-Economic Changes.** Changes within a community may lead to increased or reduced demand for transit, or demand for a different type of transit or different routing structures. Any or all of these may affect performance indicators.

  - **Data Definition/Collection Changes.** Indicators may vary between triennial audits or between operators because an operator had previously collected incorrect data, used erroneous data collection methods, or changed indicator definitions or data collection methods for operational or technical reasons.

  - **Changes In Service Quality.** Changes in aspects of service other than the quantity provided may cause significant changes in performance as measured by the TDA indicators. For example, a choice to change from demand-responsive to fixed route service, or to provide late-night service could affect indicators.
➢ **Changes in Technology.** Changes in performance indicators may be caused by improvements in the efficiency of vehicles, the terminal, maintenance facilities, information systems, etc.

➢ **Changes in Management and Operating Practices.** Past and prospective changes in performance indicators may be attributable to (or gained through) changes in management, operations, organization, or some other discretionary factor. Such a conclusion is of primary interest during the functional review, especially if the conclusion is that future improvements are possible.
III.5 DETAILED REVIEW OF TRANSIT OPERATOR FUNCTIONS

This section offers guidance for reviewing the various functions of transit operators. Since the functions of each operator vary, not all parts of this section will apply to all operators. Transit operator functions can be divided into the following areas:

- General Management and Organization;
- Service Planning;
- Scheduling, Dispatch and Operations;
- Personnel Management and Training;
- Administration;
- Marketing and Public Information; and
- Maintenance.

Exhibit III.6 on the next page summarizes these major functional areas. Each of these areas will be briefly described, and sub-functions within the areas will be noted. This section also suggests key questions to guide the auditor in the review of each functional area. The purpose of these questions is to focus the auditor's evaluation; careful consideration should be given to responses, which will vary between operators of different sizes, operators using different modes, etc.
Exhibit III.6  OVERVIEW OF POTENTIAL TRANSIT OPERATOR FUNCTIONS

General Management and Organization
- Administrative Oversight
- Organizational Structure and Reporting
- Recent Program Changes and innovations
- Areas of Interest to Management and Board

Service Planning
- Strategic Planning
- Short Range Planning
- Evaluation of Routes
- Planning for Special Transportation Needs
- Public Participation
- Surveys of Riders/Non-Riders

Scheduling, Dispatch and Operations
- Assignment of Drivers
- Vacation Absences, Sick Leave
- Assignment of Passengers to Demand Responsive Routes
- Part-time and Cover Drivers
- Assignment of Vehicles to Routes

Personnel Management and Training
- Recruitment
- Motivation
- Training and Safety
- Discipline
- Benefits

Administration
- Budgeting and MIS
- Financial and Grants Management
- Risk Management
- Contract Management
- Facility Management
- Accounts Payable
- Procurement
- Revenue Collection and Cash Management
- Payroll

Marketing and Public Information
- Marketing and Public Information
- Communications with Other Government Agencies

Maintenance
- Preventive Maintenance
- Sufficiency of Facility
- Vehicle Condition
- Repair Scheduling
- Parts Management
- Communications with Dispatch
- Contracting Out
- Providing Maintenance to Other Organizations

Performance Audit Guidebook
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General Management and Organization

This functional area encompasses the overall administration of all functions within an operator. Sub-functions include:

- Administrative Oversight;
- Organizational Structure and Reporting;
- Recent Program Changes and Innovations;
- Areas of Interest to Management and the Board; and
- Communications With Other Government Agencies.

Suggested areas for review in each of the sub-functions within the General Management and Organization functions are shown on the following page in Exhibit III.7. The questions included in the exhibit are not exhaustive, and the auditor should consider the significance and relevance of responses in relation to the specific operator being reviewed.
### Exhibit III.7 GENERAL MANAGEMENT AND ORGANIZATION

#### FUNCTIONAL REVIEW

<table>
<thead>
<tr>
<th>ADMINISTRATIVE OVERSIGHT</th>
<th>ORGANIZATIONAL STRUCTURE AND REPORTING</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Does operator management regularly receive, review, and act appropriately upon performance and financial information?</td>
<td>• Given the operator’s size, and functions performed, is the operator’s internal organization structure appropriate, effective, and efficient?</td>
</tr>
<tr>
<td>• Does the operator’s management regularly meet with, and provide clear written or oral direction to, subordinates?</td>
<td>• Is managerial authority well defined throughout the operator’s organization?</td>
</tr>
<tr>
<td>• Has the operator’s management taken prudent and decisive action to address major problems or issues faced by the operator?</td>
<td>• Are the lines of reporting clearly defined, communicated, complied with, and appropriate for the operator?</td>
</tr>
</tbody>
</table>
### Exhibit III.7  GENERAL MANAGEMENT AND ORGANIZATION

#### FUNCTIONAL REVIEW (continued)

<table>
<thead>
<tr>
<th>RECENT PROGRAM CHANGES AND INNOVATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Has the operator instituted any new or substantially expanded programs or service (especially a new mode or type of service)?</td>
</tr>
<tr>
<td>• Are distinct data gathered regarding the new or changed services or programs to allow their evaluation?</td>
</tr>
<tr>
<td>• Has the operator set goals and objectives which are specific to the new or changed services or programs?</td>
</tr>
<tr>
<td>• Has the operator reviewed and evaluated the results and achievements of the new or changed services or programs?</td>
</tr>
<tr>
<td>• Have the actual results been compared with planned results and the variances analyzed?</td>
</tr>
<tr>
<td>• Has the operator instituted any major organizational or other programmatic changes that do not directly affect service?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>AREAS OF INTEREST TO MANAGEMENT AND THE BOARD</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Has the operator’s management or governing board expressed interest in a particular functional area?</td>
</tr>
<tr>
<td>If so, this should be an area of review during the audit?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>COMMUNICATIONS WITH OTHER GOVERNMENT AGENCIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Does the operator have an effective and positive relationship with its RTPE? (and with UMTA, if applicable?)</td>
</tr>
<tr>
<td>• Has responsibility for acting as intergovernmental liaison been clearly assigned within the operator’s organization?</td>
</tr>
<tr>
<td>• Has the operator provided information and cooperation requested by peer agencies or by the RTPE and/or UMTA?</td>
</tr>
</tbody>
</table>

---

**Performance Audit Guidebook**

for Transit Operators and Regional Transportation Planning Entities

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Service Planning

This functional area concerns the operator's preparation to serve future transit needs, including short and long-term demand. The sub-functions making up this area include:

- Strategic Planning;
- Short Range Planning;
- Evaluation of Existing Fixed Routes;
- Planning for and Serving Special Transportation Needs;
- Public Participation / Hearings; and
- Surveys of Riders and Non-Riders.

Service planning sub-functions are further delineated in Exhibit III.8. The questions included in the exhibit are not exhaustive, and the auditor should consider the significance and relevance of responses in relation to the specific operator being reviewed.
### Exhibit III.8  SERVICE PLANNING FUNCTIONAL REVIEW

<table>
<thead>
<tr>
<th>STRATEGIC PLANNING</th>
<th>SHORT RANGE PLANNING</th>
<th>EVALUATION OF EXISTING FIXED ROUTES</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Has the operator set (and revised, if appropriate) clear and reasonable goals and objectives?</td>
<td>• Does the operator actively work to identify residential, retail, office and industrial development centers which may require transportation?</td>
<td>• Does the operator regularly review ridership on existing routes?</td>
</tr>
<tr>
<td>• Do the goals conform to the RTPE goals and objectives?</td>
<td>• Does the operator analyze and project future service needs based upon existing utilization?</td>
<td>• Has the operator established a “rule of thumb” policy for minimum ridership levels? (Are conscious exceptions made to such a policy? Are any criteria used to make such exceptions?)</td>
</tr>
<tr>
<td>• Has the operator developed a plan of actions and milestones for achieving its goals and objectives?</td>
<td>• Does the operator plan for financial needs and projects?</td>
<td>• Can the operator obtain information on the purpose of trips made, by route?</td>
</tr>
<tr>
<td>• Does the operator regularly review and evaluate its progress toward established goals and objectives?</td>
<td>• Does the operator communicate regularly with planning and zoning agencies?</td>
<td>• Is there a policy concerning a start-up period for new routes before ridership is considered stable and an evaluation is made?</td>
</tr>
<tr>
<td>• Has the operator made substantial progress toward reaching its goals and objectives?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Performance Audit Guidebook
for Transit Operators and Regional Transportation Planning Entities
### Exhibit III.8 SERVICE PLANNING FUNCTIONAL REVIEW

(continued)

<table>
<thead>
<tr>
<th>PLANNING FOR AND SERVING SPECIAL TRANSPORTATION NEEDS</th>
<th>PUBLIC PARTICIPATION/ HEARINGS</th>
<th>SURVEYS OF RIDERS AND NON-RIDERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Does the service provided meet federal and state requirements to serve people with disabilities?</td>
<td>- Is the operator’s governing board meeting open to the public and publicized?</td>
<td>- Does the operator survey riders regarding:</td>
</tr>
<tr>
<td>- Does the operator offer special fares to the elderly, handicapped, children, or others?</td>
<td>- Does the operator conduct public hearings before adopting route changes, service hour changes of public concern?</td>
<td>- frequency of usage</td>
</tr>
<tr>
<td>- What percentage of revenue vehicles are handicapped-accessible?</td>
<td>- Are hearings held at accessible and convenient locations?</td>
<td>- transportation alternatives</td>
</tr>
<tr>
<td>- Is demand responsive service offered to supplement fixed route service?</td>
<td>- Is there any citizens’ advisory board or similar body?</td>
<td>- original destination</td>
</tr>
<tr>
<td>- Are special routes or schedules offered to patrons with special needs?</td>
<td></td>
<td>- satisfaction with stops, vehicle condition, drivers, service frequency, hours, schedule, etc.</td>
</tr>
</tbody>
</table>

**Performance Audit Guidebook**
for Transit Operators and Regional Transportation Planning Entities

61
Scheduling, Dispatch and Operations

This functional area concerns the short term scheduling of routes, drivers, and vehicles, the daily coordination and assurance that each route or each demand-response service customer is served, and the specific function of providing transportation service. Depending on the type(s) of service offered by an operator, the sub-functions in this area may include:

• Assignment of Drivers to Routes;
• Vacation, Absences, and Sick Leave;
• Assignment of Passengers to Demand Responsive Routes;
• Part-Time and Cover Drivers; and
• Assignment of Vehicles to Routes.

The sub-functions in the Scheduling, Dispatch and Operations functions are displayed in Exhibit III.9. The questions included in the exhibit are not exhaustive, and the auditor should consider the significance and relevance of responses in relation to the specific operator being reviewed.
## Scheduling, Dispatch and Operations Functional Review

### Assignment of Drivers to Routes
- Are drivers allowed to choose route assignments (based on seniority or other hierarchy)?
- Are drivers rotated between routes periodically?
- Are there any special requirements for drivers of particular routes (e.g., for young children or handicapped passengers)?
- Do drivers work a single defined geographic zone on a given shift?
- What effect do labor agreements have on route assignments?

### Vacations, Absences, and Sick Leave
- Are part-time drivers eligible for vacation?
- Is vacation scheduled in advance (are cover drivers scheduled for the route)?
- Is there a clear and communicated policy on absences and sick leave which requires notice prior to when the employee was scheduled to report to work?
- Promotes/rewards employees who are infrequently absent due to illness

### Assignment of Passengers to Demand Responsive Routes
- Is there an effective system for accepting advance reservations, and which allows the rejection of reservations for a time slot after that slot is filled?
- Is there a system for making reservations (and routing) for repetitive customers (e.g., a kidney dialysis patient)?
- Is there a system for geographically sorting passenger transportation requests for any given time slot, in order to minimize deadhead travel as passengers are assigned to routes? (Can requests be sorted visually on a map)?
- Has a policy been adopted concerning how long a driver should wait for a no-show passenger (if at all)?
- Is there a policy restricting persons eligible for demand responsive transportation?
III. Performance Audits of Transit Operators

Exhibit III.9  SCHEDULING, DISPATCH AND OPERATIONS

FUNCTIONAL REVIEW (continued)

<table>
<thead>
<tr>
<th>PART TIME AND COVER DRIVERS</th>
<th>ASSIGNMENT OF VEHICLES TO ROUTES</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Does the operator employ part time drivers?</td>
<td>• Is there a method for dispatch to communicate with maintenance to ensure that all routes have been assigned vehicles which are in good repair?</td>
</tr>
<tr>
<td>• If not, has the operator analyzed and estimated the potential labor savings available from employing part time drivers?</td>
<td>• Are vehicles assigned to routes based on passenger loads? (Does the operator use smaller vehicles on low demand routes)?</td>
</tr>
<tr>
<td>• If so, what portion of the total number of drivers is part time?</td>
<td>• Is there a method to ensure that the vehicle assigned to a route can be driven by the driver assigned to the route (e.g.: automatic transmission, or special brakes)?</td>
</tr>
<tr>
<td>• Does the operator employ standby drivers, who report to work, but are not assigned to a route?</td>
<td></td>
</tr>
<tr>
<td>• Does the operator employ on-call drivers who are available to work but who do not report to work unless called in?</td>
<td></td>
</tr>
</tbody>
</table>
Personnel Management and Training Function

This functional area concerns an operators recruiting and management of human resources. The sub-functions within this area include:

- Recruiting;
- Motivation;
- Training;
- Discipline; and
- Benefits.

The sub-functions in the Personnel Management and Training function are shown in Exhibit III.10. The questions included in the exhibit are not exhaustive, and the auditor should consider the significance and relevance of responses in relation to the specific operator being reviewed.
### Exhibit III.10  PERSONNEL MANAGEMENT AND TRAINING

#### FUNCTIONAL REVIEW

<table>
<thead>
<tr>
<th><strong>RECRUITING</strong></th>
<th><strong>MOTIVATION</strong></th>
<th><strong>TRAINING AND SAFETY</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Are enough drivers being recruited to meet the operator’s needs?</td>
<td>• What is the operator’s turnover rate and experience? Why does turnover happen?</td>
<td>• Does the operator provide or arrange for initial training of inexperienced drivers?</td>
</tr>
<tr>
<td>• What recruiting methods are being used?</td>
<td>• Are any monetary or non-monetary incentive programs in place?</td>
<td>• Does the operator provide or arrange for ongoing training for drivers? Does it meet state requirements?</td>
</tr>
<tr>
<td>• Are recruits experienced or do they require initial training?</td>
<td>• Are job performance evaluations completed regularly for all operator staff?</td>
<td>• Is specific safety training (bus evacuation, CPR) provided?</td>
</tr>
<tr>
<td>• Does the operator have an affirmative action goal or program? Is it effective?</td>
<td></td>
<td>• Are vehicles equipped with fire extinguishers, safety brakes, bells for reverse, or other safety equipment?</td>
</tr>
</tbody>
</table>
Exhibit III.10  PERSONNEL MANAGEMENT AND TRAINING
FUNCTIONAL REVIEW (continued)

<table>
<thead>
<tr>
<th>DISCIPLINE</th>
<th>BENEFITS</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Is there a clear, communicated policy regarding absences and tardiness?</td>
<td>• Are the drivers and dependents offered life, health, dental insurance,</td>
</tr>
<tr>
<td>• Does the operator have and enforce a drug/alcohol policy?</td>
<td>vacation, sick leave, maternity, retirement etc.?</td>
</tr>
<tr>
<td>Does the policy conform to applicable federal and state requirements?</td>
<td>• Do benefits differ for full-time and part-time drivers?</td>
</tr>
<tr>
<td>• Is there a defined, progressive (eg: warning, suspension, termination)</td>
<td>• How are benefits described and availability communicated to personnel?</td>
</tr>
<tr>
<td>disciplinary policy?</td>
<td></td>
</tr>
<tr>
<td>• Does the discipline policy conform with labor agreements?</td>
<td></td>
</tr>
</tbody>
</table>
Administration

This functional area includes business and support services, which are necessary for almost any organization to continue operating and performing its primary functions. The sub-functions in this area include:

- Budgeting and Management Information Systems;
- Financial and Grants Management;
- Risk Management and Insurance;
- Contract Management;
- Facility Management;
- Revenue Collection and Cash Management; and
- Payroll
- Accounts Payable;
- Procurement;
- Internal Audit;

Sub-functions in the Administration function are displayed in Exhibit III.11. The questions included in the exhibit are not exhaustive, and the auditor should consider the significance and relevance of responses in relation to the specific operator being reviewed.
### Exhibit III.11 ADMINISTRATION

#### BUDGETING AND MANAGEMENT INFORMATION SYSTEMS

- Can and does the operator regularly compare its budgeted expectations with actual revenue and expenses?
- Are substantial excesses over budgeted expenses approved by the operator’s general manager or governing board?
- Does a system exist which provides accurate and timely performance and financial data to the operator’s management and governing board? (Data such as those making up TDA-required performance indicators and additional indicators discussed elsewhere in this Guidebook, as well as detailed expenditure and revenues data. Data should be available by route).
- Does the operator have appropriate data processing equipment and software?

#### FINANCIAL AND GRANTS MANAGEMENT

- Is grant application and compliance responsibility clearly assigned within the organization?
- Has the operator lost any grants (e.g., inadvertently failed to file required forms or data, become otherwise ineligible, etc.) or neglected grant opportunities? (Why? What might prevent this from happening in the future)?

#### RISK MANAGEMENT AND INSURANCE

- Does the operator have a procedure for processing accident and injury claims?
- Has the operator considered self insurance or joining a self insurance pool?
- Does the operator have an appropriate or required amount of liability coverage?
- Does the operator periodically review or have reviewed the safety of its operating practices?
- Is someone on the operator’s staff responsible for proactive safety/loss prevention initiatives?
- Does the operator have a current disaster preparedness and response plan?
### CONTRACT MANAGEMENT

- Are contract management responsibilities clearly assigned within the organization?
- Does the contract administrator regularly monitor performance (both quantity and quality of service)? Is performance linked to contract progress payments?
- If required, have contracts been approved by the operator’s governing board?
- Do contracts have a limited and defined term, a clearly specified scope of work, and an explicit price for goods or services?
- Are controls over changes in scope adequate?

### FACILITY MANAGEMENT

- Has the operator considered contracting out for facility management (janitorial, grounds keeping, building maintenance and repair, copier and computer maintenance, etc.) of its office, shop, terminal, and/or bus stops?
- Are facility management responsibilities clearly assigned within the operator?
### Exhibit III.11  ADMINISTRATION (continued)

<table>
<thead>
<tr>
<th><strong>REVENUE COLLECTION AND CASH MANAGEMENT</strong></th>
<th><strong>PAYROLL</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Are on-vehicle fare collection mechanisms appropriately secure, given the amount of fares collected? (Does the driver have access? Does the person removing fares from the bus have access)?</td>
<td>• Do employees submit timesheets as a basis for payroll?</td>
</tr>
<tr>
<td>• Obtain and evaluate any recent studies of fare collection practices.</td>
<td>• Is there a secure database of employee records, pay rate, benefit selections, and other key data?</td>
</tr>
<tr>
<td>• Are bank deposits reconciled back to driver or fare box reports of revenue?</td>
<td>• Is there an appropriate method for changing personnel and payroll data?</td>
</tr>
<tr>
<td>• Are cash receipts for pass sales reconciled back to the number of passes issued?</td>
<td>• Are payroll checks approved/signed by someone other than the person who prepares them?</td>
</tr>
<tr>
<td>• Is there appropriate security surrounding fare and pass sale cash receipts as they are counted, stored, and deposited?</td>
<td>• Has the possibility of direct payroll deposit been investigated?</td>
</tr>
<tr>
<td>• Are operator banking records (deposits and checks) reconciled to bank statements?</td>
<td>• Is substantial excess cash invested prudently and in accordance with regulations?</td>
</tr>
</tbody>
</table>
### Exhibit III.11  ADMINISTRATION (continued)

<table>
<thead>
<tr>
<th>ACCOUNTS PAYABLE</th>
<th>PROCUREMENT</th>
<th>INTERNAL AUDIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Is the receiving function separate from the purchasing authorization function and separate from the disbursement authorization function?</td>
<td>• Have practices, policies or procedures been established controlling purchasing authority?</td>
<td>• Does the operator have an internal audit function? If an internal audit function exists, consider the following:</td>
</tr>
<tr>
<td>• Are invoice items, quantities and prices verified against approved purchase orders?</td>
<td>• Do procurement practices conform to UMTA and State or local requirements?</td>
<td>• Does the internal audit activity conduct audits in accordance with the Comptroller General’s “Standards for Audit of Governmental Organizations, Programs, Activities, and Functions”? If so, are the general standards for continuing education and quality reviews met?</td>
</tr>
<tr>
<td>• Is there a system which ensures goods, or services have been received before an invoice is paid?</td>
<td>• Are purchasing policies and procedures regarding competitive bids, quotes and contracting well defined and appropriate?</td>
<td>• Is the internal audit function at an appropriate organizational level to ensure its effectiveness?</td>
</tr>
<tr>
<td>• If petty cash is maintained, are receipts required in order to replenish petty cash, and is petty cash reasonably secure?</td>
<td>• Are purchases above a certain amount reviewed against budget authorization?</td>
<td>• Review how the annual audit work plan is developed. Does management and the governing Board provide input to the plan?</td>
</tr>
<tr>
<td></td>
<td>• Does the operator competitively procure fuel, vehicles, and other items of major expense, or does the operator cooperate with other organizations, which purchase similar items?</td>
<td>• Review recent internal audit reports and determine if action was taken on recommendations.</td>
</tr>
</tbody>
</table>
Marketing and Public Information

This functional area concerns an operator's marketing and public information effort and communication activities within its jurisdiction. The sub-functions within this area include:

- Marketing; and
- Public Information.

The sub-functions in the Marketing and Public Information function are shown in Exhibit III.12. The questions included in the exhibit are not exhaustive and the auditor should consider the significance and relevance of responses in relation to the specific operator being reviewed.
### Exhibit III.12  MARKETING AND PUBLIC INFORMATION

<table>
<thead>
<tr>
<th>PUBLIC INFORMATION</th>
<th>MARKETING</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Does the operator publish and distribute schedules and descriptions of service to potential and current riders?</td>
<td>• Does the operator have a system for accepting, responding directly to, and summarizing complaints (from riders, residents near stops, drivers of other vehicles, etc.)?</td>
</tr>
<tr>
<td>• Does the operator effectively respond to telephone inquiries regarding service?</td>
<td>• Is performance and survey data analyzed to develop goals and target market?</td>
</tr>
<tr>
<td></td>
<td>• Have targets, goals and plans been developed to aid marketing efforts and promote ridership growth?</td>
</tr>
<tr>
<td></td>
<td>• Has the operator conducted an advertising and promotion campaign other than publishing a schedule?</td>
</tr>
<tr>
<td></td>
<td>• Is the public’s perception and opinion of the operator generally positive, negative, neutral, or unformed?</td>
</tr>
<tr>
<td></td>
<td>• Does the operator communicate effectively with schools and employers to promote transit services?</td>
</tr>
</tbody>
</table>
**Maintenance**

This functional area consists of the maintenance and repair of the operator's vehicles and other capital assets directly related to providing transportation (rail track and right-of-way, overhead trolley lines, etc.) Maintenance of other equipment and facilities is included above in Administration. The sub-functions in this area include:

- Preventive Maintenance;
- Sufficiency of Facility;
- Vehicle Condition;
- Repair Prioritization and Scheduling;
- Parts Procurement and Management;
- Communications With Dispatch;
- Contracting Out; and
- Providing Maintenance to Other Organizations.

The sub-functions in the Maintenance function are displayed in Exhibit III.13. The questions included in the exhibit are not exhaustive, and the auditor should consider the significance and relevance of responses in relation to the specific operator being reviewed.
### Exhibit III.13  MAINTENANCE FUNCTIONAL REVIEW

#### PREVENTIVE MAINTENANCE
- Is a preventive maintenance schedule in place?
- Does the maintenance schedule conform with the manufacturer’s recommended schedule?
- Can compliance with the schedule be easily judged?
- Does maintenance conflict with regular vehicle use?
- Does the operator identify repairs that are covered by a manufacturer’s warranty?
- If so, are the warranty adjustments appropriate?

#### SUFFICIENCY OF FACILITY
- Is the facility capable of accommodating the types of repairs, which are not sent out?
- Is it capable of accommodating those which are sent out?
- Is the number of bays and lifts sufficient for the number of vehicles?
- Is there an office area for administration staff and records?
- Is the facility suited to all aspects of maintenance performed (considering effectiveness, efficiency and safety)?
### VEHICLE CONDITION
- How old are the vehicles?
- How many miles do vehicles have on average?
- Is there a vehicle replacement program in effect?

### REPAIR PRIORITIZATION AND SCHEDULING
- Is there a procedure to ensure that unsafe buses aren’t used?
- Is there a procedure to ensure that the most critically needed types of vehicles are repaired first?
- Is the backlog of repairs and preventative maintenance unreasonably large or small?
- Is idle time for maintenance personnel or vehicle excessive?

### PARTS PROCUREMENT AND MANAGEMENT
- Are parts inventories sufficient to minimize vehicle downtime?
- Are inventories excessive (especially for bulky or expensive items)?
- Are parts inventories of “attractive” items physically secure from pilfering?
- Have targeted inventory and reorder levels been established for common or high usage items?
### Exhibit III.13  MAINTENANCE FUNCTIONAL REVIEW (continued)

<table>
<thead>
<tr>
<th>COMMUNICATION WITH DISPATCH</th>
<th>CONTRACTING OUT</th>
<th>PROVIDING MAINTENANCE TO OTHER ORGANIZATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Is maintenance notified promptly of breakdowns?</td>
<td>• Is there a policy on contracting out for maintenance and repair work?</td>
<td>• Does the operator have access maintenance capacity?</td>
</tr>
<tr>
<td>• Does maintenance schedule vehicles for maintenance or repair, and communicate the schedule to the dispatcher?</td>
<td>• Does the operator contract out?</td>
<td>• Do other public or private organizations contract with the operator to maintain and repair their vehicles?</td>
</tr>
<tr>
<td>• Does maintenance notify the dispatcher when a repair of a vehicle is complete?</td>
<td>• If so, is the contract with a private firm, another operator, another public agency, or other?</td>
<td>• Are other suitable organizations nearby?</td>
</tr>
<tr>
<td></td>
<td>• If so, how are the contracts awarded?</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• If so, how are the contracts monitored?</td>
<td></td>
</tr>
</tbody>
</table>
III.6 PREPARATION OF DRAFT AUDIT REPORT

The preparation of the draft report is a critical element of the performance audit process. The audit report permanently documents the audit results and is widely distributed among concerned parties. One of the objectives of performance auditing is to assist management in improving operations. Thus, the performance audit should strive to present audit findings, observations, conclusions, and recommendations in a positive and straight-forward manner.

The content of the audit report may vary depending upon the scope, approach and complexity of the performance audit. However, the following items illustrate elements of a performance audit report that may be appropriate. These include:

• **Letter of Transmittal** –
  Official letter that transmits the completed performance audit from the auditor to the responsible agency receiving the final report;

• **Table of Contents** –
  Presents a listing of the chapter headings and major sections in the performance audit report and the associated page numbers;

• **Executive Summary** –
  A brief summary of the most important findings and recommendations developed during the performance audit;

• **Introduction** –
  Provides background information that is useful in understanding the entity being audited, as well as the manner in which the audit was conducted. This section must include the following information:
  
  - The transit operator's organization, budget, staffing and services provided;
  - Legal requirements that pertain to the audit;
  - The scope, approach and methods used in conducting the audit; and
  - Any limitations regarding how the audit was performed or the information presented in the report.
• **Audit Results** –

This section of the audit report should present detailed findings in each of the major areas of the performance audit including:

- Results of the compliance review;
- Results of the review of the implementation of prior audit report recommendations;
- Results of the verification of performance audit indicators;
- Results of the detailed functional review of the transit operator; and
- Other pertinent information.

• **Conclusions and Recommendations** –

A summary of the major issues or concerns identified in the audit report and the specific strategies and/or recommended solutions to address these issues or concerns.

Once the draft audit report is prepared, it must be submitted to the RTPE and the management of the transit operator being audited.
III.7 PREPARATION AND PRESENTATION OF FINAL AUDIT REPORT

After the draft audit report has been submitted to the RTPE and the transit operator has had sufficient time to review and provide comments on it, the auditor will meet with representatives of the RTPE and the transit operator to discuss their concerns. The auditor will consider these concerns and determine if any changes are necessary to the factual content of the report, or the audit conclusions and recommendations.

Once the auditor has met with the RTPE and transit operator representatives, and made any necessary changes to the draft report, the auditor should finalize the audit report and transmit it to the RTPE, as well as forwarding a copy to the transit operator. In addition, the auditor may be asked by the RTPE to make a formal presentation of the results of the performance audit to the RTPE's or operator's governing boards, or other appropriate groups.

III.8 LEVEL OF EFFORT FOR A PERFORMANCE AUDIT

It is difficult to establish a standard in terms of hours of time, that it will take performance auditors to complete an audit. Ultimately, the level of effort will be determined based on the size and complexity of the transit operator being audited, the scope of the audit, and the need for detailed audit fieldwork within specific issue areas.

To assist the users of this Guidebook, Exhibit III.14, presented on the next page, displays a sample range of hours it may take a performance auditor to conduct a triennial performance audit of different size transit operators. While these ranges are only suggested ranges, they may be useful to RTPEs in planning the scope and magnitude of performance audits. In addition, this information may be useful in determining the potential cost of the performance audit.
Exhibit III.14  SAMPLE RANGE OF HOURS TO CONDUCT A TRANSIT OPERATOR PERFORMANCE AUDIT

<table>
<thead>
<tr>
<th>Audit Phase</th>
<th>Small</th>
<th>Medium</th>
<th>Large</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Preliminary Survey</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Start-up and background</td>
<td>5-10</td>
<td>10-20</td>
<td>20-40</td>
</tr>
<tr>
<td>• Identify functional areas</td>
<td>5-10</td>
<td>10-15</td>
<td>15-40</td>
</tr>
<tr>
<td>• Review and verify performance indicators</td>
<td>5-20</td>
<td>10-30</td>
<td>10-100</td>
</tr>
<tr>
<td>• Test compliance requirements</td>
<td>5-10</td>
<td>10-20</td>
<td>20-120</td>
</tr>
<tr>
<td><strong>Summarize and Define Scope and Objective of Detailed Review</strong></td>
<td>5-10</td>
<td>5-10</td>
<td>10-25</td>
</tr>
<tr>
<td><strong>Detailed Review</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Review functional area</td>
<td>5-10</td>
<td>10-15</td>
<td>15-120</td>
</tr>
<tr>
<td>• Identify areas with potential for improvement</td>
<td>5-10</td>
<td>10-20</td>
<td>20-140</td>
</tr>
<tr>
<td>• Develop audit findings</td>
<td>5-10</td>
<td>5-30</td>
<td>30-200</td>
</tr>
<tr>
<td>• Discuss findings with management</td>
<td>5-10</td>
<td>5-10</td>
<td>10-15</td>
</tr>
<tr>
<td><strong>Reporting</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Develop draft report</td>
<td>10-20</td>
<td>10-20</td>
<td>20-100</td>
</tr>
<tr>
<td>• Review and management</td>
<td>5-10</td>
<td>5-10</td>
<td>10-20</td>
</tr>
<tr>
<td>• Finalize and issue report</td>
<td>5-10</td>
<td>10-15</td>
<td>15-80</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>65-140</td>
<td>100-215</td>
<td>200-1000</td>
</tr>
</tbody>
</table>

* Small operator - 20 vehicles or less
  Medium operator - greater than 20 vehicles but not more than 100 vehicles
  Large operator - greater than 100 vehicles

Performance Audit Guidebook
for Transit Operators and Regional Transportation Planning Entities
SECTION IV

PERFORMANCE AUDITS OF REGIONAL TRANSPORTATION PLANNING ENTITIES
IV. PERFORMANCE AUDITS OF REGIONAL TRANSPORTATION PLANNING ENTITIES

This chapter describes the major components of performance audits of Regional Transportation Planning Entities (RTPEs) and the different types of agencies that serve as RTPEs. In addition, it discusses the review of compliance requirements for RTPEs, the follow-up of prior performance audit report recommendations, the identification and review of transit-related functions and activities of RTPEs, the preparation of a draft report, and the preparation and presentation of a final report.

There are various major elements that may be included as part of a performance audit of RTPEs. The elements suggested in this chapter are guidelines which will help the auditor ensure that the performance audit of a RTPE meets the requirements of the California Public Utilities Code and the California Code of Regulations and ensure that the audit is consistent with "Standards for Audit of Governmental Organizations, Programs, Activities and Functions," published by the Comptroller General. Exhibit IV.1 on the next page, presents an overview of the major elements in a performance audit of RTPEs. Each of these elements is discussed separately in later sections of this chapter.

IV.1 INITIAL REVIEW OF RTPE FUNCTIONS

The initial review of the RTPE's functions should provide the auditor with an understanding of the RTPE's characteristics, and a grasp of the functions performed by the RTPE. The auditor should plan interviews and information requests carefully at this stage in order to minimize the disruptive effect upon the audited entity and its staff. Such initial planning should anticipate this initial review, the follow-up of prior performance audit recommendations, and the compliance review.

RTPE Characteristics

At an early stage of the audit, the auditor will need to identify the RTPE's organization type. A RTPE is an entity or policy committee, which is responsible for development of a regional transportation plan. The RTPE may derive such responsibility from statute, or as delegated by local government(s) in cooperation with the State pursuant to a memorandum of understanding. The State Director of Transportation designates various agencies to be Transportation Planning Agencies (TPAs) pursuant to Government Code Sections 29532, et. seq. These include the following RTPEs:

- **Transportation Planning Agencies** -Including multi-county, Statutory Agencies, Councils of Governments, and Local Transportation Commissions as defined below:
  - **Multi-County, Statutory Agencies** - If a county is within the jurisdiction of a multi-county, statutorily created, comprehensive regional transportation planning agency, then that agency will be designated as the RTPE.
Exhibit IV.1 MAJOR ELEMENTS IN A PERFORMANCE AUDIT OF RTPES

IV.1 Initial Review of RTPE Functions

IV.2 Review of Compliance Requirements

IV.3 Follow-up of Prior Performance Audit Recommendations

IV.4 Detailed Review of RTPE Functions

IV.5 Preparation of Draft Report

IV.6 Preparation and Presentation of Final Report
COUNCILS OF GOVERNMENTS - Section 29536 of the Government Code defines instances in which a council of governments will be designated as the RTPE. In addition to those councils organized under Chapter 5 (commencing with Section 6500) of Division 7, Title 1 of the Government Code, certain regional planning districts, area planning commissions and councils, and planning districts may serve as councils of governments for TDA purposes. Section 6640 of the California Code of Regulations details the statutory authorities under which a council of governments may be created.

LOCAL TRANSPORTATION COMMISSIONS - If a county is not within the jurisdiction of a statutorily created TPA or within the jurisdiction of a council of governments, then a local transportation commission is established by Section 29535 of the Government Code, and will be designated as the Transportation Planning Agency. Additionally, if there is a council of governments within the county, but the majority of cities, which include at least 50 percent of the incorporated population within the county, elect to form a local transportation commission, than that local transportation commission will be designated as the Transportation Planning Agency.

COUNTY TRANSPORTATION COMMISSIONS - Statutorily created, comprehensive regional planning agencies that include the county transportation commissions in the counties of Los Angeles, Orange, Riverside, Ventura and San Bernardino which will not be designated as the Transportation Planning Agency for the area under its jurisdiction.

METROPOLITAN TRANSPORTATION DEVELOPMENT BOARD - Statutorily created transit development board that are allocated funds for transportation planning in San Diego County.

No monies may be allocated from the local transportation fund except by a TPA which has been designated by the State Director of Transportation in a memorandum of understanding. Further, no city may receive local transportation fund moneys unless it is within the jurisdiction of a statutorily created RTPA, or the city is a member of a locally created TPA, or the city establishes a single purpose local transportation commission pursuant to the TDA.

FUNCTIONS PERFORMED BY THE RTPE

During the initial review, the auditor should discuss the RTPE's characteristics and functions with the RTPE's management and governing board. RTPE functions may include:

- RTPE Administration and Management;
- Transportation Planning and Regional Coordination;
- Claimant Relationships and Oversight;
- Marketing and Transportation Alternatives; and
- Grant Applications and Management.
During the initial review of RTPE functions, the auditor should focus on:
- Whether or not each function is performed (choice of functions);
- Resource commitment and level of management direction and control within a function;
- Observations or indicators of the efficiency and effectiveness of activities performed; and
- Whether the function is performed by the RTPE itself or by a contractor.

After completing this initial review, the compliance review (including the gathering of key documents) (Section IV.2), and the follow-up of prior performance audit recommendations (Section IV.3), the auditor shall have a thorough understanding of the RTPE, and shall be well prepared to conduct the detailed functional review (Section IV.4).

**IV.2 REVIEW OF COMPLIANCE REQUIREMENTS**

Section 99245 of the Public Utilities Code requires an annual certified fiscal audit of each claimant of Transportation Development Act (TDA) funds. Section 6662 of the California Code of Regulations specifies that the report on the fiscal audit shall include a determination of compliance with the Transportation Development Act and accompanying rules and regulations, and clearly extends this requirement to transportation planning agencies, county transportation commissions and metropolitan transit development boards. Though the performance auditor is not legally required to verify compliance with TDA provisions, several specific requirements made by the TDA are directly related to performance audits. These requirements merit the performance auditor's attention. From time-to-time, the legislature may enact statutes that impose additional requirements on RTPEs. If such additional requirements are enacted, the performance auditor should review the RTPE's compliance with the additional requirements, as well as its compliance with those requirements shown here.

This section includes a summary of compliance issues which are closely related to performance audit issues. Exhibit IV.2, which begins on the next page, describes these compliance requirements and cites the section of Code which makes the requirement. Verification of an RTPE's compliance with each of these requirements must be a component of the performance audit.
## Exhibit IV.2 RTPE COMPLIANCE REQUIREMENTS

<table>
<thead>
<tr>
<th>RTPE COMPLIANCE REQUIREMENTS</th>
<th>REFERENCES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. All transportation operators and city or county governments which have responsibility for serving a given area, in total, claim no more than those Local Transportation Fund monies apportioned to that area.</td>
<td>Public Utilities Code, Section 99231</td>
</tr>
<tr>
<td>2. The RTPE has adopted rules and regulations delineating procedures for the submission of claims for facilities provided for the exclusive use of pedestrians and bicycles.</td>
<td>Public Utilities Code, Section 99233 and 99234</td>
</tr>
<tr>
<td>3. The RTPE has established a social services transportation advisory council. The RTPE must ensure that there is a citizen participation process that includes at least an annual public hearing.</td>
<td>Public Utilities Code, Section 99238 and 99238,5</td>
</tr>
<tr>
<td>4. The RTPE has annually identified, analyzed and recommended potential productivity improvements which could lower operating cost of those operators, which operate at least 50 percent of their vehicle service miles within the RTPE’s jurisdiction. Recommendations include, but are not being limited to, those made in the performance audit.</td>
<td>Public Utilities Code, Section 99244</td>
</tr>
<tr>
<td>- A committee for the purpose of providing advice on productivity improvements may be formed.</td>
<td></td>
</tr>
<tr>
<td>- The operator has made a reasonable effort to implement improvements recommended by the RTPE, as determined by the RTPE, or else the operator has not received an allocation that exceeds its prior year allocation.</td>
<td></td>
</tr>
<tr>
<td>5. The RTPE has ensured that all claimants to whom it allocated TDA funds submit to it and to the state controller an annual certified fiscal and compliance audit within 180 days after the end of the fiscal year.</td>
<td>Public Utilities Code, Section 99245</td>
</tr>
<tr>
<td>6. The RTPE has designated an independent entity to conduct a performance audit of operators and itself (for the current and previous triennia). For operators, the audit was made and calculated the required performance indictors, and the audit report was transmitted to the entity that allocates the operator’s TDA money, and to the RTPE within 12 months after the end of the triennium. If an operator’s audit was not transmitted by the start of the second fiscal year following the last fiscal year of the triennium, TDA funds were not allocated to that operator for that or subsequent fiscal years until the audit was transmitted.</td>
<td>Public Utilities Code Sections 99246 and 99248</td>
</tr>
</tbody>
</table>
7. The RTPE has submitted a copy of its performance audit to the Director of the California Department of Transportation. In addition, the RTPE has certified in writing to the Director that the performance audits of operators located in the area under its jurisdiction have been completed.

8. The performance audit of the operator providing public transportation services shall include a verification of the operator’s cost per passenger, operating cost per vehicle service hour, passenger per vehicle service mile, and vehicle service hours per employee, as defined in Section 99247. The performance audit shall include consideration of the needs and types of passengers being served and the employment of part-time drivers and the contracting with common carriers of persons operating under a franchise or license to provide services during peak hours, as defined in subdivision (a) of section 99260.2.

9. The RTPE has established rules and regulations regarding revenue ratios for transportation operators providing services in urbanized and newly urbanized areas.

10. The RTPE has adopted criteria, rules, and regulations for the evaluation of claims filed under Article 4.5 of the TDA and the determination of the cost effectiveness of the proposed community transit services.

11. State transit assistance funds received by the RTPE allocated only for transportation planning and mass transportation purposes? *

12. The amount received pursuant to the Public Utilities Code, Section 99314.3; by each RTPE for state transit assistance is allocated to the operators in the area of its jurisdiction as allocated by the State Controllers Office.

* The June 5, 1990 passage of Proposition 116 no longer allows the use of state transit assistance funds for street and road purposes, as had been permitted in certain classes under PUC Section 99313.3.

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*Public Utilities Code, Section 99246(c)*

*Public Utilities Code, Section 99246(d)*

*Public Utilities Code, Section 99270.1 and 99270.2*

*Public Utilities Code, Section 99275.5*

*Public Utilities Code, Section 99310.5 and 99313.3 and Proposition 116*

*Public Utilities Code, Section 99314.3*
13. If TDA funds are allocated to purposes not directly related to public or specialized transportation services or facilities for exclusive use of pedestrian and bicycles, the transit-planning agency has annually:

- Consulted with the Social Services Transportation Advisory Council (SSTAC) established pursuant to Public Utilities Code Section 99238;

- Identified transit needs, including:
  - Groups who are transit-dependent or transit-disadvantaged;
  - Adequacy of existing transit services to meet the needs of groups identified; and
  - Analysis of potential alternatives to provide transportation services.

- Adopted or re-affirmed definition of “unmet transit needs” and “reasonable to meet”.

- Identified the unmet transit needs or there are no unmet transit needs, or there are unmet transit needs that are reasonable to meet.

If a finding is adopted that there are unmet transit needs, these needs must have been funded before an allocation was made for streets and roads. (Because the determination of unmet transit needs is an important responsibility for most RTPE’s in the State, the performance auditor should consider reviewing the process used by the RTPE to determine unmet transit needs, as well as the outcome of the process).

14. The RTPE has caused an audit of its account and records to be performed for each fiscal year by the county auditor or a certified public accountant. The RTPE must transmit the audit report to the state controller within 12 months of the end of each fiscal year in accordance with the Basic Audit Program and Report Guidelines for the California Special Districts prescribed by the State Controller. The audit shall include a determination of compliance with the TDA and accompanying rules and regulations. Financial statements may not commingle the state transit assistance fund, the local transportation fund, or other revenues or funds of any city, county or other agency. The RTPE must maintain fiscal and accounting records and supporting paper’s for at least four years following fiscal year close.
Suggested Audit Steps

This section identifies three major steps that the performance auditor may utilize to review compliance requirements in the performance audit. These include:

- **Discuss Compliance Requirements with the RTPE** - The RTPE should be familiar with these requirements and should be able to easily locate satisfactory evidence of its compliance. These discussions should also prove time-saving in the event that there is a need for any further investigations.

- **Document Evidence of Compliance** - Based upon discussions with the RTPE, the auditor will obtain evidence of the RTPE's compliance with each of the compliance requirements being reviewed. In some cases, the auditor may need to investigate compliance with requirements. However, compliance with many of the requirements can be determined by the existence of planning documents, evidence of RTPE Governing Board action, calculated measures, and similar documentation evidence of RTPE action. Such evidence should meet the standards for performance audit fieldwork evidence described in "Standards for Audit of Governmental Organizations, Programs, Activities and Functions".

- **Disclose Results of the Compliance Review** - The performance auditor will prepare a written report on the tests that were made of compliance with applicable laws and regulations during the course of the performance audit.

If the auditor finds evidence of non-compliance with any of the requirements summarized in this section, the auditor will make a corresponding finding in the performance audit report, and will draw conclusions and make appropriate recommendations.

### IV.3 FOLLOW-UP OF PRIOR PERFORMANCE AUDIT RECOMMENDATIONS

The "Standards for Audit of Governmental Organizations, Programs, Activities and Functions" state that due professional care by auditors includes follow-up on known findings and recommendations from previous audits that could have an effect on the current audit objectives to determine whether prompt and appropriate correction actions have been taken by RTPE officials or other appropriate organizations.

To ensure that the performance audit is effective and valuable, a performance auditor should review and evaluate the RTPE's implementation of prior performance audit recommendations. The objective assessment of improvements provides assurance to the public that the RTPE has made efforts to improve its efficiency and effectiveness, and strengthens the integrity of the performance audit process. This follow-up may be more important than the similar follow-up for operators, since there may be no other formal and systematic review of RTPE performance improvements.

**Performance Audit Guidebook**

for Transit Operators and Regional Transportation Planning Entities
Suggested Audit Steps

This section identifies four audit steps that the performance auditor can utilize to follow-up on prior performance audit recommendations. These include obtaining and reviewing key documents, discussing prior audit report recommendations and corrective actions with the RTPE and concerned agencies, documenting evidence of the implementation of action on prior audit recommendations, and reporting on the result of the follow-up review. Exhibit IV.3 presented on the next page depicts the follow-up process for prior audit report recommendations.

**Obtain and Review Key Documents**

The auditor will obtain and review (a) the prior performance audit (preferably the two most recent audits), (b) recommendations made in management letters which may have accompanied the RTPE's fiscal audits, (c) any other performance evaluation documents and data concerning the RTPE, and (d) planning and other RTPE-produced documents which describe or evidence the RTPE's improvements.

**Discuss Implementation of Recommendations with the RTPE and with Other Concerned Agencies**

The auditor will discuss the implementation status of each recommendation in the prior performance audit report with representatives from the RTPE's board or with RTPE management. In addition, the auditor will follow-up on prior recommendations in more detail with transit operators or other concerned agencies. In most cases, the auditor will need to investigate evidence of recommendation implementation. These discussions should provide a timesaving basis for those investigations. Most importantly, the auditors should use a process that enables them to track the status of management's actions on significant or material findings and recommendations from prior audits. Such a process could include determining whether the following actions have occurred:

- **Implementation of Recommendations.** If implementation has been completed, the discussions should concern (a) the effectiveness of, and benefits from the recommendations and (b) difficulties and costs of implementing the recommendation.

- **Implementation In-Progress.** If implementation is underway, discussions should address (a) the initiation date, (b) the current status, (c) the date implementation is expected to be complete, and (d) the difficulties and costs of implementation.

- **Implementation Not Begun.** If the RTPE has not initiated any efforts to implement a recommendation, the auditor should seek to determine whether (a) circumstances have changed, and the recommendation is no longer applicable or feasible, (b) the recommendation was unreasonable and inappropriate at the outset, or (c) the RTPE has ignored a valid recommendation. Each of these determinations should make up a finding in the auditor's report. Conclusions will be drawn, and recommendations made.
Exhibit IV.3 FOLLOW-UP ON PRIOR RTPE PERFORMANCE AUDIT RECOMMENDATIONS

1. Obtain and Review Key Documents
2. Discuss Recommendation Implementation with RTPE’s and Other Concerned Agencies
3. Document Evidence of Recommendation Implementation
4. Disclose Results of Follow-Up Review
Document Evidence of Implementation of Recommendations

Based upon discussions with the RTPE's Governing Board, its management, and other concerned agencies (such as operators), the auditor will obtain evidence regarding the implementation status of each recommendation in the RTPE's prior performance audit report. Such evidence, which may consist of documents, observed practices, or other data, should meet the standards for performance audit fieldwork evidence described in "Standards for Audit of Governmental Organizations, Programs, Activities and Functions".

Disclose Results of Follow-up Review

The management of the audited agency has the primary responsibility for directing action and following-up on prior audit report recommendations. The auditor's report will disclose the status of known, but uncorrected significant or material findings and recommendations from prior audits affecting the current audit objective.

IV.4 DETAILED REVIEW OF RTPE FUNCTIONS

This section offers guidance in identifying and reviewing the various functions of RTPEs. Since the functions of each RTPE vary widely, not all parts this section will apply to all RTPEs. RTPE functions can be divided into the following areas:

- RTPE Administration and Management;
- Transportation Planning and Regional Coordination;
- Claimant Relationships and Oversight;
- Marketing and Transportation Alternatives; and
- Grant Applications & Management.

Exhibit IV.4, presented on the next page, summarizes these functions and their sub-functions. Each of these areas will be briefly described, and sub-functions within the area will be noted.

For each functional area, this section will suggest key questions to guide the auditor. Since most of the functions performed by RTPEs are difficult to quantify, there are few applicable performance measures for RTPEs. As a result, the functional review will usually rely heavily upon comparisons of achievements by the RTPE and of achievements within the RTPE's region to the RTPE's goals, objectives, and plans. Of course, the functional review must also rely upon the auditor's professional and objective judgment.
Exhibit IV.4  OVERVIEW OF POTENTIAL RTPE FUNCTIONS

**RTPE Administration and Management**
- General Administration
- Internal Planning and Achievements
- Governing Board Activities
- Personnel

**Transportation Planning and Regional Coordination**
- Regional Transportation Plan (RTP)
- RTP Topics
- RTP Implementation
- Information Generation and Distribution
- Information Collection

**Claimant Relationships and Oversight**
- Productivity Committee Functions (if applicable)
- Technical and Managerial Assistance to Operators
- Communication of TDA Reporting and Information
- TDA Claims Processing

**Marketing and Transportation Alternatives**
- Marketing and Public Relations
- Public Information and Transportation Alternatives

**Grant Applications and Management**
- Grant Application Coordination
- Grant Applications Assistance
- Grant Management and Compliance
RTPE Administration and Management

This functional area encompasses the administration of RTPE functions. Sub-functions include:

- General Administration
- Internal Planning and Achievements
- Governing Board Activities
- Personnel

Suggested areas for review in each of the sub-functions within the Administration and Management functional area are shown in Exhibit IV.5 which begins on the next page. The questions included in the exhibit are not exhaustive, and the auditor should consider the significance and relevance of responses in relation to the specific operator being reviewed.

Many of the key questions in this review area are aimed at determining if the RTPE prepares required documents or sets goals and objectives. It is difficult to identify objective standards for the content of the documents or the substance of the goals and objectives given the variety of activities performed by RTPEs and the variety of forms that RTPEs take. Thus, the auditor must discuss the nature of documents with RTPE staff, and must review documents, goals, or other items to determine whether the documents suit their purposes, are complete, and are useful and effective. Similarly, when reviewing goals and objectives and the RTPE's progress toward them, the auditor should use professional judgment in determining whether the goals and objectives are suitable, whether additional goals and objectives should be adopted, and whether progress is reasonable.
Exhibit IV.5  ADMINISTRATION & MANAGEMENT

GENERAL ADMINISTRATION

- Has the RTPE processed TDA claims in an accurate and timely manner?
- Has the RTPE prepared and/or revised the Regional Transportation Plan recently enough that is currently meaningful? (At a minimum, once every 2 years).
- Does the RTPE’s management receive, review and act upon regular reports on the progress and financial status of both ongoing programs and special projects? Are such reports provided in part by a computerized management information system?
- Does the operator have a systematic and effective method and location for achieving filing plans and other documents?
- Are operators under the RTPE’s jurisdiction satisfied with the RTPE’s efficiency and effectiveness?

INTERNAL PLANNING & ACHIEVEMENTS

- Has the RTPE established and periodically updated clear, comprehensive and realistic goals and objectives for:
  - Its internal functions (business, budget, personnel, timeliness, etc.)
  - Regional coordination and impact?
  - Grants applications and awards?
  - Operators performance, including transit utilization, efficiency, and effectiveness
  - Transportation alternatives?
- Has the RTPE planned schedules and milestones and acted to achieve its goals and objectives?
- Has the RTPE achieved or made progress toward achieving its goals and objectives?
- Has the RTPE set specific performance goals or standards for any of its staff’s activities?
- Are the RTPE’s budget and staffing allocations sufficient and appropriate to accomplish its plan for achieving its goals and objectives?

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### Exhibit IV.5  ADMINISTRATION & MANAGEMENT (continued)

<table>
<thead>
<tr>
<th>GOVERNING BOARD ACTIVITIES</th>
<th>PERSONNEL</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Is the RTPE Governing Board organized into committees to allow it to effectively address detailed and complex issues?</td>
<td>• Does the RTPE employ staff in sufficient numbers and with sufficient qualifications and experience to accomplish its functions?</td>
</tr>
<tr>
<td>• Does the Governing Board meet regularly, and do most members attend most meetings?</td>
<td>• What is the RTPE’s staff turnover rate?</td>
</tr>
<tr>
<td>• Has the Governing Board reviewed and accepted / approved in a timely manner key documents prepared or received by the RTPE including:</td>
<td>• Do staff receive regular training appropriate to their responsibilities?</td>
</tr>
<tr>
<td>- Regional transportation plan?</td>
<td>• Are job performance evaluations completed regularly for all RTPE staff?</td>
</tr>
<tr>
<td>- Short-term transit plans(s)?</td>
<td>• Are any employee incentive programs in place?</td>
</tr>
<tr>
<td>- Reports(s) made by the productivity committee?</td>
<td>• Are RTPE staff offered life, health, dental insurance, vacation, sick leave, maternity, retirement and other benefits?</td>
</tr>
<tr>
<td>- SB827 update or progress report for an SB 120 Action Plan (for social services transportation)?</td>
<td></td>
</tr>
<tr>
<td>- Performance audit for each operator?</td>
<td></td>
</tr>
<tr>
<td>- Fiscal and compliance audit for each operator?</td>
<td></td>
</tr>
<tr>
<td>- A performance for the RTPE</td>
<td></td>
</tr>
<tr>
<td>- A fiscal and compliance audit for the RTPE?</td>
<td></td>
</tr>
<tr>
<td>- RTPE goals and objectives?</td>
<td></td>
</tr>
<tr>
<td>- An RTPE budget and operating plan?</td>
<td></td>
</tr>
<tr>
<td>- Regional Transportation Improvement plan (capital projects)?</td>
<td></td>
</tr>
<tr>
<td>- Unmet transit needs process documentation?</td>
<td></td>
</tr>
</tbody>
</table>
Transportation Planning and Regional Coordination

This functional area includes short-term and long-range projection of transportation demands, the preparation for service provision to meet those needs, and financial planning and analysis. The function also encompasses efforts to ensure that transportation providers within the RTPE's region provide service and interact rationally and without duplication. The sub-functions making up this area are:

- Regional Transportation Plan (RTP) Development and Adoption;
- Regional Transportation Plan Topics;
- Does the RTP or another RTPE document accurately describe transportation now available with its jurisdiction?
- Regional Transportation Plan Implementation;
- Information Generation and Distribution; and
- Information Collection.

Suggested areas for review in each of the sub-functions within the Planning and Coordination functional area are shown in Exhibit IV.6, which begins on the next page. The questions included in the exhibit are not exhaustive, and the auditor should consider the significance and relevance of responses in relation to the specific operator being reviewed.

This functional area includes questions which concentrate on the presence of evidence that the RTPE is performing the activities it was intended to accomplish. The auditor can examine the RTP and discuss its development and that of other planning documents, however, the auditor must use his or her judgment regarding the content of the RTP. It is useful to discuss the RTPE's achievements with respect to historic plans, and its coordination efforts to review planning activities. It is also useful to discuss the RTPE's planning and coordination effectiveness with the operators in the RTPE's jurisdiction.
### TRANSPORTATION PLANNING AND REGIONAL COORDINATION

<table>
<thead>
<tr>
<th>REGIONAL TRANSPORTATION PLAN (RTP) DEVELOPMENT AND ADOPTION</th>
<th>REGIONAL TRANSPORTATION PLAN TOPICS</th>
<th>REGIONAL TRANSPORTATION PLAN IMPLEMENTATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Does the RTP provide transportation policy guidance within the RTPE’s region?</td>
<td>• Does the RTP address the following effectively?</td>
<td>• Does the RTP set out clear goals, actions, milestones, and timelines for transportation in the region? (These should be distinct from the RTPEs internal goals and timelines as an agency).</td>
</tr>
<tr>
<td>• Does the RTP comprehensively identify, document and assess transportation needs in the RTPE’s jurisdiction?</td>
<td>- Air Quality</td>
<td>• Does the RTP clearly identify entities responsible for implementing actions necessary to achieve goals?</td>
</tr>
<tr>
<td>• Does the RTP contain an appraisal of major (especially regional) weaknesses in the transportation system?</td>
<td>- Minimizing commuting (residential and office locations)</td>
<td>• Does the RTP identify and assess the sufficiency of funding sources to be used in reaching regional goals?</td>
</tr>
<tr>
<td>• Does the RTP account for anticipated growth, development, and changing transportation demands in order to project transportation needs over a 20-year horizon?</td>
<td>- Special service transportation</td>
<td>• Has the RTP had an identifiable and positive impact on regional transportation?</td>
</tr>
<tr>
<td>• Do member governments (if applicable), operators, private businesses, the general public/transportation users participate in the plan development?</td>
<td>- General public transportation</td>
<td></td>
</tr>
<tr>
<td>• Was the RTP developed or revised and approved within the period required by statute?</td>
<td>- Elderly and handicapped transportation, especially in rural areas</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Streets, roads and highways</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Capital planning</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Status of prior action items</td>
<td></td>
</tr>
</tbody>
</table>

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Exhibit IV.6  TRANSPORTATION PLANNING AND REGIONAL COORDINATION  
(continued)

<table>
<thead>
<tr>
<th>INFORMATION GENERATION AND DISTRIBUTION</th>
<th>INFORMATION COLLECTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Does the RTPE model and project transportation demand levels and characteristics?</td>
<td></td>
</tr>
<tr>
<td>• Does the RTPE provide to operators and government agencies useful summaries or information it gathers or generates?</td>
<td></td>
</tr>
<tr>
<td>• Has the RTPE made any effort to sell to private firms data or information it gathers or generates?</td>
<td></td>
</tr>
<tr>
<td>• Is the RTPE familiar with special and local revenue measures and their impact on regional transportation?</td>
<td></td>
</tr>
<tr>
<td>• Does the RTPE gather information from local planning and zoning agencies, private businesses, regional air quality districts state and federal agencies concerning transportation-related demand, mandates, funding, and other issues?</td>
<td></td>
</tr>
<tr>
<td>• Has the RTPE developed and implemented a systematic method to keep up-to-date on transportation service levels and types provided within its jurisdiction?</td>
<td></td>
</tr>
</tbody>
</table>
Claimant Relationships and Oversight

This functional area encompasses the RTPE's direct interactions with the transportation operators within its jurisdiction. In some cases, the interactions are legally required, while in others, the RTPE may play the role of an expert advisor. The sub-functions making up this functional area are:

- Productivity Committee Functions;
- Technical and Managerial Assistance to Operators;
- Communication of TDA;
- Reports and Information Received by the RTPE; and
- TDA Claim Processing.

Suggested areas for review in each of the sub-functions within the Operator Relationships and Oversight functional area are shown in Exhibit IV.7 starting on the next page. The questions included in the exhibit are not exhaustive, and the auditor should consider the significance and relevance of responses in relation to the specific operator being reviewed.

A review of this functional area must rely heavily on discussions with operators and the RTPE. Certain information from performance audits of operators can be useful in reviewing the RTPE's oversight performance, since RTPE oversight should help ensure the operator's implementation of prior audit recommendations and compliance with legal requirements. Generally, if operators are not performing well, the RTPE may not be effective in conducting relationships with and oversight of the operators.

Additionally, the auditor may be able to conduct part of this review by looking over official communications and transmittals between the RTPE and operators. Such a document review can provide an objective picture of both operator and RTPE functions.
## Exhibit IV.7 CLAIMANT RELATIONSHIPS & OVERSIGHT

<table>
<thead>
<tr>
<th>PRODUCTIVITY COMMITTEE FUNCTIONS</th>
<th>TECHNICAL AND MANAGERIAL ASSISTANCE TO OPERATORS</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Is there a productivity committee operating under the RTPE? (Pursuant to Public Utilities Code Section 99244.)</td>
<td>• Does the RTPE make technical and managerial assistance available to operators? (Such assistance may include financial analysis, marketing advice, routing suggestions, planning assistance, etc.)</td>
</tr>
<tr>
<td>• Does the committee meet regularly and make efforts to identify potential efficiency improvements?</td>
<td>• Are operators aware of the availability of such assistance?</td>
</tr>
<tr>
<td>• Has the productivity committee monitored and evaluated implementation of performance audit recommendations and other study recommendations?</td>
<td>• Have operators taken advantage of assistance?</td>
</tr>
<tr>
<td>• Has the RTPE set criteria, timeframes, goals, quotas or other targets for evaluating operator implementation of suggestions and recommendations?</td>
<td>• Have operators expressed an interest in or need for such assistance?</td>
</tr>
<tr>
<td>• Has the RTPE determined that operator efforts to implement suggestions and recommendations are reasonable? If not, the operator should not receive any increase in TDA allocation over its previous year’s allocation.</td>
<td></td>
</tr>
</tbody>
</table>

**Performance Audit Guidebook**
for Transit Operators and Regional Transportation Planning Entities
Exhibit IV.7  CLAIMANT RELATIONSHIPS & OVERSIGHT (continued)

<table>
<thead>
<tr>
<th>COMMUNICATION OF TDA</th>
<th>REPORTS AND INFORMATION RECEIVED BY THE RTPE</th>
<th>TDA CLAIM PROCESSING</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Has the RTPE prepared and/or provided the following documents to the operator:</td>
<td>• Has the RTPE received an audited annual (financial) report from each operator with its jurisdiction within 180 days after the end of the fiscal year?</td>
<td>• Has the RTPE processed operators TDA claims consistency with its own rules, and in a timely manner?</td>
</tr>
<tr>
<td>- Performance Audit Guidebook?</td>
<td>• Has the RTPE received compliance audits of the operators which attest that funds allocated to each TDA claimant were expended in conformance with applicable laws, rules and regulations?</td>
<td>• When a compliance issue would require the RTPE to withhold TDA monies from an operator (for example penalties for noncompliance with a required fare box recovery ratio), has the RTPE in fact withheld those monies? (See Chapter II.5 and California Code of Regulations sections 6666 and 6667 for a summary of such issues.).</td>
</tr>
<tr>
<td>- Regional transportation plan?</td>
<td>• Has the RTPE received triennial performance audits of the operators?</td>
<td></td>
</tr>
<tr>
<td>- Short-term transit plan?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Productivity committee reports?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- AB 120 Action Plan, SB 826 update (for social services transportation), except SCAG?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- RTPE rules regarding fare box recovery ratios for operators providing services in urbanized and newly urbanized areas?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- RTPE rules and forms regarding submission of claims by operators?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Regional transportation implementation plan (capital improvements)?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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Marketing and Transportation Alternatives

This functional area consists of promoting public transportation and transportation alternatives to the region's population. RTPE functions in this area may supplement the efforts of operators, or may actually take the place of operator activities. The sub-functions making up this area are:

- Marketing and Public Relations; and
- Public Information and Transportation Alternatives.

Suggested areas for review in the sub-functions within the Marketing and Transportation Alternatives functional area are shown on Exhibit IV.8. The questions included in the exhibit are not exhaustive, and the auditor should consider the significance and relevance of responses in relation to the specific operator being reviewed.

The audit of this functional area should consider at least the following two sources of information, if they are available: (a) specific rider-ship data (for the service or alternative being promoted), and (b) surveys of the general public regarding familiarity with transportation and transportation alternatives. Ideally, the RTPE should both gather and evaluate this information itself when it conducts marketing and public information campaigns. If it does not do so, then it may be appropriate for the auditor to recommend initiation of such activities. As the auditor conducts this functional review, it is important to consider the related activities performed by operators. RTPE and operator efforts should complement each other, and the RTPE may be able to perform some activities at a regional level more efficiently than local operators.

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### Exhibit IV.8 MARKETING AND TRANSPORTATION ALTERNATIVES

<table>
<thead>
<tr>
<th>MARKETING AND PUBLIC RELATIONS</th>
<th>PUBLIC INFORMATION AND TRANSPORTATION ALTERNATIVES</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Does the RTPE conduct or coordinate a regional marketing program for public transportation which is consistent with or supplements the operator’s programs?</td>
<td>• If operators do not have public information (routes, schedules, type of service, fares, etc.) available in printed form and by telephone, does the RTPE provide such information?</td>
</tr>
<tr>
<td>• Has the RTPE measured the effect of general or experimental marketing via rider surveys, general public surveys, passenger counts, or other means? Have the programs achieved meaningful results and met their objectives?</td>
<td>• Does the RTPE help operators to prepare and distribute press releases upon the initiation of significant new services?</td>
</tr>
<tr>
<td>• Does the RTPE offer input into planning, zoning and development projects by regional or local government entities?</td>
<td>• Has the RTPE developed programs to promote the use of alternative transportation such as bicycle, car pools, etc.?</td>
</tr>
</tbody>
</table>
Grant Applications and Management

This functional area includes technical assistance to operators as they apply for funding from non-TDA sources, which may include the federal government (usually Urban Mass Transportation Act grants), non-TDA state grants, grants or appropriations from local government sources, and grants from private or non-profit organizations. This area also includes coordination of grant applications within the region, information sharing as appropriate, and review of operator compliance with grant terms. The sub-functions making up this area are:

- Grant Application Coordination;
- Grant Application Assistance; and
- Grant Management and Compliance.

Suggested areas for review in each of the sub-functions within the Grant Applications and Management functional area are shown in Exhibit IV.9 on the following page. The questions included in the exhibit are not exhaustive, and the auditor should consider the significance and relevance of responses in relation to the specific operator being reviewed.

As with the Operator Relationships and Oversight function, review of this function should rely in part upon the auditor's discussions with operators, to obtain their appraisal of the RTPE's assistance in preparing and winning grant awards. If appropriate, the auditor may also contact relevant granting organizations.
### Exhibit IV.9 GRANT APPLICATIONS AND MANAGEMENT

<table>
<thead>
<tr>
<th>GRANT APPLICATION COORDINATION</th>
<th>GRANT APPLICATION ASSISTANCE</th>
<th>GRANT MANAGEMENT AND COMPLIANCE</th>
</tr>
</thead>
</table>
| • Does the RTPE review and coordinate grant applications by operators? Does it ensure consistency, prioritize, and when more than one operator applies to a funding source, does the RTPE determine if multiple applications from the region are acceptable to the grantor? | • Does the RTPE provide technical assistance and reference data to operators applying for grant funding?  
  - In writing applications  
  - In preparing financial feasibility plans  
  - In planning and establishing programs, policies and procedures | • Has the RTPE been assigned responsibility for administering and monitoring expenditures of any grant monies from non-TDA sources?  
• Does the RTPE perform that function in any instance where it has not been assigned?  
• Has any operator in the RTPE’s jurisdiction lost (or been threatened with loss of) grant monies or eligibility due to non-compliance with grant terms?  
• If yes, has the RTPE clearly identified grant eligibility and compliance requirements and developed a systematic method to verify and ensure grantee compliance? |
| • Do operators and/or the RTPE apply for grant funds from the following sources?  
  - UMTA (capital and operating)  
  - Other federal  
  - State non-TDA (e.g. grants from social services agencies for CTSA capital purchases)  
  - Local  
  - Non profit/private | • Have operator(s) within the RTPE’s jurisdiction been denied a grant specifically because of errors or omissions in the grant application? |
IV.5 PREPARATION OF DRAFT REPORT

The preparation of the draft report is a critical element of the performance audit process. The audit report permanently documents the audit results and is widely distributed amongst concerned parties. One of the objectives of performance auditing is to assist management in improving operations. Thus, the performance audit should strive to present audit findings, observations, conclusions, and recommendations in a positive and straightforward manner. The content of the audit report may vary depending upon the scope, approach and complexity of the performance audit. However, the following items illustrate elements of a performance audit report. These include:

- **Letter of Transmittal** - A cover letter that transmits the completed performance audit from the auditor to the responsible agency receiving the final report;
- **Table of Content** - A listing of the chapter headings and major sections in the performance audit report and the associated page numbers;
- **Executive Summary** - A brief summary of the most important findings and recommendations developed during the performance audit;
- **Introduction** - Background information that is useful in understanding the entity being audited, as well as the manner in which the audit was conducted. This section may include the following information:
  - Information regarding the RTPE's organization, budget, staffing and services provided;
  - Identification of any legal requirements that pertain to the audit;
  - Description of the scope, approach and methods used in conducting the audit; and
  - Any limitations regarding how the audit was performed, or the information presented in the report.
- **Audit Results** - This section should present the detailed findings in each of the major areas of the performance audit including:
  - Results of the compliance review;
  - Results of the review of the implementation of prior audit recommendations;
  - Results of the functional review of the RTPE; and
  - Other pertinent information.
- **Conclusions and Recommendations** - A summary of the major issues or concerns identified in the audit report and the specific strategies and/or recommended solutions.

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Once the draft audit report is prepared, it should be submitted to the management of the RTPE. Sufficient time should be allowed for the RTPE management to review and comment on the report.

**IV.6 PREPARATION AND PRESENTATION OF FINAL REPORT**

After the auditor has submitted the draft audit report to the RTPE and they have had time to review and comment on the draft audit report, the auditor should meet with representatives of the RTPE to discuss their comments. The auditor should consider their comments and concerns and determine if any changes are necessary to the factual content of the report, or to the audit conclusions and recommendations.

Once the auditor has met with the RTPE, and made necessary changes to the draft report, the auditor should finalize the audit report and transmit it to the RTPE. In addition, the auditor may be asked by the RTPE to make a formal presentation of the results of the performance audit to the RTPE and other agencies.

**IV.7 LEVEL OF EFFORT FOR A PERFORMANCE AUDIT**

It is difficult to establish a standard level in terms of hours of time that it will take performance auditors to complete an audit. Ultimately, the level of effort will be determined based on the size and complexity of the RTPE being audited, the scope of the audit, and the need for detailed audit fieldwork within specific issue areas.

To assist the users of this Guidebook, Exhibit IV.10, presented on the next page, displays a sample range of hours it may take a performance auditor to conduct a triennial performance audit of different types of RTPEs. While these are only suggested ranges, they may be useful to RTPEs in planning the scope and magnitude of performance audits. In addition, this information may be useful in determining the potential cost of the performance audit based on local market conditions.
Exhibit IV.10  SAMPLE RANGE OF HOURS TO CONDUCT AN RTPE PERFORMANCE AUDIT

<table>
<thead>
<tr>
<th>Audit Phase</th>
<th>Type of entity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>LTC</td>
</tr>
<tr>
<td>Preliminary Survey</td>
<td></td>
</tr>
<tr>
<td>• Start-up and background</td>
<td>5-10</td>
</tr>
<tr>
<td>• Identify functional areas</td>
<td>5-10</td>
</tr>
<tr>
<td>• Test compliance requirements</td>
<td>5-20</td>
</tr>
<tr>
<td>Summarize and Define Scope and Objective of Detailed Review</td>
<td></td>
</tr>
<tr>
<td>•</td>
<td>5-10</td>
</tr>
<tr>
<td>Detailed Review</td>
<td></td>
</tr>
<tr>
<td>• Review functional areas</td>
<td>5-10</td>
</tr>
<tr>
<td>• Identify areas with potential for improvement</td>
<td>5-10</td>
</tr>
<tr>
<td>• Develop audit findings</td>
<td>5-10</td>
</tr>
<tr>
<td>• Discuss findings with management</td>
<td>5-10</td>
</tr>
<tr>
<td>Reporting</td>
<td></td>
</tr>
<tr>
<td>• Develop draft report</td>
<td>10-20</td>
</tr>
<tr>
<td>• Review with management</td>
<td>5-10</td>
</tr>
<tr>
<td>• Finalize and issue report</td>
<td>5-10</td>
</tr>
<tr>
<td>Total</td>
<td>60-130</td>
</tr>
</tbody>
</table>
SECTION V

MANAGING A PERFORMANCE AUDIT AND
PREPARING A REQUEST FOR PROPOSAL
V. MANAGING A PERFORMANCE AUDIT AND PREPARING A REQUEST FOR PROPOSAL

This chapter describes management's role in the development of a performance audit. Specifically, it describes the major steps involved in preparing and issuing a Request for Proposal (RFP). A RFP may be used by RTPEs for employing auditors to conduct triennial transportation performance audits.

V.1 MANAGING THE PERFORMANCE AUDIT

There are a number of important steps in the management of a performance audit by an RTPE. These include preparing a RFP, defining the scope of work, selecting a performance auditor, and monitoring the work performed. Each of these topics are discussed below.

Developing a Request for Proposal

Section 99249 of the Public Utilities Code states that the cost of performance audits may be deemed an administrative cost of the transportation planning agencies. This section also states that the Legislature encourages the use of funds made available by the federal government to support such purposes.

It is the general practice of governmental entities to procure goods and services through the use of a competitive procurement process. To the extent that federal funds are used for the cost of performance audits, the procurement of audit services should comply with the Common Rule for Uniform Administrative Requirements for Grants and Cooperative Agreements With State and Local Governments. The Common Rule provides that all procurement transactions are to be conducted in a manner providing full and open competition. The Common Rule indicates that procurement by competitive proposals should be used when there are more than one qualified source and conditions are not appropriate for use of sealed bids. Under the competitive procurement method, procurement is initiated through the use of RFPs.

Also, the Public Utilities Code, Section 99246(b), requires that performance audits be conducted in accordance with the Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions." These standards state that sound procurement practices be followed when contracting for audit services. Sound contract award and approval procedures, including the monitoring of contract performance, should be in place. The objectives and scope of the audit will be made clear.

A RFP should conform to the following general requirements of the Common Rule discussed above:

- RFP's should be publicized and should identify all evaluation factors and their relative importance:
- Proposals should be solicited from an adequate number of qualified sources;

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The entity requesting the proposal will have a method for conducting technical evaluations of the proposals received and for selecting awardees; and

Awards will be made to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered.

**Defining the Scope of the Work**

The scope of work set forth in the RFP should, at a minimum, meet the requirements of the performance audit as stated in the Public Utility Code, Section 99246, et seq. The performance audit for all entities must include identification and evaluation of major functions and follow-up of prior performance audit recommendations.

The audit scope for regional transportation planning entities must include verification of compliance with TDA requirements, including, as appropriate, compliance with TDA requirements for identification of unmet transit needs. The audit scope for operators must address verification of performance indicators specified in the TDA, and testing for compliance with the TDA compliance requirements.

**Selecting a Performance Auditor**

The Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" indicates that the selection of the performance auditor should be based on factors such as:

- The responsiveness of the bidder to the request for proposal;
- The experience of the bidder;
- The professional qualifications and technical abilities of bidder staff; and
- Whether the bidder organization participates in an external quality control review program.

The award of work to the performance auditor should be made to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered. The model RFP, presented later in this chapter, describes the factors that should be considered in selection of the performance auditor.
Monitoring the Performance Audit

The performance audit is an important part of the overall accountability transit agencies and operators have for the use of public funds. Management of the entity undergoing a performance audit has a responsibility to assure that the performance auditor provides the services set forth in the scope of work in the RFP and agreed to in the audit contract.

The selection of a qualified performance auditor, and assuring that the auditor fulfills the scope of work required in the audit engagement, maximizes the potential for a quality product that will help operators and transit planning agencies improve the economy, efficiency, and effectiveness of their operations.

V.2 SAMPLE REQUEST FOR PROPOSALS

This section includes a sample Request for Proposal that may be used or modified for use by RTPEs that are seeking to procure performance audit services. It represents a suggested format for seeking performance audit services. The Sample Request for Proposal begins on the next page.
Dear Prospective Performance Auditor:

The ________________________________(RTPE) is soliciting proposals to conduct performance audits of the RTPE and of the ________ transit operators under the RTPE's jurisdiction. The RTPE is statutorily required by Section 99246 of the California Public Utilities Code to designate entities other than itself, a county transportation commission, a transit development board, or an operator to make a performance audit of its activities and the activities of each operator to whom it allocates funds. The intent of this RFP is to procure performance audits of the_______________________________
_______________________________(operators) and of the RTPE for fiscal years _________through ______.

The audits must be conducted during fiscal year_______, and must be conducted in compliance with relevant sections of the Transportation Development Act. The RTPE further expects that the performance audits will be conducted consistent with the "Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities" issued by the California Department of Transportation. A summary of the operations, recent achievements, and current concerns of each operator is included in Attachment A to this RFP.

Performance Audit Guidebook
for Transit Operators and Regional Transportation Planning Entities
It is important to provide a description of each operator or the RTPE in some detail within the RFP. This permits potential bidders to accurately estimate the complexity of the audit and the amount of effort that will be necessary to complete the audit. Without the information, bidders may mistakenly assume that more or less work will be required than is actually necessary. As a result, they may bid unnecessarily high or low for the audit.

For each operator the RFP may include the following: (a) the modes of service (rail, bus, trolley, etc.) and types of service (fixed route or demand-responsive) provided, (b) the number of peak vehicles operated, (c) an estimate of daily ridership, (d) the systems fare structure, and (e) the system's days and hours of operation.

The RTPE may wish to procure performance audits of operators separately from the performance audit of the RTPE itself. Reasons for doing so may include a desire to obtain a variety of consulting viewpoints concerning transportation functions within the RTPE, and a belief that the RTPE audit is substantially different from those of the operators. Alternatively, by procuring both audits at the same time, the RTPE may save audit costs and RTPE staff time, since only one consultant will need to "come up-to-speed" on RTPE and operator functions which are related. In addition, by jointly contracting for the audits, time for meetings, review of RTPE background document reviews, and other audit facets which may be common between RTPE and operator audits, time can be saved.

**SCHEDULE OF EVENTS**

- RFP Issued Date
- Proposal Conference Date + 2 Weeks
- Proposals Due Date + 4 Weeks
- Notification of Finalists Date + 5 Weeks
- Interview of Finalists Date + 5-6 Weeks
- Recommendation to RTPE for Selection Date + 6-7 Weeks
- Contract Approval and Notice to Proceed Date + 8 weeks
- Letter to Consultants not Selected and Offer to De-Brief Date + 8 Weeks
PROPOSER'S CONFERENCE
A proposer's conference will be held at the RTPE's offices at _______O’clock __M, on__________________, 19____. The RTPE's offices are located at __________________ ________________________________. Project details, operator functions, proposal and selection procedures, and Minority/Disadvantaged/Women-Owned Business Enterprise (MBE/DBE/WBE) preferences will be discussed.

CONTACT PERSON
Prospective proposers shall make contact with the RTPE, staff, and operators only through the following individual:

Contact Person, Title
(Area Code) Phone Number
Commission
Mailing Address

PROPOSAL SUBMISSION REQUIREMENTS
Proposers must submit ____ copies of their technical and cost proposal. The technical and cost proposal shall be sealed in an envelope, marked "Technical and Cost Proposal for the Performance Audit of ____________________________." The envelope must also be marked clearly with the proposer's name, address, and telephone number, and with a proposer contact person's name.

Proposals must be addressed to the above RTPE contact person if delivered by mail or courier, and must be received by the RTPE no later than __________________________.

The RTPE has no authority to accept proposals submitted after that time or date, and will return unopened any proposals, which are received late.

PROPOSAL EVALUATION AND SELECTION
A proposal review panel made up of representatives from the transit operators being audited in this project and/or RTPE staff will evaluate the proposals and determine the necessity for oral interviews. At the oral interviews, proposers will be requested to make a formal presentation. The panel will recommend one consultant from those interviewed for the audit. The RTPE reserves the right to select a consultant based solely on written proposals and not convene oral interviews.

Performance Audit Guidebook
for Transit Operators and Regional Transportation Planning Entities

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The evaluation criteria that will be used in the selection process are as follows:

- Understanding of the purpose and requirements of the audit;
- Approach to be followed and the tasks to be performed, including detailed steps and resources required, and proposed project schedule;
- Relative allocation of resources, in terms of quality and quantity, to key tasks, including the time and skills of personnel assigned to the task and the consultant's approach to managing resources and project output;
- Experience in public transit, performance auditing, and the issues and functional area(s) to be analyzed; and
- Education and specific experience of the project team to be assigned.

In addition to the above criteria, the consultant's ability to meet the RTPE's goal for DBE/MBE participation in the work, or to demonstrate good faith efforts toward meeting such goals must be demonstrated.

PROPOSAL CONTENT AND ORGANIZATION

Proposals should be limited to specific discussions of the elements outlined in this RFP. The intent of this RFP is to encourage responses which meet the stated requirements, and which propose the best methods to accomplish the work within the stated budget. The organization of proposals should follow the general outline below. Each Proposal should consist of a Technical Proposal (items 1 - 7 on page 122), and a Cost Proposal (item 8 on page 123).
An RTPE may choose to set page limits on responses in order to make proposal evaluation manageable. However, it is possible that by doing so the RTPE may not receive comprehensive information in the proposals which could be valuable in selecting a consultant to conduct the performance audit. No page limits are presented here, but some RTPEs have chosen to limit proposals to a set number of pages (i.e., within each section of the proposal and/or overall number of pages).

1. Transmittal Letter
   The transmittal letter must include the name, title, address, phone number, and original signature of an individual with authority to negotiate on behalf of and to contractually bind the proposer, and who may be contacted during the period of proposal evaluation. Only one transmittal letter need be prepared to accompany all copies of the Technical and Cost Proposal.

2. Table of Contents
   A listing of the major sections in the proposal and associated page numbers.

3. Introduction
   In this section, the Proposer should demonstrate an adequate understanding of the roles and relationships of the RTPE, the operator(s), and local conditions within the area.

4. Audit Plan and Technical Approach
   The audit plan should include:
   a. A description of the overall audit program being submitted, including an explanation of the basic purpose and general focus of this audit.
   b. An explanation of the consultant's intended role as auditor, as related to the role of the RTPE and the operator(s), including the division of work between the RTPE staff and the consultant.
   c. A thorough explanation of the consultant's proposed course of action. References should be made to RFP requirements and the consultant's plans for meeting those requirements. If the consultant proposes major changes in the RFP approach, those changes should be specified clearly. The consultant should specify techniques, especially data elements to be sampled, staff to be interviewed, documents to be reviewed, etc.
   d. An itemized description of the proposed project schedule, and the end products to be produced.
5. **Project Management**

The Proposer must prepare an explanation of the project management system and practices to be used to assure that the project is completed within the scheduled time frame and that the quality of the required products will meet the RTPE's requirements.

6. **Consultant and Subcontractor Staff**

The proposal must describe the qualifications and experience of each professional who will participate in the project, including a resume for each member of the project team. A Project Manager must be designated, and an organizational chart showing the manager and all project staff must be included. A matrix must be presented indicating the effort, either in percentage of the total project or in man-hours, which will be contributed by each professional, during each phase or task making up the project. If a subcontractor will be used, the proposer must include a letter from the subcontractor committing to perform at least the work shown for subcontractor professionals in the above-described matrix.

7. **Consultant Qualifications and References**

The proposal must describe the nature and outcome of projects previously conducted by the consultant, which are related to the work described within this RFP. Descriptions should include a client contact name, address, phone number, a description of the type of work performed, approximate date on which the work was completed, and professional staff who performed. If a subcontractor is proposed, two to three similar qualifications and references should be provided for the subcontractor. Up to two samples of the consultant's reports on closely related projects should also be included, if available.

8. **Cost Proposal**

In addition to a technical proposal, the prospective contractor shall prepare a detailed cost proposal for the work to be performed. The cost proposal shall itemize all items that will be charged to ____________, including travel charges that will be involved in the project and included in the bid amount. Costs shall be segregated to show staff hours, rates, classifications, and administrative overhead. Cost proposals shall be submitted in a separate sealed envelope.

If subcontractors are to be used, the prospective contractor must indicate any markup that the prospective contractor plans to take on subcontracts. The same breakdown of subcontract costs shall be provided as is required for contractor costs above.

Failure to provide detailed cost breakdowns will be cause for rejection of the proposal.
DESCRIPTION OF PERFORMANCE AUDIT PROJECT REQUIREMENTS

Performance Audit of _________________________________ (Operator)

The consultant will be required to perform the following tasks as part of the operator's performance audit:

**Determine Compliance with Statutory and Regulatory Requirements**

The consultant will be required to review and determine the operator's compliance with the Transportation Development Act and related sections of the California Code of Regulations. At a minimum, the Code Sections for which compliance is to be verified are those specified within the "Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities," published by the California Department of Transportation. Should the consultant identify instances of non-compliance, a finding regarding the non-compliance will be made in the audit report.

**Follow-Up on Prior Performance Audit Recommendations**

The consultant will review the most recent prior performance audit for the operator, and assess the operator's implementation of audit recommendations. The auditor will need to make determinations as to whether recommendations, which have not been implemented, are (a) no longer applicable, (b) infeasible, or (c) should still be implemented. If a prior audit recommendation has not been implemented but still has merit, the consultant will include the prior audit recommendation in the current audit report. The consultant will evaluate recommendations which have been implemented or are being implemented. For these recommendations, the consultant will assess the benefits provided (or likely to be provided) by the recommendation. Significant accomplishments in implementing prior recommendations should be recognized.

**Verify Performance Indicators**

As part of the performance audit, Section 99246 of the Public Utilities Code requires verification of five performance indicators: operating cost per passenger, operating cost per vehicle service hour, passengers per vehicle service hour, passengers per vehicle service mile, and vehicle service hours per employee. The consultant will review and validate the operator's collection of basic data needed to calculate these indicators for each fiscal year in the triennium. The consultant will be expected to analyze performance indicators with the intent of identifying potential issues or concerns that may need further examination during the functional review.

As part of the functional review described below, the consultant will be expected to select, calculate and analyze additional performance indicators, which are appropriate to identify, quantify, and/or resolve performance problems and potential areas for improvement.

**Performance Audit Guidebook**

for Transit Operators and Regional Transportation Planning Entities
Review Operator Functions

The consultant will review each operator function, consistent with the "Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities." The functional review is expected to include interviews with the operator's management, staff, and governing board, as well as with selected RTPE staff. Concerns over inefficient or ineffective operator performance may be raised by:

- Operator and RTPE interviews concerning operator functions;
- Documents, such as productivity committee reports, user surveys, or short range transit plans;
- Review and analysis of TDA-required performance indicators;
- Follow up of prior performance audits; and
- Review of operator compliance with statutory and regulatory requirements.

Such concerns of inefficient or ineffective performance should lead to further investigation, which should include the verification and calculation of additional performance indicators. The detailed investigation of functional concerns, problems, and potential improvements should make up the basis of most findings in the audit report.

Performance Audit of ______________________________ (RTPE)

Determine Compliance with Legal and Regulatory Requirements

The consultant will be required to review and determine the RTPE's compliance with the Transportation Development Act and related sections of the California Administrative Code. The specific Code Sections for which compliance is to be verified are those specified within the "Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities." Should the consultant identify instances of non-compliance, a finding regarding the noncompliance must be made in the audit report.

Follow-Up on Prior Performance Audit Recommendations

The consultant will review the most recent prior performance audit for the RTPE, and assess the RTPE's implementation of audit recommendations. The auditor will need to make determinations as to whether recommendations, which have not been implemented, are (a) no longer applicable, (b) infeasible, or (c) should still be implemented.
implemented. If a prior audit recommendation has not been implemented but still has merit, the consultant will include the prior audit recommendation in the current audit report. The consultant will evaluate recommendations which have been implemented or are being implemented. For these recommendations, the consultant will assess the benefits provided (or likely to be provided) by the recommendation. Significant accomplishments in implementing prior recommendations should be recognized.

**Review RTPE Functions**

The consultant will review each RTPE TDA-related function, consistent with the "Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities." The functional review is expected to include interviews with the RTPE's management, staff, and governing board, as well as with operators under the RTPE's jurisdiction. Supplemental interviews with other regional State, or federal agencies may be appropriate to gather more detailed information about areas of concern. Concerns over inefficient or ineffective RTPE performance may be raised by:

- RTPE and operator interviews concerning RTPE functions;
- Documents, such as the regional transportation plan, and adopted policies and procedures for evaluating TDA claims;
- Follow-up of prior performance audits; and
- Review of RTPE compliance with statutory and regulatory requirements.

Such concerns of inefficient or ineffective performance should lead to further investigation. The detailed investigation of functional concerns, problems, and potential improvements should make up the basis of most findings in the audit report.

**REQUIRED DELIVERABLES**

The consultant must provide _____ copies of the draft report to the RTPE executive officer for review and comment prior to finalization. After the RTPE and the operator review and comment upon the draft, the consultant must deliver _____ copies of a final written report to the _________________________ ‘s (RTPE's) executive officer. The report must address each of the performance audit project requirements outlined above, and must be delivered no later than _________________________ . As well, the consultant should be prepared to make an oral presentation of the report to a joint meeting of the operator's and the RTPE's governing boards.

---

**Performance Audit Guidebook**

for Transit Operators and Regional Transportation Planning Entities
PAYMENT SCHEDULE
The consultant will be paid based on work actually performed during the preceding month. The consultant will forward a copy of all invoices for payment for work performed and associated expenses by the 10th day of the following month. The RTPE will withhold ten percent (10%) of the payments due until the successful completion of the project and the delivery and acceptance of all final products.

WOMAN-OWNED, MINORITY-OWNED AND DISADVANTAGED BUSINESS ENTERPRISES (W/M/DBE)

An RTPE may choose to insert MBE/DBE/WBE terms here, or those of the RTPE’s County, or its own.
# Appendix A

## COMMONLY USED ACRONYMS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tr>
<td>CALTRANS</td>
<td>The California Department of Transportation</td>
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<tr>
<td>CCR</td>
<td>California Code of Regulations</td>
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<tr>
<td>COG</td>
<td>Council of Governments</td>
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<tr>
<td>CTC</td>
<td>California Transportation Commission</td>
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<tr>
<td>CTSA</td>
<td>Consolidated Transportation Service Agency</td>
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<tr>
<td>DBE/MBE</td>
<td>Disadvantaged Business Enterprise, Minority-Owned Business Enterprise</td>
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<tr>
<td>DOT</td>
<td>Department of Transportation</td>
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<tr>
<td>FTA</td>
<td>Federal Transit Administration (replaces UMTA)</td>
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<tr>
<td>FTIP</td>
<td>Federal Transportation Improvement Program</td>
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<tr>
<td>LTC</td>
<td>Local Transportation Commission</td>
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<tr>
<td>LTF</td>
<td>Local Transportation Fund</td>
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<td>MPO</td>
<td>Metropolitan Planning Organization</td>
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<td>MTDB</td>
<td>Metropolitan Transit Development Board</td>
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<td>PUC</td>
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<td>RTIP</td>
<td>Regional Transportation Improvement Program</td>
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<td>RFP</td>
<td>Request for Proposal</td>
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<td>RTP</td>
<td>Regional Transportation Plan</td>
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<td>RTPA</td>
<td>Regional Transportation Planning Agency</td>
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<td>RTPE</td>
<td>Regional Transportation Planning Entity</td>
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<td>SCO</td>
<td>State Controller's Office</td>
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<td>SRTP</td>
<td>Short Range Transit Plan</td>
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<td>SSTA</td>
<td>Social Services Transportation Advisory Council</td>
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<td>STA</td>
<td>State Transit Assistance</td>
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<td>STIP</td>
<td>State Transportation Improvement Program</td>
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<td>TDA</td>
<td>Transportation Development Act</td>
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<tr>
<td>TIP</td>
<td>Transportation Improvement Plan</td>
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<tr>
<td>TPA</td>
<td>Transportation Planning Agency</td>
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<tr>
<td>UMTA</td>
<td>Urban Mass Transportation Administration (a component agency of the United States Department of Transportation)</td>
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APPENDIX B

GLOSSARY OF COMMONLY USED TERMS
Appendix B

GLOSSARY OF COMMONLY USED TERMS

**Accidents.** Total revenue vehicle collisions causing personal injury and/or property damage.

**Claimant.** "Claimant" or any derivative term, such as "applicant," means an operator, city, and county or consolidated transportation service agency.

**Complaints.** Includes complaints regarding trip reliability/dependability, driver courtesy, pass-ups, vehicle condition/cleanliness, safety and driving problems, etc.

"Deadhead" Travel Time and Mileage. Travel time and mileage before the first passenger pickup and after the last passenger drop-off.

**Employee Hours/Full-Time-Equivalency** (For calculating vehicle service hours per employee). Transportation system-related hours worked by persons employed in connection with the public transportation system (whether or not the person is employed by the operator, for example, a city accounts payable person whose time is partly charged to transit operations). Such persons include contractor staff. A Full-Time Equivalent employee count can be calculated by dividing the number of person-hours worked by 2,000.

**Employee Pay Hours.** The total number of hours (regular or overtime) which all employees have worked and for which they have been paid a wage or salary.

**Fare Revenue.** Revenue collected from the fare box plus ticket/pass sales (see California Codes of Regulations Section 6611.2)

**Fiscal Year.** The year commencing July 1st and ending June 30th of the following calendar year.

**Functional Area.** A group of related activities performed by an operator or an RTPE during the course of its normal work. Examples of functional areas include maintenance, marketing and public information, and grant application and management.

**Independent Auditor.** An entity other than the RTPA, county transportation commission, transit development board or an operator. The entity does not have to be a certified public accountant. The county auditor is not an independent auditor with reference to the county or to an operator for which the county auditor serves as a financial officer.

**Insurance Expense.** Annual premiums for personal liability and property damage insurance coverage.
Local Funds. Revenue derived from taxes imposed by the operator or county transportation commission created pursuant to Division 12 (commencing with Section 130000) of the Public Utilities Code.

Local Transportation Fund. The trust fund established by a county under Section 29530 of the Government Code.

Maintenance Cost. Expense associated with maintaining revenue and service vehicles, buildings, grounds and equipment, including maintenance labor expense, parts and supplies expense, and overhead.

Mode of Transportation. The type of transit, e.g.: Light rail, bus, trolley bus, cable car, ferry, or other distinct format.

Municipal Operator. A city or county, including any nonprofit corporation or other legal entity wholly owned or controlled by the city or county, which operates a public transportation system, or which on July 1, 1972, financially supported, in whole or in part, a privately owned public transportation system, and which is not included, in whole or in part, within an existing transit district. Municipal operator also means any county which is located in part within a transit district and which operates a public transportation system in the unincorporated area of the county not within the area of the district.

Off-peak Vehicles. Total revenue vehicles required to meet non-peak period service needs per weekday.

Operates. “Operates” for purposes of Public Utilities Code Sections 99209 and 99215, and “operation” for purposes of paragraph (1) of subdivision (b) of Section 99289, mean that the operator owns or leases the equipment, establishes route and frequency of service, regulates and collects fares, and otherwise controls the efficiency and quality of the operation of the system, but does not require that operators of rolling stock be employees of a public agency.

Operations. The part of the transit system that produces the transportation; e.g., activities involving vehicle operators and vehicle scheduling.

Operator. Any transit district, included transit district, municipal operator, included municipal operator, or transit development board.

Passengers. Total number of unlinked trips; all boarding’s, whether revenue producing or not.

Peak Vehicles. Total vehicles needed to meet peak period service requirements per weekday.

Personal Liability and Property Damage Claims. Total number of claims filed for personal liability and property damage losses during the year.

Property. An agency or organization providing transit services; sometimes synonymous with operation, operator or system. However, a transit claimant may also be referred to as a “property.”
Public Transportation System. Any system of an operator which provides transportation services to the general public by any vehicle, which operates on land or water, regardless of whether operated, separated from or in conjunction with other vehicles.

Revenue Vehicle. A vehicle, including, but not limited to, one operated on rails or tracks, which is used for public transportation services funded under the TDA.

Road Calls. Vehicles with mechanical problems arising during a trip resulting in the inability to complete the trip as scheduled.

Transit District. A public district organized pursuant to State law and designated in the enabling legislation as a transit district or a rapid transit district.

Type (of Transportation). The method by which a transit vehicle provides service, e.g.: fixed route or demand-responsive.

Unlinked Trips. Those trips that are made by a passenger on public transportation that involve a single boarding and embarkment.

Urbanized Single Area. An area as defined by Section 101 of Title 23 of the United States Code (an area with 500,000 or more in population as determined in a federal decennial census or special census).

Vehicle Service Hour. That time during which a revenue vehicle is available to carry fare-paying passengers, and which includes only those times 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. (A vehicle is in revenue service despite a no-show or late cancellation, if the vehicle remains available for passenger use.) For example, demand responsive 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 a lunch break. For both demand-responsive and fixed-route, 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, a vehicle is in service from first scheduled stop to last scheduled stop, whether or not passengers board or exit at those points (deleting lunch and breaks but including scheduled layovers).

Vehicle Service Mile. Those miles traveled by revenue vehicles during their Vehicle Service Hours.
Appendix C

CALIFORNIA DEPARTMENT OF TRANSPORTATION
STAFF ASSISTING ON THE PROJECT

- Ms. Tracey Frost, Chief, State Grants Branch
- Mr. Gordon Arruda, Associate Transportation Planner
- Mr. Daniel Yerushalmi, Transportation Planner
- Mr. Ezequiel Castro, Transportation Planner
- Technical Publications and Graphic Services Branch
Appendix D

INDEX OF KEY TERMS
## Appendix D

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ATTACHMENT C. Sample Agreement

Agreement No. TPXXXX

PROFESSIONAL SERVICES
INDEPENDENT CONSULTANT AGREEMENT

THIS AGREEMENT made and entered into on ______________, by and between the SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION, hereinafter called COMMISSION, and <<CONSULTANT’S NAME>>, hereinafter called CONSULTANT. The parties agree as follows:

1. DUTIES.
   A. CONSULTANT agrees to exercise special skill to accomplish the following results: <<Description of services>>, as specified in Exhibit A Scope of Services, which by this reference is incorporated herein.
   B. CONSULTANT shall provide the personnel listed below to perform the above-specified services, which persons are hereby designated as key personnel under this Agreement.

<table>
<thead>
<tr>
<th>Name</th>
<th>Firm</th>
<th>Function</th>
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</table>

   C. No person named in paragraph B of this Article or in the Fee Schedule (Exhibit C), or his or her successor, shall be removed or replaced by CONSULTANT, nor shall his or her agreed-upon function hereunder be changed, without the prior written consent of the COMMISSION Contract Manager. Such consent shall not be unreasonably withheld.

D. CONSULTANT’S PROGRESS REPORTS AND/OR MEETINGS
   1. CONSULTANT shall perform the services in accordance with the Project Schedule attached hereto (Exhibit B) and incorporated by reference. The CONSULTANT shall submit written progress reports with each invoice.
   2. The CONSULTANT’s Project Manager shall meet with the COMMISSION’s Contract Manager, as needed, to discuss progress on the contract.

2. COMPENSATION. In consideration for CONSULTANT accomplishing work to be performed under this contract (as described in Exhibit A Scope of Services and Exhibit B Project Schedule), COMMISSION shall compensate CONSULTANT in accordance with the approved Fee Schedule, dated <<Date>>, attached hereto (Exhibit C) and incorporated by reference. Total payment shall not exceed <<$XXXX>> on a time and materials basis at the rates and conditions set out in
Exhibit C. If there is any conflict between the approved Fee Schedule (Exhibit C) and this contract, this contract shall take precedence. COMMISSION agrees to pay CONSULTANT as follows:

A. In no event, will the CONSULTANT be reimbursed for overhead costs at a rate that exceeds the overhead rate set forth in the Fee Schedule (Exhibit C).

B. Transportation and subsistence expenses claimed for reimbursement shall not exceed the rates authorized to be paid rank and file STATE employees under current State Department of Personnel Administration rules or to employees under current U.S. General Service Administration rules.

C. Reimbursable expenses will be billed and processed for payment upon approval of the Contract Manager.

D. Progress payments will be made no less than monthly in arrears based on satisfactory services provided and actual allowable incurred costs. If CONSULTANT fails to submit the required deliverable items according to the schedule set forth in the Scope of Services (Exhibit A) and Project Schedule (Exhibit B), the COMMISSION may delay payment and/or terminate this AGREEMENT in accordance with the provisions of Section 4 of this AGREEMENT.

E. No payment will be made prior to approval of any work, nor for any work performed prior to approval of this AGREEMENT.

F. This contract is valid and enforceable only, if sufficient funds are made available to COMMISSION for the purpose of this contract. It is mutually agreed that if sufficient funds are not appropriated, this contract may be amended to reflect any reduction in funds.

G. The CONSULTANT will be reimbursed after receipt by the COMMISSION’s Contract Manager of itemized invoices. Invoices shall be submitted no later than 45 calendar days after the performance of work for which the CONSULTANT is billing. Invoices shall be sent electronically to the COMMISSION’s Contract Manager:

   tnew@sccrtc.org and accountspayable@sccrtc.org

The invoices must include the following information:

1. Itemized expenses incurred during the billing period;
2. Total invoice/payment requested;
3. Total amount previously paid under this AGREEMENT;
4. Report of expenditures by CONSULTANT and subconsultants for each task and subtask or milestone and estimated percentage completion by such divisions of work; and
5. CONSULTANT'S final invoice must be submitted within 60-calendar days after acceptance of the CONSULTANT’s work by the Contract Manager.

3. **TERM.**
   
   A. The AGREEMENT shall end on <<Date>>, unless earlier terminated or extended by contract amendment.

   B. The CONSULTANT is advised that this AGREEMENT is not binding and enforceable until it is approved by the COMMISSION and fully executed.

4. **TERMINATION.**
   
   A. COMMISSION reserves the right to terminate this contract upon thirty (30) calendar days written notice to CONSULTANT with the reasons for termination stated in the notice.

   B. COMMISSION may terminate this contract with CONSULTANT should CONSULTANT fail to perform the covenants herein contained at the time and in the manner herein provided. In the event of such termination, COMMISSION may proceed with the work in any manner deemed proper by COMMISSION. If COMMISSION terminates this contract with CONSULTANT, COMMISSION shall pay CONSULTANT the sum due to CONSULTANT under this contract prior to termination, unless the cost of completion to COMMISSION exceeds the funds remaining in the contract. In which case the overage shall be deducted from any sum due CONSULTANT under this contract and the balance, if any, shall be paid to CONSULTANT upon demand.

5. **INDEMNIFICATION FOR DAMAGES, TAXES AND CONTRIBUTIONS.**

   To the fullest extent permitted by law, CONSULTANT shall exonerate, indemnify, defend, protect, and hold harmless the COMMISSION, its governing body, officers, officials, agents, employees and volunteers from and against:

   A. Any and all claims, demands, costs, damages, losses, expenses, or liability arising from or connected with the services provided under this AGREEMENT due to the recklessness, willful misconduct or negligent acts, errors, or omissions of the CONSULTANT, its officers, subconsultants, employees, volunteers, or agents. The CONSULTANT will reimburse COMMISSION for any expenditure, including reasonable attorney's fees, incurred by COMMISSION in defending against claims ultimately determined to be due to recklessness, willful misconduct or to negligent acts, errors, or omissions of the CONSULTANT, its officers, subconsultants, employees, volunteers, or agents.

   B. Any and all federal, State and local taxes, charges, fees, penalties, or contributions required to be paid with respect to CONSULTANT and
CONSULTANT’S officers, subconsultants employees, volunteers, and agents engaged in the performance of this AGREEMENT (including, without limitation, unemployment insurance, social security, and payroll tax withholding).

C. In the event that CONTRACTOR or any employee, agent, or subcontractor of CONTRACTOR providing services under this AGREEMENT is determined by a court of competent jurisdiction or the California Public Employees Retirement System (PERS) to be eligible for enrollment in PERS as an employee of COMMISSION, CONTRACTOR shall indemnify, defend, and hold harmless COMMISSION for the payment of any employee and/or employer contributions for PERS benefits on behalf of CONTRACTOR or its employees, agents, or subcontractors, as well as for the payment of any penalties and interest on such contributions, which would otherwise be the responsibility of COMMISSION.

D. The provisions of this section shall survive expiration, termination, or suspension of this AGREEMENT.

6. **INSURANCE.** CONSULTANT, at its sole cost and expense, for the full term of this AGREEMENT, and any extensions thereof, shall obtain and maintain at minimum compliance with all of the following insurance coverage(s) and requirements. Such insurance coverage shall be primary coverage as respects COMMISSION and any insurance or self-insurance maintained by COMMISSION shall be excess of CONSULTANT’S insurance coverage and shall not contribute to it. Insurance is to be placed with insurers reasonably acceptable to COMMISSION.

A. Types of Insurance and Minimum Limits

1. Workers’ Compensation in the minimum statutorily required coverage amounts. This insurance coverage shall not be required if the CONSULTANT has no employees and certifies to this fact by initialing here: _____ / _____.

2. Automobile Liability Insurance for each of CONSULTANT’S vehicles used in the performance of this AGREEMENT, including owned, non-owned (e.g., owned by CONSULTANT’S employees), leased or hired vehicles, in the minimum amount of $1,000,000 combined single limit per occurrence for bodily injury and property damage.

3. Comprehensive or Commercial General Liability Insurance coverage at least as broad as ISO form CG 00 01, with a minimum limit of one million dollars ($1,000,000) per occurrence, and two million ($2,000,000) in the aggregate, including coverage for: (a) products and completed operations, (b) bodily and personal injury,
(c) broad form property damage, (d) contractual liability, and (e) cross-liability.

4. Professional Liability Insurance in the minimum amount of one million dollars ($1,000,000) combined single limit.

If CONSULTANT normally carries insurance in an amount greater than the minimum amount required by the COMMISSION for this AGREEMENT, that greater amount shall become the minimum required amount of insurance for purposes of this AGREEMENT. Therefore, CONSULTANT hereby acknowledges and agrees that any and all insurances carried by it shall be deemed liability coverage for any and all actions it performs in connection with this AGREEMENT.

B. Other Insurance Provisions

1. If any insurance coverage required in this AGREEMENT is provided on a “Claims Made” rather than “Occurrence” form, CONSULTANT agrees that the retroactive date thereof shall be no later than the effective date of this AGREEMENT, and that it shall maintain the required coverage for a period of three (3) years after the expiration of this AGREEMENT (hereinafter “POST AGREEMENT COVERAGE”) and any extensions thereof. CONSULTANT may maintain the required POST AGREEMENT COVERAGE by renewal or purchase of prior acts or tail coverage. The COMMISSION will not be responsible for any premiums or assessments on the policy.

2. All policies of Commercial General Liability Insurance shall be endorsed to cover the Santa Cruz County Regional Transportation Commission, its officials, employees, agents and volunteers, as additional insureds with respect to liability arising out of the work or operations and activities performed by or on behalf of, the CONSULTANT, including materials, parts or equipment furnished in connection with such work or operations. Endorsements shall be at least as broad as ISO Form CG 20 10 11 85 or both CG 20 10 10 01 and CG 20 37 10 01, covering ongoing operations and products and completed operations.

3. CONSULTANT agrees to provide its insurance broker(s) with a full copy of these insurance provisions and provide COMMISSION on or before the effective date of this AGREEMENT with Certificates of Insurance and endorsements for all required coverages. The Certificates of Insurance must note whether the policy does or does not include any self-insured retention and also must disclose the deductible. The certificates shall require the carrier to notify COMMISSION in writing of any material change, cancellation, termination or non-renewal of the coverage at least thirty days (30)
days in advance of the effective date of such cancellation, or material change, or non-renewal. Insurance shall not be canceled until after ten (10) days prior written notice in the event of nonpayment of premium. Failure to obtain the required documents prior to the work beginning shall not waive the CONSULTANT’s obligation to provide them. All Certificates of Insurance and endorsements shall be delivered or sent via email to:

contracts@sccrtc.org

4. If any insurance policy of CONSULTANT required by this AGREEMENT includes language conditioning the insurer’s legal obligation to defend or indemnify COMMISSION on the performance of any act(s) by the named insured, then said insurance policy, by endorsement, shall also name the COMMISSION as a named insured. Notwithstanding the foregoing, both the CONSULTANT and its insurers agree that by naming the COMMISSION as a named insured, the COMMISSION may at its sole direction, but is not obligated to, perform any act required by the named insured under said insurance policies.

5. CONSULTANT shall do all things required to be performed by it pursuant to its insurance policies including but not limited to paying within five (5) workdays, all deductibles and self-insured retentions (SIR) required to be paid under any insurance policy that may provide defense or indemnity coverage to COMMISSION or any additional insured. If CONSULTANT’S insurance policy includes a self-insured retention that must be paid by a named insured as a precondition of the insurer’s liability, or which has the effect of providing that payments of the self-insured retention by others, including additional insureds or insurers do not serve to satisfy the self-insured retention, such provisions must be modified by special endorsement so as to not apply to the additional insured coverage required by this AGREEMENT so as to not prevent any of the parties to this AGREEMENT from satisfying or paying the self-insured retention required to be paid as a precondition to the insurer’s liability.

6. CONSULTANT hereby grants to COMMISSION a waiver of any right of subrogation which any insurer of said CONSULTANT may acquire against the COMMISSION by virtue of the payment of any loss under such insurance. CONSULTANT agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation, but this provision applies regardless of whether or not the COMMISSION has received a waiver of subrogation endorsement from the insurer.

7. CONSULTANT shall cause the foregoing provisions to be inserted in all subcontracts for any work covered under this AGREEMENT,
provided that the foregoing provisions shall not apply to contracts or subcontracts for standard commercial supplies or raw materials.

7. **FEDERAL, STATE AND LOCAL LAWS.**

   A. CONSULTANT warrants that in the performance of this AGREEMENT, it shall exercise usual and customary professional care in its efforts to comply with all applicable federal, state and local laws, statutes and ordinances and all lawful orders, rules and regulations promulgated thereunder. In the event of a conflict between the laws and lawful regulations of any government entities having jurisdiction over the project, the CONSULTANT shall notify COMMISSION of the nature and impact of such conflict. The COMMISSION agrees to cooperate and work with the CONSULTANT in an effort to resolve any conflict.

   B. Those laws, statutes, ordinances, rules, regulations and procedural requirements that are imposed on COMMISSION as a recipient of federal or state funds are imposed on CONSULTANT.

8. **NON-DISCRIMINATION AND COMPLIANCE PROVISIONS.** During and in relation to the performance of this AGREEMENT, CONSULTANT agrees to the following:

   A. The CONSULTANT and its subconsultants shall not unlawfully discriminate, harass, or allow discrimination or harassment against any employee, applicant for employment, or subconsultant in any manner prohibited by Federal, State and local laws, including but not limited to race, color, sex, gender, religious creed, national origin, ancestry, physical disability (including HIV and AIDS), mental disability, medical condition (e.g., cancer), marital status, sexual orientation, age (over 40), veteran status, denial of family and medical care leave and denial of pregnancy disability leave, or any other non-merit factor unrelated to job duties.

   B. Consultant and subconsultants shall ensure that the evaluation and treatment of their employees and applicants for employment are free from such discrimination and harassment. Consultant and subconsultants shall comply with the provisions of the Fair Employment and Housing Act (Gov. Code §12990 et seq.) and the applicable regulations promulgated thereunder (California Code of Regulations, Title 2, Section 8113 et seq.). The applicable regulations of the Fair Employment and Housing Commission implementing Government Code Section 12990 (a-f), set forth in Chapter 5 of Division 4 of Title 2 of the California Code of Regulations, are incorporated into this Contract by reference and made a part hereof as if set forth in full. Consultant and its subconsultants shall give written notice of their obligations under this clause to labor.
organizations with which they have a collective bargaining or other AGREEMENT.

C. Such action shall include, but not be limited to, the following: recruitment; advertising, layoff or termination; rates of pay or other forms of compensation; and selection for training (including apprenticeship), employment, upgrading, demotion, or transfer. The CONSULTANT agrees to post in conspicuous places, available to employees and applicants for employment, notice setting forth the provisions of this non-discrimination clause.

D. CONSULTANT shall comply fully with all federal, State and local laws and regulations which prohibit discrimination. The CONSULTANT’s signature affixed herein, and dated, shall constitute a certification under penalty of perjury under the laws of the State of California that the CONSULTANT has, unless exempt, complied with, the nondiscrimination program requirements of Government Code Section 12990 and Title 2, California Administrative Code, Section 8103.

E. Consultant and its subconsultants shall permit access to all records of employment, employment advertisements, application forms, and other pertinent data and records by the State Fair Employment Practices and Housing Commission or any other agency of the State of California designated by STATE to investigate compliance with this Article.

F. In the event of CONSULTANT’S non-compliance with the non-discrimination clauses of this AGREEMENT or with any of the said rules, regulations or orders the COMMISSION may cancel, terminate or suspend the Agreement in whole or in part. CONSULTANT may also be declared ineligible for further agreements with the COMMISSION.

9. HARASSMENT. The COMMISSION maintains a strict policy prohibiting unlawful harassment, including sexual harassment, in any form, including verbal, physical and visual harassment by any employee, supervisor, manager, officer or board member, or agent of the employer. Vendors, contractors, and consultants shall not engage in conduct that has an effect of unreasonably interfering with a COMMISSION employee’s work performance or creates an intimidating, hostile or offensive work environment.

10. CONFLICT OF INTEREST.

A. CONSULTANT shall disclose any financial, business, or other relationship with COMMISSION that may have an impact upon the outcome of this contract, or any ensuing COMMISSION construction project. CONSULTANT shall also list current clients who may have a
financial interest in the outcome of this contract, or any ensuing COMMISSION construction project, which will follow.

B. CONSULTANT hereby certifies that it does not now have, nor shall it acquire any financial or business interest that would conflict with the performance of services under this contract.

C. Any subcontract in excess of $25,000 entered into as a result of this contract, shall contain all of the provisions of this Article.

11. **LICENSES.** If a license of any kind is required of CONSULTANT, its employees, agents, or subcontractors by Federal or State law, CONSULTANT warrants that such license has been obtained, is valid and in good standing, that CONSULTANT shall keep it in effect at all times during the terms of this AGREEMENT, and that any applicable bond has been posted in accordance with all applicable laws and regulations.

12. **INDEPENDENT CONSULTANT STATUS.**

   A. CONSULTANT and COMMISSION have reviewed and considered the principal test and secondary factors herein and agree that CONSULTANT is an independent CONSULTANT and not an employee of COMMISSION. CONSULTANT is responsible for all insurance (workers compensation, unemployment, etc.) and all payroll related taxes. CONSULTANT is not entitled to any employee benefits. COMMISSION agrees that CONSULTANT shall have the right to control the manner and means of accomplishing the result contracted for herein.

   1. **PRINCIPAL TEST:** The CONSULTANT rather than COMMISSION has the right to control the manner and means of accomplishing the result contracted for.

   2. **SECONDARY FACTORS:** (a) The extent of control which, by agreement, COMMISSION may exercise over the details of the work is slight rather than substantial; (b) CONSULTANT is engaged in a distinct occupation or business; (c) In the locality, the work to be done by CONSULTANT is usually done by a specialist without supervision, rather than under the direction of an employer; (d) The skill required in the particular occupation is substantial rather than slight; (e) The CONSULTANT rather than the COMMISSION supplies the instrumentalities, tools and work place; (f) The length of time for which CONSULTANT is engaged is of limited duration rather than indefinite; (g) The method of payment of CONSULTANT is by the job rather than by the time; (h) The work is part of a special or permissive activity, program, or project, rather than part of the regular business of COMMISSION; (i) CONSULTANT and COMMISSION believe they are creating an independent
CONSULTANT relationship rather than an employer-employee relationship; and (j) The COMMISSION conducts public business.

B. It is recognized that it is not necessary that all secondary factors support creation of an independent CONSULTANT relationship, but rather that overall there are significant secondary factors which indicate that CONSULTANT is an independent CONSULTANT.

C. By their signatures to this AGREEMENT, each of the undersigned certifies that it is his or her considered judgment that the CONSULTANT engaged under this AGREEMENT is in fact an independent CONSULTANT.

13. RETENTION OF RECORDS/AUDIT.

A. For the purpose of determining compliance with Public Contract Code 10115, et seq. and Title 21, California Code of Regulations, Chapter 21, Section 2500 et seq., when applicable and other matters connected with the performance of the contract pursuant to Government Code 8546.7; CONSULTANT, subconsultants, and COMMISSION shall maintain and make available for inspection all books, documents, papers, accounting records, and other evidence pertaining to the performance of the contract, including but not limited to, the costs of administering the contract. All parties shall make such materials available at their respective offices at all reasonable times during the contract period and for four years from the date of final payment under the contract. The state, State Auditor, COMMISSION, FHWA, or any duly authorized representative of the Federal Government shall have access to any books, records, and documents of CONSULTANT and it’s certified public accountants (CPA) work papers that are pertinent to the contract and indirect cost rates (ICR) for audit, examinations, excerpts, and transactions, and copies thereof shall be furnished if requested. If any action has occurred relative to the records, the records must be retained until completion of the action and resolution of all issues that arise from it.

B. Subcontracts in excess of $25,000 shall contain this provision.

C. Contractor and subcontractors shall establish and maintain, an accounting system conforming to Generally Accepted Accounting Principles (GAAP) to support Requests for Reimbursement which segregate and accumulate the costs of work elements by line item (i.e direct labor, other direct costs, subrecipients/subcontractor, etc) and enable the determination of incurred costs at interim points of completion, and provide support for reimbursement payment vouchers or invoices.
14. **INSPECTION OF WORK.** The CONSULTANT and any subconsultant shall permit the COMMISSION or the STATE, to review and inspect the project activities and files at all reasonable times during the term of this AGREEMENT including review and inspection on a daily basis.

15. **ACKNOWLEDGMENT.** CONSULTANT shall acknowledge in all reports and literature that the material is prepared for and on behalf of the COMMISSION.

16. **WORK PRODUCTS/OWNERSHIP OF DATA.** All material, data, information, and written, graphic or other work produced under this AGREEMENT is subject to the unqualified and unconditional right of the COMMISSION to use, reproduce, publish, display, and make derivative use of all such work, or any part of it, free of charge and in any manner and for any purpose; and to authorize others to do so.

   A. Upon completion of all work under this contract, ownership and title to all custom letters, reports, documents, plans, specifications, and estimates and other products produced as part of this AGREEMENT (herein "deliverables") will automatically be vested in the COMMISSION; and no further agreement will be necessary to transfer ownership to the COMMISSION. The CONSULTANT shall furnish the COMMISSION all necessary copies of data needed to complete the review and approval process.

   B. Applicable patent rights provisions regarding rights to inventions shall be included in the contracts as appropriate (48 CFR 27, Subpart 27.3 - Patent Rights under Government Contracts for federal-aid contracts).

   C. The COMMISSION may permit copyrighting reports or other contract products, subject to its rights in Section D below. If copyrights are permitted, the agreement shall provide that the FHWA/FTA and Department shall have the royalty-free nonexclusive and irrevocable right to reproduce, publish, or otherwise use; and to authorize others to use, the work for government purposes.

   D. If any of the work is subject to copyright, trademark, service mark, or patent, CONSULTANT now grants to the COMMISSION a perpetual, royalty-free, nonexclusive and irrevocable license to use, reproduce, publish, use in the creation of derivative works, and display and perform the work, or any part of it, and to grant to any third party a comparable and coextensive sublicense.

   E. Any subcontract in excess of $25,000 entered into as a result of this contract, shall contain all of the provisions of this Article.
17. **CONFIDENTIALITY OF DATA.**

A. All financial, statistical, personal, technical, or other data and information relative to COMMISSION’s operations, which are designated confidential by COMMISSION and made available to CONSULTANT in order to carry out this contract, shall be protected by CONSULTANT from unauthorized use and disclosure.

B. Permission to disclose information on one occasion, or public hearing held by COMMISSION relating to the contract, shall not authorize CONSULTANT to further disclose such information, or disseminate the same on any other occasion.

C. CONSULTANT shall not comment publicly to the press or any other media regarding the contract or COMMISSION’s actions on the same, except to COMMISSION’s staff, CONSULTANT’s own personnel involved in the performance of this contract, at public hearings or in response to questions from a Legislative committee.

D. CONSULTANT shall not issue any news release or public relations item of any nature, whatsoever, regarding work performed or to be performed under this contract without prior review of the contents thereof by COMMISSION, and receipt of COMMISSION’S written permission.

E. Any subcontract entered into as a result of this contract shall contain all of the provisions of this Article.

18. **AUDIT REVIEW PROCEDURES.**

A. Any dispute concerning a question of fact arising under an interim or post-completion audit of this AGREEMENT that is not disposed of by agreement, shall be reviewed by the COMMISSION’S Contract Manager.

B. Not later than 30 days after issuance of the final audit report, the CONSULTANT may request a review by the COMMISSION’S Executive Director of unresolved audit issues. The request for review will be submitted in writing. The Executive Director’s determination regarding such dispute shall be final unless the Executive Director determines, in its sole discretion, that the dispute shall be determined by the COMMISSION.

C. Neither the pendency of a dispute nor its consideration by the COMMISSION will excuse the CONSULTANT from full and timely performance, in accordance with the terms of this contract.

19. **SUBCONTRACTING.**

A. Nothing contained in this contract or otherwise, shall create any contractual relation between COMMISSION and any subconsultant(s), and no subcontract shall relieve CONSULTANT of its responsibilities
and obligations hereunder. CONSULTANT agrees to be as fully responsible to COMMISSION for the acts and omissions of its subconsultant(s) and of persons either directly or indirectly employed by any of them as it is for the acts and omissions of persons directly employed by CONSULTANT. CONSULTANT’s obligation to pay its subconsultant(s) is an independent obligation from COMMISSION’S obligation to make payments to the CONSULTANT.

B. The CONSULTANT shall perform the work contemplated with resources available within its own organization; and no portion of the work pertinent to this AGREEMENT shall be subcontracted without prior written authorization by the COMMISSION’S Contract Manager, except that, which is expressly identified in the approved Fee Schedule.

C. CONSULTANT shall pay its subconsultants within seven (7) calendar days from receipt of each payment made to CONSULTANT by COMMISSION.

D. All subcontracts entered into as a result of this contract shall contain all the provisions stipulated in this contract to be applicable to subconsultants.

E. Any substitution of subconsultants must be approved in writing by the COMMISSION’s Contract Manager prior to the start of work by the subconsultant.

F. The CONSULTANT hereby agrees that neither CONSULTANT, nor any firm affiliated with the CONSULTANT, will bid on or enter into any construction contract, or on any contract to provide construction inspection for any construction project resulting from this contract. An affiliated firm is one which is subject to the control of the same persons through joint-ownership, or otherwise.

G. Except for subconsultants whose services are limited to providing surveying or materials testing information, no subconsultant who has provided design services in connection with this AGREEMENT shall be eligible to bid on or enter into any construction contract, or on any contract to provide construction inspection for any construction project resulting from this contract.

H. Any subcontract in excess of $25,000 entered into as a result of this contract, shall contain all the provisions required by this AGREEMENT to be applicable to those subconsultants.

20. REBATES, KICKBACKS OR OTHER UNLAWFUL CONSIDERATION. The CONSULTANT warrants that this AGREEMENT was not obtained or secured through rebates, kickbacks, or other unlawful consideration, either promised or paid to any COMMISSION employee. For breach or
violation of this warranty, COMMISSION shall have the right in its discretion; to terminate the AGREEMENT without liability; to pay only for the value of the work actually performed; or to deduct from the contract price; or otherwise recover the full amount of such rebate, kickback or other unlawful consideration.

21. **BROKERAGE OR OTHER FEES.** CONSULTANT warrants that s/he has not employed or retained any company or person, other than a bona fide employee working for the consultant, to solicit or secure this AGREEMENT, and that s/he has not paid or agreed to pay any company or person, other than a bona fide employee, any fee, commission, percentage, brokerage fee, gift, or any other consideration, contingent upon or resulting from the award or formation of this AGREEMENT. For breach or violation of this warranty, the COMMISSION shall have the right to annul this AGREEMENT without liability, or at its discretion to deduct from the AGREEMENT price or consideration, or otherwise recover, the full amount of such fee, commission, percentage, brokerage fee, gift or contingent fee.”

22. **COMPLETE AGREEMENT.**

A. **AGREEMENT:** The two parties to this AGREEMENT, who are the before named CONSULTANT and the before named COMMISSION, hereby agree that this AGREEMENT constitutes the entire AGREEMENT which is made and concluded in duplicate between the two parties. Both of these parties for and in consideration of the payments to be made, conditions mentioned, and work to be performed; each agree to diligently perform in accordance with the terms and conditions of this AGREEMENT as evidenced by the signatures below.

B. **COMMISSION DESIGNEE:** The Executive Director of COMMISSION, or his or her designee, shall have the authority to act for and exercise any of the rights of COMMISSION as set forth in this AGREEMENT subsequent to, and in accordance with the authorization granted by the COMMISSION.

C. **COMPLETE AGREEMENT, INCLUDING ATTACHMENTS.** This AGREEMENT includes all exhibits, attachments, and documents incorporated herein and made applicable by reference, constitutes the complete and exclusive statement of the terms and conditions of the AGREEMENT between COMMISSION and CONSULTANT, and supersedes all prior representations, understandings and communications. The invalidity in whole or in part of any term or condition of this AGREEMENT shall not affect the validity of other terms or conditions. The COMMISSION’s waiver of CONSULTANT's performance of any term(s) or condition(s) of this AGREEMENT shall
not be construed as a waiver for any future performance of such term(s) or conditions.

Attachments are:
- Exhibit A: Scope of Services
- Project B: Project Schedule
- Exhibit C: Fee Schedule
- Exhibit D: Levine Act Statement

Each of the undersigned represents and warrants that he or she is duly authorized to execute and deliver this AGREEMENT and that such execution is binding upon the entity for which he or she is executing this document.
SIGNATURE PAGE

Agreement No. TPXXXX

IN WITNESS WHEREOF, the parties hereto have set their hands the day and year first above written.

1. CONSULTANT:
   By ____________________________
   Name
   Title
   Date ____________________________

   Firm Name
   Address
   City, State, Zip
   Telephone
   Email

2. SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION:
   By ____________________________
   Mitch Weiss
   Interim Executive Director
   Date ____________________________

3. APPROVED AS TO FORM:
   By ____________________________
   Steve Mattas
   RTC Counsel
   Date ____________________________

4. APPROVED AS TO INSURANCE:
   By ____________________________
   Yesenia Parra
   RTC Administrative Services Officer
   Date ____________________________

Distribution:
RTC Contract Manager, RTC Contracts, CONSULTANT