

## Fresno Council of Governments Transportation Development Act Audit Guidelines

The Fresno Council of Governments (FCOG) distributes Transportation Development Act funding (TDA) to eligible claimants per the Public Utilities Code. Section 99245 (6664) requires a fiscal and compliance audit of all claimants. The report shall include a certification of compliance with the Act. The audit is due within 180 days after the end of the fiscal year, except FCOG may grant an extension up to 90 days. No allocation shall be made to any claimant that is delinquent in its submission of a fiscal and compliance audit.

In addition the state allocates funding directly to Fresno County Transit Operators for State of Good Repair (SGR), Low Carbon Transit Operations (LCTOP) and the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) which shall also be subject to inclusion in the Section 99245 audit. At the time these guidelines were published all state allocations to the PTMISEA have been issued however, it is included in this notice in case of residual balances.

A full description of the Transportation Development Act Guidebook can be found at the following link.

<https://dot.ca.gov/programs/rail-and-mass-transportation/transportation-development-act>

The Section 99245 audit report shall include, with the financial statements for the fiscal year that is subject to the audit, the corresponding amounts from the claimant's audited financial statements for the fiscal year prior to the year that is subject to the

audit. PUC Section 6664 prescribes separate audit protocols described for Non Transit Claimants in Section 6666 and Transit Claimants in Section 6667. In addition to the audit task as detailed in Sections 6666 and 6667, FCOG has established specific requirements and clarifications as follows.

### **Section 6666 Non Transit**

Funds in this category include Section 99234 (Article 3) and 99402 (Article 8). For purposes of meeting the two year comparison requirement of Section 6664, Article 3 and Article 8 funds shall be accounted for on the agencies books in separate funds with each fund having a balance sheet and a schedule of revenues and expenditures such that annual activity and beginning and ending balances and can be determined.

Funds allocated pursuant to Section 99234 (Article 3) are to be used for exclusive use of pedestrians and bicycles or for bicycle safety education programs. Funds shall be expended consistent with the annual TDA Claim approved by FCOG, for capital projects or maintenance of pedestrian and bicycle facilities

Funds allocated pursuant to Section 99402 (Article 8) for local streets and roads, and projects which are provided for use by pedestrians and bicycles. Funds shall be expended consistent with the annual TDA Claim approved by FCOG, for capital projects or maintenance of local streets, pedestrian and bicycle facilities. FCOG has adopted the State Controllers Gas Tax Guidelines to determine eligibility of local streets and roads expenses.

<https://www.sco.ca.gov>

Agencies may charge Salaries, Benefits, and Administrative Overhead to Article 3 and Article 8 consistent with the following guidance.

Salaries and benefits of staff who work on eligible projects are chargeable based on actual cost and direct actual hours worked supported by time cards that track the employees entire work week or pay period over all departments the employee works during the period. Benefits may be charged direct or typically may charged indirectly in proportion to direct salaries based on an indirect calculation consistently applied across all departments.

Administrative salaries, benefits, and overhead shall be based on a time study of allocable hours over all funds and departments or an Indirect Cost Allocation Plan. The Administrative costs allocation methodology should reasonably reflect actual project or maintenance activity in the TDA fund and reconcile back to actual administrative costs incurred. Pro rata administrative allocations across departments based on percentage of budget and not actual activity are specifically prohibited in the Gas Tax Guidelines.

Capital or maintenance cost of equipment specifically dedicated to streets, such as a street sweeper or paving machine is eligible. General purpose capital equipment, general supplies and small tools, that can be used in a variety of municipal functions not related to streets including vehicles, graders, dump trucks, etc. are not eligible unless the agency has established a rate structure and a consistent and equitable methodology of charging out equipment across all purposes on a time used basis.

Per the Gas Tax Guidelines, capital, maintenance and the cost to operate street lights is eligible.

Debt service is not eligible unless the debt is incurred pursuant to a voter approved bond or certificate of participation.

Allocated TDA funds shall remain available for expenditure for eligible purposes until expended. In situations where TDA cash balances are co-mingled in a common cash or investment account with other funds or the agency's general fund, TDA funds cannot be loaned or diverted to other funds or the agencies General Fund directly or indirectly by accumulating a deficit balance in the non TDA fund accounts. In order to insure TDA funds remain available for expenditure, a situation where a Non TDA fund in the comingled account is allowed to go into deficit such that the cash balances of the TDA fund are impaired can result in a compliance finding termed 'Impairment of TDA Cash Balances'. In such an event, in order to avoid an Impairment finding, the agency shall adopt resolutions detailing what funds under the agencies legal discretion were borrowed to address the deficit and make journal entries to recognize the loan. In the absence of such a resolution, the agency must work with FCOG to establish a method of restoring the impaired cash balances. FCOG may withhold allocations in the TDA trust fund, in the agencies name for future allocation until the Impairment situation has been resolved.

### **Section 6667 Transit**

Article 4 TDA funds are eligible for Transit operating cost and capital and shall be expended consistent with the annual TDA Claim approved by FCOG. TDA funds allocated to transit operators technically are not earned until spent. Section 6634 provides a methodology for adjusting operating cost for fare, local support, federal grants, and service beyond the agencies boundaries. After doing this calculation at year end, any allocated but unearned TDA revenues shall be charged to a deferred revenue account which appears on the agencies balance sheet as a liability. The financial statements shall include a note to provide a schedule that clearly reconciles the activity of deferred revenues and details the prior year balance, the amount of grant funds received for

the fiscal year, the amount of eligible expenditures applied, and the unearned balance available to be applied in future years.

Transit Operators apply through Caltrans to receive State of Good Repair, Low Carbon Operations Public Transportation Modernization, Improvement, and Service Enhancement Account revenues applicable only to the specific projects applied for. When Caltrans formulated the grant guidelines for each program they stipulated the revenues and projects would be included in the agencies Section 99245 audit. Typically, these revenues may be treated as deferred revenue until expended. The activities for each revenue source may be itemized in the financial statement note that addresses deferred revenue along with a specific note to the financial statements describing the activities for each grant.

The link to State of Good Repair can be found at:

<https://www.transit.dot.gov/regulations-and-guidance/asset-management/state-good-repair>

The CALTRANS link to Low Carbon Transit Operations can be found at:

<https://dot.ca.gov/programs/rail-and-mass-transportation/low-carbon-transit-operations-program-lctop>

The CALTRANS link to the Public Transportation Modernization, Improvement, and Service Enhancement Account can be found at:

<https://dot.ca.gov/programs/rail-and-mass-transportation/public-transportation-modernization-improvement-and-service-enhancement-account-ptmisea>