

To: Triennial Performance Audit FY 2021/22 – FY 2023/24

From: Les Beshears, Finance Director

Date: July 2025

Subject: Response to Compliance Finding on FY 2021/22 and FY 2022/23 TDA Fiscal Audit Deadlines

The Fresno Council of Governments (Fresno COG) recently completed its Triennial Performance Audit for fiscal years 2021/22 through 2023/24, conducted by Moore & Associates in accordance with the requirements of the Transportation Development Act (TDA). This memorandum provides Fresno COG's formal response to the audit's key findings and recommendations.

Recommendation 1: Work with the TDA auditor and the operators to ensure they complete their TDA fiscal audits by the March 31, extended deadline.

Management response:

Agreed. Having compliance audits done by the March 31 extended deadline is a priority. FCOG staff will continue working with Transit Operators to accomplish this objective. FCOG does not allocate TDA funds to Operators delinquent on the audit.

Recommendation 2: With respect to TDA, FEOC should now be considered as a contractor to FAX and FCRTA rather than as a transit operator.

Management response:

Agreed. FCOG adopted resolution 2020-34, on November 19, 2020 formally terminating FEOC's Co-designation as Urban and Rural CTSA. Although not expressed implicitly in the resolution, this effectively negates any reason for FCOG to consider FEOC as a transit operator as all Article 4.5 TDA funds are now allocated directly to FAX and FCRTA, who assume responsibility for all CTSA requirements. FCOG will remove FEOC as an operator from the annual memorandum per section 99248 to the Director and State Controller identifying transit operators eligible for TDA funds.

Recommendation 3: Work with TDA fiscal auditors to include a detailed fare box recovery ratio calculation in the TDA fiscal audits that identify what supplemental revenues are used and what cost may be exempted/excluded

Management response:

Section 99268.9(c)(1) exempted operators from the penalty of non-compliance with the fare ratios. However, fare calculations are still done and reported in the annual fiscal audit with a disclaimer recognizing the exemption. It's important to note, some special exemptions spelled out in Sections 99268 et seq are data intensive and require significant "book keeping" to document the exemption. That is to say, the separation of expenses incurred to identify two year start up operating cost, ridesharing, and the incremental cost of paratransit service adjusted by the CPI is a function that must be done at a basic accounting level by transit operator staff. The auditor is charged with providing an 'attest' function which is largely review. Their scope of services does not include the basic book

keeping required to develop special exemptions. Therefore if a transit operator wishes to claim any of the exemptions beyond a basic calculation, it is incumbent upon the transit operators to interpret the nuances of Sections 99268 et seq., accumulate the necessary data and provide the auditor with a pro forma calculation to attest.

SB125 created a statewide Transit Transformation Task force to evaluate the status of transit operations, including fare requirement, develop transformative recommendations and report to the legislator by October 2025. This could not only radically alter fare collection statutes but also change many of the performance criteria that governs data collected for the triennial audit. FCOG will notify the operators that the fare exemption is currently set to expire June 2026 and to be prepared to address fare requirements should the legislature not extend the exemption or make radical changes in the statutes affecting fare box calculation.