

Humboldt Transit Authority
Governing Board of Directors
AGENDA
Regular Meeting – April 17, 2013
HTA Conference Room - 133 V Street Eureka
9:00 a.m.

- I. Call meeting to Order
- II. Introductions
- III. Approval of minutes
 - a. Minutes from the March 20, 2013 regular board meeting
Action Recommended: Make corrections, if necessary.
Approve minutes.
- IV. Citizens Communications
Members of the community are invited to comment on items or issues not on the agenda
- V. Action Items
 - a. February 2013 statements for all systems operated by HTA
February 2013 statistics for all systems operated by HTA
~Enclosed
Action Recommended: Receive, review, and file
 - b. Responses to the 2011/12 Audit
During the board's regular March 2013 meeting the 2011/12 Fiscal and Compliance Audit was presented.
Staff has prepared responses to the findings from the 2011/12 Fiscal and Compliance Audit.
Action Recommended: 1. Review and discuss. 2. If approved, direct staff to notify the affected member entities.
- VI. Discussion Agenda
 - a. Redwood Transit System Schedule Changes
Due to an increase of ridership to the Redwood Transit System, staff is working on redesigning the current schedule to improve driver breaks, frequency of service and the overall on time performance.
~Draft schedules will be handed out at the meeting
- VII. Communications
 - a. Board
 - b. Staff
- VIII. Adjournment

MINUTES FOR THE HUMBOLDT TRANSIT AUTHORITY

BOARD MEETING

March 20, 2013

ROLL CALL

PRESENT

ABSENT

Board Members

Rex Bohn, Humboldt County

Estelle Fennell, Humboldt County

Linda Atkins, City of Eureka

Julie Fulkerson, City of Trinidad

Julie Woodall, City of Rio Dell

Michael Winkler, City of Arcata

Dean Glaser, City of Fortuna

Staff

Greg Pratt, General Manager

Jim Wilson, Equipment and Facilities Manager

Brenda Fregoso, Secretary to the Board

Karen Wilson, Manager of Operations

Barbara Zoellner, Administration and Finance Manager

CALL TO ORDER

Chairperson Atkins called the meeting to order at 9:00 a.m.

INTRODUCTIONS & RECOGNITIONS

Introductions were given by each board member and the following introductions were made; Tom Mattson, Humboldt County Public Works, Jo Anthony, Executive Assistant, Humboldt County Public Works, Barbara Guest and Keith Borges with Anderson, Lucas, Somerville & Borges, LLP and Shorey Russell with the City of Eureka Finance Department.

MINUTES

Motion by Councilmember Glaser, second by Councilmember Fulkerson to approve the minutes from January 16, 2013 board meeting and February 20, 2013 board meeting with the following corrections: January 16, 2013 minutes Jimmy Smith absent is removed and Linda Atkins was absent.

Motion carried unanimously

CITIZENS COMMUNICATIONS

None

ACTION ITEMS

- a. Year to date financial statements for all systems operated by HTA

Year to date ridership statistics for all systems operated by HTA

Administration and Finance Manager Barbara Zoellner gave a report on the financial statements and ridership statistics for the month of January 2013 and YTD.

- b. Omission in Article 56.1.2 of the Current Memorandum of the Understanding between HTA and AFSCME

An agreement between AFSCME and HTA regarding Certified Trainer/Instructors that was inadvertently omitted from the current MOU needs to be corrected. Article 56.1.2.

Motion by Councilmember Glaser, second by Councilmember Winkler to adopt the language for Article 56.1.2 pertaining to Certified Trainer/Instructors with the agreed upon compensation and direct staff to incorporate the language into current MOU, effective December 19, 2013.

Motion carried unanimously

- c. Bus Charter for the Redwood Transit System

Humboldt County Public Works has requested to charter bus service using Redwood Transit System.

Tom Mattson with Humboldt County Public Works gave a brief explanation as to why they are requesting a charter using RTS for free of charge or at a low cost for the State Wide Public Works Secretarial Seminar in May. Supervisor Bohn reiterated to the board what a great service this is to Humboldt County and the funds it will bring in to our community. Motion by Supervisor Bohn to approve RTS to provide a charter for the State Wide Public Works Secretarial Seminar in May at no cost; motion did not carry due to a majority of votes.

Motion by Councilmember Glaser, second by Councilmember Winkler to approve RTS to provide a charter for the State Wide Public Works Secretarial Seminar in May for the cost of \$1000; motion did not carry due to a majority of votes.

Motion by Supervisor Bohn, second by Councilmember Fulkerson to approve RTS provide a charter for the State Wide Public Works Secretarial Seminar in May with a split cost to RTS and Humboldt County Public Works in the amount of \$500.

Motion carried unanimously

- d. Fiscal and Compliance Audit

Pursuant to the Transportation Development Act Section 99260; the California Administrative Code; and, the rules and regulations of the Humboldt County Association of Governments, the Humboldt Transit Authority is audited on an annual basis to determine compliance with the same. The audit is conducted in accordance with *Government Auditing Standards* issued by the Controller General of the United States and the provisions of *Office of Management and Budget Circular A-128, Audits of State and Local Government* to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Keith Borges and Barbara Guest from the firm Anderson, Lucas, Somerville and Borges was present at the board meeting and addressed the 2011-12 audit. Borges and Guest reviewed highlights as well as issues that were noted during the course of the audit.

The board received and reviewed the 2011-12 audit.

COMMUNICATIONS

Staff:

Equipment and Facilities Manager Jim Wilson announced that the new buses for Willow Creek are in Hayward and will be in operation very soon.

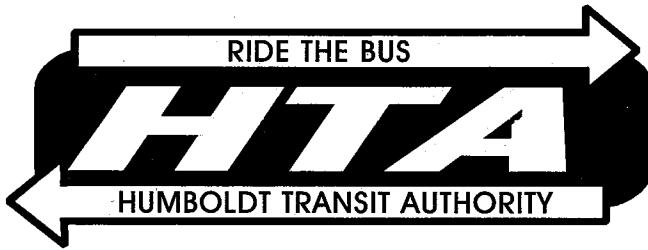
Jim Wilson requested from the board that if their city or county is preparing to do road or sidewalk construction to please include HTA the planning . This will help HTA with Bus Shelter Improvements.

General Manager Greg Pratt announced that with the past negotiations the schedules are being restructured to meet employees breaks. The restructured schedules will be on next month's board meeting agenda.

Board:

None

Meeting adjourned at 9:58 a.m.



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133 "V" Street, Eureka, CA 95501-0844

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TO: Linda Atkins, Chair
All Governing Board Members

FROM: Greg Pratt, General Manager

DATE: April 17, 2013

SUBJECT: Responses to the FY 2011-12 TDA Fiscal and Compliance Audit

This is to acknowledge the management letter (attached) of January 18, 2013, from Anderson, Lucas, Somerville, & Borges, LLP the certified public accounting firm who performed the audit. Staff has reviewed the Report on Audit of the Humboldt Transit Authority for the Year Ended June 30, 2012, and related comments regarding their findings. The following represents our recommended response to the same:

CURRENT YEAR FINDINGS

Tracking Monitoring and Accounting for Capital Grants

Finding: While the Humboldt Transit Authority does prepare and maintain limited documentation of these items currently, the level of detail and completeness does not always allow for the appropriate recognition of deferred revenues or restricted capital ideal for proper financial statement presentation and reporting.

Solution: Staff has developed software to track expenses from multiple years and from different funding sources.

Compliance with TDA Fund Eligibility

Finding: Excess operating funds received. There was \$142,961 in excess TDA operating funds for the Southern Humboldt Intercity System and \$57,153 for the Willow Creek Intercity System.

Solution: Staff recommends following the auditors solution (a) for both the Southern Humboldt Intercity and the Willow Creek Intercity Systems by requesting that the County of Humboldt amend their 2011/12 TDA claim to utilize the excess funds for the 2012/13 operating budgets for these two systems.

Compliance with TDA minimum Farebox Recovery Ratios

Finding: Per TDA Code Section 99268.8, minimum farebox ratios do not apply to extension services until two years after the end of the fiscal year in which the extension service was put into operation. The Southern Humboldt Local Service did not meet it's required farebox ratio, but was exempted from the requirement until June 30, 2012.

Solution: To improve ridership, staff has added Benbow State Park as well as the Meadows Industrial Park to the schedule and has worked with the Humboldt County Association of Governments to assist with advertising and promoting the system. We continue to closely monitor the farebox ratio of the Southern Humboldt Local System.

Action Recommended: 1. Review and discuss. 2. If approved, direct staff to notify the affected member entities.

MANAGEMENT LETTER



ANDERSON, LUCAS, SOMERVILLE & BORGES, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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EUGENE B. LUCAS, *Inactive*

January 18, 2013

Board of Directors
Humboldt Transit Authority
133 V Street
Eureka, California 95501

Ladies and Gentlemen,

We have previously issued reports as required by applicable professional standards. In order to keep the Board of Directors apprised of other issues we feel to be of importance, we offer the following management letter.

The following recommendations and comments are intended to be constructive suggestions on ways to improve the policies and operating procedures of HTA. They are not intended to be all-inclusive of the areas in which improvements might be achieved. Should you have any questions regarding these comments or any other matters, please contact us.

CURRENT YEAR FINDINGS

1. Tracking, Monitoring and Accounting for Capital Grants

The Authority, in the normal course of operations and management, receives various capital grants, including, but not limited to, funds provided through the State Transit Assistance Fund (STAF) and the Public Transportation Modernization Improvement and Service Enhancement Account (Prop 1B). These amounts can vary quite significantly from year to year, and can be received for equipment, projects or other items that often span multiple years and can take numerous disbursements to fully utilize.

It is our assessment that there could be better tracking, monitoring and accounting for these types of grant funds and related expenditures. With the proliferation of different funds and projects involved, it would be quite useful to have accurate detailed reports which specifically track and document grant amounts awarded and received, as well as the specific expenditures of funds in fulfillment of those grant amounts.

1.

Board of Directors
Humboldt Transit Authority

1. Tracking, Monitoring and Accounting for Capital Grants (Continued)

While the Authority does prepare and maintain limited documentation of these items currently, the level of detail and completeness does not always allow for the appropriate recognition of deferred revenues or restricted capital ideal for proper financial statement presentation and reporting.

2. Compliance with TDA Fund Eligibility:

Excess Operating Funds Received:

As shown in Note 2 to the financial statements, the following systems did not meet the compliance requirements of Section 6634 of the California Administrative Code dealing with TDA fund eligibility. Fund eligibility is determined by subtracting actual fare revenues, depreciation, and any federal operating funds received from operating expenses. This amount represents the maximum allowable TDA funding for operating expenses for the fiscal year ended June 30, 2012.

	<u>SoHum InterCity</u>	<u>Willow Creek</u>
Operating costs	\$ 364,993	\$ 231,472
Less depreciation	0	(17,267)
Less fare revenues	(63,667)	(41,931)
Less federal operating funds	<u>(150,000)</u>	<u>(68,705)</u>
Eligible amount	151,326	103,569
TDA funds received	<u>294,287</u>	<u>160,722</u>
Excess TDA funds received	<u>\$142,961</u>	<u>\$ 57,153</u>

Recommendation: HTA has several options to remedy this situation:

- a. Claims by appropriate member entities for operating costs for the following fiscal year may be offset by the current year excess TDA funds.
- b. Members may file amended claims for the current fiscal year applying the excess fund to capital expenditures made during the current year.
- c. Members may repay the excess TDA funds to the Transportation Planning Agency (HCAOG).

CURRENT YEAR FINDINGS (Continued)

3. Compliance with TDA Minimum Farebox Recovery Ratios

Per TDA Code Section 99268.8, minimum farebox recovery ratios will not apply to an extension of services until two years after the end of the fiscal year in which the extension of services was put into operation. Regardless, compliance and farebox ratios should be closely monitored.

Mandatory Farebox Recovery Ratio compliance testing for the two Southern Humboldt routes will begin for the year ending June 30, 2013. According to our calculations, farebox recovery ratios were 14.96% and 7.47% for the Southern Humboldt Intercity and Southern Humboldt Local routes, respectively, for the year ended June 30, 2012.

PRIOR YEAR FINDINGS

Reevaluation and Improvement of Financial Accounting and Reporting Function

Over the past several years, the Humboldt Transit Authority has increased in size and complexity in challenging economic times. We felt it was important for the accounting department to catch up with and move ahead of the Authority's growth curve and future plan. With the recent changes in operational structure and key personnel, we felt it was a good time to evaluate the Authority's financial accounting and reporting functions.

Catching Up the Accounting With The Organization's Current Size and Complexity:

It was our observation that the accounting department is weighed down in day to day operations, leaving little opportunity for timely, accurate big picture reporting and analysis needed for management decision making, meeting compliance requirements, or for making significant improvements to the overall system. Historically, there has only been an informal annual closing accounting process at June 30th, primarily in preparation for the audit. Without a more frequent closing process, any inaccuracies or problems tend to accumulate and become more difficult and time consuming to deal with as additional time passes. Day to day operations, inefficiencies in the system, and delays in account reconciliations all conspire to make the annual close a very time consuming process, continuing over the course of months. Meanwhile, new issues are accumulating and the cycle continues. As a result, the accounting department is always playing catch-up.

PRIOR YEAR FINDINGS (Continued)

Reevaluation and Improvement of Financial Accounting and Reporting Function (Continued)

In addition to items noted in our separate internal control communication, our key recommendations were as follows:

- Implement a formal monthly and quarterly closing process with deadlines. Resulting monthly, quarterly, or annual financial statements should include an analysis/explanation of variances from previous periods and/or expectations, accurate presentation of operating vs. capital grants, recognized vs. deferred revenue, etc.
- Integrate the payroll software with the general ledger software using QuickBooks payroll or another accounting software package. This is also addressed in our prior year findings. The current separation of these two systems is a primary contributor to inefficiency.
- Set up cash account(s) currently not reconciled monthly to be reconciled monthly in the accounting software.
- Streamline inefficient processes and automate manual processes (i.e. with regard to payroll, A/R, A/P, revenue, cash, etc.) using excel whenever possible.
- Consider hiring an outside professional to help make this happen, given the accounting department's situation as outlined above.

The accounting department has begun limited implementation of some of these recommendations, but continued progress is still needed.

Moving the Accounting Ahead of the Growth Curve:

Timely, reliable financial statements in conformity with generally accepted accounting principles are currently not being provided, which is related to the accounting department's situation as outlined earlier. Such financial statements are very important and should be provided on a regular basis going forward. We also feel that long term financial planning and analysis are essential to an organization of such size, especially in light of its financial commitments (i.e. employee salary and benefit structure), operating risks (i.e. susceptibility to changing fuel costs), and the current economic environment (i.e. potential stagnation or decrease in operating grant revenue).

PRIOR YEAR FINDINGS (Continued)

Reevaluation and Improvement of Financial Accounting and Reporting Function (Continued)

Examples of such analysis would include, among other possibilities, benchmarking and scenario or 'what if' analyses, which often go hand in hand. A benchmarking example would be to calculate total compensation cost (wages/salaries and employee benefits) per full time equivalent employee now and projected into the near future and compare it with similar organizations and expected revenue levels. A related 'what if' analysis would take those projections in total and by route, and plan for related contingencies (i.e. rising health care costs for current employees and retirees, rising fuel prices, and/or possible decreases in operating grant revenue, etc.). The overarching goal is to provide financial information that allows management to assess the organization's current and future financial sustainability and make well-informed decisions.

Our recommendation was for reliable management-level accounting and financial analysis on a consistent, timely basis. As mentioned earlier, the accounting department is focused primarily on day to day operations. Streamlining the day to day operations may free enough accounting time to focus more on the big picture and long-range financial health of the organization. Alternatively, such analysis may be obtained from sources outside the organization.

Our firm possesses an in-depth understanding of your current system and how it can be improved. Should you decide to pursue these recommendations further and require outside help, we would like the opportunity to assist you.

Generally Accepted Accounting Principles (GAAP)

There is considerable reliance on the annual audit to ensure that the yearend financial statements are adjusted to/prepared in accordance with GAAP. A main purpose of GAAP is to make sure that users of financial statements prepared in accordance with its standards have an accurate picture of an entity's financial position, the results of its operations, its cash flows and the changes in its net assets and can make sound decisions based on that information. Since financial statements regularly prepared by the accounting department are not materially in accordance with GAAP, management may be at a disadvantage with regard to its decision making.

Recommendation:

Given the size of the organization, we recommend that a management level accountant with sufficient expertise in GAAP is hired on at least a quarterly basis to close the books and ensure that the financial statements produced for the review of management are in accordance with GAAP (if it is within HTA's budget).

Status:

This recommendation still applies to the organization.

Board of Directors
Humboldt Transit Authority

PRIOR YEAR FINDINGS (Continued)

Internal Controls - Custody, Recordkeeping, and Check Signing

The staff person in charge of recording transactions also has check signing authority and access to the check stock. There is a two signature requirement, but we noted checks cashed by the bank that contained only one signature.

Recommendation:

We have found that the bank often cashes checks for organizations with only one signature despite the fact that the organization has implemented a two signature requirement. It is always considered a sound policy to separate recordkeeping from check signing authority, especially in light of the failure of the banks to enforce the dual signature requirement in some cases.

Status:

This recommendation still applies to the organization.

Status:

This recommendation still applies to the organization.

In conclusion, we wish to thank the staff of Humboldt Transit Authority for their cooperation and assistance during our audit.

ANDERSON, LUCAS, SOMERVILLE & BORGES, LLP

Anderson, Lucas, Somerville & Borges