



Policy & Innovation Committee

Meeting Date: September 9, 2024

Agenda Item No. 5

Approve Request for Proposals for Transportation Development Act Triennial Performance Audits

Action

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Attachments: No

Referring Committee: Not Applicable

Issue:

Staff is seeking authorization to release a Request for Proposals (RFP) to hire a consultant(s) to conduct Transportation Development Act (TDA) triennial performance audit of SACOG and the transit operators to which it allocates TDA funds with a budget not to exceed \$255,000.

Request:

Approve

Recommendation for Board:

That the board authorize the executive director to: (1) issue Request for Proposals (RFP) for TDA triennial performance audits; and (2) negotiate, award, and execute contracts with the selected consultant(s) not to exceed \$255,000.

Recommendation for Committee:

That the Policy and Innovation Committee recommend that the board authorize the executive director to: (1) issue Request for Proposals (RFP) for TDA triennial performance audits; and (2) negotiate, award and execute contracts with the selected consultant(s) with a budget not to exceed \$255,000.

Background:

The Mills-Alquist-Deddeh Act (SB 325) was enacted by the California Legislature to improve existing public transportation services and encourage regional transportation coordination. Known as the Transportation Development Act (TDA) of 1971, this law provides funding to be allocated to transit and non-transit related purposes that comply with regional transportation plans. The TDA provides three funding sources: (1) Local Transportation Fund (LTF), which is derived from a ¼ cent of the general sales tax collected statewide; (2) State Transit Assistance fund (STA), which is derived from the statewide sales tax on diesel fuel; (3) State of Good Repair (SGR) funding, which is derived from a portion of vehicle registration.

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.

Fiscal and performance audits are conducted to ensure program compliance. Fiscal audits conducted annually include transit operator's compliance with the TDA use of funds. Performance audits are conducted every three years and include performance measures that verify the efficiency and effectiveness of planning agencies and transit operators.

Section 99246 of the California Public Utilities Code requires that a Regional Transportation-planning agency (RTPA) designates entities, other than itself or a transit operator, to audit the RTPA's TDA activities and the activities of each operator to whom it allocates funds. The performance audit includes, but not be limited to, verifying the operator's 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. It also considers the needs and types of the passengers being served and the employment of part-time drivers and any contracted transit operations.

Triennial Performance audits are conducted based on a schedule established by the RTPA. SACOG completed the last cycle of triennial performance audits in 2021 for the fiscal years ending June 30, 2019, June 30, 2020, and June 30, 2021. This cycle will be for the years ending June 30, 2022, June 30, 2023 and June 30, 2024. The audit contract typically lasts a year. All final triennial performance audit reports will be submitted to Caltrans.

Discussion/Analysis:

The purpose of the RFP is to solicit proposals from qualified auditors or auditing firms for the statutory required triennial TDA performance audits for fiscal years ending June 30, 2022, June 30, 2023, and June 30, 2024.

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

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.

The Performance audits scope of work will include the following:

A. Comprehensive TDA performance audit for SACOG

1. Determine compliance with statutory and regulatory requirements: Certify that the funds are allocated and expended in conformance with the applicable TDA laws and regulations.
2. SACOG's Functions: Management, governing board; regional coordination, grant management, claimant relationship and oversight.
3. Follow-up on prior performance audit recommendations; evaluate implemented, in-progress and not-begun recommendations.
4. Prepare draft: Document report and distribute to management for review and provide comments. The report documents findings, observations, conclusions and recommendations.

5. Final audit reports: auditors consider any corrections and determine if any changes are necessary to the factual contents of the report. Auditor will finalize reports and send one copy to SACOG. Auditor will prepare a presentation to the SACOG's Policy and Innovation Committee and the board.

B. Comprehensive TDA performance audits for regional transit agencies in Sacramento, Sutter, Yolo, and Yuba counties: Sacramento Regional Transit District (SacRT); Paratransit, Inc.; Yolo Transportation District (YoloTD); Yuba-Sutter Transit Authority (YSTA); Unitrans; Davis Community Transit; South and East County Transit; and West Sacramento-VIA micro transit.

1. Determine compliance with statutory and regulatory requirements: To certify that the funds allocated to the transit operator are used in compliance with TDA statutes.
2. Follow-up on prior performance audit recommendations: To assess improvements which provides assurance that the operator has made efforts to improve its efficiency and effectiveness and strengthen the integrity of the performance audit process.
3. Verify and use performance indicators: Audit tests data collection methods, verify and evaluate performance indicators.
4. Detailed review of transit operator functions: The general management and organization, Administration, system planning and operations, Marketing and Public Information, Maintenance and Personnel Management and training.
5. Prepare draft audit report: Auditors document report and distribute to operators for review and provide comments. The report documents findings, observations, conclusions and recommendations.
6. Prepare final audit report: auditors consider any corrections and determine if any changes are necessary to the factual contents of the report. Auditor will finalize reports and send one copy to SACOG and the other to the operator. Auditor will prepare a presentation to the operator's governing board and SACOG's Policy and Innovation Committee and board.

A selection panel made up of SACOG staff and transit service representatives will convene to score the proposals based on the criteria set forth in the RFP. Staff anticipates that SACOG will negotiate, award and execute a final contract by December 31, 2024.

Fiscal Impact/Grant Information:

Included in the Overall Work Program/Budget, Other

Costs for consultant contract are not to exceed \$255,000. This reflects a 10 percent increase in cost from the 2021 cycle of performance audits to account for inflation. Staff time to administer the audits is reflected in the Overall Work Plan.

List of Attachments:

Not applicable