



Approve Request for Proposals for Financial Audits and Transportation Development Act Funds Audits for SACOG, Transit Agencies and CARTA

Consent

Author: Caroline Payne

Attachments: No

Referring Committee: Policy & Innovation

Issue:

Staff is seeking authorization to release a request for proposals (RFP) to procure independent financial audit firm(s) (Auditors) to conduct SACOG's annual financial audit, transit funds audits and to procure independent financial audit firm(s) on behalf of transit agencies and Capital Area Regional Tolling Authority (CARTA) to conduct their financial audits. The total budget is not to exceed \$2,200,000 for a five-year contract term.

Request:

Approve

Recommendation for Board:

The Policy & Innovation Committee unanimously recommended that the board: (1) approve the release of an RFP for independent financial audit firms(s) to conduct annual financial and transit funds audits for SACOG, transit funds audits for eligible agencies, and to procure independent financial audit firm(s) on behalf of transit agencies and CARTA to conduct their financial audits; and (2) authorize the executive director to negotiate and execute contracts with the selected audit firms(s).

Recommendation for Committee:

That the Policy and Innovation Committee recommend that the board: (1) approve the release of an RFP for independent financial audit firms(s) to conduct annual financial and transit funds audits for SACOG, transit funds audits for eligible agencies, and to procure independent financial audit firm(s) on behalf of transit agencies and CARTA to conduct their financial audits; and (2) authorize the executive director to negotiate and execute contracts with the selected audit firms(s).

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 Local Transportation Fund (LTF) was created under the Transportation Development Act to provide funding for public transportation. As with the State Transit Assistance (STA) and State of Good Repair (SGR) programs, the LTF program only covers the counties

of Sacramento, Sutter, Yolo and Yuba. Funds for the LTF program are derived from ¼-cent of the retail sales tax collected statewide by the California Department of Tax and Fee Administration (CDTFA), as statutorily created and authorized successor to the former California State Board of Equalization. The money is returned to each county, through the regional transportation planning agency (RTPA), based upon the sales tax collected in that county.

SACOG distributes these funds to public agencies for transit services, pedestrian and bicycle facilities, and streets and roads funding and these funds are required to be audited annually. As an RTPA for the counties of Sacramento, Sutter, Yolo and Yuba, SACOG is responsible for the allocation of STA funds.

Funds for the STA program are provided by the State from the statewide sales tax on motor vehicle fuel (gasoline) and use fuel (diesel). The state allocates 50 percent of STA funds based upon the region's share of the state population, and 50 percent based upon transit operator revenues for the prior fiscal year as a share of statewide transit operator revenues. SACOG distributes funds to transit operators and jurisdictions within its region for transportation planning, public transportation, and community transit.

The Senate Bill (SB 1), the Road Repair and Accountability Act of 2017, created a new program, the SGR Program. Funds for the SGR program are provided by the state from the new Transportation Improvement Fee assessed on vehicle registrations starting January 1, 2018. SGR funds are distributed to regions based on the same formula as the STA program. SACOG distributes funds to transit operators for capital assistance to rehabilitate and modernize existing local transportation systems, including the purchase of new vehicles and the maintenance and rehabilitation of transit facilities and vehicles.

SB 125 (Chapter 54, Statutes of 2023) amended the Budget Act of 2023 to appropriate \$4,000,000,000 of General Fund to the TIRCP, \$910,000,000 of Greenhouse Gas Reduction Fund (GGRF) funding, and \$190,000,000 of Public Transportation Account (PTA) funding over the life of the program. SACOG as an RTPA was allocated \$200,896,191 in TIRCP funding, \$30,867,000 in ZETCP GGRF funding, and \$6,444,512 in ZETCP PTA funding to distribute to eligible transit. SACOG audits will include the audit of these transit funds per program guidelines.

As a Metropolitan Planning Organization (MPO), SACOG receives federal funds directly from federal agencies and federal funds pass-through from the California Department of Transportation (Caltrans). Therefore, SACOG must annually undergo a financial audit by an independent financial auditor and issue a report on the financial position of SACOG at June 30, of each year.

CARTA develops and operates toll facilities in the Sacramento region. CARTA will procure an audit firm for financial audit services.

The financials and transit funds audits provide all required reports (and opinions) in accordance with generally accepted auditing standards and government auditing standards, provisions on the Single Audit Act of 1984, as amended in 1996, provisions of Title 2 of the Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and applicable state transit funding program guidelines.

Discussion/Analysis:

SACOG has contracted with three different audit firms for a five-year term from 2020 to 2025 to conduct the

audits of SACOG financial statement, transit fund audits, and transit operators' financial audits for a total of \$1,860,965.

The new RFP will include audits for SACOG financials, audits for all state transit fund recipients (Transit Funds Audits), and preparation of the Annual Comprehensive Financial Reports (ACFR) and the TDA Audit Funds Reports. The Transit Funds Audits will also include financial audits for the small transit operators who often have fewer staff resources to procure their financial audit separately so their financial audit will be included as part of the transit funds audit, and they will reimburse SACOG for the audit costs. This includes Paratransit Inc., Yuba-Sutter Transit Authority (YSTA) and Unitrans.

Additionally, some transit operators will leverage SACOG's RFP process to procure and contract for individual financial audits and other services beyond the transit funds audit. Sacramento Regional Transit District will utilize the process for annual comprehensive financial audit and pension plans audit. Yolo County Transportation District (YoloTD) and CARTA will utilize the process for their annual comprehensive financial audits. Other transit and public agencies can also leverage SACOG procurement for their audit service needs.

The table below summarizes the audit services included in this RFP:

Request for Proposal	Agency	Description
Audit Service Request #1	SACOG and state transit funding eligible agencies	Transit Funds and financial & single audits for small transit operators
Audit Service Request #2	SACOG	Financial and Single Audits
Audit Service Request #3	Sacramento Regional Transit District (SacRT)	Financial and Pension Audits
Audit Service Request #4	Yolo County Transportation District (YoloTD)	Financial and Single Audits
Audit Service Request #5	Capital Area Regional Tolling Authority (CARTA)	Financial and Single Audits

The Auditor will examine the financial statements and records of each agency and prepare an annual audit of the financial transactions and records in accordance with the applicable laws and regulations and contracts that have been entered into by the agency. This includes but is not limited to the following:

1. The auditor will perform an audit and provide all required reports (and opinions) in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This audit shall also include the audit activities required to meet the audit requirements of the State Transportation Improvement Program (STIP) Planning, Programming and Monitoring funds (PPM), state transit funds and other funds, if applicable.
2. Express an opinion on the fairness of presentation of agency financial statements and their conformity with generally accepted accounting principles and auditing standards.
3. Provide Report on Internal Control over Financial Reporting Based on an Audit of Financial Statements

Performed in Accordance with Government Auditing Standards. These reports may be issued as separate reports or may be issued as part of the combined compliance report.

4. Assist with the preparation of the annual financial report and transit funds reports.
5. Advise and assist SACOG and agency staff in establishing controls and procedures relating to accounting and compliance procedures in administering the state transit fund monies.

The RFPs will be released to an extensive list of auditing firms. A selection panel of SACOG staff and transit operators representatives will convene to score the proposals based on the criteria set forth in the RFP. After an audit firm or firms are chosen the executive director will negotiate, award and execute the contract(s). The transit operators will contract directly with the independent audit firm for their financial audits or reimburse SACOG for their financial audit costs if their audits are conducted as part of the state transit fund audit.

The contracts for these services are not to exceed \$2.2 million, an increase of 12 percent from current contracts plus \$125,000 for CARTA's audit services. The costs are estimates until proposals are received and evaluated. The estimated SACOG financial responsibility is about \$1,375,000 and \$825,000 of the budget amount is for the transit operators and CARTA financial and single audits. The contracts will be awarded for three years with the option to extend for two more years for a total of five years per SACOG Procurement and Contracts policies.

At the committee meeting, a member asked if the bids come back over budget if the item will return to the board for action. Staff confirmed that further board action is required if bids exceed the recommended budget.

Fiscal Impact/Grant Information:

Included in the Overall Work Program/Budget. Costs for audit services, which includes audit services to be paid for by transit agencies, are not to exceed \$2.2 million, of which \$1,375,000 is direct costs to SACOG and \$825,000 is reimbursable from transit operators and CARTA. Staff time to administer the audits is reflected in the Overall Work Plan.

List of Attachments:

Not applicable