



Date: September 5, 2006

Committee Meeting Dates: September 13, 2006

Board Meeting Date: N/A

BOARD MEMORANDUM

ACTION X DISCUSSION INFO

TO: 2000 Measure A Watchdog Committee (Citizens Advisory Committee)
 Santa Clara Valley Transportation Authority
 Board of Directors

THROUGH: Michael T. Burns
 General Manager

FROM: Jim Lawson
 Government Affairs Manager

SUBJECT: Determine Independent Auditor For 2000 Measure A Program

RECOMMENDATION:

Authorize the General Manager to amend the contract with Vavrinek Trine Day & Company, LLP, as necessary to provide the Citizens Watchdog Committee with an independent financial auditor in order to fulfill its responsibilities as defined in the 2000 Measure A ballot. Vavrinek Trine Day & Company, LLP, is currently under contract to VTA.

BACKGROUND:

In November 2000, the voters in Santa Clara County approved Measure A, a 30-year half cent sales tax devoted to transit projects. The Measure A ballot stated that an independent citizens watchdog committee, consisting of VTA's Citizens Advisory Committee (CAC), must review all 2000 Measure A expenditures. It also specified that CAC had the responsibility and authority to have an audit conducted each fiscal year by an independent auditor "to ensure tax dollars are being spent in accordance with the intent of this measure." It also requires the Committee to hold public hearings at least annually to inform Santa Clara County residents on how the funds are being spent and to publish the results of the independent audit and the annual report in local newspapers. Both the VTA Administrative Code and the CAC Bylaws were previously amended to provide CAC the ability to accomplish these responsibilities.

A workshop was held on June 7, 2006 to provide CAC information on its responsibilities as the 2000 Measure A Citizens Watchdog Committee and to help address any questions or issues the Committee had. Joe Aguilar, a partner with the independent accounting firm of Vavrinek Trine Day & Company, LLP, the company that currently conducts the independent annual audit of

VTA's financial records and statements, provided a presentation on the independent audit process. This overview included the definition, goals and standards of an independent financial audit.

DISCUSSION:

To fulfill its responsibility of having an independent financial audit of the 2000 Measure A financial records and statements conducted, CAC will have to decide whether to utilize the services of the independent auditor currently under contract to VTA (Vavrinek Trine Day & Company, LLP) or to go through another competitive processes to select an alternative independent auditor.

Factors for the Committee to consider in making this decision:

- The criterion that defines the independent auditor is that they are independent from the entities they audit, both in fact and appearance. In this case, that is VTA. For the 2000 Measure A Program, the independent auditor would be responsible for conducting their audit and providing the results to CAC.
- Due to the size, potential impact and material relationship to VTA, it is required that the 2000 Measure A Program be audited as a component of the independent financial audit of VTA and included in VTA's Comprehensive Annual Financial Report (CAFR). Due to this, using the same independent auditor would result in either no increased cost to the 2000 Measure A Program or an immaterial amount. The current independent auditor will still be responsible for conducting their audit, meeting with and providing their conclusions to CAC, irrespective of whether an additional independent auditing firm is engaged.
- Due to the limited scope of the audit and the additional time and setup required, it is estimated that engaging a separate independent auditor will cost approximately \$35,000 - \$75,000 annually, which will be paid from 2000 Measures A proceeds.
- The competitive bid process will take approximately 8 – 12 weeks from the date of decision.
- Collection of the 2000 Measure A sales tax began on April 1, 2006. Since this occurred during the fiscal year that ended June 30, this will be the first fiscal year that CAC will be responsible for ensuring the independent financial audit of the program is conducted and the results publicly announced.
- Since it takes several months from the end of the fiscal year to close the books and make final adjustments, the independent auditor typically begins the audit process in September or October. The issuance of the draft audit report typically occurs during the spring of the following year.

ALTERNATIVES:

To fulfill its requirement as defined in the ballot measure, CAC is required to engage an independent auditor to conduct an audit of the 2000 Measure A Program's financial records and statements. The Committee may choose to use a different independent auditing firm than the one currently under contract to VTA, which will require the completion of a competitive bid process.

FISCAL IMPACT:

There is either no or minimal fiscal impact if the Committee chooses to utilize the independent auditing firm currently under contract to VTA. Engaging a separate independent auditor is estimated to cost an additional \$35,000 - \$75,000 annually.

Prepared by: Stephen Flynn, Sr. Management Analyst
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