

Date: \_\_\_\_\_ January 29, 2008

Committee Meeting Date: \_\_\_\_\_ February 13, 2008

Board Meeting Date: \_\_\_\_\_ N/A

**BOARD MEMORANDUM**

**ACTION ITEM**

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

**THROUGH:** Michael T. Burns  
General Manager

**FROM:** Jim Lawson  
Senior Policy Advisor

**SUBJECT:** Audit Process Subcommittee

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**RECOMMENDATION:**

Approve:

1. Establishment of the ad hoc Audit Process Subcommittee to review and evaluate proposals on providing independent audit services to the Citizens Watchdog Committee and that will make a recommendation to the Committee on which firm to select.
2. Appointment to the Audit Process Subcommittee of Committee members that volunteer to serve on it.

**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 mandated that an independent citizens watchdog committee, consisting of VTA's Citizens Advisory Committee (CAC), must:

- Review all 2000 Measure A expenditures.
- 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.
- Hold public hearings and issue reports "on at least an annual basis to inform Santa Clara County residents how the funds are being spent."
- Publish the results of the independent audit and the annual report in local newspapers.

On April 1, 2006 the Citizens Advisory Committee assumed its duties as the Citizens Watchdog Committee (CWC) for the 2000 Measure A program.

For the audit of the FY 2006 (July 1, 2005 – June 30, 2006) 2000 Measure A Transit Improvement Program financial statements and records, the CWC voted to utilize the services of the independent auditing firm of Vavrinek Trine Day & Company, LLP (VTD), which was under contract to VTA. For the audit of FY 2007 (July 1, 2006 – June 30, 2007), due to the extensive lead time required to solicit proposals from qualified firms and execute a contract combined with the lead time required for a new firm to become familiar with VTA's computerized accounting and record management systems, the Committee chose to again utilize the independent auditing services of VTD.

However, the Committee specifically expressed its intention for FY 2008 (July 1, 2007 – June 30, 2008) forward, to utilize the services of an independent auditing firm not under contract to VTA, in order to remove any potential appearance of conflict of interest. The CWC directed staff to solicit proposals from qualified firms so that the Committee could select and contract with a firm that best met its requirements.

### **DISCUSSION:**

The Request For Proposal (RFP) process for the CWC's independent auditor for FY 2008 and future fiscal years is underway. The RFP solicits proposals from qualified independent auditing firms for services for a two-year contract with a maximum of six additional one year periods. Receipt of the RFP's is anticipated for late February. Although the specific number of RFP's will not be known until the submission window closes, a range of between two and seven is expected. The Committee will be informed of the final number of proposals received prior to its March 2008 meeting.

Because the process to evaluate the RFP's is time intensive, to preserve CWC meeting time it is recommended that the Committee establish an ad hoc Audit Process Subcommittee. The duties of this subcommittee will be to:

- Review and evaluate proposals received based on the pre-established criteria to ensure they meet the defined minimum criteria and have adequately responded to all requests for information and documentation.
- Score the proposals based on pre-established criteria.
- Conduct oral interviews of the candidate firms and score them based on pre-established criteria.
- Negotiate contract price or any other terms with the firms of the two highest scoring proposals.
- Utilizing the combined scores of the RFP and oral interviews as a guideline, make a recommendation to the full Committee on which firm to select.

Staff recommends that due to the importance of this process and the anticipated number and complexity of the RFP's, the Audit Process Subcommittee consist of between four and six volunteer Committee members. The time commitment cannot be reasonable determined until all RFP's are received but is estimated at between four and twelve hours which, depending on the final number of RFP's received, will most likely be divided over multiple days.

A major portion of the time commitment required from each Subcommittee member will be for meetings and the oral interviews that will be held at VTA's River Oaks Administrative Campus. Every effort will be made to schedule meetings at times most convenient for all or a majority of Subcommittee members.

Once the contract has been executed with the firm that the CWC has selected, the Audit Process Subcommittee's mission will be completed and it will be automatically discharged.

Prepared by: Stephen Flynn, Sr. Management Analyst