



**Item #06-4-8
Consent**

SACOG Board of Directors

April 13, 2006

Contract for Performing the Financial Audit, Pension Audit, and TDA Audit for Sacramento Regional Transit District

Issue: To approve a Contract for Audit Services for the Sacramento Regional Transit District.

Recommendation: The Administration Committee recommends that the Board of Directors approve a contract with Gilbert Associates, Inc., for performance of audit services to the Sacramento Regional Transit District.

Committee Action/Discussion: SACOG uses a portion of its Transportation Development Administration administrative fee to pay for the financial audit for the Sacramento Regional Transit District (SRTD). Because the previous provider had done the audit for five years, it was deemed prudent to put the contract out to bid. There were three respondents to the request for proposal and all three were interviewed by a team of three SACOG staff and two SRTD staff.

The request for proposal was structured in a manner that requested proposals on the annual financial audit, a pension audit, and a Transportation Development Act audit. Each of these audits has some similarity in their audit requirements, but there are also some significant differences required for each. Each proposer provided separate cost proposals for each segment. The interview team reviewed the written proposals and interviewed each for the firm's expertise in each audit area.

The audit firm of Gilbert Associates, Inc., has prepared the SRTD audit for the past five years; however, based on their proposal and the interview, it is recommended that they be awarded the contract again. The term of the contract is three years for a total cost of \$189,000. There is also the option to twice extend the agreement for one year. The draft agreement is attached.

Approved by:

Mike McKeever
Executive Director

MM:KW:gg
Attachment

Key Staff: Karen Wilcox, Director of Finance, (916) 340-6210

**SACRAMENTO AREA COUNCIL OF GOVERNMENTS
STANDARD AGREEMENT**

THIS AGREEMENT, is made and entered into this _____ day of _____, 200____, at Sacramento, California, by and between the Sacramento Area Council of Governments, a joint powers agency (hereinafter "SACOG"), through its duly appointed Executive Director, Sacramento Regional Transit District, a public corporation (hereinafter "SRTD"), and Gilbert Associates, Inc., a California corporation (hereinafter "Contractor").

RECITALS:

1. Contractor represents that it is specially trained and/or has the experience and expertise necessary to competently perform the services set forth in this Agreement; and
2. Contractor is willing to perform the services and work described in this Agreement under the terms and conditions set forth in this Agreement; and
3. SACOG and SRTD desire to contract with Contractor to perform the services and work described in this Agreement under the terms and conditions set forth in this Agreement.

NOW, THEREFORE, the parties agree as follows:

1. Time of Performance: Contractor shall commence work upon execution of this Agreement and in accordance with the Scope of Work, attached hereto as Exhibit "A" and incorporated herein. Contractor shall complete work as expeditiously as is consistent with generally accepted standards of professional skill and care and the orderly progress of work. Work shall be completed and this Agreement shall expire on March 30, 2009, unless otherwise terminated as provided for in this Agreement or extended by written agreement between the parties. In addition, this Agreement may be extended at SACOG's sole option, on the same terms and conditions, no more than twice for one-year extensions. To exercise each such extension option, SACOG shall notify Contractor in writing at least twenty days prior to expiration of the preceding term, or by March 10, 2009 for the first extension and by March 10, 2010 for the second extension.

2. Scope of Work: Contractor agrees to fully perform the work described in Exhibit "A" - Scope of Work. In the event of any inconsistency between Exhibit "A" and other terms and conditions of this Agreement, Exhibit "A" shall control. SACOG reserves the right to review and approve all work to be performed by Contractor in relation to this Agreement. Any proposed amendment to the Scope of Work must be submitted by Contractor in writing for prior review and approval by SACOG's Executive Director. Approval shall not be presumed unless such approval is made by SACOG in writing.

3. Standard of Quality: All work performed by Contractor under this Agreement shall be in accordance with all applicable legal requirements and shall meet the standard of quality ordinarily to be expected of competent professionals in Contractor's field of expertise.

4. Compliance with Laws: Contractor shall comply with all applicable federal, state, and local laws, codes, ordinances, regulations, orders and decrees. Contractor warrants and represents to SACOG and SRTD that Contractor shall, at its own cost and expense, keep in effect or obtain at all times during the term of this Agreement, any licenses, permits, insurance and approvals that are legally required for Contractor to practice its profession or are necessary and incident to the performance of the services and work Contractor performs under this Agreement. Contractor shall provide written proof of such licenses, permits, insurance and approvals upon request by SACOG or SRTD. SACOG and SRTD are not responsible or liable for Contractor's failure to comply with any or all of the requirements contained in this paragraph.

5. Consideration: Payment to Contractor by SACOG shall be made as set forth in Exhibit "A", pursuant to Contractor's Cost Proposal. The amount to be paid to Contractor under this Agreement shall not exceed One hundred and eighty-nine thousand dollars (\$189,000) over a three-year period and fees per year upon optional extension exercised by SACOG will be mutually agreed to between SACOG, SRTD and Contractor. In no instance shall SACOG be liable for any payments or costs for work in excess of this amount, nor for any unauthorized or ineligible costs. Contractor shall be paid at the times and in the manner set forth in this Agreement. The consideration to be paid Contractor, as provided in this Agreement, shall be in compensation for all of Contractor's expenses incurred in the performance of work under this Agreement, including travel and per diem, unless otherwise expressly so provided.

6. Reporting and Payment: Contractor shall submit monthly billings in arrears to SACOG no later than the 15th of each month and in accordance with the Scope of Work. Contractor shall be notified within fifteen (15) working days following receipt of its invoice by SACOG of any circumstances or data identified by SACOG in Contractor's written billing which would cause withholding of approval and subsequent payment. Contractor shall be paid within thirty (30) days after SACOG approval of each billing. Said billings shall indicate the number of hours worked by each of Contractor's personnel and reimbursable costs incurred to the date of such billing since the date of the preceding billing, if any. The billings shall include documentation of reimbursable expenses and billed items sufficient for SACOG, in its opinion, to substantiate billings. SACOG reserves the right to withhold payment of disputed amounts.

7. Independent Contractor: Contractor, and the agents and employees of Contractor, in the performance of this Agreement, shall act as and be independent contractors and not officers or employees or agents of SACOG or SRTD. Contractor, its officers, employees, agents, and subcontractors, if any, shall have no power to bind or commit SACOG or SRTD to any decision or course of action, and shall not represent to any person or business that they have such power. Contractor has and shall retain the right to exercise full control of the supervision of the services and work and over the employment, direction, compensation and discharge of all persons assisting Contractor in the performance of services under this Agreement. Contractor shall be solely responsible for all matters relating to the payment of its employees, including but not limited to compliance with social security and income tax withholding, workers' compensation insurance and all regulations governing such matters.

8. Termination:

- a. SACOG shall have the right to terminate this Agreement for any reason, with or without cause, at any time, by giving Contractor fifteen (15) days written notice. The notice shall be deemed served and effective for all purposes on the date it is deposited in the U.S. mail, certified, return receipt requested, addressed to Contractor at the address indicated in Section 17.
- b. If SACOG issues a notice of termination:
 - (1) Contractor shall immediately cease rendering services pursuant to this Agreement.
 - (2) Contractor shall provide access to Contractor's audit documentation under the terms described in the section labeled "Audit, Retention and Inspection of Records" of this Agreement.
 - (3) SACOG shall pay Contractor for work actually performed up to the effective date of the notice of termination, subject to the limitations in Section 5, less any compensation to SACOG for damages suffered as a result of Contractor's failure to comply with the terms of this Agreement. Such payment shall be in accordance with Section 6. However, if this Agreement is terminated because the work of Contractor does not meet the terms or standards specified in this Agreement, then SACOG shall be obligated to compensate Contractor only for that portion of Contractor's services which is of benefit to SACOG.

9. Assignment: The parties understand that SACOG and SRTD entered into this Agreement based on the professional expertise and reputation of Contractor. Therefore, without the prior express written consent of SACOG and SRTD, this Agreement is not assignable by Contractor either in whole or in part.

10. Binding Agreement: This Agreement shall be binding on the parties hereto, their assigns, successors, administrators, executors, and other representatives.

11. Time: Time is of the essence in this Agreement.

12. Amendments: No alteration or variation of the terms of this Agreement shall be valid unless made in writing and signed by the parties hereto, and no oral understanding or agreement not incorporated herein, shall be binding on any of the parties hereto.

13. Contractors and Subcontractors: Contractor shall not subcontract any portion of the work without the prior express written authorization of SACOG and SRTD. If SACOG and SRTD consent to a subcontract, Contractor shall be fully responsible for all work performed by the subcontractor.

- a. SACOG reserves the right to review and approve any contract or agreement to be funded in whole or in part using funds provided under this Agreement.

- b. Any contract or sub-contract shall require the contractor and its subcontractors, if any, to:
- (1) Comply with applicable State and Federal requirements that pertain to, among other things, labor standards, non-discrimination, the Americans with Disabilities Act, Equal Employment Opportunity, and Drug-Free Workplace.
 - (2) Maintain at least the minimum State-required Workers' Compensation Insurance for those employees who will perform the work or any part of it.
 - (3) Maintain unemployment insurance and disability insurance as required by law, along with liability insurance in an amount to be determined by SACOG that is reasonable to compensate any person, firm, or corporation who may be injured or damaged by Contractor or any subcontractor in performing work associated with this Agreement or any part of it.
 - (4) Retain all books, records, accounts, documentation, and all other materials relevant to this Agreement for a period of three (3) years from the date of termination of this Agreement, or three (3) years from the conclusion or resolution of any and all audits or litigation relevant to this Agreement and any amendments, whichever is later.
 - (5) Permit SACOG and/or its representatives, upon reasonable notice, unrestricted access to any or all books, records, accounts, documentation, and all other materials relevant to this Agreement for the purpose of monitoring, auditing, or otherwise examining said materials.

14. Indemnity: Contractor specifically agrees to indemnify, defend, and hold harmless SACOG, SRTD, and their respective directors, officers, agents, and employees (the "Indemnitees") from and against any and all actions, claims, demands, losses, expenses, including reasonable attorneys' fees and costs, damages, and liabilities resulting from injury or death to a person or injury to property arising out of or in any way connected with the performance of this Agreement, however caused, regardless of any negligent act of an Indemnatee, whether active or passive, excepting only such injury or death as may be caused by the sole, active negligence or willful misconduct of an Indemnatee. The provisions of this Section shall survive the expiration, termination or assignment of this Agreement.

15. Insurance Requirements: Contractor hereby warrants that it carries and shall maintain, at its sole cost and expense, in full force and effect during the full term of this Agreement and any extensions to this Agreement, the following described insurance coverage:

POLICY	MINIMUM LIMITS OF LIABILITY
(1) Workers' Compensation; Employer's Liability.	Statutory requirements for Workers' Compensation; \$ 1,000,000 Employers' Liability.
(2) Comprehensive Automobile: Insurance Services Office, form #CA 0001 (Ed 1/87) covering Automobile Liability, code 1 (any auto).	Bodily Injury/Property Damage \$1,000,000 each accident.
(3) General Liability: Insurance Services Office Commercial General Liability coverage (occurrence form CG 0001).	\$1,000,000 per occurrence. If Commercial General Liability Insurance or other form with a general aggregate limit, such limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit.
(4) Errors and Omissions/Professional Liability (errors and omissions liability insurance appropriate to the Contractor's profession as defined by SACOG).	\$1,000,000 per claim.

- a. Deductibles and Self-insured Retentions: Any deductibles or self-insured retentions must be declared to and approved by SACOG.
- b. Required Provisions: The general liability and automobile liability policies are to contain, or be endorsed to contain, the following provisions:
 - (1) For any claims related to this Agreement, Contractor's insurance coverage shall be primary insurance as respects SACOG, SRTD, and their directors, officers, employees and agents. Any insurance or self-insurance maintained by SACOG, SRTD, or their directors, officers, employees or agents shall be in excess of Contractor's insurance and shall not contribute to it.
 - (2) Any failure by Contractor to comply with reporting or other provisions of the policies including breaches of warrants shall not affect coverage provided to SACOG, SRTD, or their directors, officers, employees or agents.
 - (3) Contractor's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.

- (4) Each insurance policy required by this Agreement shall be endorsed to state that coverage shall not be suspended, voided, canceled by either party, reduced in coverage or in limits except after thirty (30) days' prior written notice by certified mail, return receipt requested has been given to SACOG and SRTD.
- c. Acceptability of Insurers: Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:VII, unless otherwise approved by SACOG and SRTD.
- d. Certificate of Insurance and Additional Insured Requirement: Contractor shall furnish to SACOG and SRTD an original Certificate of Insurance on a standard ACORD form, or other form acceptable to SACOG and SRTD, substantiating the required coverages and limits set forth above and also containing the following:
- (1) Thirty (30) days prior written notice to SACOG and SRTD of the cancellation, non-renewal or reduction in coverage of any policy listed on the Certificate; and
- (2) The following statement with respect to the Commercial General Liability policy: "SACOG, SRTD and their respective directors, officers, agents and employees, are made additional insureds, but only insofar as the operations under this Agreement are concerned."
- e. Certified Copies of Policies: Upon request by SACOG or SRTD, Contractor shall immediately furnish a complete copy of any policy required hereunder, including all endorsements, with said copy certified by the insurance company to be a true and correct copy of the original policy.
- f. Contractor's Responsibility: Nothing herein shall be construed as limiting in any way the extent to which Contractor may be held responsible for damages resulting from Contractor's operations, acts, omissions, or negligence. Insurance coverage obtained in the minimum amounts specified above shall not relieve Contractor of liability in excess of such minimum coverage, nor shall it preclude SACOG or SRTD from taking other actions available to them under this Agreement or by law, including but not limited to, actions pursuant to Contractor's indemnity obligations.
16. Audit, Retention and Inspection of Records:
- a. The audit documentations for this Agreement are the property of the Contractor and constitute confidential information. However, Contractor may be requested to and shall make certain documentations available to SACOG or the Cognizant or Grantor Agency of SRTD pursuant to authority given to it by law or regulation. If requested, access to such audit documentation will be provided in accordance with Statement on Auditing Standards No. 96, *Audit Documentation* and under the supervision of Contractor personnel. Furthermore, upon request, Contractor

may provide photocopies of selected workpapers. Contractor further agrees to maintain such audit documentation for a period of three (3) years after final payment under the Agreement.

- b. Contractor shall comply with the caveats and be aware of the penalties for violations of fraud and for obstruction of investigation as set forth in Public Utilities Code section 10115.10.
- c. An expenditure that is not authorized by this Agreement or that cannot be adequately documented shall be disallowed and must be reimbursed to SACOG within sixty (60) days of the discovery unless SACOG approves in writing an alternative repayment plan. Expenditures for work activities not described in the Scope of Work shall be deemed authorized if the performance of such activities is approved in writing by SACOG and SRTD prior to the commencement of such activity.
- d. Absent fraud or mistake on the part of SACOG and SRTD, the determination by SACOG and SRTD of the allowability of any expenditure shall be final.

17. Project Manager:

SACOG's project manager for this Agreement is Karen Wilcox, unless SACOG otherwise informs Contractor. Any notice, report, or other communication required by this Agreement shall be mailed by first-class mail to the SACOG Project Manager at the following address:

Karen L. Wilcox
Director of Finance
Sacramento Area Council of Governments
1415 "L" Street, Suite 300
Sacramento, California 95814

SRTD's project manager for this Agreement is Gloria Boyce, unless SRTD otherwise informs Contractor. Any notice, report, or other communication required by this Agreement shall be mailed by first-class mail to the SRTD Project Manager at the following address:

Gloria Boyce
Chief Financial Officer
Sacramento Regional Transit District
1400 29th Street
Sacramento, CA 95812

Contractor's project manager for this Agreement is Peggy Vande Vooren. No substitution of Contractor's project manager is permitted without the prior written agreement by SACOG. With the exception of notice pursuant to Section 8(a) above, any notice, report, or

other communication to Contractor required by this Agreement shall be mailed by first-class mail to:

Peggy Vande Vooren
Shareholder
Gilbert Associates, Inc.
2880 Gateway Oaks Drive, Suite 100
Sacramento, California 95833

18. Successors: This Agreement shall be binding on the parties hereto, their assigns, successors, administrators, executors, and other representatives.

19. Waivers: No waiver of any breach of this Agreement shall be held to be a waiver of any prior or subsequent breach. The failure of SACOG or SRTD to enforce at any time the provisions of this Agreement or to require at any time performance by Contractor of these provisions, shall in no way be construed to be a waiver of such provisions nor to affect the validity of this Agreement or the right of SACOG or SRTD to enforce these provisions.

20. Litigation: Contractor shall notify SACOG and SRTD immediately of any claim or action undertaken by it or against it that affects or may affect this Agreement, or SACOG or SRTD, and shall take such action with respect to the claim or action as is consistent with the terms of this Agreement and the interests of SACOG and SRTD.

21. National Labor Relations Board Certification: Contractor, by signing this Agreement, does swear under penalty of perjury that no more than one final unappealable finding of contempt of court by a federal court has been issued against Contractor within the immediately preceding two-year period because of Contractor's failure to comply with an order of a federal court which orders Contractor to comply with an order of the National Labor Relations Board (Public Contract Code § 10296).

22. Americans with Disabilities Act (ADA) of 1990: By signing this Agreement, Contractor assures SACOG that it complies with the Americans with Disabilities Act (ADA) of 1990 (42 U.S.C. § 12101, et seq.), which prohibits discrimination on the basis of disability, as well as all applicable regulations and guidelines issued pursuant to the ADA.

23. Nondiscrimination Clause:

- a. During the performance of this Agreement, Contractor and its subcontractors shall not unlawfully discriminate, harass, or allow harassment, against any employee or applicant for employment because of sex, sexual orientation, race, color, ancestry, religion, national origin, physical disability, mental disability, medical condition, age, or marital status. Contractor and its subcontractors shall insure that the evaluation and treatment of their employees and applicants for employment are free from such discrimination and harassment. Contractor and its subcontractors shall comply with the provisions of the Fair Employment and Housing Act (Government Code § 12900, et seq.) and the applicable regulations promulgated thereunder (California Code of Regulations, Title 2, § 7285.0, et seq.). The

applicable regulations of the Fair Employment and Housing Commission implementing Government Code §§ 12990 (a-f), set forth in Chapter 5 of Division 4 of Title 2 of the California Code of Regulations, are incorporated into this Agreement by reference and made a part hereof as if set forth in full. Contractor and its subcontractors shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other agreement.

- b. Contractor shall include the non-discrimination and compliance provisions of this clause in all subcontracts to perform work under this Agreement.

24. Drug-Free Certification: By signing this Agreement, Contractor hereby certifies under penalty of perjury under the laws of the State of California that Contractor will comply with the requirements of the Drug-Free Workplace Act of 1990 (Government Code § 8350, et seq.) and will provide a drug-free workplace by taking the following actions:

- a. Publish a statement notifying employees that unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited, and specifying actions to be taken against employees for violations.
- b. Establish a Drug-Free Awareness Program to inform employees about:
 - (1) The dangers of drug abuse in the workplace;
 - (2) The person's or the organization's policy of maintaining a drug-free workplace;
 - (3) Any available counseling, rehabilitation, and employee assistance programs; and
 - (4) Penalties that may be imposed upon employees for drug abuse violations.
- c. Every employee of Contractor who works under this Agreement will:
 - (1) Receive a copy of Contractor's Drug-Free Workplace Policy Statement; and
 - (2) Agree to abide by the terms of Contractor's Statement as a condition of employment on this Agreement.

25. Union Organizing: By signing this Agreement, Contractor hereby acknowledges the applicability of Government Code § 16645 through § 16649 to this Agreement.

- a. Contractor will not assist, promote, or deter union organizing by employees performing work on this Agreement.
- b. No funds received from SACOG under this Agreement shall be used to assist, promote, or deter union organizing.

- c. Contractor will not, for any business conducted under this Agreement, use any public property to hold meetings with employees or supervisors, if the purpose of such meetings is to assist, promote, or deter union organizing, unless the public property is equally available to the general public for holding meetings.
 - d. If Contractor incurs costs, or makes expenditures to assist, promote, or deter union organizing, Contractor will maintain records sufficient to show that no reimbursement from SACOG funds has been sought for these costs, and Contractor shall provide those records to SACOG upon request.
26. Debarment, Suspension, and Other Responsibilities: Contractor warrants that it:
- a. Is not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any federal department or agency.
 - b. Has not, within the three-year period preceding this Agreement, been convicted of or had a civil judgment rendered against it for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (federal, state, or local) transaction or contract; violation of federal or state antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property.
 - c. Is not presently indicted for or otherwise criminally or civilly charged by a government entity (federal, state, or local) with commissions of any of the offenses enumerated in paragraph "b" above.
 - d. Has not, within a three-year period preceding this Agreement, had one or more public transactions or contracts (federal, state, or local) terminated for cause or default.
 - e. Conflicts of Interest: Contractor shall exercise reasonable care and diligence to prevent any actions or conditions that could result in a conflict with SACOG's or SRTD's interest. During the term of this Agreement, Contractor shall not accept any employment or engage in any consulting work that would create a conflict of interest with SACOG or SRTD or in any way compromise the services to be performed under this Agreement. Contractor shall immediately notify SACOG and SRTD of any and all potential violations of this paragraph upon becoming aware of the potential violation.
 - f. Political Reform Act Compliance: Contractor is aware and acknowledges that certain contractors that perform work for governmental agencies are "consultants" under the Political Reform Act (the "Act") (Government Code § 81000, et seq.) and its implementing regulations (2 California Code of Regulations § 18110, et seq.). Contractor agrees that any of its officers or employees deemed to be "consultants" under the Act by SACOG or SRTD, as provided for in the Conflict of Interest Code for SACOG and SRTD, shall promptly file economic disclosure

statements for the disclosure categories determined by SACOG and SRTD, to be relevant to the work to be performed under this Agreement and shall comply with the disclosure and disqualification requirement of the Act, as required by law.

27. Costs and Attorneys' Fees: If either party commences any legal action against the other party arising out of this Agreement or the performance thereof, the prevailing party in such action may recover its reasonable litigation expenses, including court costs, expert witness fees, discovery expenses, and reasonable attorneys' fees.

28. Governing Law and Choice of Forum: This Agreement shall be administered and interpreted under California law as if written by both parties. Any litigation arising from this Agreement shall be brought in the Superior Court of Sacramento County.

29. Integration: This Agreement represents the entire understanding of SACOG, SRTD, and Contractor as to those matters contained herein and supersedes all prior negotiations, representations, or agreements, both written and oral. This Agreement may not be modified or altered except in accordance with Section 12.

30. Severability: If any term or provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and shall be enforced to the fullest extent permitted by law, unless the exclusion of such term or provision, or the application of such term or provision, would result in such a material change so as to cause completion of the obligations contemplated herein to be unreasonable.

31. Headings: The headings of the various sections of this Agreement are intended solely for convenience of reference and are not intended to explain, modify, or place any interpretation upon any of the provisions of this Agreement.

32. Authority: Each person signing this Agreement on behalf of a party hereby certifies, represents, and warrants that he or she has the authority to bind that party to the terms and conditions of this Agreement.

33. Ownership; Permission: Contractor represents and warrants that all materials used in the performance of this Agreement, including, without limitation, all computer software materials and all written materials, are either produced and owned by Contractor or that all required permissions and license agreements have been obtained and paid for by Contractor. Contractor shall defend, indemnify and hold harmless SACOG, SRTD and their respective directors, officers, employees, and agents, from any claim, loss, damage, cost, liability, or expense to the extent of any violation or falsity of the foregoing representation and warranty.

34. Counterparts: This Contract may be signed in one or more counterparts, each of which shall constitute an original and all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, THE PARTIES HAVE ENTERED INTO THIS AGREEMENT AS OF THE DATE HEREIN ABOVE APPEARING:

SACRAMENTO AREA COUNCIL OF GOVERNMENTS

MIKE MCKEEVER, Executive Director

APPROVED AS TO FORM:

Miller, Owen & Trost
Legal Counsel to SACOG

RECOMMENDED BY:

KAREN L. WILCOX, Director

SACRAMENTO REGIONAL TRANSIT DISTRICT

BEVERLY A. SCOTT, General Manager/CEO

GLORIA BOYCE, Chief Financial Officer

MARK W. GILBERT, Chief Legal Counsel

GILBERT ASSOCIATES, INC.

PEGGY A. VANDE VOOREN, CPA, Shareholder

EXHIBIT "A"

SCOPE OF WORK

This Scope of Work includes and incorporates (1) the following description of services to be performed and deliverables ("Description"), (2) the Request for Proposals, Audit Services for Sacramento Regional Transit District (SRTD), dated February 2006 ("RFP"), and (3) Contractor's Proposal for Audit Services dated March 16, 2006, including Cost Proposal ("Proposal"). In the event of any inconsistency between the three components of the Scope of Work, they will prevail in the following order: (1) Description, (2) RFP, and (3) Proposal.

It is understood and agreed by the parties that although the audits to be conducted under this Agreement are of SRTD, this Agreement is between Contractor, SRTD, and SACOG and that Contractor shall treat SRTD and SACOG as the client in Contractor's performance of the Agreement.

SRTD - FINANCIAL AND PENSION AUDITS

The Contractor ("auditor") shall perform all technical and other analyses necessary to complete the following services. The auditor will receive general direction from and will interact directly with the SACOG Department of Finance ("SACOG DOF") and SRTD Department of Finance ("SRTD DOF"). The auditor will direct information requests, report preliminary findings, and discuss any corrective actions with SACOG DOF and SRTD DOF. The auditor will present draft findings to SACOG DOF and SRTD DOF for review and revision of any technical inaccuracies.

The auditor shall examine the financial statements and records of SRTD and prepare an annual audit of the financial transactions and records of SRTD in accordance with the applicable laws and regulations and contracts that have been entered into by SRTD.

In accomplishing the foregoing, the auditor shall perform the following:

1. Submit a pre-audit work program to SACOG and SRTD for the financial audit.
2. Prepare annual audited financial statements for SRTD's operations and two pension plans.
3. Express an opinion on the fairness of presentation of SRTD's financial statements on their conformity with generally accepted accounting principles and auditing standards.
4. The examination of the SRTD will include, to the extent considered necessary, (a) a study and evaluation of their system of internal control, and (b) proper tests of their accounting records and other financial records, and (c) a review of the accounting system in operation. The audit procedures performed will include tests of documentary evidence supporting the transactions recorded in the accounts, and direct confirmation of certain assets and liabilities by correspondence with selected customers, creditors, legal counsel, and banks. At the conclusion of each audit, the auditor will request certain representations from the

claimants, agencies and funds about the financial statements and related matters. The auditor may request written representation from attorneys representing the claimants, agencies and funds as part of the engagement, and they may bill for responding to these inquiries.

5. Perform an audit and supply all required reports in accordance with provisions of the Audits of States, Local Governments, and non-profit organizations, OMB circular No. A-133. This examination will be made in accordance with the related federal requirements. The audit should be conducted using generally accepted auditing standards and the standards applicable to financial audits contained in government auditing standards issued by the Comptroller General of the United States.
6. The examination of the financial statements of SRTD as a claimant of TDA Funds will be made in accordance with generally accepted auditing standards and this examination does not imply the accuracy of particular amounts, but does imply the fairness of the presentation of the financial statements, taken as a whole. Audits conducted in conformity with Generally Accepted Auditing Standards are based primarily on the selective testing of the accounting records and related data; therefore, each audit will involve judgment about the number of transactions to be examined and the areas to be tested. Because the auditor will not perform a detailed examination of all transactions, the audits are subject to the inherent risk that material errors, irregularities, or illegal acts, including fraud or defalcations, if they exist, will not be detected.
7. Assist SRTD staff in establishing controls and procedures as may be required during the financial audit performance. Auditor shall provide SACOG with a brief written report containing a description of any such controls and procedures, the reasons for implementation, and the results of implementation.
8. In addition to the final audit report, the auditor will prepare a one-page report called the "Report on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*," which will accompany each final audit report package.
9. Submit a pre-audit work program to SACOG and SRTD for pension audits.
10. Prepare annual Audited Pension Reports for two funds.
11. Express an opinion on the fairness of presentation of the system's financial position on SRTD's financial statements.
12. Assist SRTD staff in establishing controls and procedures as may be required during the pension audit performance. Auditor shall provide SACOG with a brief written report containing a description of any such controls and procedures, the reasons for implementation, and the results of implementation.

13. Assist SRTD Finance staff with any accounting issues relating to financial transactions such as forward rate agreements, investments contracts, municipal leasing or similar types of transactions. Auditor shall provide SACOG with a brief written report containing a description of any such accounting issues, the reasons for the assistance with the issues, and the results of the assistance.

SACOG – SRTD AS A TDA CLAIMANT

The auditor shall perform all technical and other analyses necessary to complete the following services. The auditor will receive general direction from and will interact directly with the SACOG Department of Finance (“SACOG DOF”). The auditor will direct information requests, report preliminary findings, and discuss any corrective actions with SACOG DOF and SRTD DOF. The auditor will present draft findings to SACOG DOF and SRTD DOF for review and revision of any technical inaccuracies.

The auditor shall examine the financial statements and records of SRTD as a claimant of Transportation Development Act (“TDA”) Funds and prepare an annual audit in accordance with the applicable laws and regulations and contracts that have been entered into by SRTD.

In accomplishing the foregoing, the auditor shall perform the following:

1. Submit a pre-audit work program to SACOG’s DOF.
2. For the fiscal year ended June 30, the auditor will make an examination of the financial statements of the Transportation Development Act monies received and expended by SRTD. The audit of SRTD encompasses transit claims and includes an examination of all transit related funds. The examination will be made in accordance with generally accepted auditing standards, and will include all procedures necessary for the rendition of an opinion regarding the fairness of the presentation of the financial statements in accordance with generally accepted accounting principles.
3. The examination will also include a determination of compliance within the terms and definitions of the applicable laws, rules, and regulations of the Transportation Development Act of California, Title 21, Chapter 3, Subchapter 2 of the California Administrative Code including Sections 6666 and 6667, as applicable, SACOG and the Government Code of California, as applicable. For the transit audits, the examination will include the audit requirements under OMB Circular A-133, as applicable.
4. The examination of the SRTD as a claimant of TDA funds will include, to the extent considered necessary, (a) a study and evaluation of their system of internal control, (b) proper tests of their accounting records and other financial records, and (c) a review of the accounting system in operation. The audit procedures performed will include tests of documentary evidence supporting the transactions recorded in the accounts, and direct confirmation of certain assets and liabilities by correspondence with selected customers, creditors, legal counsel, and banks. At the conclusion of each audit, the auditor will request certain representations from the claimants, agencies and funds about the financial

statements and related matters. The auditor may request written representation from attorneys representing the claimants, agencies and funds as part of the engagement, and they may bill SRTD for responding to these inquiries.

5. The examination of the financial statements of SRTD as a claimant of TDA Funds will be made in accordance with generally accepted auditing standards and this examination does not imply the accuracy of particular amounts, but does imply the fairness of the presentation of the financial statements, taken as a whole. Audits conducted in conformity with Generally Accepted Auditing Standards are based primarily on the selective testing of the accounting records and related data; therefore each audit will involve judgment about the number of transactions to be examined and the areas to be tested. Because the auditor will not perform a detail examination of all transactions, the audits are subject to the inherent risk that material errors, irregularities, or illegal acts, including fraud or defalcations, if they exist, will not be detected.
6. While the audit will not be specifically designed and cannot be relied upon to disclose material weaknesses in internal control structure, upon completion of the audit, the auditor will notify SACOG and SRTD whether the auditor became aware of such material weaknesses in internal control structure and furnish a management letter if it is the auditors opinion that (a) improvement should be made in the claimants accounting principles of internal control; (b) claimant's application of accounting principles does not have general acceptance; (c) claimant's accounting system could be improved; or (d) any other matters requiring comment or attention.
7. In addition to each final audit report, the auditor will prepare a one-page report called the "Report on Compliance with the Transportation Development Act" which will accompany each final audit report package.
8. The auditors will assist SRTD's staff in establishing controls and procedures as it relates to SRTD's accounting and compliance procedures in administering the Local Transportation Fund monies. Auditor shall provide SACOG with a brief written report containing a description of any such controls and procedures, the reasons for implementation, and the results of implementation.
9. Included by reference is the attached Management Responsibilities, Audit Procedures – General, Audit Procedures – Internal Controls, and Audit Procedures – Compliance.

CONTRACT DELIVERABLES AND TIMETABLE

Contractor shall provide the following:

1. One (1) copy of the final financial statements and auditor's opinion thereon must be submitted to SRTD's DOF and SACOG's DOF by September 30 following the end of the fiscal year. However, no later than fifteen (15) days prior to the submission of the final report, the auditing firm's staff is required to review a draft of the proposed final report and

management letter with SRTD's DOF and SACOG's DOF. SACOG must also receive six (6) original copies.

2. Twenty-three (23) copies of a management letter are required by September 30 following the end of the fiscal year. The management letter should include a summation statement of audit findings and recommendations affecting the financial statements, internal control, accounting systems, compliance determination, and any other material matters. It must also include a review and update of the findings from the prior year. SACOG must also receive six (6) original copies.
3. Twenty-three (23) copies of the single audit report (OMB A-133, Internal Controls Over Financial Reporting, and Compliance with TDA Act) and accompanying opinion report(s) required under this Scope of Work, are to be furnished by the dates necessary to permit SRTD to file these reports in a timely manner. SACOG must also receive six (6) original copies of all opinions and reports, both the draft and final versions.
4. Twenty-three (23) copies of the Contract Employees Pension Plan audited financial statements are to be provided to the SRTD DOF by September 30 following the end of the fiscal year. SACOG must also receive six (6) draft and original copies.
5. Twenty-three (23) copies of the Non-Contract Employees Pension Plan audited financial statements are to be provided to the SRTD Chief Financial Officer by September 30 following the end of the fiscal year. SACOG must also receive six (6) draft and original copies.

MANAGEMENT RESPONSIBILITIES

Management of Sacramento Regional Transit District (SRTD) is responsible for establishing and maintaining internal control and for compliance with the provisions of contracts, agreements, and grants. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of the controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorizations and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that federal award programs are managed in compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management of SRTD is responsible for making all financial records and related information available to Contractor. Contractor understands that SRTD will provide such information required for the audit and that SRTD is responsible for the accuracy and completeness of that information. Contractor will advise SRTD about appropriate accounting principles and their application and will assist in the preparation of the financial statements, including the schedule of expenditures of federal awards, but the responsibility for the financial statements remains with SRTD. That responsibility includes the establishment and maintenance of adequate records and effective internal control over financial reporting and compliance, the selection and application

of accounting principles, and the safeguarding of assets. SRTD is responsible for adjusting the financial statements to correct material misstatements and for confirming to Contractor in the representation letter that the effects of any uncorrected misstatements aggregated by Contractor during the audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. SRTD is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing Contractor about all known or suspected fraud affecting the government involving (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial statements. SRTD is also responsible for informing Contractor of knowledge of any allegations of fraud or suspected fraud affecting SRTD received in communications from employees, former employees, regulators, or others. In addition, SRTD is responsible for identifying and ensuring that the entity complies with applicable laws and regulations. Additionally, as required by OMB Circular A-133, it is SRTD's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan.

AUDIT PROCEDURES – GENERAL

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, the Contractor's audit will involve judgment about the number of transactions to be examined and the areas to be tested. Contractor will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations that are attributable to the SRTD or to acts by management or employees acting on behalf of the SRTD. As required by the Single Audit Act Amendments of 1996 and OMB Circular A-133, Contractor's audit will include test of transactions related to major federal award programs for compliance with applicable laws and regulations and the provisions of contracts and grant agreements. Because an audit is designed to provide reasonable, but not absolute assurance and because the Contractor will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by the Contractor. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, Contractor will inform SACOG and SRTD of any material errors and any fraudulent financial reporting or misappropriation of assets that comes to its attention. Contractor will also inform SACOG and SRTD of any violations of laws or governmental regulations that come to the Contractors attention, unless clearly inconsequential. We will include such matters in the reports required for a Single Audit. Contractor's responsibility as auditors is limited to the period covered by our audit and does not extend to matters that might arise during any later periods for which they are not engaged as auditors.

Contractor procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, creditors, and financial institutions. Contractor will request written representations from SRTD attorneys as part of the engagement, and they may bill SRTD for

responding to this inquiry. At the conclusion of the audit, Contractor will also require certain written representations from SRTD about the financial statements and related matters.

AUDIT PROCEDURES – INTERNAL CONTROLS

In planning and performing the audit, Contractor will consider the internal control sufficient to plan the audit in order to determine the nature, timing, and extent of auditing procedures for the purpose of expressing our opinions on SRTD’s financial statements and on its compliance with requirements applicable to major programs.

Contractor will obtain an understanding of the design of the relevant controls and whether they have been placed in operation, and will assess control risk. Tests of controls may be performed to test the effectiveness of certain controls that Contractor considers relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Tests of controls relative to the financial statements are required only if control risk is assessed below the maximum level. Contractor’s tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed on internal control issued pursuant to Government Auditing Standards.

As required by OMB Circular A-133, Contractor will perform tests of controls to evaluate the effectiveness of the design and operation of controls that Contractor consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, these tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed on internal control issued pursuant to OMB Circular A-133.

An audit is not designed to provide assurance on internal control or to identify reportable conditions. However, Contractor will inform the SRTD governing body or audit committee and SACOG of any matters involving internal control and its operation that Contractor considers being reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to Contractors attention relating to significant deficiencies in the design or operation of the internal control that, in the Contractors judgment, could adversely affect the SRTD’s ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Contractor will also inform SRTD and SACOG of any nonreportable conditions or other matters involving internal control, if any, as required by OMB Circular A-133.

AUDIT PROCEDURES – COMPLIANCE

The audit will be conducted in accordance with the standards referred to in Exhibit “A”, Scope of Work. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, Contractor will perform tests of SRTD’s compliance with applicable laws and regulations and the provisions of contracts and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on

overall compliance and Contractor will not express such an opinion on compliance issued pursuant to Government Auditing Standards.

OMB Circular A-133 requires that Contractor also plan and perform the audit to obtain reasonable assurance about whether SRTD has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. The audit procedures will consist of the applicable procedures described in the OMB Circular A-133 Compliance Supplement for the types of compliance requirements that could have a direct and material effect on each of SRTD's major programs. The purpose of those procedures will be to express an opinion on SRTD's compliance with requirements applicable to major programs in the report on compliance issued pursuant to OMB Circular A-133.

At the conclusion of the audit, Contractor will complete the appropriate sections of and sign the Data Collection Form that summarizes audit findings. It is SRTD's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and a corrective action plan) along with the Data Collection Form to the designated federal clearinghouse and, if appropriate, to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditors' reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audits. At the conclusion of the engagement, Contractor will provide information to SRTD as to where the reporting packages should be submitted and the number to submit.