


M E M O

Alameda Corridor Transportation Authority

Meeting Date: February 20, 2025
To: Governing Board
From: Kevin L. Scott, Chief Financial Officer 
Subject: APPROVE Third Amendment to Agreement C0864 with BCA Watson Rice, Western Region, LLP to add internal audit services and increase compensation by \$50,000 for a total compensation amount of \$653,111

Recommendation:

Approve the Third Amendment to Agreement C0864 with BCA Watson Rice, Western Region, LLP (BCAWR) to add internal audit services and increase the compensation by \$50,000 for a total compensation amount of \$653,111.

Background:

At its meeting of August 15, 2024, the ACTA Governing Board instructed staff to implement internal audits of the Authority's financial procedures. At its meeting of December 12, 2024, ACTA's Audit Committee approved the plan for these internal audits.

The internal audits are in addition to ACTA's annual financial audit. Internal audits and financial audits differ in their purpose. Internal audits analyze and improve ACTA's operations and processes, while financial audits assess the accuracy of ACTA's financial statements. Prior to 2012, ACTA performed internal audits and had a full-time internal auditor on staff who worked in conjunction with an independent accounting firm. The periodic internal audits addressed the following areas:

- Accounts Payable
- Accounts Receivable
- Bank Reconciliation and Interbank Transfers
- Employee Expense Reimbursement
- Equipment Inventory
- General Ledger
- Investments
- Payroll

The internal audits now being considered may address these areas, and other procedures which may pose a financial risk to ACTA.

ACTA evaluated two alternatives to implement the internal audits as described below. The approach described by Alternative 2 was approved by the Governing Board at the December 12, 2024 regular meeting.

Alternative 1 – Standard Implementation Plan - Internal Audits would Begin November 2025

Action	Timing
<ul style="list-style-type: none"> Competitive Selection Process Carried Out 	February 2025 to June 2025
<ul style="list-style-type: none"> Year-end Accounting and Financial Audit Occur. No internal audits conducted in this time 	July to October 2025
<ul style="list-style-type: none"> Internal Audits Conducted 	November 2025 to May 2026

Alternative 2 – Accelerated Implementation Plan - Internal Audits would Begin February 2025

Action	Timing
<ul style="list-style-type: none"> Governing Board approves an amendment to the current Internal Auditor agreement and Transfer of Funds from Legal Budget to Audit Budget 	February 2025
<ul style="list-style-type: none"> Internal Audits Conducted 	February 2025 to May 2025
<ul style="list-style-type: none"> Competitive selection process carried out for audits after May 2025 	February 2025 to May 2025

Discussion:

ACTA currently has Agreement No. C0864 with the accounting firm BCAWR to provide annual internal audits of ACET and RailWorks. The proposed accelerated implementation plan will enable internal audits to begin immediately upon Board approval of the proposed amendment until the agreement expires in June 2025.

The proposed amendment to the agreement (Transmittal 1) with BCAWR will add the internal audit services and increase the budget by \$50,000 for a total not to exceed compensation amount of \$653,111.

Staff proposes to conduct a competitive selection process for a new agreement to be executed by June 2025 having a scope of work to include:

- Annual audit of ACTA’s maintenance contractor
- Conduct tests of current controls for their effectiveness and use and report findings
- Implementation of internal audit recommendations approved by the Governing Board

ACTA staff recommends the Governing Board to approve the third amendment to Agreement C0864 to add the internal audits to the scope of work and increase the compensation amount. Funding for this agreement amendment is contingent upon the Governing Board approving the recommended Operating Budget transfers set forth in Item #3 of the February 20, 2025, Governing Board meeting agenda.

Budget Impact:

There will be no net impact on ACTA's Operating Budget in the current fiscal year if the Governing Board approves the proposed budget transfer set forth in Item #3 of the February 20, 2025, Governing Board meeting agenda. Funding for future internal audit services will be set forth in the FY26 Operating Budget and authorized by an agreement for Internal Auditor services after a competitive selection process is complete and the agreement approved by the Governing Board.

Co-General Counsel Review:

ACTA's Co-General Counsel has reviewed and approved the proposed Third Amendment as to form.

Transmittals:

Transmittal 1 – Third Amendment to Agreement C0864