BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

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Review of AUP Procedures and Performance Standards

Recommendations and Comparative Report

Sacramento Transportation Authority, Contract STA-27-CNS-001

1. Summary

On August 27, 2026, the Independent Taxpayer Oversight Committee (ITOC) asked the auditors to review the Measure A Performance/Compliance agreed-upon procedures (AUP) in comparison with other agencies. This report covers the four areas the ITOC identified: relevance to the Ordinance and Expenditure Plan, effectiveness of the procedures, comparison with five California programs, and use of AUP resources to enforce the Ordinance.

We mapped the 25 objectives in Attachment A, as adopted October 9, 2025, to Ordinance STA 04-01 and its Exhibits. We also reviewed the results of the two most recent AUP cycles, the most recent public reports of five peer programs, and the agency rotation schedule the ITOC approved November 6, 2025.

Of the 51 Ordinance and Expenditure Plan requirements we identified, the current objectives fully test 17, partly test 17, and do not test 17. Eight of the 25 objectives list no performance standard, and two measure results with no target. The enclosed proposed revisions retain 3 objectives, revise 18, consolidate 2 pairs, remove 2, and add 12. The result is 33 objectives, each traced to an Ordinance or Expenditure Plan requirement or a Board policy.

STA staff, the ITOC, and the STA Board decide which recommendations and revisions to adopt. Bracketed items in the proposed revisions are parameters for STA and the ITOC to set.

2. Ordinance and Expenditure Plan Relevance

Twelve objectives trace directly to a specific Ordinance requirement, ten trace indirectly, and three have no Ordinance basis. Three citations are only partly accurate. Seventeen requirements have no procedure, and eight gaps carry high significance because they involve large shares of revenue or core voter safeguards.

1. **Add objectives for untested requirements.** The proposed revisions add 12 objectives. They cover transit non-supplantation and the five-year business plans behind transit, senior and disabled, and air quality subventions (Exhibit A Sections V, VII, and X), recipient planning and reporting requirements (Exhibit A Section IV), the SCTMFP five-year program and spending in the impacted area (Sections VII.F and VII.G), the appropriations limit (Section IX), annual audits of recipient agencies, the five-year update of these standards, and the ten-year Expenditure Plan review (Section XII).
2. **Expand existing objectives.** Twelve requirements are now tested within existing objectives. Examples are routine bicycle and pedestrian accommodation, the county boundary restriction, the administration revenue base and the ITOC cost cap, the Board's March 2010 maintenance of effort criteria and fee rate floor, SCTMFP full operation, the bond limits in Section VIII, and annual allocation adjustments to actual revenue.
3. **Correct citations.** Objective 1B should cite Exhibit A Sections IV.A, IV.B.2, and IX and the Definition of Eligible Expenditures, which supplies the lane-mile basis. Objective 11B should cite Public Utilities Code Section 180105(a).

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4. **Address remaining requirements outside the procedures.** STA should confirm that local agencies apply the low and very low income housing exemption to SCTMFP fees (Section VII.C), that SCTMFP revenue is allocated by the Section VII.D and VII.E percentages, and that the cumulative Neighborhood Shuttle minimum (Exhibit A Section VI) remains on track. Exhibit B also bars any audit firm from conducting more than three consecutive fiscal audits. This is a governance and procurement matter for the ITOC to monitor. Brown Armstrong performs STA's financial audit and has an interest in this limit, so we make no recommendation on it.
5. **Confirm the maintenance of effort baselines.** The Board's March 2010 criteria set two baselines for each jurisdiction: street and road construction, maintenance, and operations combined, and street and road maintenance alone. The baseline schedule STA provided shows two different amounts for most jurisdictions, and Isleton's baseline is blank. Until the 2023-25 cycle, STA's Executive Director calculated maintenance of effort, and jurisdictions did not file the annual reports the criteria require within 180 days of year-end. The Board should confirm one baseline schedule before the next AUP. The baselines average FY 2004-05 to FY 2008-09 spending and are not adjusted for inflation (March 8, 2007 staff report). STA and the ITOC should decide whether to index them.
6. **Define a periodic performance review.** Three requirements fit a periodic review better than an annual AUP: the annual SCTMFP fee adjustment, compliance audits of each recipient agency, and the frequency of performance audits.
7. **Clarify the engagement type.** Exhibit A requires an annual financial audit under generally accepted auditing standards (GAAS) and Government Auditing Standards, and a performance audit based on Board-adopted standards. Exhibit B places both audits under GAAS and Government Auditing Standards, but only Government Auditing Standards contain performance audit requirements. The current engagement is a combined performance and compliance AUP, and none of the five peers uses that design. STA and the ITOC should confirm the engagement type and scope that meet the Ordinance.

3. Effectiveness and Usefulness of the Procedures

Across the two most recent AUP cycles, findings concentrated in recipient-level eligibility and spending tests, revenue distribution, and the administration cap. Eleven of 25 objectives produced no findings in either cycle, and six are documentation only. The four Goal 3 objectives produced no findings because none has a criterion that a result can fail.

1. **Replace undefined standards with measurable ones.** The proposed revisions set a fund balance limit for timely spending, a close-out period and a reimbursement ceiling for capital contracts, schedule measures for capital projects, a reporting threshold for cost increases and schedule slips, and a leverage measure for grant funding and project match.
2. **Test eligibility by sample, and say so.** Objectives 2A and 2D say "all" expenditures but are performed by sample. The revisions state the sample basis, for STA and the ITOC to set.
3. **Remove objectives that add little each cycle.** SCTMFP establishment was confirmed after 2009 and need not be retested each cycle. Internal control over payment processing is covered by the annual financial audit.
4. **Use the data STA already collects.** STA's FY 2025-26 roll-forward computes each recipient's fund balance as a percent of revenue, and ending balances total $98,554,392, or 71% of revenue. Capital status reports lack contract execution dates and, on four projects, balances do not carry forward between periods. The revised standards use these sources.

4. Comparison with Five California Programs

STA confirmed the five programs on October 14, 2026. We used each program's most recent public reports and no confidential information from any other engagement.

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	STA	OCTA Measure M2	SBCTA Measure I	Alameda CTC Measure BB	LA Metro Measure M	TAM Measure AA
Engagement	Combined performance and compliance AUP, plus ACFR audit	Compliance audit of authority, AUPs at selected cities, triennial performance assessment	Financial and compliance audit of each recipient	Recipient financial audit and compliance examination	Financial and compliance audits of Metro and all Local Return recipients	Compliance audits of selected recipients
Recipients tested	Rotation, at least 4 Ongoing and 3 Capital agencies	9 of 35 cities (FY 2025), selection matrix	All 25 each year	All 20 each year	County and 88 cities each year	3 recipients (FY 2024-25), written policy
Measurable standards	8 objectives with none, 2 measures without targets	Outcome indicators in the assessment	Compliance criteria, including MOE base year	Fund balance no more than 4 times annual revenue, PCI, plans no older than 5 years	Compliance criteria, audits due within 6 months	Compliance criteria, including close-out within 90 days
Committee role	Supervises audits, selects auditor with Executive Director	Audit Subcommittee charter, selects cities, designs AUP procedures	Reviews audits, adopts finding of consistency	Full auditor access, reviews audit plan	Approves scope, directs auditors	Approves scope, recommends auditor, reviews auditee list
Committee summary	Results by objective, management letter	Two-page At-A-Glance	Staff summary of findings	12-page watchdog report	Three-page narrative and resolution	Annual report

Several peer practices support the recommendations above:

- Alameda CTC caps recipient fund balances at four times annual revenue, and TAM requires close-out reports within 90 days. These are models for the proposed fund balance limit and close-out period.
- LA Metro requires audits within six months of fiscal year-end. The proposed standard requires STA's audit within 180 days.
- SBCTA, LA Metro, and Alameda CTC obtain an audit of every recipient every year. The proposed revisions test the Ordinance requirement that each recipient have an annual audit.
- SBCTA reports each recipient's maintenance of effort base against actual. The proposed revision applies the Board's March 2010 baselines.
- OCTA and TAM select recipients under documented criteria that the committee reviews. Section 5 recommends the same for STA.

STA exceeds its peers in three respects. It tests the authority itself every year against objectives that include program effectiveness, which peers address periodically or not at all. Its 0.75% administration cap is the lowest stated, subject to differences in definition. Its Ordinance requires a five-year update of these standards, which no peer source reviewed contains.

Other peer practices are available for STA's consideration: a written committee audit charter (OCTA), a short summary report for the committee (all five), stated sample coverage in each result (OCTA), and committee approval of audit scope (LA Metro and TAM).

5. Resource Effectiveness and Rotation Criteria

The rotation schedule met the minimum agency counts in each of the seven years from FY 2018-19 to FY 2024-25: four to seven Ongoing Program agencies and three to four Capital Program agencies. Capital testing covered agencies holding about 93% of FY 2025-26 capital expenditures in most years.

The schedule states reasons for selection, such as size, complexity, and materiality, but no written criteria or cycle. Several agencies marked "rotate every two years" went three years between tests. Citrus

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Heights and County Regional Parks were not tested in the seven years, and both are marked for FY 2025-26. Neighborhood Shuttle and the CTSA funds paid to SRTD are not listed separately.

We recommend that STA adopt written selection criteria and a stated cycle, approved by the ITOC each year before the AUP begins. The criteria could include:

1. Test every year each recipient above [share set by STA and the ITOC] of Ongoing Program allocations or capital expenditures.
2. Test every other recipient at least once every [number of years set by STA and the ITOC].
3. Add a recipient out of cycle for prior findings, missing or late reports, new contracts or programs, or [other risk factors].
4. List every recipient and funding stream, including Neighborhood Shuttle and the CTSA funds, with the year last tested.

6. Nature of These Services

We performed this review as a consulting service under the Statement on Standards for Consulting Services of the American Institute of Certified Public Accountants. It is not an audit, review, examination, or agreed-upon procedures engagement, and we express no opinion or conclusion on STA's compliance with the Ordinance. The proposed revisions are recommendations. STA approves the specific procedures for each AUP engagement in writing before fieldwork begins.

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