STAFF REPORT

MEETING DATE:	**April 30, 2026**
SUBJECT:	**Approve Technical Services Agreement with Davis Farr LLP for Annual Fiscal, Compliance, and Single Audits**
AGENDA ITEM:	**7-11**
STAFF CONTACT:	**Jessica Carlson, Chief Fiscal Officer**

SUMMARY:
It is recommended that the SRTA Board of Directors approve the Fiscal & Policy Committee's recommendation to award a contract to Davis Farr, LLP, for fiscal and compliance audit services. Negotiations with the highest-ranked proposer were unsuccessful, as the firm declined to provide both accounting and auditing services to SRTA. In accordance with SRTA policy, negotiations proceeded to the next-ranked proposer. The proposed agreement includes a three-year base term with two optional one-year extensions, for a total not-to-exceed amount of $247,499 over the entire contract period.

STAFF RECOMMENDATION:
It is recommended that the board of directors:

1. Approve the Fiscal & Policy Committee's recommendation to award the auditing contract to Davis Farr;
2. Authorize the executive director to sign a technical services agreement (TSA) with Davis Farr, to prepare the annual Fiscal, Compliance, and Single Audits, for a term ending June 30, 2028, with options for two one-year extensions, not to exceed a maximum $247,499; and
3. Authorize the executive director to make minor administrative amendments as appropriate.

DISCUSSION:
Background – Annual independent fiscal and compliance audits of SRTA are required in accordance with the Transportation Development Act (TDA), applicable provisions of California Code of Regulations, Government Auditing Standards, and federal Single Audit requirements, when applicable. These audits ensure compliance with state and federal funding requirements, support SRTA's financial transparency, and maintain eligibility for ongoing transportation funding. A competitive procurement to secure audit services for upcoming fiscal years was initiated because the prior contract has concluded.

Prior Negotiations – On February 18, 2026, SRTA issued an Intent to Award Letter to Harshwal & Co., the first-ranked proposer, after receiving a recommendation from the Fiscal & Policy Committee. At the February board of directors meeting, the draft TSA with Harshwal was approved and staff was directed to complete negotiations and execution of a contract. Harshwal is currently under contract with SRTA for accounting services and, upon further consideration, notified staff mid-March that they elected not to provide both accounting and auditing services based on their own internal control policies. Staff informed the Fiscal & Policy Committee and engaged in negotiation efforts with Davis Farr, who was the next-ranked proposer from the proposal evaluation committee.

Basis for Selection – Davis Farr LLP, is recommended for selection as SRTA's auditing services consultant based on their extensive and directly relevant experience in California governmental and transportation audits, including TDA and compliance engagements for similar agencies, which enables them to perform the work efficiently with minimal staff impact. The firm demonstrated strong technical expertise in governmental accounting and auditing standards, supported by active leadership in professional organizations and a highly experienced audit team. Their commitment to quality is evidenced by a “Pass” rating on their most recent peer review and no history of disciplinary actions. Davis Farr’s audit approach emphasizes proactive communication, use of advanced data analytics, and flexibility to align with SRTA’s operational needs. Additionally, their proposal offers comprehensive audit and advisory services with competitive, transparent pricing and capped cost increases, providing both high value and budget predictability to the Agency.

Negotiations – Davis Farr’s proposal included a cost schedule exceeding SRTA’s estimated budget of $226,500 by approximately 17 percent. During negotiations, staff communicated that a reduced cost structure would improve the agency’s ability to potentially exercise the two optional one-year extensions beyond the initial three-year term. Following minor revisions to the scope of work that did not materially impact the required deliverables, staff proposed, and Davis Farr agreed to, a reduced and revised not-to-exceed amount of $247,499 for the full five-year term. The attached TSA has completed all negotiation and administrative review steps and is presented for Board approval and authorization to execute.

FISCAL & POLICY COMMITTEE REVIEW:

The Fiscal & Policy Committee met on April 20, 2026, and concurs with staff’s recommendation to contract with the next-ranked proposer, Davis Farr, LLP, for auditing services.

ALTERNATIVES:

The board of directors may direct staff into negotiations with another proposer. This may delay completion of required audits and could increase costs. The board of directors may reject all proposals and direct staff to reissue the RFP, which would significantly delay audit completion and may jeopardize compliance with statutory and funding deadlines.

FISCAL IMPACT:

The agreement includes a three-year base term with two optional one-year extensions, for a total not-to-exceed amount of $247,499. While the agreement exceeds the estimated budget of $226,500 by nine percent, staff determined that Davis Farr offers the best overall value based on factors beyond just cost. Increased costs have been included in SRTA’s FY 2026/27 Overall Work Program budget. Approval will ensure SRTA meets statutory audit requirements and maintains compliance with state and federal funding programs. Audit costs are funded through a combination of federal, state, and local transportation funds. Approximately 75% of eligible costs are reimbursed through federal and state funds allocated via SRTA’s Indirect Cost Allocation Plan (ICAP); and the remaining 25% is funded through Transportation Development Act (TDA) Local Transportation Funds, as programmed in the SRTA’s Overall Work Program (OWP).

Sean Tiedgen, AICP, Executive Director

Attachment: Technical services agreement (TSA) for auditing services with Davis Farr (available online: https://www.srta.ca.gov/DocumentCenter/View/10197/TSA_FINAL_Financial_Audits-2026_farrsigned)