



# **PERFORMANCE AUDIT OF ORGANIZATIONAL STRUCTURE OF BART'S FINANCIAL OPERATIONS**

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# ORGANIZATIONAL STRUCTURE OF BART'S FINANCIAL OPERATIONS

## One

How is  
Independence  
Assured?

## Two

How does  
BART's  
Structure  
Compare to  
Best Practices &  
Other Transit  
Agencies?

## Three

What are the  
Advantages or  
Disadvantages  
of Consolidation  
& Modification?

## Four

Is Risk  
Management's  
Placement  
Appropriate?

## FOUR AUDIT OBJECTIVES

# FIVE KEY OBSERVATIONS

## ROLES & RESPONSIBILITIES FULFILLED AT BART



Both the Controller-Treasurer & the General Manager fulfilled their respective roles & responsibilities as defined in the BART Act & Code of Ordinances, as they relate to the financial operations of the District.

11 peer transit agencies centralized key financial operations under a CFO or an equivalent executive position that reports directly to a CEO, & most centralized general accounting, budgeting, revenue, treasury, & grant administration within the same office.



## FINANCE OPERATIONS CENTRALIZED AT PEER TRANSIT AGENCIES

# FIVE KEY OBSERVATIONS

## CONTROLLER-TREASURER INDEPENDENCE MAY BE A WEAKNESS

3

Controller-Treasurer & the General Manager are interdependent in ways that do not exist among any of the other Board-appointed offices making current organizational independence a potential weakness rather than a strength.

A structure that unifies rather than bifurcates financial-related functions is most likely to provide the flexibility, agility, & innovation required of BART—and all transit agencies—over the next decades.

4

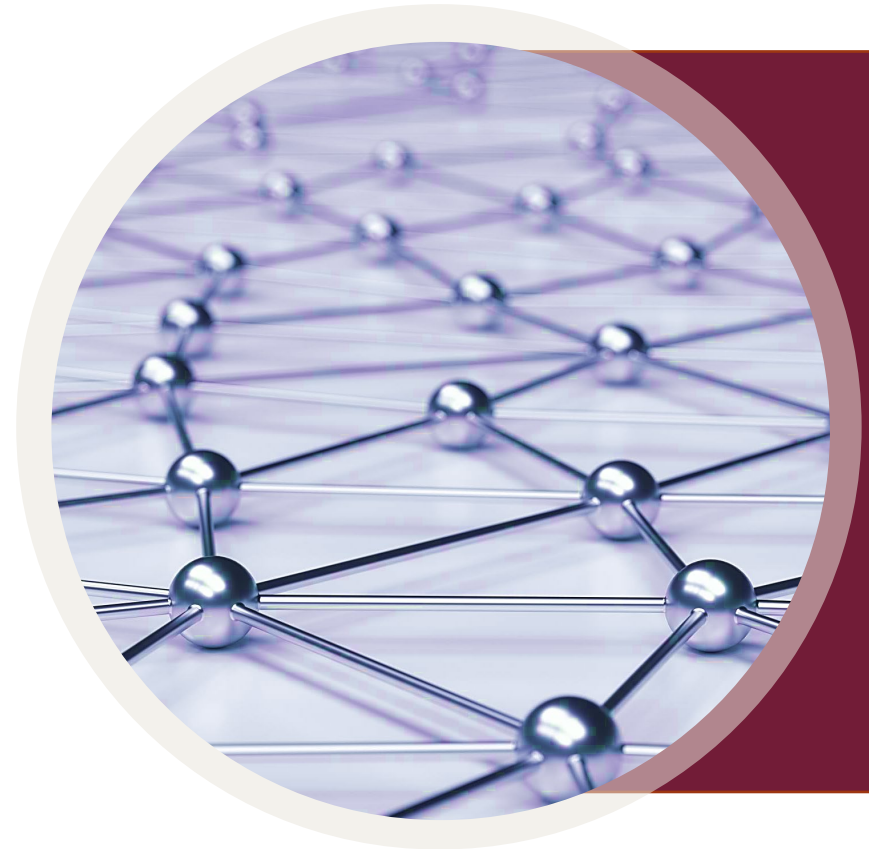
## UNIFIED STRUCTURE IS BEST

# FIVE KEY OBSERVATIONS

## RISK MANAGEMENT LINKED TO OPERATIONS

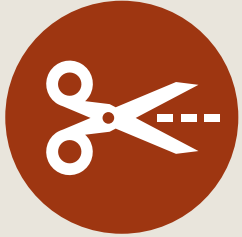
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By its very nature, risk management is inextricably linked to both the fiscal operations of BART & to the business operations of BART, including the core functions of BART overseen by the General Manager.





# RESULT HIGHLIGHTS



BART's organizational structure is unique among peer transit agencies in that it bifurcates management responsibilities between two independent Board appointees.



The Controller-Treasurer manages specific financial operations (accounting, treasury, & risk management) & the General Manager manages all other District operations—including other financial operations such as budgeting, financial planning, capital planning, & others.



While most of those we interviewed described positive working relationships between the offices, management recognized that there are opportunities for improvement.

## RECOMMENDATION

Modify the organizational structure of BART to allow for the creation of a Chief Financial Officer within the span of control of the General Manager. This can be achieved by seeking legislation to amend the BART Act or by revising the Code of Ordinances.



# WHY CFO STRUCTURE IS BEST

## KEY TO NAVIGATING THE FUTURE



CFO structure would better position the District to address the challenges spurred by the pandemic, changes regarding ridership, revenue, capital projects, equity, service levels, & workforce development. Navigating the future of public transportation will require flexibility, agility, & innovation best offered by a CFO structure.





# CFO STRUCTURE OFFERS BEST OUTLOOK

CFO structure will bring the District into the modern era of financial leadership. The Four Faces Framework, presented by the Journal of Government Financial Management, best describes why that is true.



# FOUR FACES FRAMEWORK - DEFINED



## STEWARD

Protects the agency's vital assets, ensures compliance with financial regulations, & closes the books correctly.

The steward also communicates value & risks to agency leadership.



## OPERATOR

Runs an efficient, effective finance organization to provide a variety of services to the broader agency, & aims to balance capabilities, talent, costs, & service levels to fulfill responsibilities.



## CATALYST

Stimulates change. Can prioritize, recommend, & select improvement initiatives, such as cost reductions, procurement, user fee development, & other process upgrades & innovations.



## STRATEGIST

Takes a seat at the strategic table & influences the agency's future. Vital in financial leadership & in the alignment of business & finance strategy. Can play an essential role in supporting other agency investments.

# FOUR FACES FRAMEWORK - FOCUS

## Steward

Accounting &  
Control

Risk  
Management &  
Preserving Assets

Identifying Risk in  
Partnership with  
Others

## Operator

Efficient &  
effective  
operations,  
including day-to-  
day overall risk  
management.

## Catalyst

Disciplined  
Execution of  
Strategic Choices

Promoting Value  
of Innovation

Communications  
& Advocacy for  
Change

## Strategist

Enhancing  
Performance &  
Outcomes

Facilitating  
Change with  
Stakeholders

# FINANCE LEADERS AS CHAMPIONS FOR TRUST

A CFO can provide leadership that helps the District develop & carry out projects & services that affect lives of its riders & stakeholders.



# REQUESTED ACTION

## CFO STRUCTURE

1

Request that the Board of Directors accept the recommendation to adopt a CFO structure.

Request that the Board of Directors direct either the Audit Committee or a newly created committee to discuss options and make recommendations to the Board of Directors for implementing the CFO structure.

2

## IMPLEMENTATION PLAN





# THANK YOU!

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