



Board Report

File #: 2018-0480, File Type: Contract

Agenda Number: 9.

FINANCE, BUDGET AND AUDIT COMMITTEE SEPTEMBER 19, 2018

SUBJECT: CONSOLIDATED AUDIT FOR FISCAL YEARS 2016-20

ACTION: APPROVE MODIFICATION

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to execute Modification No. 3 to Contract No. PS4489300, with Simpson and Simpson, CPA's for Package B of the Fiscal Years (FY) 2016-2020 to provide financial and compliance Measure M audits in the amount of \$324,060 increasing the contract value from \$3,897,330 to \$4,221,390.

ISSUE

As the Regional Transportation Planner for Los Angeles County, Metro is responsible for planning, programming and allocating transportation funding to Los Angeles County jurisdictions, transit operators and other transportation programs. Metro has fiduciary responsibility to help ensure jurisdictions, operators, and program administrators receiving funds for transportation related projects are in compliance with the applicable statutes, rules, regulations, policies, guidelines and Memorandum of Understanding (MOU) agreements.

Measure M, approved by voters in November 2016, is a half cent transportation sales tax for Los Angeles County. The Measure M Ordinance specifies that 17 percent (17%) of revenues shall be allocated to jurisdictions. Metro allocates and distributes Local Return funds monthly to jurisdictions on a per capita basis and in conformance with the Measure M Ordinance and Metro's adopted policies and guidelines. The Measure M Ordinance specifies that Local Return funds are to be used for transportation purposes only and that annual audits be conducted within six months after the end of the fiscal year being audited. Metro began distributing funds to the 88 cities and the County of Los Angeles in September 2017; therefore, the first audit will be for Fiscal Year (FY) 2018.

BACKGROUND

In March 2016, Metro awarded a firm fixed unit price Contract No. PS4489300, with Simpson and Simpson, CPA's for Package B of the Consolidated Audit for a not-to exceed amount of \$2,572,500 for the base audits and a not-to-exceed amount of \$1,200,000 for the option audits, for a total contract amount of \$3,772,500.

DISCUSSION

In accordance with the Ordinance, the Measure M Independent Taxpayers Oversight Committee (Committee) approved the scope of work for these audits. In addition, the Committee voted for the inclusion of the Measure M audit scope to the contract with the existing audit firms contracted to perform the Consolidated Audits.

The current Consolidated Audit contracts include financial and compliance audits of the following programs:

1. Local Funding Program to the 88 cities and Unincorporated Los Angeles County.
 - a. Proposition A Local Return
 - b. Proposition C Local Return
 - c. Measure R Local Return
 - d. Transit Development Act (TDA) 3
 - e. Transit Development Act (TDA) 8
 - f. Proposition A Discretionary Incentive Program
2. Transit System Funds to Commerce, Redondo Beach, Torrance, LADOT, Glendale, Pasadena, and Burbank
 - a. Transit Development Act (TDA) 4
 - b. State Transit Assistance (STA)
 - c. Proposition A 95% of 40% Discretionary
 - d. Proposition C 5% Security
 - e. Proposition C 40% Discretionary
 - f. Measure R
3. Fare Subsidies Programs
 - a. Immediate Needs Transportation Program (INTP)
 - b. Rider Relief Transportation Program (RRTP)
 - c. Support for Homeless Re-Entry (SHORE) Program
4. SCRRA Metrolink Program
5. EZ Transit Pass Program
6. Access Services
7. LADOT Operating Data (Proposition A Incentive Programs)

Including the FY2018-20 Measure M Local Return and Transit Systems Funds audits of the 88 cities and County of Los Angeles, Low-Income Fare is Easy (LIFE) Programs, SCRRA Metrolink Program and Access Services to the existing contracts will achieve greater audit and cost efficiencies and will lessen the impact to the fund recipients since they will deal with the same auditor for various funds; thereby giving information that can be used by the auditor to satisfy multiple program requirements.

DETERMINATION OF SAFETY IMPACT

This Board action will not have an impact on the safety of Metro's patrons or employees.

FINANCIAL IMPACT

Funds of \$228,676 for the Measure M FY18 audits are included in the FY19 budget in Cost Center 2510, Management Audit under projects 100058, Measure M Administration funds, account 50316 Services Professional and Technical. Since this is a multi-year contract, the Project Manager will be responsible for ensuring that funds are budgeted in subsequent years.

Impacts to Budget

The Consolidated Audits are funded through P&P Planning Consolidated Audit, Measure R and M Administration funds. There is no impact to bus and rail operating or capital.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

This recommendation supports strategic plan goal #5: Provide responsive, accountable, and trustworthy governance within the Metro organization, as these audits provide assurance to Los Angeles County taxpayers that funds are being used in accordance with the applicable statutes, rules, regulations, policies, guidelines and Memorandum of Understanding (MOU) agreements.

ALTERNATIVES CONSIDERED

The Board may choose not to authorize this Contract Modification. This is not recommended since the Measure M Ordinance requires that audits be conducted on funds allocated to jurisdictions. The Consolidated Audit process addresses these requirements and plays a major part in the continued implementation, management and administration of the covered funding programs.

Another option would be to send out a Request for Proposals to all auditing firms. This is not recommended since this would most likely not yield any cost savings for Metro nor gain audit efficiencies since the existing auditors already have extensive knowledge of program requirements.

NEXT STEPS

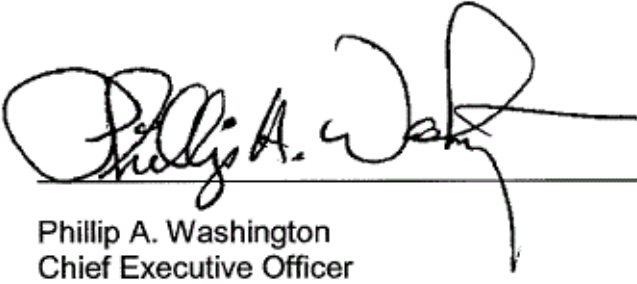
Upon Board approval, staff will execute Modification No. 3 to Contract No. PS4489300 with Simpson and Simpson, CPA's in order to complete the Measure M financial and compliance audits as required by the Measure M ordinance.

ATTACHMENTS

- A. Procurement Summary
- B. Contract Modification/Change Order Log
- C. DEOD Summary

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