



Board Report

File #: 2023-0774, File Type: Contract

Agenda Number: 9.

FINANCE, BUDGET AND AUDIT COMMITTEE JUNE 20, 2024

**SUBJECT: ANNUAL FINANCIAL AND COMPLIANCE AUDITS OF METRO AND ITS
COMPONENT UNITS FY24-29**

ACTION: APPROVE CONTRACT AWARD

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to award a firm-fixed unit rate Contract No. PS108960(2) 000 to Crowe LLP (Crowe) to perform annual financial and compliance audits of Metro and its component units in the not-to-exceed (NTE) amount of \$2,096,970 for the five-year base term, and \$464,450 for the one-year option term, for a total combined NTE amount of \$2,561,420, effective July 1, 2024, subject to resolution of all properly submitted protest(s), if any.

ISSUE

Metro is required to have an independent Certified Public Accountant to perform annual financial and compliance audits. The audit reports are submitted to funding partners and financing institutions relative to Metro bond issues. The recommended contractor shall begin with the audit of Metro's financial statements and component units starting the fiscal year ending June 30, 2024.

BACKGROUND

Los Angeles County Metropolitan Transportation Authority (Metro) was created by State of California Assembly Bill 152, Los Angeles County Metropolitan Transportation Authority Reform Act of 1992, which became effective on February 1, 1993. Metro is unique among the nation's transportation agencies. It serves as a planner, coordinator, designer, builder, operator, and funding partner of the transportation network serving the most populous county in the nation. State law requires Metro to publish a complete set of audited financial statements within six months of the close of each fiscal year.

The financial and compliance audits must be conducted in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards (Government Auditing Standards), issued by the Comptroller General of the United States. The main goal of the independent audit is to provide reasonable assurance that the financial statements are free of material misstatement, whether due to fraud or error.

DISCUSSION

The scope of services includes the financial and compliance audit requirements of Metro and the component units, including:

- Comprehensive Annual Financial Report (CAFR);
- Single Audit Report on Federal grant activities;
- Transportation Development Act (TDA);
- Proposition 1B Public Transportation, Modernization, Improvement, and Service Enhancement Account Program (PTMISEA);
- State Transit Assistance (STA);
- Service Authority for Freeway Emergencies (SAFE),
- Low Carbon Transit Operations Program (LCTOP); and
- National Transit Database (NTD)

In addition, the firm is required to provide a management report that addresses any material weaknesses and/or significant deficiencies in Metro's accounting system and internal controls noted in the auditor's examination of Metro's books and records. The firm will also provide an auditor's attestation letter that the auditor verified that there are no material differences in the data presented as part of the Financial Test of Self-Insurance Letter for Metro's underground storage tanks in comparison to the audited financial statements for the fiscal year.

DETERMINATION OF SAFETY IMPACT

Approval of this item will not impact the safety of Metro's patrons or employees.

FINANCIAL IMPACT

Funding of \$391,040 for the contracted services will be appropriated in the FY2025 budget in cost center 2510 under project number 405510. Since this is a multi-year contract, Management Audit Services will be accountable for budgeting the cost in future years.

IMPACT TO BUDGET

The source of funds for Project 405510 is Propositions A, C & TDA Administration funds. These funds are not eligible for bus/rail operating or capital expenses.

EQUITY PLATFORM

The Diversity and Economic Opportunity Department (DEOD) established a 12% Small Business Enterprise (SBE) goal for this solicitation. The proposed contractor met Metro's small business goals by making 12.01% Disadvantaged Business Enterprise commitment for this contract.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Approval of this item supports Metro Vision 2028 Goal #5: Provide responsive, accountable, and trustworthy governance within the Metro organization.

ALTERNATIVES CONSIDERED

No alternatives were considered, as laws and regulations require Metro to have financial and

compliance audits performed annually by an independent Certified Public Accountant.

NEXT STEPS

Upon Board approval, staff will execute Contract No. PS108960(2)000 with Crowe to provide annual financial and compliance audit services, effective July 1, 2024.

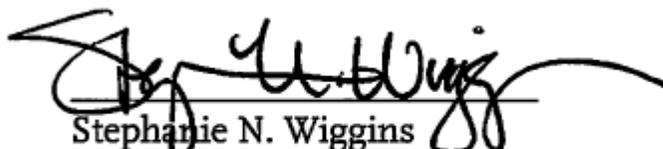
ATTACHMENT

Attachment A - Procurement Summary

Attachment B - DEOD Summary

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