



Board Report

File #: 2016-0129, File Type: Contract

Agenda Number: 37

**2nd REVISED
EXECUTIVE MANAGEMENT COMMITTEE
MARCH 17, 2016**

SUBJECT: CONSOLIDATED AUDIT FOR FISCAL YEARS 2016-20

ACTION: AWARD CONTRACTS

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to award a five-year, firm fixed unit price contract, pending the resolution of a protest:

- A. Contract No. PS4488900, to **Vasquez & Company, LLP to perform Package A of the fiscal years (FY) 2016-20 Consolidated Financial and Compliance Audit of the programs, jurisdictions and agencies** listed in Attachment C, for \$1,583,529 for the base audits and \$758,141 for the option audits, for a combined not to exceed total of \$2,341,670, effective April 1, 2016; and
- B. Contract No. PS4489300, to **Simpson & Simpson, LLP to perform Package B of the fiscal years (FY) 2016-20 Consolidated Financial and Compliance Audit of the programs, jurisdictions and agencies** listed in Attachment D, for \$2,572,500 for the base audits and \$1,200,000 for the option audits, for a combined not to exceed total of \$3,772,500, effective April 1, 2016.

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 the fiduciary responsibility to provide assurance that recipients of funds included in the Consolidated Audit are adhering to the statutes, program guidelines, and/or agreements of each applicable funding source and that operations data used to allocate funds is fair and in accordance with Federal Transit Administration (FTA) guidelines.

The Consolidated Audit process includes 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)

Metro allocates over \$400 million annually to these programs and distribute them to 88 cities in Los Angeles County, the County of Los Angeles and other agencies. Audits of these programs are needed to ensure that the agencies comply with the applicable rules, regulations, policies, guidelines and executed Memorandums of Understanding (MOU). The audits also serve as a program management tool for effectively managing and administering these programs.

Vasquez & Company, LLP and Simpson & Simpson, LLP, the independent certified public accounting (CPA) firms, will perform financial and compliance audits to assure management that recipients of subsidies included in the Consolidated Audit are adhering to the statutes of each applicable funding source and that operations data used to allocate funds is fair and in accordance with FTA guidelines. The audits will be conducted in accordance with generally accepted government auditing standards and will meet the American Institute of Certified Public Accountants' Standards. In performing these audits, Vasquez & Company, LLP and Simpson & Simpson, LLP will report on management deficiencies where noted and on findings that may result in funds being returned to Metro based on trades or exchange of funds, unused and lapsed funds, and unallowable expenditures.

DISCUSSION

The Consolidated Audit Project is divided into two separate packages, A and B, based primarily on their District geographic location. This creates a more efficient audit process by streamlining the amount of audits required from one firm. In addition, this process provides firms with increased contracting opportunities.

This project includes a Small Business Enterprise (SBE) goal of 27% and Disabled Veteran Business Enterprise (DVBE) goal of 3%. At the time of Goal Evaluation the estimated dollar value for this procurement was above the \$3 million Set-Aside threshold for negotiated awards; therefore, the project was assigned for goal setting.

Option audits is a priced option in the contract to conduct financial and compliance audits of 12 additional Transit System Operators' TDA, STA, Proposition A 95% of 40% Discretionary, Proposition C 5% Security, Proposition C 40% Discretionary, and Measure R funds.

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 \$812,765 for year one of these contracts will be included in the FY17 budget in Cost Center 2510, Management Audit under projects 405510 and 100055, account 50316 Services Professional and Technical. The FY17 budget will be amended accordingly if additional funds are needed to exercise any or all options. Since this is a multi-year contract, the Project Manager and cost center managers 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 and Measure R Administration funds. There is no impact to bus and rail operating or capital.

ALTERNATIVES CONSIDERED

The Board may choose not to authorize the execution of these contracts. This is not recommended since Proposition A, Proposition C, Measure R Ordinances and Metro guidelines, state laws and federal provisions require that audits be conducted on funds allocated. The Consolidated Audit process addresses these requirements and plays a major part in the continued implementation, management and administration of the covered funding programs.

NEXT STEPS

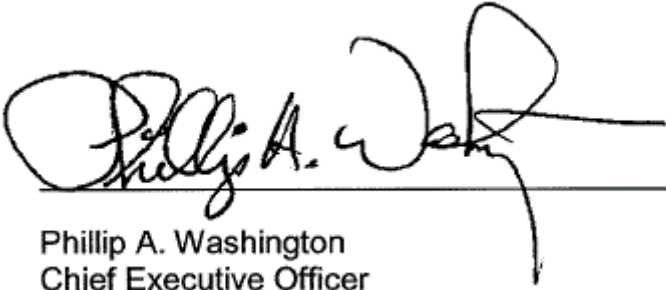
Upon approval by the Board, staff will execute contracts to the recommended contractors, to provide consolidated audits for fiscal years 2016-20.

ATTACHMENTS

- A. Procurement Summary
- B. DEOD Summary
- C. FY 2016-20 List of Funded Projects and Programs to be audited for Package A
- D. FY 2016-20 List of Funded Projects and Programs to be audited for Package B

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