

**Board Report**

File #: 2017-0252, **File Type:** Contract**Agenda Number:** 10

REVISED
FINANCE, BUDGET AND AUDIT COMMITTEE
MAY 17, 2017

SUBJECT: AUDIT SERVICES BENCH FY2018 TO FY2022**ACTION: AWARD BENCH CONTRACTS****RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to:

- A. AWARD five-year fixed rate bench Contract Nos. PS36627000 through PS36627018, with the firms listed in Attachment A, for **Management Audit Services**, for a not-to-exceed amount of \$6,864,000 for the base three-years, effective July 1, 2017 through June 30, 2020, plus \$2,288,000 for each of the two, one-year options, for a combined total amount not to exceed \$11,440,000, subject to resolution of protest(s), if any; and
- B. EXECUTE Task Orders under these Contracts for audit services in a total amount not-to-exceed \$11,440,000.

ISSUE

Management Audit Services Department (Management Audit) has a recurring need for consulting and assurance services provided by certified public accounting (CPA) firms and other specialty firms. They provide consulting services relating to a broad range of audits and reviews including completion of the Board approved annual audit plan, assistance with CEO/Board requested assignments, staffing support for fluctuating workload requirements, and conduct of large and/or complex audits. The Multiple Award Agreement (bench) is necessary for two primary reasons: to provide specialized expertise and to augment Metro staff.

DISCUSSION

We are required to comply with Generally Accepted Government Auditing Standards (GAGAS). GAGAS has a due professional care standard which requires Management Audit to bring in outside experts to supplement staff when the area being audited requires technical or specialized skills that are not available within the department. Co-sourcing is typically used to supplement staff when a sudden influx of time sensitive audits exceeds available resources. Outsourcing can be used

depending on the complexity of the audit or if the specialized skillsets are not available in-house. Audits that normally fall under this requirement include information technology audits and specialized audits such as construction projects and processes including cost estimating. Other areas of work outsourced or co-sourced to firms include CEO requested audits, Call-for-Projects closeout audits, Caltrans audits, other grant audits such as State Transportation Improvement Program, financial and compliance audits of ExpressLanes, PTSC-MTA Risk Management Authority, Crenshaw Project Corporation, etc., and audits of contracts for pre-award, incurred cost, settlement claims and Buy America.

Since this is a multiple award agreement, no firm has been guaranteed any work. The recommended not-to-exceed amount of \$11,440,000 is estimated for work needed over the next five years. The projected services are based upon historical work outsourced for audit services and work identified for outsourcing in the FY18 audit plan, in addition to other utilization of the bench by other departments.

DETERMINATION OF SAFETY IMPACT

The approval of the recommendation above will have no negative impact on the safety of Metro employees or passengers.

FINANCIAL IMPACT

Management Audit has requested approximately \$685,000 for this agreement in the proposed FY18 budget in cost center 2510 - Management Audit, under project 100001 - General Overhead. Since this is a multi-year agreement, the cost center managers, Chief Auditor and other Executive Officers will be accountable for budgeting the costs in future years.

Impact to Budget

The source of funds for Project 100001 is General Overhead funds, comprised of Federal, State and local funds. This fund is eligible for bus and rail operating costs.

ALTERNATIVES CONSIDERED

Two alternatives were considered. One alternative would be to hire additional full-time staff to perform the audits. However, this alternative is not considered cost effective because the volume of work is constantly changing making this activity subject to peak periods alternating with periods of low activity. Further, some projects require various technical or specialized skills that are not available since it is not practical to hire staff for each of the particular skillsets. Another alternative would be to obtain the audit services as separate procurements. This also is not recommended, as this would prolong the procurement process making it difficult to complete time-sensitive audits within the planned timeframe. In addition, because of the frequency of task orders typically issued, this would require a substantial amount of procurement processing time.

NEXT STEPS

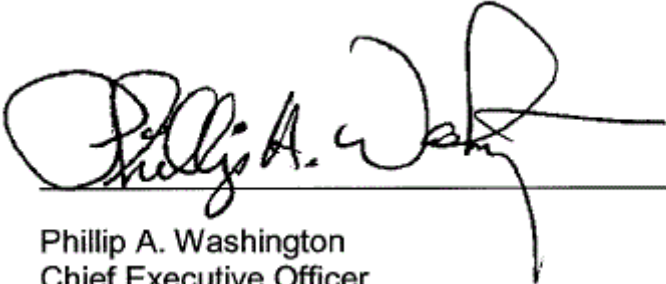
Upon Board approval, staff will proceed to establish the audit services bench contracts effective July 1, 2017, and work will be completed as needed on a task order basis.

ATTACHMENT

- A. Procurement Summary
- B. DEOD Summary

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