



Board Report

File #: 2020-0606, **File Type:** Contract

Agenda Number: 7.

**FINANCE, BUDGET AND AUDIT COMMITTEE
OCTOBER 14, 2020**

SUBJECT: AUDIT SERVICES BENCH FY2018 to FY2022

ACTION: APPROVE CONTRACT MODIFICATION

RECOMMENDATION

CONSIDER:

- A. AUTHORIZING the Chief Executive Officer to execute Modification No. 3 to Contract Nos. PS36627000 through PS36627004, PS36627006, PS36627008, PS36627009, PS36627011 through PS36627018 to exercise the first, one-year option, extending the contract term from January 1, 2021 to December 31, 2021; and increasing the total authorized not-to-exceed amount by \$2,288,000 from \$6,864,000 to \$9,152,000; and

- B. AWARDING AND EXECUTING task orders for an aggregate not-to-exceed amount of \$9,152,000.

ISSUE

In May 2017, the Board of Directors approved the establishment of Audit Services Bench contracts (Bench) for a combined total amount not-to-exceed \$11,440,000 for a 3-year base term, plus two, one-year options. The Bench provides Management Audit Services (MAS) with consulting and assurance 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 supports specialized and/or complex audits.

Board authorization is requested to exercise the first one-year option to provide specialized expertise and augmented audit services.

DISCUSSION

MAS is required to comply with Generally Accepted Government Auditing Standards (GAGAS).

GAGAS has a due professional care standard which requires MAS 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 expertise with highly specialized audits which exceeds internal capacity and/or resources. Outsourcing is used depending on the complexity of the audit or if the specialized skillsets and/or capacity is not available in-house. Specialized audits that generally fall under this requirement include information technology audits, construction or operations projects, programs and/or processes. Other areas of work outsourced or co-sourced to expert firms include Call-for-Projects closeout audits, Caltrans audits, grant audits such as State Transportation Improvement Program including financial, compliance and external audits of subrecipients; and others

To date, a total of 63 task orders have been issued against the Bench, for a cumulative total value of \$6,296,682.79, or 92% of the total not to exceed amount of \$6,864,000 for the initial 3-year base term. Currently, 11 of the 16 firms on the Bench are certified as DBEs and SBEs and task orders have been awarded to these firms in a cumulative amount of \$4,543,019.50 or 72% of the total awarded value. A list of the awarded task orders is provided as Attachment D.

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

Funding for FY21 is included in the department, cost center budgets. Each task order awarded to a Contractor will be funded with the source of funds identified for that project. Since this option will continue into FY2022, the cost center managers, Chief Auditor and other Executive Officers will be accountable for budgeting future costs.

Impact to Budget

The funding for these task orders is dependent upon the specific project.

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

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

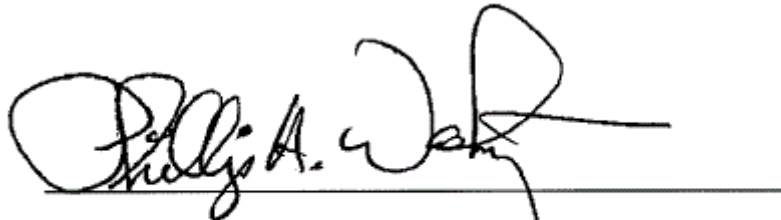
Upon approval by the Board, staff will execute Contract Modification No. 3 to the Audit Service Bench contracts and continue to award individual task orders for audit services.

ATTACHMENT

- A. Procurement Summary
- B. Contract Modification/Change Order Log
- C. Firms on Audit Services Bench
- D. List of Task Orders and Values
- E. DEOD Summary

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A handwritten signature in black ink, appearing to read "Phillip A. Washington", written over a horizontal line.

Phillip A. Washington
Chief Executive Officer