



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

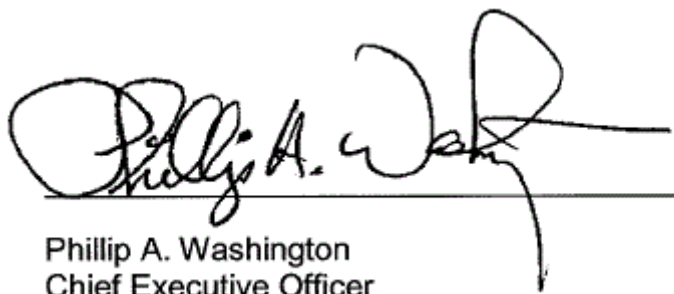
Upon Board approval, staff will proceed to establish the audit services bench contracts effective July 1, 2017, and work will be completed as needed on a task order basis.

ATTACHMENT

- A. Procurement Summary
- B. DEOD Summary

Prepared by: Monica Del Toro, Audit Support Manager, (213) 922-7494

Reviewed by: Diana Estrada, Chief Auditor, (213) 922-2161
Debra Avila, Chief Vendor/Contract Management Officer, (213) 418-3051



Phillip A. Washington
Chief Executive Officer

PROCUREMENT SUMMARY

AUDIT SERVICES BENCH FY2018 TO FY2022 / PS36627000 – PS36627018

| | | |
|----|---|--|
| 1. | Contract Number: PS36627000 through PS36627018 | |
| 2. | Recommended Vendor: (See Below) | |
| 3. | Type of Procurement (check one): <input type="checkbox"/> IFB <input checked="" type="checkbox"/> RFP <input type="checkbox"/> RFP–A&E <input type="checkbox"/> Non-Competitive <input type="checkbox"/> Modification <input type="checkbox"/> Task Order | |
| 4. | Procurement Dates: | |
| | A. Issued: January 17, 2017 | |
| | B. Advertised/Publicized: January 17, 2017 | |
| | C. Pre-Proposal Conference: February 13, 2017 | |
| | D. Proposals Due: March 2, 2017 | |
| | E. Pre-Qualification Completed: April 19, 2017 | |
| | F. Conflict of Interest Form Submitted to Ethics: April 19, 2017 | |
| | G. Protest Period End Date: May 22, 2017 | |
| 5. | Solicitations Picked up/Downloaded: 50 | Bids/Proposals Received: 20 |
| 6. | Contract Administrator: Barbara A. Gatewood | Telephone Number: (213) 922-7317 |
| 7. | Project Manager: Diana Estrada, Chief Auditor | Telephone Number: (213) 922-2161 |

A. Procurement Background

This Board Action is to establish multiple award audit service Contracts for a five-year term, inclusive two one-year options. The Contracts will be effective July 1, 2017 with a cumulative total amount not to exceed \$11,440,000. The purpose of these Contracts is to provide audit support to Management Audit Services for large and/or technically complex audits, for assistance in the development of the annual audit work plans, and to assist with CEO/Board request assignments. These services will be performed on an “as-needed” basis for which task orders will be issued. Board approval of contract awards are subject to resolution of any properly submitted protest.

Request for Proposal (RFP) No. PS36627 was issued in accordance with Metro’s Acquisition Policy and the contract type is task order based. A pre-proposal conference was held on February 13, 2017 with 15 firms in attendance. Questions were received and responded to by Metro staff during the pre-proposal meeting and as part of the meeting minutes and solicitation amendments.

Two amendments were issued during the solicitation phase of this RFP:

- Amendment No. 1, issued on February 6, 2017, changed the Pre-Proposal Conference date from February 9, 2017 to February 13, 2017;
- Amendment No. 2, issued on February 23, 2017, clarified and made revisions to the Evaluation Criteria in the RFP.

B. Evaluation of Proposals

A total of 20 proposals were received in response to this solicitation. The firms are listed below in alphabetical order.

| |
|------------------------------|
| BCA Watson Rice, LLP |
| Choi Hong Lee & Kang, LLP |
| Chung and Chung Accountancy |
| Conrad, LLP |
| CPC Financial, Inc. |
| Grant Thornton, Inc. |
| KNL Support Services |
| KPMG,LLP |
| Lopez and Company, LLP |
| MA and Associates, CPA |
| Macias Gini O'Connell, LLP |
| Moss Adams, LLP |
| Qiu Accountancy Corporation |
| RTJ, CPA, P.C. |
| Simpson and Simpson |
| Susan Hum, CPA |
| Talson Solutions, LLC |
| The David Lewis Company, LLP |
| TAP International, Inc. |
| Vasquez and Company, LLP |

The Proposal Evaluation Team (PET) consisting of staff from Metro's Management Audit Services Department was convened and conducted a comprehensive technical evaluation of the proposals received.

The proposals were evaluated based on the pass/fail criteria listed below. For a firm to receive an award of a contract, the firm must "pass" each criterion as stated in the RFP.

- Degree of the Prime's Skills and Experience
- Experience and capabilities of Firm's On The Contractor's Team
- Effectiveness of Management Plan
- Understanding of Work and Appropriateness of Approach for Implementation

During the initial review of proposals, one of the 20 firms was eliminated from further evaluation. After evaluation of the proposals, including oral interviews of those firms that are new to Metro, it was determined that all 19 firms listed below were qualified to provide audit and/or specialty risk assessment services to Metro and were suitable to be selected as part of the audit bench. In addition, 11 of the 19 firms are Metro certified Small Business Enterprises (SBE).

These firms are listed below in alphabetical order:

| No. | CONTRACT NO. | FIRM |
|-----|--------------|------------------------------|
| 1 | PS36627000 | BCA Watson Rice, LLP |
| 2 | PS36627001 | Choi Hong Lee & Kang LLP |
| 3 | PS36627002 | Chung and Chung Accountancy |
| 4 | PS36627003 | Conrad, LLP |
| 5 | PS36627004 | CPC Financial, Inc. |
| 6 | PS36627005 | Grant Thornton, Inc. |
| 7 | PS36627006 | KNL Support Services |
| 8 | PS36627007 | KPMG, LLP |
| 9 | PS36627008 | Lopez and Company, LLP |
| 10 | PS36627009 | Macias Gini O'Connell, LLP |
| 11 | PS36627010 | Moss Adams, LLP |
| 12 | PS36627011 | Qiu Accountancy Corporation |
| 13 | PS36627012 | RTJ, CPA, P.C. |
| 14 | PS36627013 | Simpson and Simpson, LLP |
| 15 | PS36627014 | Susan Hum, CPA |
| 16 | PS36627015 | Talson Solutions, LLC |
| 17 | PS36627016 | The David Lewis Company, LLP |
| 18 | PS36627017 | TAP International |
| 19 | PS36627018 | Vasquez and Company, LLP |

BCA Watson Rice, LLP

BCA Watson Rice LLP is located in Torrance, CA. The firm has been an active vendor on Metro's Audit Bench since 2008, under the name of Thompson, Cobb, Bazillio, Inc. BCA specializes in providing professional auditing services for both private and government agencies, and has also performed work for multiple transportation agencies. BCA Watson Rice is a certified SBE firm, has performed satisfactorily as a firm on the current Metro Audit Bench, and has worked on other projects within Metro's various business units.

Choi Hong Lee & Kang LLP

Choi Hong Lee & Kang LLP, a non-SBE firm, was formed in 2007 and is located in Los Angeles, CA. This firm is new to Metro. Choi Hong Lee and & Kang, LLP specializes in performing audits for government and private firms. This firm specializes in performing financial accounting, accounts payable and receivable auditing services, taxation, and auditing of government grants.

Chung and Chung Accountancy Corp., CPA

Chung and Chung Accountancy Corporation, CPAs is located in Walnut, CA. Chung and Chung have prior experience in government auditing and have been in business for over 15 years. This firm is a certified SBE, and has been on Metro's Audit Bench since 2012. Chung and Chung have performed successfully on audits as a sub-consultant for both BCA Watson Rice and Vasquez and Company.

Conrad, LLP

Conrad, LLP, formed in 2011, is located in Lake Forest, CA and specializes in performing audits for government agencies. Conrad is a certified SBE firm and has performed work for Metro on its first audit bench contract awarded in 2008. Some staff members from Conrad, LLP came from a former bench contractor, Mayer Hoffman McCann. Staff that has performed on Metro's projects performed satisfactorily.

CPC Financial Services, Inc.

CPC Financial Services, Inc. is located in Los Angeles, CA. This company is new to Metro, and is a certified SBE firm. CPC offers accounting, treasury operations, contract compliance audits, indirect expense rate audits and incurred cost audits.

Grant Thornton, Inc.

Grant Thornton, Inc. is located in Los Angeles, CA and has been in business in California for nearly 40 years. This firm specializes in performing audits for government agencies and all types of specialized administrative and management consulting service. This firm has performed satisfactory work for Metro.

KNL Support Services

KNL Support Services, founded in 1995, is located in Los Angeles, CA. KNL specializes in performing audits for government agencies. This firm is a certified SBE, is currently on the Metro bench and has performed satisfactory work for Metro.

KPMG LLP

KPMG, LLP, has provided professional auditing services for more than 20 years. KPMG is located in Los Angeles, CA. KPMG, LLP is the independent U.S. member firm of KPMG International. This firm has provided professional audit and accounting services for Metro, and also has been a firm on Metro's Audit Services Bench since 2008. KPMG specializes in providing internal audits, grant audits, contract compliance and forensics, IT audits, and construction advisory services.

Lopez and Company, LLP

Lopez and Company, LLP has been a participant on Metro's bench formerly as Vargas, Lopez and Company LLP, and recently as Lopez and Company, LLP. This firm is located in Corona, CA. Lopez and Company has been in business for over 20 years and has performed numerous audit engagements for Metro. Lopez is a certified SBE and is currently on Metro's Audit bench. Lopez and Company specializes in pre-award, performance, grant

and claims audits, and has provided augmentation services for Management Audit Services Department for Metro.

Macias Gini O'Connell, LLP, (MGO).

Macias Gini O'Connell, LLP (MGO) is located in Los Angeles, CA. MGO has been a participant on the Metro Audit Bench since 2008. MGO is not a certified SBE company. MGO specializes in project management, IT, grant reviews, performance audits, project management, financial audits, and specialized projects for private and government agencies.

Moss Adams, LLP

Moss Adams is located in Los Angeles, CA. Moss Adams is not a certified SBE company. This firm specializes in project management, IT, construction audits, financial capability reviews, accounting system reviews, and specialized projects for government, private and transportation agencies. Moss Adams is new to Metro's Audit Bench.

Qiu Accountancy Corporation

Qiu Accountancy Corporation is located in Los Angeles, CA. Qiu Accountancy Corporation is a certified SBE and has been a participant on Metro's bench since 2008. Qiu specializes in providing performance, financial, grant management, pre-award, contract compliance audits and also provides augmentation services for Management Audit Services. Qiu Accountancy Corporation has performed numerous audit task orders satisfactorily.

RTJ, CPA, P.C.

RTJ, CPA, P.C. is located in Playa Vista, CA. RTJ, CPA, P.C. is a certified SBE and has been a participant on Metro's bench since 2015. RTJ specializes in financial, performance, contract compliance and augmentation services.

Simpson and Simpson, LLP

Simpson and Simpson has been a participant on Metro's bench since 2001. This firm is located in Los Angeles, CA. Simpson and Simpson has been in business for over 40 years and has performed numerous audit engagements for Metro. Simpson and Simpson is not a certified SBE firm, and is on Metro's current bench. Simpson and Simpson have performed satisfactorily for Metro.

Susan Hum, CPA

Susan Hum, CPA is located in Los Angeles, CA. Susan Hum, CPA is new as a participant to Metro's Audit Bench. However, she has previously provided audit services with another bench firm, Simpson and Simpson. Susan has branched out on her own as a certified SBE and has had experience in working on several Metro projects, contract audits and contract compliance for Management Audit Services since 2010.

Talson Solutions, LLC

Talson Solutions, LLC is located in Philadelphia, PA. The company has been in business over ten years. Talson Solutions is a new firm to Metro and specializes in design and construction audits, improvement of financial controls, program compliance and management, and risk assessments. Talson is a certified SBE firm.

The David Lewis Company, LLP

The David Lewis Company, LLP is located in Woodland Hills, CA. The company has been in business over ten years, and is a firm on Metro's current Audit Bench. The David Lewis Company, LLP specializes in performing financial, grant, IT, entertainment, audit services, and provided augmentation services for Metro. The David Lewis Company, LLP is not a certified SBE firm.

TAP International

Tap International is located in Sacramento, CA. Tap has been in business for over five years, and is currently a firm on Metro's Audit Bench. Tap specializes in performing financial, grant, IT special projects, health and safety, grant management, and also provides augmentation services for Metro. In addition to being on Metro's Audit Bench, Tap has contracted with other departments within Metro, and has performed audit services for both government and transportation agencies. Tap is a certified SBE firm with Metro.

Vasquez and Company, LLP

Vasquez & Company, LLP is another company that has been a participant on Metro's bench since 2003. Vasquez & Company LLP has been in business since 1969 and has performed numerous projects for Metro, and other government and transportation agencies. The firm is located in Los Angeles, CA. Vasquez & Company is not a certified SBE firm. Vasquez & Company, LLP has performed satisfactory work for Metro.

C. Cost/Price Analysis

Each proposer submitted fully burdened labor rates and the rates have been determined to be fair and reasonable based upon adequate price competition. Each individual task order will be competed and negotiated and will comply with all requirements of Metro Acquisition Policy, including the receipt of a proposal for the specific task, independent cost estimate, and technical evaluation before the task order is awarded.

D. Background on Recommended Contractor

All 19 firms listed above are recommended for award. These firms have been evaluated and are determined to be responsive and responsible to work on Metro assignments on an as needed basis.

DEOD SUMMARY

AUDIT SERVICES BENCH FY2018 TO FY2022 / PS36627000 – PS36627018

A. Small Business Participation

The Diversity and Economic Opportunity Department (DEOD) established a 30% goal inclusive of a 27% Small Business Enterprise (SBE) and 3% Disabled Veteran Business Enterprise (DVBE) goal for this solicitation. Audit Services Bench Proposers were required to submit a “SBE/DVBE Affidavit” confirming their commitment to the 27% SBE and 3% DVBE goal. Additionally, Proposers were required to list all known SBE and DVBE firms that will perform any portion of the work without specific dollar commitments.

The Audit Services Bench is subject to the Small Business Prime (Set-Aside) Program requirements. Eleven of the nineteen bench participants are SBE primes. SBE and DVBE commitments will be determined based on the aggregate of all Task Orders awarded through the bench.

| | | | |
|----------------------------|--|----------------------------------|----------------------------------|
| Small Business Goal | SBE <u>27%</u> DVBE <u>3%</u> | Small Business Commitment | Various SBE and DVBE Commitments |
|----------------------------|--|----------------------------------|----------------------------------|

Prime: CPC Financial Services, Inc.

| | SBE/DVBE Subcontractors | % Committed |
|-------------------------|--|--------------------|
| 1. | CPC Financial Services, Inc. (SBE Prime) | 27% |
| 2. | TBD (DVBE) | 3% |
| Total Commitment | | TBD |

Prime: Grant Thornton, LLP

| | SBE/DVBE Subcontractors | % Committed |
|-------------------------|--------------------------------|--------------------|
| 1. | Lopez & Company, LLP (SBE) | 27% |
| 2. | 347 Group, Inc. (DVBE) | 3% |
| Total Commitment | | TBD |

Prime: Susan Hum, CPA

| | SBE/DVBE Subcontractors | % Committed |
|-------------------------|--------------------------------|----------------------------|
| 1. | Susan Hum, CPA (SBE Prime) | 100% <u>97%</u> |
| 2. | TBD (DVBE) | 3% |
| Total Commitment | | TBD |

Prime: Simpson & Simpson, LLP

| | SBE/DVBE Subcontractors | % Committed |
|-------------------------|-----------------------------------|--------------------|
| 1. | Qiu Accountancy Corporation (SBE) | 27% |
| 2. | Dennis Nelson CPA APC (DVBE) | 3% |
| Total Commitment | | TBD |

Prime: BCA Watson Rice, LLP

| | SBE/DVBE Subcontractors | % Committed |
|-------------------------|----------------------------------|--------------------|
| 1. | BCA Watson Rice, LLP (SBE Prime) | 27% |
| 2. | TBD (DVBE) | 3% |
| Total Commitment | | TBD |

Prime: TAP International

| | SBE/DVBE Subcontractors | % Committed |
|-------------------------|--------------------------------|--------------------|
| 1. | TAP International (SBE Prime) | 27% |
| 2. | TBD (DVBE) | 3% |
| Total Commitment | | TBD |

Prime: RTJ CPA, P.C.

| | SBE/DVBE Subcontractors | % Committed |
|-------------------------|--------------------------------|--------------------|
| 1. | RTJ CPA, P.C. (SBE Prime) | 97% |
| 2. | TBD (DVBE) | 3% |
| Total Commitment | | TBD |

Prime: Chung & Chung Accountancy Corp., CPAs

| | SBE/DVBE Subcontractors | % Committed |
|-------------------------|---|--------------------|
| 1. | Chung & Chung Accountancy Corp., CPAs (SBE Prime) | 27% |
| 2. | TBD (DVBE) | 3% |
| Total Commitment | | TBD |

Prime: KNL Support Services

| | SBE/DVBE Subcontractors | % Committed |
|-------------------------|----------------------------------|--------------------|
| 1. | KNL Support Services (SBE Prime) | 27% |
| 2. | TBD (DVBE) | 3% |
| Total Commitment | | TBD |

Prime: Qiu Accountancy Corporation

| | SBE/DVBE Subcontractors | % Committed |
|-------------------------|---|--------------------|
| 1. | Qiu Accountancy Corporation (SBE Prime) | 27% |
| 2. | TBD (DVBE) | 3% |
| Total Commitment | | TBD |

Prime: Lopez and Company, LLP

| | SBE/DVBE Subcontractors | % Committed |
|-------------------------|------------------------------------|--------------------|
| 1. | Lopez and Company, LLP (SBE Prime) | 30% |
| 2. | TBD (DVBE) | 3% |
| Total Commitment | | TBD |

Prime: Vasquez & Company, LLP

| | SBE/DVBE Subcontractors | % Committed |
|-------------------------|--------------------------------|--------------------|
| 1. | BCA Watson Rice LLP (SBE) | 27% |
| 2. | Daniel R. Arguello (DVBE) | 3% |
| Total Commitment | | TBD |

Prime: Conrad, LLP

| | SBE/DVBE Subcontractors | % Committed |
|-------------------------|--------------------------------|--------------------|
| 1. | Conrad, LLP (SBE Prime) | 27% |
| 2. | TBD (DVBE) | 3% |
| Total Commitment | | TBD |

Prime: Talson Solutions

| | SBE/DVBE Subcontractors | % Committed |
|------------------------------|---------------------------------|--------------------|
| 1. | Talson Solutions (SBE Prime) | 95% |
| 2. | Compendium International (DVBE) | 5% |
| Total DVBE Commitment | | TBD |

Prime: The David Lewis Company, LLC

| | SBE/DVBE Subcontractors | % Committed |
|------------------------------|--------------------------------------|--------------------|
| 1. | The David Lewis Company, LLC (Prime) | 27% |
| 2. | TBD (DVBE) | 3% |
| Total DVBE Commitment | | TBD |

Prime: Choi Hong Lee & Kang, LLP

| | SBE/DVBE Subcontractors | % Committed |
|------------------------------|-----------------------------------|--------------------|
| 1. | Choi Hong Lee & Kang, LLP (Prime) | 27% |
| 2. | TBD (DVBE) | 3% |
| Total DVBE Commitment | | TBD |

Prime: Macias Gini & O'Connell LLP

| | SBE/DVBE Subcontractors | % Committed |
|------------------------------|-------------------------------------|--------------------|
| 1. | Macias Gini & O'Connell LLP (Prime) | 27% |
| 2. | TBD (DVBE) | 3% |
| Total DVBE Commitment | | TBD |

Prime: Moss Adams, LLP

| | SBE/DVBE Subcontractors | % Committed |
|------------------------------|--------------------------------|--------------------|
| 1. | Moss Adams, LLP (Prime) | 27% |
| 2. | TBD (DVBE) | 3% |
| Total DVBE Commitment | | TBD |

Prime: KPMG, LLP

| | SBE/DVBE Subcontractors | % Committed |
|------------------------------|--------------------------------|--------------------|
| 1. | KPMG, LLP (Prime) | 27% |
| 2. | TBD (DVBE) | 3% |
| Total DVBE Commitment | | TBD |

B. Living Wage and Service Contract Worker Retention Policy Applicability

The Living Wage and Service Contract Worker Retention Policy is not applicable to this contract.

C. Prevailing Wage Applicability

Prevailing wage is not applicable to this contract.

D. Project Labor Agreement/Construction Careers Policy

Project Labor Agreement/Construction Careers Policy is not applicable to this contract.