

**Board Report**

File #: 2018-0480, **File Type:** Contract**Agenda Number:** 9.

**FINANCE, BUDGET AND AUDIT COMMITTEE
SEPTEMBER 19, 2018****SUBJECT: CONSOLIDATED AUDIT FOR FISCAL YEARS 2016-20****ACTION: APPROVE MODIFICATION****RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to execute Modification No. 3 to Contract No. PS4489300, with Simpson and Simpson, CPA's for Package B of the Fiscal Years (FY) 2016-2020 to provide financial and compliance Measure M audits in the amount of \$324,060 increasing the contract value from \$3,897,330 to \$4,221,390.

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 fiduciary responsibility to help ensure jurisdictions, operators, and program administrators receiving funds for transportation related projects are in compliance with the applicable statutes, rules, regulations, policies, guidelines and Memorandum of Understanding (MOU) agreements.

Measure M, approved by voters in November 2016, is a half cent transportation sales tax for Los Angeles County. The Measure M Ordinance specifies that 17 percent (17%) of revenues shall be allocated to jurisdictions. Metro allocates and distributes Local Return funds monthly to jurisdictions on a per capita basis and in conformance with the Measure M Ordinance and Metro's adopted policies and guidelines. The Measure M Ordinance specifies that Local Return funds are to be used for transportation purposes only and that annual audits be conducted within six months after the end of the fiscal year being audited. Metro began distributing funds to the 88 cities and the County of Los Angeles in September 2017; therefore, the first audit will be for Fiscal Year (FY) 2018.

BACKGROUND

In March 2016, Metro awarded a firm fixed unit price Contract No. PS4489300, with Simpson and Simpson, CPA's for Package B of the Consolidated Audit for a not-to exceed amount of \$2,572,500 for the base audits and a not-to-exceed amount of \$1,200,000 for the option audits, for a total contract amount of \$3,772,500.

DISCUSSION

In accordance with the Ordinance, the Measure M Independent Taxpayers Oversight Committee (Committee) approved the scope of work for these audits. In addition, the Committee voted for the inclusion of the Measure M audit scope to the contract with the existing audit firms contracted to perform the Consolidated Audits.

The current Consolidated Audit contracts include 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)

Including the FY2018-20 Measure M Local Return and Transit Systems Funds audits of the 88 cities and County of Los Angeles, Low-Income Fare is Easy (LIFE) Programs, SCRRA Metrolink Program and Access Services to the existing contracts will achieve greater audit and cost efficiencies and will lessen the impact to the fund recipients since they will deal with the same auditor for various funds; thereby giving information that can be used by the auditor to satisfy multiple program requirements.

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 \$228,676 for the Measure M FY18 audits are included in the FY19 budget in Cost Center 2510, Management Audit under projects 100058, Measure M Administration funds, account 50316 Services Professional and Technical. Since this is a multi-year contract, the Project Manager 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, Measure R and M Administration funds. There is no impact to bus and rail operating or capital.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

This recommendation supports strategic plan goal #5: Provide responsive, accountable, and trustworthy governance within the Metro organization, as these audits provide assurance to Los Angeles County taxpayers that funds are being used in accordance with the applicable statutes, rules, regulations, policies, guidelines and Memorandum of Understanding (MOU) agreements.

ALTERNATIVES CONSIDERED

The Board may choose not to authorize this Contract Modification. This is not recommended since the Measure M Ordinance requires that audits be conducted on funds allocated to jurisdictions. The Consolidated Audit process addresses these requirements and plays a major part in the continued implementation, management and administration of the covered funding programs.

Another option would be to send out a Request for Proposals to all auditing firms. This is not recommended since this would most likely not yield any cost savings for Metro nor gain audit efficiencies since the existing auditors already have extensive knowledge of program requirements.

NEXT STEPS

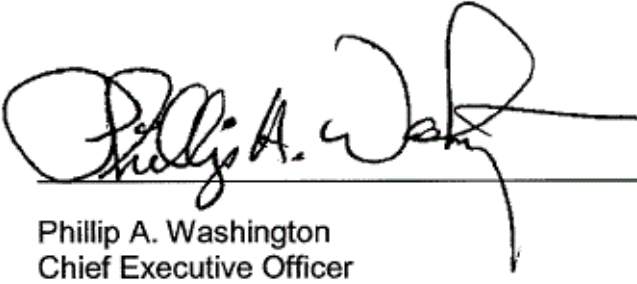
Upon Board approval, staff will execute Modification No. 3 to Contract No. PS4489300 with Simpson and Simpson, CPA's in order to complete the Measure M financial and compliance audits as required by the Measure M ordinance.

ATTACHMENTS

- A. Procurement Summary
- B. Contract Modification/Change Order Log
- C. DEOD Summary

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Phillip A. Washington
Chief Executive Officer

PROCUREMENT SUMMARY

CONSOLIDATED AUDIT FOR FISCAL YEARS 2016-20 (PACKAGE B)/PS4489300

1.	Contract Number: PS4489300		
2.	Contractor: Simpson and Simpson, CPA's		
3.	Mod. Work Description: Perform financial and compliance audits of Measure M programs		
4.	Work Description: Consolidated Audit for FYs 2016-20 (Package B)		
5.	The following data is current as of: 8/14/18		
6.	Contract Completion Status:		Financial Status:
	Award Date:	03/24/16	Awarded Contract Amount: \$3,772,500
	Notice to Proceed (NTP):	N/A	
	Original Completion Date:	07/13/21	Value of Mods. Issued to Date (including this action): \$448,890
	Current Est. Complete Date:	07/13/21	Total Amount (including this action): \$4,221,390
7.	Contract Administrator: Greg Baker		Telephone Number: (213) 922-7577
8.	Project Manager: Lauren Choi		Telephone Number: (213) 922-3926

A. Contract Action Summary

This Board Action is to approve Modification No. 3 to Contract No. PS4489300 with Simpson and Simpson, CPA's (Simpson), to perform financial and compliance audits of Measure M programs in order to provide assurance that recipients of subsidies included in the consolidated audit are adhering to the statutes of each applicable funding source and the Measure M guidelines.

This Contract Modification will be processed in accordance with Metro's Acquisition Policy and the contract type is firm fixed price.

On March 24, 2016, the Board approved a five-year Contract No. PS4489300 to Simpson to provide financial and compliance audit services for fiscal years 2016-20.

Refer to Attachment B – Contract Modification/Change Order Log for modifications issued to date.

B. Cost/Price Analysis

The recommended price has been determined to be fair and reasonable based upon an independent cost estimate (ICE), cost analysis, and technical analysis. In addition, the recommended price is based on the rates that were established as part of the current contract awarded in March 2016; these rates remain unchanged. The contract was the result of a competitive RFP.

Proposal Amount	Metro ICE	Negotiated Amount
\$324,060	\$315,000	\$324,060

CONTRACT MODIFICATION/CHANGE ORDER LOG

CONSOLIDATED AUDIT FOR FISCAL YEARS 2016-20 (PACKAGE B)/PS4489300

Mod. No.	Description	Status (approved or pending)	Date	Amount
1	Add the County of Los Angeles Consolidated audit program for Fiscal Year ending 2017	Approved	10/30/17	\$25,890
2	Add the County of Los Angeles Consolidated audit program for Fiscal Years ending 2018, 2019, and 2020	Approved	8/7/18	\$98,940
3	Perform financial and compliance audits of Measure M programs to provide assurance that recipients of subsidies included in the Consolidated Audit are adhering to the statutes of each applicable funding source and the Measure M guidelines.	Pending	Pending	\$324,060
	Contract Modification Total:			\$448,890
	Original Contract Amount:	03/24/16		\$3,772,500
	Total:			\$4,221,390

DEOD SUMMARY

**CONSOLIDATED AUDIT FOR FISCAL YEARS 2016-2020 (PACKAGE B)/
PS4489300**

A. Small Business Participation

Simpson & Simpson, CPAs made a 30% Small Business Enterprise (SBE) and 3% Disabled Veteran Business Enterprise (DVBE) commitment. The project is 41% complete. Simpson & Simpson, CPAs is achieving their commitment with 30% SBE and 3% DVBE participation.

Small Business Commitment	30% SBE 3% DVBE	Small Business Participation	30% SBE 3% DVBE
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	SBE Subcontractors	% SBE Commitment	Current Participation
1.	QUI Accountancy Corp	30%	30%
	Total SBE	30%	30%

	DVBE Subcontractors	% DVBE Commitment	Current Participation
1.	Dennis Nelson	3.00%	3%
	Total DVBE	3.00%	3%

B. Living Wage and Service Contract Worker Retention Policy Applicability

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

C. Prevailing Wage Applicability

Prevailing Wage requirements are not applicable to this modification.

D. Project Labor Agreement/Construction Careers Policy

Project Labor Agreement/Construction Careers Policy is not applicable to this Contract. Project Labor Agreement/Construction Careers Policy is applicable only to construction contracts that have a construction related value in excess of \$2.5 million.