



Board Report

File #: 2023-0774, File Type: Contract

Agenda Number: 9.

FINANCE, BUDGET AND AUDIT COMMITTEE JUNE 20, 2024

SUBJECT: ANNUAL FINANCIAL AND COMPLIANCE AUDITS OF METRO AND ITS COMPONENT UNITS FY24-29

ACTION: APPROVE CONTRACT AWARD

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to award a firm-fixed unit rate Contract No. PS108960(2) 000 to Crowe LLP (Crowe) to perform annual financial and compliance audits of Metro and its component units in the not-to-exceed (NTE) amount of \$2,096,970 for the five-year base term, and \$464,450 for the one-year option term, for a total combined NTE amount of \$2,561,420, effective July 1, 2024, subject to resolution of all properly submitted protest(s), if any.

ISSUE

Metro is required to have an independent Certified Public Accountant to perform annual financial and compliance audits. The audit reports are submitted to funding partners and financing institutions relative to Metro bond issues. The recommended contractor shall begin with the audit of Metro's financial statements and component units starting the fiscal year ending June 30, 2024.

BACKGROUND

Los Angeles County Metropolitan Transportation Authority (Metro) was created by State of California Assembly Bill 152, Los Angeles County Metropolitan Transportation Authority Reform Act of 1992, which became effective on February 1, 1993. Metro is unique among the nation's transportation agencies. It serves as a planner, coordinator, designer, builder, operator, and funding partner of the transportation network serving the most populous county in the nation. State law requires Metro to publish a complete set of audited financial statements within six months of the close of each fiscal year.

The financial and compliance audits must be conducted in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards (Government Auditing Standards), issued by the Comptroller General of the United States. The main goal of the independent audit is to provide reasonable assurance that the financial statements are free of material misstatement, whether due to fraud or error.

DISCUSSION

The scope of services includes the financial and compliance audit requirements of Metro and the component units, including:

- Comprehensive Annual Financial Report (CAFR);
- Single Audit Report on Federal grant activities;
- Transportation Development Act (TDA);
- Proposition 1B Public Transportation, Modernization, Improvement, and Service Enhancement Account Program (PTMISEA);
- State Transit Assistance (STA);
- Service Authority for Freeway Emergencies (SAFE),
- Low Carbon Transit Operations Program (LCTOP); and
- National Transit Database (NTD)

In addition, the firm is required to provide a management report that addresses any material weaknesses and/or significant deficiencies in Metro's accounting system and internal controls noted in the auditor's examination of Metro's books and records. The firm will also provide an auditor's attestation letter that the auditor verified that there are no material differences in the data presented as part of the Financial Test of Self-Insurance Letter for Metro's underground storage tanks in comparison to the audited financial statements for the fiscal year.

DETERMINATION OF SAFETY IMPACT

Approval of this item will not impact the safety of Metro's patrons or employees.

FINANCIAL IMPACT

Funding of \$391,040 for the contracted services will be appropriated in the FY2025 budget in cost center 2510 under project number 405510. Since this is a multi-year contract, Management Audit Services will be accountable for budgeting the cost in future years.

IMPACT TO BUDGET

The source of funds for Project 405510 is Propositions A, C & TDA Administration funds. These funds are not eligible for bus/rail operating or capital expenses.

EQUITY PLATFORM

The Diversity and Economic Opportunity Department (DEOD) established a 12% Small Business Enterprise (SBE) goal for this solicitation. The proposed contractor met Metro's small business goals by making 12.01% Disadvantaged Business Enterprise commitment for this contract.

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

No alternatives were considered, as laws and regulations require Metro to have financial and

compliance audits performed annually by an independent Certified Public Accountant.

NEXT STEPS

Upon Board approval, staff will execute Contract No. PS108960(2)000 with Crowe to provide annual financial and compliance audit services, effective July 1, 2024.

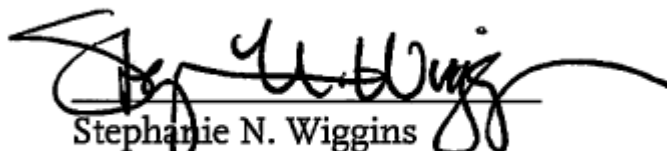
ATTACHMENT

Attachment A - Procurement Summary

Attachment B - DEOD Summary

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Stephanie N. Wiggins
Chief Executive Officer

PROCUREMENT SUMMARY

ANNUAL FINANCIAL AND COMPLIANCE AUDITS OF METRO AND ITS
COMPONENT UNITS FY24-29/PS108960(2)000

1.	Contract Number: PS108960(2)000	
2.	Recommended Vendor: Crowe LLP	
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: February 6, 2024	
	B. Advertised/Publicized: February 6, 2024	
	C. Pre-Proposal Conference: February 15, 2024	
	D. Proposals Due: March 25, 2024	
	E. Pre-Qualification Completed: April 23, 2024	
	F. Conflict of Interest Form Submitted to Ethics: March 25, 2024	
	G. Protest Period End Date: June 25, 2024	
5.	Solicitations Picked up/Downloaded: 19	Bids/Proposals Received: 5
6.	Contract Administrator: Antonio Monreal	Telephone Number: (213) 922-4679
7.	Project Manager: Lauren Choi	Telephone Number: (213) 922-3926

A. Procurement Background

This Board Action is to approve Contract No. PS108960(2)000 to perform financial and compliance audits of Metro and its component units. Board approval of contract award is subject to the resolution of all properly submitted protest(s), if any.

The Request for Proposals (RFP) was originally issued on September 8, 2023. Two proposals were received by the proposal due date and time. However, the solicitation was canceled due to changes in the RFP requirements.

On February 6, 2024, RFP No. PS108960(2) was issued as a competitive procurement, in accordance with Metro's Acquisition Policy and the contract type is a firm-fixed unit rate. The Diversity & Economic Opportunity Department recommended a Disadvantaged Business Enterprise (DBE) contract goal of 12% for this procurement.

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

- Amendment No. 1, issued on February 23, 2024, extended the deadline to submit questions.
- Amendment No. 2 issued on March 14, 2024, extended the proposal due date and provided an updated list of certified DBE firms.

A total of 19 firms downloaded the RFP and were included on the planholders' list. A virtual pre-proposal conference was held on February 15, 2024 and was attended by 3 participants representing 3 firms. There were 38 questions received, and responses were released prior to the proposal due date.

A total of five proposals were received by March 25, 2024, from the following firms listed below in alphabetical order:

1. CliftonLarsonAllen LLP
2. Crowe LLP
3. Eide Bailly LLP
4. Macias Gini O'Connell LLP
5. Vasquez & Company LLP

B. Evaluation of Proposals

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

The proposals were evaluated based on the following evaluation criteria:

Phase I: Minimum Qualification Requirements – This is a pass/fail criteria. To be responsive to the RFP minimum qualification requirements, proposer/s must have met all criteria:

1. Proposer has been licensed as a Certified Public Accountant (CPA) to do business in the United States for a minimum of five (5) years.
2. Proposer has a satisfactory Peer Review within the last three (3) years showing compliance with Generally Accepted Government Auditing Standards (GAGAS).

Phase II: Technical Evaluation: Proposers that met the Phase 1 minimum qualification requirements were further evaluated based on the following evaluation criteria and weights:

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| • Experience and Qualifications of the Firm | 30% |
| • Experience and Qualifications of Key Personnel | 35% |
| • Comprehensiveness of Work Plan | 20% |
| • Price Proposal | 15% |

The evaluation criteria are appropriate and consistent with criteria developed for similar projects. Several factors were considered in developing these weights, giving the greatest importance to the experience and qualifications of key personnel.

Evaluations were conducted from March 26, 2024, through April 18, 2024. All five proposing firms were invited for oral presentations. The Proposers' key team members had an opportunity to present their team's qualifications and to respond to the PET's questions. The PET completed its evaluation of proposals and determined Crowe LLP to be the highest-ranked proposer.

Qualifications Summary of Firms:

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP has been in business for over 60 years. It currently provides audit and consulting services to several local and state agencies across the United States, including transit authorities such as the Colorado Department of Transportation, Regional Public Transportation Authority, and City of McFarland.

Crowe LLP

Crowe LLP has been in business for over 80 years. It currently provides professional audit services to local, state, and federal agencies across the United States, including transit authorities such as Orange County Transportation Authority (OCTA), San Bernardino County Transportation Authority (SBCTA), and San Diego Association of Governments (SANDAG).

Eide Bailly LLP

Eide Bailly LLP has been in business for more than 100 years and is licensed to practice public accounting in all 50 states. It currently provides services to several local, state, and federal agencies across the United States, including transit authorities such as Tri-County Metropolitan Transportation District of Oregon (Tri-Met), Santa Clara Valley Transportation Authority, and Southern California Regional Rail Authority/Metrolink.

Macias Gini O'Connell LLP

Macias Gini O'Connell LLP was founded in 1987. It currently provides accounting and advisory services to several local, state, and federal agencies across the United States, including authorities such as the San Francisco Bay Area Rapid Transit District (BART), the County of Los Angeles, and the City and County of San Francisco.

Vasquez & Company LLP

Vasquez & Company LLP was established in 1969. It currently provides financial and compliance audit services to several local, state, and federal agencies across the United States, including transit authorities such as Imperial County Local Transportation Authority, Santa Barbara Metropolitan Transit District, and Sunline

Transit Agency.

The following is a summary of the PET scores:

1	Firm	Average Score	Factor Weight	Weighted Average Score	Rank
2	Crowe LLP				
3	Experience and Qualifications of the Firm	96.67	30.00%	29.00	
4	Experience and Qualifications of Key Personnel	97.77	35.00%	34.22	
5	Comprehensiveness of Work Plan	95.35	20.00%	19.07	
6	Price Proposal	97.60	15.00%	14.64	
7	Total		100.00%	96.93	1
8	Eide Bailly LLP				
9	Experience and Qualifications of the Firm	88.33	30.00%	26.50	
10	Experience and Qualifications of Key Personnel	95.54	35.00%	33.44	
11	Comprehensiveness of Work Plan	90.65	20.00%	18.13	
12	Price Proposal	93.47	15.00%	14.02	
13	Total		100.00%	92.09	2
14	CliftonLarsonAllen LLP				
15	Experience and Qualifications of the Firm	83.33	30.00%	25.00	
16	Experience and Qualifications of Key Personnel	90.00	35.00%	31.50	
17	Comprehensiveness of Work Plan	88.65	20.00%	17.73	
18	Price Proposal	100.00	15.00%	15.00	
19	Total		100.00%	89.23	3
20	Macias Gini O'Connell LLP				
21	Experience and Qualifications of the Firm	86.67	30.00%	26.00	
22	Experience and Qualifications of Key Personnel	91.11	35.00%	31.89	
23	Comprehensiveness of Work Plan	86.65	20.00%	17.33	
24	Price Proposal	76.27	15.00%	11.44	
25	Total		100.00%	86.66	4
26	Vasquez & Company LLP				

27	Experience and Qualifications of the Firm	78.33	30.00%	23.50	
28	Experience and Qualifications of Key Personnel	88.89	35.00%	31.11	
29	Comprehensiveness of Work Plan	78.00	20.00%	15.60	
30	Price Proposal	79.73	15.00%	11.96	
31	Total		100.00%	82.17	5

C. Price Analysis

The recommended price has been determined to be fair and reasonable based on adequate competition, price analysis, an independent cost estimate (ICE), and technical analysis.

	Proposer Name	Proposal Amount	Metro ICE	Recommended Amount
1.	Crowe LLP	\$2,561,420	\$6,732,203	\$2,561,420
2.	Eide Bailly LLP	\$2,673,502		
3.	CliftonLarsonAllen LLP	\$2,499,600		
4.	Macias Gini O'Connell LLP	\$3,278,166		
5.	Vasquez & Company LLP	\$3,135,984		

The variance between the ICE and the recommended price is attributed to utilizing high-end labor rates for large-size accounting firms.

D. Background on Recommended Contractor

Crowe LLP is a public accounting, consulting and technology firm with over 80 years of experience serving many large public transit organizations, which utilize similar federal, state and local funding streams similar to Metro.

Crowe's proposed Lead Engagement Partner has more than 23 years of experience and leads the firm's state and local government segment of the Public Sector Services (PSS) group providing assurance services to several state and local government entities.

Crowe's team includes one DBE subcontractor, which shall assist in providing annual financial and compliance audit services.

Crowe has demonstrated knowledge, skill, and experience serving as Metro's external auditor for the past nine years.

DEOD SUMMARY

ANNUAL FINANCIAL AND COMPLIANCE AUDIT / PS108960(2)000

A. Small Business Participation

The Diversity and Economic Opportunity Department (DEOD) established a 12% Disadvantaged Business Enterprise (DBE) goal for this solicitation. Crowe LLP made a 12.01% DBE commitment.

Small Business Goal	12% DBE	Small Business Commitment	12.01% DBE
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	DBE Subcontractor	Ethnicity	% Committed
1.	The Lopez Group LLP	Hispanic American	12.01%
Total Commitment			12.01%

B. Local Small Business Enterprise (LSBE) Preference

The LSBE preference is not applicable to federally funded procurements. Federal law (49 CFR § 661.21) prohibits the use of local procurement preferences on FTA-funded projects.

C. Living Wage and Service Contract Worker Retention Policy Applicability

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

D. Prevailing Wage Applicability

Prevailing wage is not applicable to this contract.

E. 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 contract value in excess of \$2.5 million.