

**Board Report**

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**File #:** 2018-0271, **File Type:** Contract**Agenda Number:** 6.

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**FINANCE, BUDGET AND AUDIT COMMITTEE  
JUNE 20, 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. PS4488900, with Vasquez & Company, LLP for Package A of the Fiscal Years (FY) 2016-2020 to provide financial and compliance Measure M audits in the amount of \$402,912 increasing the contract value from \$2,357,296 to \$2,760,208.

**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. As Metro began distributing funds to the 88 cities and the County of Los Angeles in September 2017 the first audit will be for Fiscal Year (FY) 2018.

**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 will be 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.

### **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**

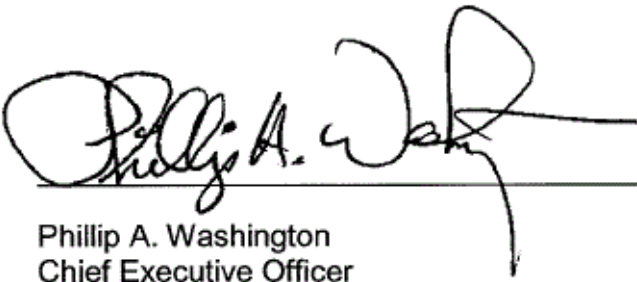
Upon Board approval, staff will execute Modification No. 3 to Contract No. PS4488900 with Vasquez & Company, LLP in order to complete the Measure M financial and compliance audits as required by the Measure M ordinance.

### **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 (PACKAGE A)/PS4488900

1.	<b>Contract Number:</b> PS4488900		
2.	<b>Contractor:</b> Vasquez & Company, LLP		
3.	<b>Mod. Work Description:</b> Perform financial and compliance audits of Measure M programs		
4.	<b>Work Description:</b> Consolidated Audit for FYs 2016-20 (Package A)		
5.	<b>The following data is current as of:</b> 5/18/18		
6.	<b>Contract/Completion Status:</b>		<b>Financial Status:</b>
	<b>Award Date:</b>	03/24/16	<b>Awarded Contract Amount:</b> \$2,341,648
	<b>Notice to Proceed (NTP):</b>	N/A	
	<b>Original Completion Date:</b>	07/13/21	<b>Value of Mods. Issued to Date (including this action):</b> \$418,560
	<b>Current Est. Complete Date:</b>	07/13/21	<b>Total Amount (including this action):</b> \$2,760,208
7.	<b>Contract Administrator:</b> Greg Baker		<b>Telephone Number:</b> (213) 922-7577
8.	<b>Project Manager:</b> Lauren Choi		<b>Telephone Number:</b> (213) 922-3926

**A. Contract Action Summary**

This Board Action is to approve Modification No. 3 to Contract No. PS4488900 with Vasquez and Company, LLP (Vasquez), 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 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. PS4488900 to Vasquez to provide consolidated 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.

<b>Proposal Amount</b>	<b>Metro ICE</b>	<b>Negotiated Amount</b>
\$402,912	\$267,447	\$402,912

The ICE did not take into account some additional coordination between the cities and Vasquez and Company, LLP to perform and complete the audits.

**CONTRACT MODIFICATION/CHANGE ORDER**

**ATTACHMENT B**

**CONSOLIDATED AUDIT (PACKAGE A)/PS4488900**

<b>Mod. No.</b>	<b>Description</b>	<b>Status (approved or pending)</b>	<b>Date</b>	<b>Amount</b>
1	This modification descoped the County of Los Angeles Consolidated audit program for Fiscal Year ending 2017 from Exhibit 1 Statement of Work	Approved	10/30/17	(\$20,137)
2	Increased cost incurred by the Contractor due to unforeseen issues that arose in completing the FY2016 Metrolink, Access Services and the City of Compton consolidated audit tasks	Approved	12/20/17	\$35,785
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	<b>Pending</b>	Pending	\$402,912
	<b>Contract Modification Total:</b>			<b>\$418,560</b>
	<b>Original Contract Amount:</b>	<b>07/13/16</b>		<b>\$2,341,648</b>
	<b>Total:</b>			<b>\$2,760,208</b>

## DEOD SUMMARY

## CONSOLIDATED AUDIT FOR FISCAL YEARS 2016-2020/PS4488900

**A. Small Business Participation**

Vazquez & Company, LLP made a 27% Small Business Enterprise (SBE) and 3% Disabled Veterans Business Enterprise (DVBE) commitment. The project is 35% complete. Vazquez & Company, LLP is currently exceeding their SBE and DVBE commitment with a 28.18% SBE and 3.20% DVBE participation.

<b>Small Business Commitment</b>	<b>27% SBE 3% DVBE</b>	<b>Small Business Participation</b>	<b>28.18% SBE 3.20% DVBE</b>
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	<b>SBE Subcontractors</b>	<b>% Committed</b>	<b>Current Participation<sup>1</sup></b>
1.	BCA Watson Rice, LLP	27%	28.18%
	<b>Total</b>	<b>27%</b>	<b>28.18%</b>

	<b>DVBE Subcontractors</b>	<b>% Committed</b>	<b>Current Participation<sup>1</sup></b>
1.	Daniel R. Arguello	3%	3.20%
	<b>Total</b>	<b>3%</b>	<b>3.20%</b>

<sup>1</sup>Current Participation = Total Actual amount Paid-to-Date to DBE firms ÷ Total Actual Amount Paid-to-date to Prime.

**B. Living Wage and Service Contract Worker Retention Policy Applicability**

The Living Wage and Service Contract Worker Retention Policy (LW/SCWRP) 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.