

**Board Report**

---

**File #:** 2020-0250, **File Type:** Contract

**Agenda Number:** 16.

---

**FINANCE, BUDGET AND AUDIT COMMITTEE  
APRIL 15, 2020**

**SUBJECT: ANNUAL FINANCIAL AND COMPLIANCE AUDITS OF METRO AND ITS  
COMPONENT UNITS**

**ACTION: AWARD CONTRACT**

**RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to award a five-year, firm fixed-price Contract No. PS64807000 to Crowe LLP to provide Annual Financial and Compliance Audit Services in the amount of \$1,836,135 effective April 24, 2020, subject to resolution of protest(s), if any.

**ISSUE**

Metro is required to have an independent Certified Public Accountant firm perform annual financial and compliance audits. The audit reports are submitted to funding partners and to financing institutions relative to Metro bond issues. The recommended contractor shall begin with the audit of Metro's financial statements and component units starting fiscal year ending June 30, 2020.

**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);
- Crenshaw Project Corporation (CPC); and
- National Transit Database (NTD).

The firm is also required to provide a management report which 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.

**DETERMINATION OF SAFETY IMPACT**

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

**FINANCIAL IMPACT**

Funding of \$342,410 for the contracted services will be appropriated in the FY2021 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 expense.

**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. PS64807000 to Crowe LLP for annual financial and compliance audits, effective April 10, 2020.

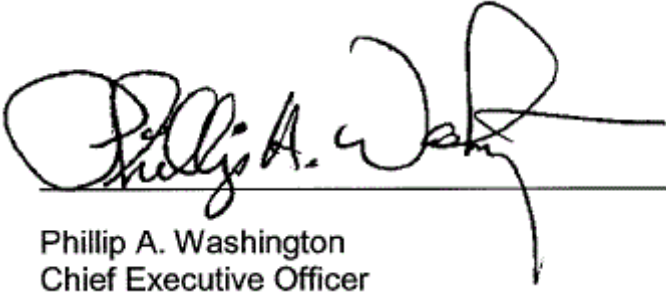
**ATTACHMENT**

Attachment A - Procurement Summary

Attachment B - DEOD Summary

Prepared by: Lauren Choi, Interim Sr. Director, Audit, (213) 922-3926

Reviewed by: Shalonda Baldwin, Interim Chief Auditor, (213) 418-3265  
Debra Avila, Chief Vendor/Contract Management Officer  
(213) 418-3051



Phillip A. Washington  
Chief Executive Officer

## PROCUREMENT SUMMARY

ANNUAL FINANCIAL AND COMPLIANCE AUDITS OF METRO AND ITS  
COMPONENT UNITS

|    |   |  |
|----|---|--|
| 1. | <b>Contract Number:</b> PS64807000  |  |
| 2. | <b>Recommended Vendor:</b> Crowe LLP  |  |
| 3. | <b>Type of Procurement (check one):</b> <input type="checkbox"/> IFB <input checked="" type="checkbox"/> RFP <input type="checkbox"/> RFP-A&E<br><input type="checkbox"/> Non-Competitive <input type="checkbox"/> Modification <input type="checkbox"/> Task Order |  |
| 4. | <b>Procurement Dates:</b>   |  |
|    | <b>A. Issued:</b> September 3, 2019   |  |
|    | <b>B. Advertised/Publicized:</b> September 5, 2019  |  |
|    | <b>C. Pre-Proposal Conference:</b> September 11, 2019   |  |
|    | <b>D. Proposals Due:</b> September 30, 2019   |  |
|    | <b>E. Pre-Qualification Completed:</b> February 13, 2020  |  |
|    | <b>F. Conflict of Interest Form Submitted to Ethics:</b> October 2, 2019  |  |
|    | <b>G. Protest Period End Date:</b> March 23, 2020   |  |
| 5. | <b>Solicitations Picked up/Downloaded:</b><br>26  | <b>Bids/Proposals Received:</b><br>4       |
| 6. | <b>Contract Administrator:</b><br>Greg Baker  | <b>Telephone Number:</b><br>(213) 922-7577 |
| 7. | <b>Project Manager:</b><br>Lauren Choi  | <b>Telephone Number:</b><br>(213) 922-3926 |

**A. Procurement Background**

This Board Action is to approve the award of Contract No. PS64807000 to Crowe LLP to perform financial and compliance audits of Metro and its 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); Crenshaw Project Corporation (CPC); and the National Transit Database (NTD). Board approval of contract awards are subject to resolution of any properly submitted protest.

On September 3, 2019, Request for Proposal (RFP) No. PS64807 was issued in accordance with Metro's Acquisition Policy. The contract type is firm fixed price. This RFP was issued with a DBE goal of 6%.

No amendments were issued during the solicitation phase of this RFP.

A pre-proposal conference was held on September 11, 2019 and was attended by five participants representing four firms. There were 22 questions received, and Metro provided responses prior to the proposal due date.

A total of 26 firms downloaded the RFP and were included in the planholders' list. A total of four proposals were received on September 30, 2019 from firms listed below in alphabetical order:

1. Crowe LLP
2. Macias, Gini & O'Connell LLP
3. Moss Adams LLP
4. Vasquez & Company LLP

## **B. Evaluation of Proposals**

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

On October 1, 2019, the PET met to review the evaluation criteria package, process confidentiality and conflict of interest forms and take receipt of the four proposals to initiate the evaluation phase. Evaluations were conducted from October 1, 2019 through October 14, 2019.

The proposals were initially evaluated based on pass/fail minimum qualifications criteria to determine proposals that are "technically acceptable". The pass/fail criteria included years of experience as a Certified Public Accountant (CPA) firm doing business in the State of California and satisfactory Peer Review Report within the last 3 years showing compliance with Generally Accepted Government Auditing Standards (GAGAS).

The PET determined that all four firms passed the minimum qualification requirements and continued to evaluate proposals based on the following weighted evaluation criteria:

- |  |            |
|--|------------|
| • Degree of the Skills and Experience    | 35 Percent |
| • Understanding of the Scope of Services | 25 Percent |
| • Effectiveness of Execution Plan        | 10 Percent |
| • Cost Proposal                          | 30 Percent |

The evaluation criteria are appropriate and consistent with criteria developed for similar financial and compliance audit procurements. Several factors were considered when developing these weights, giving the greatest importance to the degree of the skills and experience of the firm and its key personnel.

On October 14, 2019, the PET reconvened and determined that of the four proposals deemed "technically acceptable", three were within the competitive range; one firm was determined outside the competitive range and was not included for further consideration. The three firms within the competitive range are listed below in alphabetical order:

1. Crowe LLP
2. Macias, Gini & O'Connell LLP
3. Moss Adams LLP

On November 1, 2019, oral presentations were held with the three firms within the competitive range. The project managers and key team members from each firm were invited to present their firm's respective qualifications and respond to the PET's questions.

In general, each team provided an overview of existing clientele, presented the industry experience of each team member, proposed commitment to the project and existing engagements that may impact work performance on this contract. The team also discussed their existing process in performing audits particularly in handling changes in reporting requirements and resolving disagreements with auditees/clients regarding preliminary findings and recommendations.

### **Qualifications Summary of Firms within the Competitive Range:**

#### **Crowe LLP**

Crowe LLP is a CPA firm with a well-rounded breadth and depth of public transit experience, including external audit, risk management, performance improvement, and financial advisory and forensic services. The firm has been in business for more than 50 years and currently provides financial and compliance audit services to Metro. It has provided financial and compliance audit services to numerous entities in the private and public sector. Clients include Southern California Rail Authority, Washington Metropolitan Area Transportation Authority, Dallas Area Rapid Transit, and Chicago Transit Authority.

#### **Macias, Gini & O'Connell LLP**

Macias, Gini & O'Connell LLP, established in 1987, is headquartered in Sacramento, California. It is a CPA and advisory firm with extensive experience working with public agency clients on financial, operational, performance, and information technology engagements. Clients include Los Angeles World Airports, San Francisco Bay Area Rapid Transit District, City of Santa Monica (Big Blue Bus), and Burbank-Glendale-Pasadena Airport Authority.

#### **Moss Adams LLP**

Moss Adams LLP, founded in 1913 is headquartered in Seattle, Washington. It serves as auditors for several regional transit agencies, including Sound Transit, King County Metro Transit, Community Transit, and Tri-Met. It performs annual

compliance audits of federal and state funding subsidies, agreed-upon procedures engagements specific to NTD reporting, and various consulting projects.

At the conclusion of the oral presentations, Crowe LLP was determined to be the top ranked firm. Negotiations of terms and conditions with the firm commenced in November 2019 and concluded in February 2020.

A summary of the PET scores is provided below:

| 1  | Firm                                    | Average Score | Factor Weight  | Weighted Average Score | Rank     |
|----|---|---------------|----------------|------------------------|----------|
| 2  | <b>Crowe LLP</b>                        |               |                |                        |          |
| 3  | Degree of the Skills and Experience     | 94.46         | 35.00%         | 33.06                  |          |
| 4  | Understanding of the Scope of Services  | 90.68         | 25.00%         | 22.67                  |          |
| 5  | Effectiveness of Execution Plan         | 85.00         | 10.00%         | 8.50                   |          |
| 6  | Cost Proposal                           | 100.00        | 30.00%         | 30.00                  |          |
| 7  | <b>Total</b>                            |               | <b>100.00%</b> | <b>94.23</b>           | <b>1</b> |
| 8  | <b>Macias, Gini &amp; O'Connell LLP</b> |               |                |                        |          |
| 9  | Degree of the Skills and Experience     | 87.77         | 35.00%         | 30.72                  |          |
| 10 | Understanding of the Scope of Services  | 84.68         | 25.00%         | 21.17                  |          |
| 11 | Effectiveness of Execution Plan         | 77.50         | 10.00%         | 7.75                   |          |
| 12 | Cost Proposal                           | 96.87         | 30.00%         | 29.06                  |          |
| 13 | <b>Total</b>                            |               | <b>100.00%</b> | <b>88.70</b>           | <b>2</b> |
| 14 | <b>Moss Adams LLP</b>                   |               |                |                        |          |
| 15 | Degree of the Skills and Experience     | 78.87         | 35.00%         | 27.60                  |          |
| 16 | Understanding of the Scope of Services  | 69.32         | 25.00%         | 17.33                  |          |
| 17 | Effectiveness of Execution Plan         | 74.20         | 10.00%         | 7.42                   |          |
| 18 | Cost Proposal                           | 82.97         | 30.00%         | 24.89                  |          |
| 19 | <b>Total</b>                            |               | <b>100.00%</b> | <b>77.24</b>           | <b>3</b> |

### C. Cost/Price Analysis

The recommended price has been determined to be fair and reasonable based upon adequate price competition, price analysis and technical analysis. Metro's independent cost estimate (ICE) is higher than the recommended price because it was based on historical cost which included an optional audit task that is not

included in the current Statement of Work. Further, the ICE assumed the high-end of labor rates available in the market.

|    | <b>Proposer Name</b>         | <b>Proposal Amount</b> | <b>Metro ICE</b> | <b>Award Amount</b> |
|----|------------------------------|------------------------|------------------|---------------------|
| 1. | Crowe LLP                    | \$1,836,135            | \$4,090,330      | <b>\$1,836,135</b>  |
| 2. | Macias, Gini & O'Connell LLP | \$1,895,341            | \$4,090,330      | N/A                 |
| 3. | Moss Adams LLP               | \$2,212,940            | \$4,090,330      | N/A                 |

**D. Background on Recommended Contractor**

The recommended firm, Crowe, LLP (Crowe) is headquartered in Chicago, IL. It is a multinational professional services network consisting of more than 220 offices with over 42,000 employees in 13 countries.

Crowe provides audit, tax, consulting, enterprise risk and financial advisory services. Crowe has been providing financial and compliance audit services to Metro since 2015 and performance has been satisfactory.

Crowe's team includes one DBE subcontractor: Qui Accountancy which shall assist in providing annual financial and compliance audits.

The proposed Lead Engagement Partner and Managing Director have over 44 years of combined accounting experience, that is centered primarily on public transportation.



## DEOD SUMMARY

**ANNUAL FINANCIAL AND COMPLIANCE AUDITS OF METRO AND ITS  
COMPONENT UNITS / PS64807000**

**A. Small Business Participation**

The Diversity and Economic Opportunity Department (DEOD) established a 6% Disadvantaged Business Enterprise (DBE) goal for this solicitation. Crowe LLP exceeded the goal by making a 16.01% DBE commitment.

|                            |               |                                  |                   |
|----------------------------|---------------|----------------------------------|-------------------|
| <b>Small Business Goal</b> | <b>6% DBE</b> | <b>Small Business Commitment</b> | <b>16.01% DBE</b> |
|----------------------------|---------------|----------------------------------|-------------------|

|    | <b>DBE Subcontractor</b>    | <b>% Committed</b> |
|----|-----------------------------|--------------------|
| 1. | Qui Accountancy Corporation | 16.01%             |
|    | <b>Total Commitment</b>     | <b>16.01%</b>      |

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

The Living Wage / 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. Project Labor Agreement/Construction Careers Policy is applicable only to construction contracts that have a construction contract value in excess of \$2.5 million.