



## Board Report

File #: 2021-0178, File Type: Contract

Agenda Number: 5.

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### FINANCE, BUDGET AND AUDIT COMMITTEE MAY 19, 2021

**SUBJECT: CONSOLIDATED AUDIT FOR FISCAL YEARS 2021-25**

**ACTION: APPROVE CONTRACT AWARD**

#### RECOMMENDATION

AUTHORIZE the Chief Executive Officer to:

- A. AWARD a five-year, firm fixed price Contract No. PS71091000, to Vasquez and Company, LLP (Vasquez) to perform Consolidated Financial and Compliance Audit of the programs, jurisdictions and agencies listed in Attachment C (Package A) for fiscal years (FY) 2021 - 2025 in the amount of \$2,506,618.26, effective July 1, 2021, subject to resolution of protest(s) if any; and
- B. AWARD a five-year, firm fixed price Contract No. PS71091001, to Simpson and Simpson, LLP (Simpson) to perform Consolidated Financial and Compliance Audit of the programs, jurisdictions and agencies listed in Attachment D (Package B) for fiscal years (FY) 2021 -2025 in the amount of \$2,955,150, effective July 1, 2021, subject to resolution of protest(s), if any.

#### ISSUE

As the Regional Transportation Planner for Los Angeles County, the Los Angeles County Metropolitan Transportation Authority (Metro) is responsible for planning, programming, and allocating transportation funding to Los Angeles County jurisdictions, transit operators, and other transportation programs. Metro has the fiduciary responsibility to provide assurance that recipients of funds included in the Consolidated Audit adhere to the statutes, program guidelines, and/or agreements with each applicable funding source and that operations data used to allocate funds are fair and are in accordance with Federal Transit Administration (FTA) guidelines.

The consolidated audit process includes 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) Measure M Local Return
  - e) Transit Development Act (TDA) Article 3
  - f) Transit Development Act (TDA) Article 8
  - g) Proposition A Discretionary Incentive Program

2. Transit System Funds to Commerce, Redondo Beach, and Torrance
  - a) Transit Development Act (TDA) Article 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 20% Bus Operations
  - g) Measure M 20% Transit Operations
3. Proposition A 40% Discretionary - Growth Over Inflation (GOI) Funds to the transit system operators of LADOT, Glendale, Pasadena, and Burbank
4. Fare Subsidies Programs
  - a) Low Income Fare is Easy (LIFE)
  - b) Support for Homeless Re-Entry (SHORE) Program
5. SCRRRA Metrolink Program
6. Access Services
7. EZ Transit Pass Program
8. LADOT Operating Data (Proposition A Incentive Programs)

Metro allocates over \$650 million annually to the stated programs and distributes to the 88 cities (Cities) in Los Angeles County including the County of Los Angeles (County), and other agencies. Annual audits of the programs ensure that the agencies comply with the applicable rules, regulations, policies, guidelines and executed memorandums of understanding (MOU). The audits also serve as a program management tool for effectively managing and administering the programs.

Vasquez and Simpson will perform the financial and compliance audits to provide reasonable assurance to management whether recipients of subsidies included in the Consolidated Audit are adhering to the statutes of each applicable funding source. The audits will be conducted in accordance with generally accepted government auditing standards and will meet the American Institute of Certified Public Accountants' Standards. In performing these audits, Vasquez and Simpson will report on management deficiencies where noted, and report on findings that may result in funds being returned to Metro based on trades or exchange of funds, unused and lapsed funds, and disallowable expenditures.

### **DISCUSSION**

The Consolidated Audit Project is divided into two separate packages (Package A and Package B) based primarily on the district geographic location, which creates a more efficient audit process by streamlining the number of audits performed by one firm.

### **DETERMINATION OF SAFETY IMPACT**

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

### **FINANCIAL IMPACT**

Funding of \$1,079,728 for the audit services was requested in Management Audit Services' FY2022 budget in cost center 2510 under project numbers 100055, 100058 and 405510. Management Audit Services Department will be accountable for budgeting the costs in future years recognizing this a multi-year contract.

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**IMPACT TO BUDGET**

The source of funds for Project 100055 is Measure R administration. The fund is not eligible for bus/rail operating or capital expense. The source of funds for Project 100058 is Measure M administration. The fund is not eligible for bus/rail operating or capital expense. The source of funds for Project 405510 is Other P&P Planning. The fund is 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 state laws and federal provisions require that audits be conducted on the allocated funds. The Consolidated Audit process addresses the requirements and plays a major role in the continued implementation, management, and administration of the funding programs.

**NEXT STEPS**

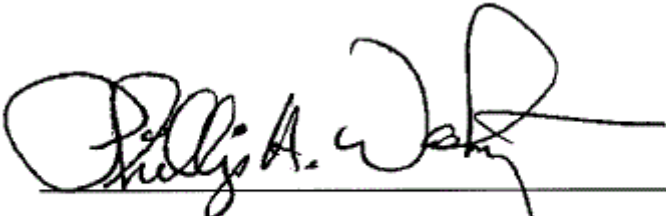
Upon Board approval, staff will execute Contract No. PS71091000 with Vasquez and Company, LLP, and Contract No. PS71091001 with Simpson and Simpson, LLP, for the Consolidated Financial and Compliance Audits for Fiscal Years 2021 - 2025, effective July 1, 2021.

**ATTACHMENT**

- Attachment A - Package A
- Attachment B - Package B
- Attachment C - Procurement Summary
- Attachment D - DEOD Summary

Prepared by: Lauren Choi, Sr. Director, Audit (Interim), (213) 922-3926  
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(213) 418-3051



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Phillip A. Washington  
Chief Executive Officer



List of Jurisdictions/Agencies and Funding Sources

PACKAGE A Jurisdictions/Agencies	Local Funding						EZ Pass	Transit Funding					Fare Subsidy Programs		Package A
	Prop A Local Return	Prop C Local Return	MR Local Return	Measure M Local Return	Article 3	Article 8		Prop A Incentive	Transit System Funds	Proposition A GOI Funds	Metrolink Program	Access Services	SHORE	LIFE	
City of Agoura Hills	.	.	.	.	.		.							.	
Antelope Valley Transit Authority							.	.						.	
City of Azusa	.	.	.	.	.		.							.	
City of Baldwin Park	.	.	.	.	.		.							.	
City of Bell	.	.	.	.	.		.							.	
City of Bell Gardens	.	.	.	.	.		.							.	
City of Beverly Hills	.	.	.	.	.		.							.	
City of Calabasas	.	.	.	.	.		.							.	
City of Carson	.	.	.	.	.		.							.	
City of Commerce	.	.	.	.	.		.	.						.	
City of Compton	.	.	.	.	.		.		.					.	
City of Cudahy	.	.	.	.	.		.							.	
City of Culver City	.	.	.	.	.		.							.	
City of El Monte	.	.	.	.	.		.							.	
City of Gardena	.	.	.	.	.		.	.						.	
City of Hawthorne	.	.	.	.	.		.							.	
City of Hidden Hills	.	.	.	.	.		.							.	
City of Huntington Park	.	.	.	.	.		.							.	
City of Industry	.	.	.	.	.		.							.	
City of Inglewood	.	.	.	.	.		.							.	
City of Irwindale	.	.	.	.	.		.							.	
City of La Puente	.	.	.	.	.		.							.	
City of Lawndale	.	.	.	.	.		.							.	
County of Los Angeles	.	.	.	.	.	.	.	.						.	
City of Lynwood	.	.	.	.	.		.							.	
City of Malibu	.	.	.	.	.		.							.	
City of Maywood	.	.	.	.	.		.							.	
City of Montebello	.	.	.	.	.		.							.	
City of Monterey Park	.	.	.	.	.		.							.	
City of Pico Rivera	.	.	.	.	.		.							.	
City of Pomona	.	.	.	.	.		.							.	
Pomona Valley Transportation Authority							.	.						.	
City of Rosemead	.	.	.	.	.		.							.	
City of San Fernando	.	.	.	.	.		.							.	
City of Santa Fe Springs	.	.	.	.	.		.							.	
City of Santa Monica	.	.	.	.	.		.							.	
City of South El Monte	.	.	.	.	.		.							.	
City of South Gate	.	.	.	.	.		.							.	
City of Vernon	.	.	.	.	.		.							.	
City of Walnut	.	.	.	.	.		.							.	
City of West Hollywood	.	.	.	.	.		.							.	
City of Westlake Village	.	.	.	.	.		.							.	
SCRRA - Metrolink Program										.				.	
Access Services											.			.	
	40	40	39	39	39	1	8	28	1	0	1	1	0	0	44

PACKAGE B Jurisdictions/Agencies	Local Funding						EZ Pass	Transit Funding					Fare Subsidy Programs		Package B
	Prop A Local Return	Prop C Local Return	MR Local Return	Measure M Local Return	Article 3	Article 8		Prop A Incentive	Transit System Funds	Proposition A GOI Funds	MetroLink Program	Access Services	SHORE	LIFE	
City of Alhambra	*	*	*	*	*	*		*							*
City of Arcadia	*	*	*	*	*	*	*								*
City of Artesia	*	*	*	*	*	*		*							*
City of Avalon	*	*	*	*	*	*									*
City of Bellflower	*	*	*	*	*	*		*							*
City of Bradbury	*	*	*	*	*	*									*
City of Burbank	*	*	*	*	*	*	*	*		*					*
City of Cerritos	*	*	*	*	*	*		*							*
City of Claremont	*	*	*	*	*	*	*								*
City of Covina	*	*	*	*	*	*		*							*
City of Diamond Bar	*	*	*	*	*	*									*
City of Downey	*	*	*	*	*	*		*							*
City of Duarte	*	*	*	*	*	*		*							*
City of El Segundo	*	*	*	*	*	*									*
Foothill Transit							*								*
City of Glendale	*	*	*	*	*	*	*	*		*					*
City of Glendora	*	*	*	*	*	*		*							*
City of Hawaiian Gardens	*	*	*	*	*	*									*
City of Hermosa Beach	*	*	*	*	*	*									*
City of La Canada Flintridge	*	*	*	*	*	*									*
City of La Habra Heights	*	*	*	*	*	*									*
City of La Mirada	*	*	*	*	*	*									*
City of La Verne	*	*	*	*	*	*									*
City of Lakewood	*	*	*	*	*	*									*
LADOT							*			*					*
City of Lancaster	*	*	*	*	*	*	*								*
City of Lomita	*	*	*	*	*	*									*
City of Long Beach	*	*	*	*	*	*	*								*
City of Los Angeles City	*	*	*	*	*	*		*							*
Los Angeles World Airports							*								*
City of Manhattan Beach	*	*	*	*	*	*		*							*
City of Monrovia	*	*	*	*	*	*		*							*
City of Norwalk	*	*	*	*	*	*	*								*
City of Palmdale	*	*	*	*	*	*									*
City of Palos Verdes Estates	*	*	*	*	*	*	*	*							*
City of Paramount	*	*	*	*	*	*									*
City of Pasadena	*	*	*	*	*	*	*	*		*					*
City of Rancho Palos Verdes	*	*	*	*	*	*									*
City of Redondo Beach	*	*	*	*	*	*	*	*	*						*
City of Rolling Hills	*	*	*	*	*	*									*
City of Rolling Hills Estates	*	*	*	*	*	*									*
City of San Dimas	*	*	*	*	*	*									*
City of San Gabriel	*	*	*	*	*	*									*
City of San Marino	*	*	*	*	*	*									*
City of Santa Clarita	*	*	*	*	*	*	*	*							*
City of Sierra Madre	*	*	*	*	*	*									*
City of Signal Hill	*	*	*	*	*	*									*
City of South Pasadena	*	*	*	*	*	*		*							*
City of Temple City	*	*	*	*	*	*									*
City of Torrance	*	*	*	*	*	*	*	*	*						*
City of West Covina	*	*	*	*	*	*		*							*
City of Whittier	*	*	*	*	*	*		*							*
Fame Assistance Corp.													*		*
Int'l Institute of LA												*	*		*
Shelter Partnership- SHORE												*			*
	49	49	49	49	49	4	14	20	2	4	0	0	1	2	55

## PROCUREMENT SUMMARY

## CONSOLIDATED AUDITS / PS71091000 and PS71091001

1.	<b>Contract Number A: PS71091000</b> <b>Contract Number B: PS71091001</b>	
2.	<b>Recommended Vendor Package A:</b> Vasquez and Company, LLP <b>Recommended Vendor Package B:</b> Simpson and Simpson, LLP	
3.	<b>Type of Procurement (check one):</b> <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.	<b>Procurement Dates:</b>	
	<b>A. Issued:</b> October 28, 2020	
	<b>B. Advertised/Publicized:</b> October 28, 2020	
	<b>C. Pre-Proposal Conference:</b> November 6, 2020	
	<b>D. Proposals Due:</b> December 8, 2020	
	<b>E. Pre-Qualification Completed:</b> March 11, 2021	
	<b>F. Conflict of Interest Form Submitted to Ethics:</b> February 10, 2021	
	<b>G. Protest Period End Date:</b> May 24, 2021	
5.	<b>Solicitations Picked up/Downloaded:</b>  27	<b>Bids/Proposals Received:</b>  3
6.	<b>Contract Administrator:</b> Greg Baker	<b>Telephone Number:</b> (213) 922-7577
7.	<b>Project Manager:</b> Lauren Choi	<b>Telephone Number:</b> (213) 922-3926

**A. Procurement Background**

This Board action is to approve the award of Contract No. PS71091000 to Vasquez and Company, LLP (Vasquez) and Contract No. PS71091001 to Simpson and Simpson, LLP (Simpson) to perform consolidated financial and compliance audits of programs, jurisdictions and agencies listed in Packages A and B for fiscal years (FY) 2021 – 2025, respectively, in order to provide assurances that recipients of subsidies are adhering to the statutes of each applicable funding source. Board approval of contract awards are subject to resolution of any properly submitted protest(s).

The scope of services to be provided are divided into two separate packages (Package A and B) based primarily on the geographical locations of the agencies to be audited.

On October 28, 2020, Request for Proposals (RFP) No. PS71091 was issued as a competitive negotiated procurement in accordance with Metro's Acquisition Policy and the contract type is firm fixed price. This RFP was issued with an SBE goal of 27% and DVBE goal of 3%.

The RFP allowed interested firms to propose on Package A, Package B, or both. However, the RFP stated that a proposer can only be awarded one package. This aims to streamline the audit process and to ensure that audit firms will be able to meet Metro' strict audit schedule.

One amendment was issued during the solicitation phase of this RFP:

- Amendment No. 1, issued on November 13, 2020 extended the proposal due date; revised the Submittal Requirements; and replaced Exhibit 2 Schedule of Quantities and Prices form.

A virtual pre-proposal conference was held on November 6, 2020. A total of 27 firms downloaded the RFP and were included in the planholders' list. A total of 14 questions were received, and Metro provided responses prior to the proposal due date.

A total of three proposals were received on December 8, 2020 and are listed below in alphabetical order:

1. Choi Hong Lee & Kang, LLP
2. Simpson & Simpson, LLP
3. Vasquez & Company, LLP

## **B. Evaluation of Proposals**

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

On December 9, 2020, the PET met to review the evaluation criteria package, process confidentiality and conflict of interest forms and take receipt of the three proposals to initiate the evaluation phase.

The proposals were initially evaluated based on the pass/fail criteria minimum qualifications criteria outlined in the RFP. The pass/fail requirements included years of experience as a Certified Public Accountant (CPA) firm doing business in the State of California and record of satisfactory Peer Review within the last three (3) years showing compliance with Generally Accepted Government Auditing Standards (GAGAS).

The PET determined that all three proposals passed the minimum qualification requirements and were further evaluated based on the following weighted evaluation criteria:

- |   |            |
|---|------------|
| • Qualifications of the Prime Contractor/Team | 20 Percent |
| • Qualifications of Proposed Key Personnel    | 20 Percent |
| • Understanding and Approach to the Work      | 30 Percent |
| • Cost Proposal                               | 30 Percent |



The evaluation criteria are appropriate and consistent with criteria developed for similar consolidated financial and compliance audit services procurements. Several factors were considered in developing these weights, giving the greatest importance to the understanding and approach to the work and cost.

Evaluations were conducted from December 9, 2020 to December 28, 2020. At the conclusion of the evaluation process, the PET determined that of the three proposals received, one firm was determined to be outside the competitive range and was not included for further consideration.

The two firms within the competitive range are listed below in alphabetical order:

1. Simpson & Simpson, LLP
2. Vasquez & Company, LLP

Each firm's proposal 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 PET determined Simpson to be the top ranked firm for both Package A and Package B. However, since a proposer cannot be awarded both packages as provided in the RFP, the PET recommended the award of Package A to Vasquez, the second highest ranking firm and Package B to Simpson, the top ranked firm.

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

#### **Simpson & Simpson, LLP**

Simpson established in 1976, is a local minority-owned firm of Certified Public Accountants. The firm specializes in comprehensive annual financial report, financial statement audits, audits of state and local governments, audits of non-profit organizations, performance audits, agreed upon procedures, compliance audits, single audits, and pension plans.

#### **Vasquez & Company, LLP**

Vasquez has been in business for over 50 years, and provides accounting, auditing and consulting services to government entities, private sector, not-for-profit organizations and to individuals. Its audit experience includes audit and advisory services to local municipalities, successor agencies to redevelopment agencies, water districts, transportation authorities, joint power authorities and airports. The firm is experienced in financial statement audits, uniform guidance audits, benefit plan audits and FAR compliance.

A summary of the PET scores for Package A is provided below:

1	Firm	Average Score	Factor Weight	Weighted Average Score	Rank
2	<b>Vasquez</b>				
3	Qualifications of the Prime Contractor/Team	88.90	20.00%	17.78	
4	Qualifications of Proposed Key Personnel	88.90	20.00%	17.78	
5	Understanding and Approach to the Work	85.57	30.00%	25.67	
6	Cost Proposal	3.00	30.00%	0.90	
7	<b>Total</b>		<b>100.00%</b>	<b>62.13</b>	<b>2</b>
8	<b>Simpson</b>				
9	Qualifications of the Prime Contractor/Team	93.35	20.00%	18.67	
10	Qualifications of Proposed Key Personnel	94.45	20.00%	18.89	
11	Understanding and Approach to the Work	91.10	30.00%	27.33	
12	Cost Proposal	3.13	30.00%	0.94	
13	<b>Total</b>		<b>100.00%</b>	<b>65.83</b>	<b>1</b>

A summary of the PET scores for Package B is provided below:

1	Firm	Average Score	Factor Weight	Weighted Average Score	Rank
2	<b>Simpson</b>				
3	Qualifications of the Prime Contractor/Team	93.35	20.00%	18.67	
4	Qualifications of Proposed Key Personnel	94.45	20.00%	18.89	
5	Understanding and Approach to the Work	91.10	30.00%	27.33	
6	Cost Proposal	3.07	30.00%	0.92	
7	<b>Total</b>		<b>100.00%</b>	<b>65.81</b>	<b>1</b>
8	<b>Vasquez</b>				
9	Qualifications of the Prime Contractor and Team	88.90	20.00%	17.78	
10	Qualifications of Proposed Key Personnel	88.90	20.00%	17.78	
11	Understanding and Approach to the Work	85.57	30.00%	25.67	

12	Cost Proposal	3.03	30.00%	0.91	
13	<b>Total</b>		<b>100.00%</b>	<b>62.14</b>	<b>2</b>

### C. Cost/Price Analysis

The recommended prices for Packages A and B have been determined to be fair and reasonable based on adequate price competition, technical evaluation, price analysis, independent cost estimate (ICE) and negotiations.

#### Package A

	Proposer Name	Proposal Amount	Metro ICE	Negotiated or Award
1.	Vasquez	\$2,506,618.26	\$3,228,314.00	\$2,506,618.26
2.	Simpson	\$2,399,950.00	\$3,228,314.00	N/A

#### Package B

	Proposer Name	Proposal Amount	Metro ICE	Negotiated or Award
1.	Simpson	\$3,035,200.00	\$3,248,781.00	\$2,955,150.00
2.	Vasquez	\$3,077,166.55	\$3,248,781.00	N/A

### D. Background on Recommended Contractors

#### Vasquez & Company, LLP (Package A)

Vasquez headquartered in Glendale, CA, is a full service Certified Public Accounting firm. It has been providing consolidated audit services to Metro under Package A for the last five years and performance has been satisfactory.

The Vasquez team includes one SBE subcontractor: BCA Watson Rice, LLP and one DVBE subcontractor: Daniel Arguello & Associates, which shall assist in providing auditing and accounting services.

The proposed Lead Partner has over 20 years of public accounting experience, centered on the public transportation industry.

#### Simpson & Simpson, LLP (Package B)

Simpson, based in Los Angeles, CA, has been providing consolidated audit services to Metro under Package B for the last five years and performance has been satisfactory.

The Simpson team includes one SBE subcontractor: Qui Accountancy and one DVBE subcontractor: Dennis Nelson, CPA, which shall assist in providing auditing and accounting services.

The proposed Lead Engagement Partner has over 30 years' experience auditing government and non-profit sectors.

## DEOD SUMMARY

## CONSOLIDATED AUDITS/PS71091000 and PS71091001

**A. Small Business Participation – Vasquez and Company**

The Diversity and Economic Opportunity Department (DEOD) established a 27% Small Business Enterprise (SBE) and 3% Disabled Veteran Business Enterprise (DVBE) goal for this solicitation. Vasquez and Company made a 27.04% SBE and 3.02% DVBE commitment.

**Package A:**

<b>Small Business Goal</b>	<b>27% SBE 3% DVBE</b>	<b>Small Business Commitment</b>	<b>27.04% SBE 3.02% DVBE</b>
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	<b>SBE Subcontractors</b>	<b>% Committed</b>
1.	BCA Watson Rice LLP	27.04%
	<b>Total SBE Commitment</b>	<b>27.04%</b>

	<b>DVBE Subcontractors</b>	<b>% Committed</b>
1.	Daniel R. Arguello & Associates	3.02%
	<b>Total DVBE Commitment</b>	<b>3.02%</b>

**B. Small Business Participation – Simpson and Simpson**

The Diversity and Economic Opportunity Department (DEOD) established a 27% Small Business Enterprise (SBE) and 3% Disabled Veteran Business Enterprise (DVBE) goal for this solicitation. Simpson and Simpson made a 30% SBE and 3% DVBE commitment.

**Package B:**

<b>Small Business Goal</b>	<b>27% SBE 3% DVBE</b>	<b>Small Business Commitment</b>	<b>30% SBE 3% DVBE</b>
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	<b>SBE Subcontractors</b>	<b>% Committed</b>
1.	QIU Accountancy Corporation	30%
	<b>Total SBE Commitment</b>	<b>30%</b>

	<b>DVBE Subcontractors</b>	<b>% Committed</b>
1.	Dennis Nelson CPA APC	3%
	<b>Total DVBE Commitment</b>	<b>3%</b>

**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.