

**Metro**

Los Angeles County
Metropolitan Transportation Authority

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REVISED
FINANCE, BUDGET AND AUDIT COMMITTEE
MARCH 18, 2015

SUBJECT: FINANCIAL AND COMPLIANCE AUDIT SERVICES

ACTION: AWARD CONTRACT

RECOMMENDATION

Authorize the Chief Executive Officer to award a five-year, firm fixed-price, Contract Number 3000002673, to Crowe Horwath, LLP (Crowe) for Metro Annual Financial Audit Services in the amount of \$1,866,086, for a four-year base period plus a one-year option term in the amount of \$467,009, for a total contract value of up to \$2,333,095.

ISSUE

We are required to have financial audits performed annually by an independent Certified Public Accountant firm. The audit reports are submitted to our funding partners annually and to financing institutions relative to our bond issues. The contract will be effective March 30, 2015 to transition with the incumbent contract that expires June 30. The Contractor will begin services with the audit of our financial statements and component units for the fiscal year ending June 30, 2015.

DISCUSSION

The scope of services includes the financial and compliance audit requirements of our agency and the component units including: Transportation Development Act (TDA); National Transit Database (NTD), Public Transportation Service Corporation (PTSC);, Service Authority for Freeway Emergencies (SAFE), State Transit Assistance Funds (STAF), and the A-133 Single Audit. The firm is also required to provide a management report which addresses any material weaknesses in Metro's accounting system and internal controls in the auditor's examination of Metro's books and records.

In addition to the tasks noted above the CPA firm may be called to perform other duties as needed by Management Audit.

Crowe is one of the largest public accounting and consulting firms internationally. In addition, Crowe is listed in INSIDE Public Accounting's 2014 Top 100 Accounting Firms. Crowe has been in business for more than 50 years and its services include audit, tax, risk, and financial advisory. It serves clients worldwide as an independent member of Crowe Horwath International, one of the largest global accounting networks in the world, consisting of more than 150 independent accounting and advisory services firms in more than 100 countries around the world.

Crowe's customers primarily consist of large and middle market public companies and large privately held businesses. Crowe has performed audit and consulting services for transportation agencies such as Washington Metropolitan Area Transportation Authority, Chicago Rapid Transit Authority, Dallas Area Rapid Transit, and Miami-Dade County Transit.

DETERMINATION OF SAFETY IMPACT

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

FINANCIAL IMPACT

Funding of \$466,687 for this service is included in the proposed FY16 budget in cost center 2510, Management Audit, under project numbers 100001, 100055 and 405510. In FY15, \$568,000 will be expended on this service. Since this is a multi-year contract, Management Audit will be accountable for budgeting the cost in future years, including any modifications exercised.

Impact to Budget

The source of funds for Project 100001 is General Overhead funds, comprised of Federal, State and local funds. This fund is eligible for bus and rail operating costs. The source of funds for Project 100055 is Measure R administration. This fund is not eligible for bus/rail operating or capital expense. The source of funds for Project 405510 is Other P&P Planning. This fund is not eligible for bus/rail operating or capital expense.

ALTERNATIVES CONSIDERED

No alternatives were considered, as laws and regulations require us to have financial and compliance audits performed annually by an independent Certified Public Accountant.

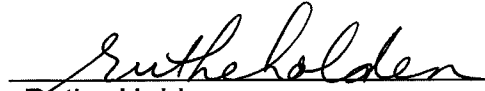
NEXT STEPS

Upon Board approval, the Contracting Officer will award the contract in accordance with Metro Acquisition Policy and Procedures.

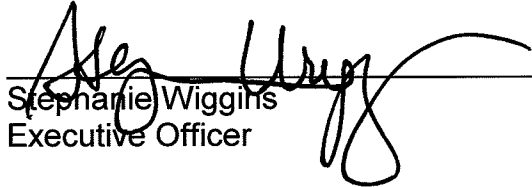
ATTACHMENT

A. Procurement Summary

Prepared by: Ruthe Holden, Chief Auditor
(213) 922-1031



Ruthe Holden
Chief Auditor



Stephanie Wiggins
Executive Officer



Arthur T. Leahy
Chief Executive Officer

PROCUREMENT SUMMARY

**METRO ANNUAL FINANCIAL AUDIT SERVICES
CONTRACT NO. 3000002673**

1.	Contract Number: 3000002673 (Formerly: RFP No. 2000000597)	
2.	Recommended Vendor: CROWE HORWATH, 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:	November 12, 2014
	B. Advertised/Publicized:	November 14, 2014
	C. Pre-proposal/Pre-Bid Conference:	November 25, 2014
	D. Proposals/Bids Due:	January 6, 2015
	E. Pre-Qualification Completed:	January 28, 2015
	F. Conflict of Interest Form Submitted to Ethics:	February 5, 2015
	G. Protest Period End Date:	February 27, 2015
5.	Solicitations Picked up/Downloaded: 25	Bids/Proposals Received: 4
6.	Contract Administrator: Barbara A. Gatewood	Telephone Number: (213) 922-7317
7.	Project Manager: Ruthe Holden	Telephone Number: (213) 922-1031

A. Procurement Background

This Board Action is to approve Contract No. 3000002673, (formerly, Request for Proposal No. 2000000597) issued in support of Metro Annual Financial Audit Services. This contract is for professional services to conduct an audit of the Comprehensive Annual Financial Report (CAFR); audit the Transportation Development Act (TDA) Financial Reports for Transit Operations and County-Wide Planning; complete the Single Audit Report on Federal grant activities National Transit Database (NTD) Compliance Audit for Metro operating and capital activities and provide a management report which addresses any material weaknesses in Metro's accounting system and internal controls in the auditor's examination of Metro's books and records. In addition to the tasks noted above, the firm may be called to perform other duties as needed by Management Audit.

The Request for Proposals (RFP) was issued in accordance with Metro's Acquisition Policy, and the procurement methodology is Technically Acceptable lowest price, and this is a Firm Fixed Price contract.

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

- Amendment No. 1, issued on December 23, 2014 clarified and provided a revised Attachment "A" to Form 60 Pricing Summary Form for Metro Annual Financial Audit Services project.

Advertisement of RFP No. 2000000597 for Metro Annual Financial Audit Services was published in both local and small and minority focus newspapers of general circulation on or after November 14, 2014 as well as on the Metro website. A Pre-Proposal conference for all interested proposers was conducted by staff on November 25, 2014. At the Pre-Proposal Conference, staff responded to the questions asked by proposers orally at the meeting, and in writing regarding the RFP Scope of Work, reporting processes, required deliverables, sampling and testing of programs, conducting research for Metro and staff coordination.

The original solicitation document listed the contract as four base years with three, one-year options for a total of seven years. In accordance with recommendations from the Government Finance Officers Association (GFOA) and recently adopted Procurement procedures, it was determined that the period of performance should be reduced to a five-year term, consisting of a four-year base plus a single, one-year option. This revised contract term conforms to the rotational cycle for independent auditors recommended by the GFOA.

B. Evaluation of Proposals/Bids

A total of four (4) proposers responded to this solicitation on January 6, 2015. A Proposal Evaluation Team (PET) consisting of staff from Metro's Management Audit Services and Accounting Department was convened and conducted a comprehensive technical evaluation of the proposals received.

The proposers were evaluated based on the criteria established in the RFP:

- Listed as one of the top national 100 CPA firms
- Acceptable peer review
- Ability to conduct financial research, knowledge of latest legislation of local/state and federal accounting procedures and processes applicable to government agencies, preferably in the transportation sector
- Subcontract with SBE(s)
- Staffing to meet the audit needs of Metro
- Able to provide financial consulting, training of staff
- Lowest price proposer

The evaluation criteria are appropriate and consistent with criteria developed for other, technically acceptable responsive and responsible lowest price procurements. Several factors were considered when developing the evaluation criteria for this RFP. Emphasis on the evaluation criteria was given to select a firm that had knowledge in performing audits for government agencies, is large enough to meet the numerous reporting deadlines, provide financial research, knowledge of latest legislation of

local/state and federal accounting procedures and processes applicable to government agencies.

Of the four (4) proposals received, the PET reviewed and evaluated all the proposals to determine if all of the firms were determined to be technically acceptable. The firms that responded to the RFP were as follows:

1. **Crowe Horwath LLP**, located at 15233 Ventura Boulevard, Ninth Floor, Sherman Oaks, CA 91403-2250 met the requirements of the RFP, and was determined to be the lowest priced contractor. This firm listed two subcontractors to participate with them under this RFP. One subcontractor is a Metro SBE certified contractor. Crowe has performed work for Metro under its CPA bench contract and for the Office of the Inspector General and has performed satisfactory.
2. **KPMG LLP** located at 550 S. Hope Street, Suite 1500, Los Angeles, CA 90071 met the requirements of the RFP. KPMG listed two subcontractors to participate with them under this RFP. Only one of these subcontractors is a certified SBE subcontractor. KPMG did not qualify for the SBE preference, nor were they the lowest priced contractor. KPMG has performed numerous assignments for Metro satisfactory, including being an audit firm on the Metro's CPA bench contract, and the incumbent contractor currently performing Metro's Annual Financial Audits since FY2007, and has performed satisfactory.
3. **MGO Certified Public Accountants**, located at 777 S. Figueroa Street, Suite 2500, Los Angeles, CA 90017 met the qualifications of the RFP, but was not the lowest priced contractor. This firm did not list an SBE firm to participate with them as a subcontractor for this RFP. MGO has performed work for Metro under its CPA bench and other assignments, and has performed satisfactory.
4. **Moss Adams LLP**, located at 10960 Wilshire Blvd, Suite 1100, Los Angeles, CA 90024 met the qualifications of the RFP, but was not the lowest priced contractor. This firm listed an SBE firm to participate with them as a subcontractor for this RFP. Moss has no history of performing work for Metro.

~~A five point SBE preference was given to all whose proposals meet the twenty five percent (25%) goal by subcontracting with SBE firms. Crowe and Moss Adams LLP either met or exceeded the SBE goal by listing Metro certified SBE firms in their proposal to obtain the five percent preference requirement in the RFP. KPMG listed two firms. Of the two firms listed, only one firm was a Metro SBE certified firm. Therefore, KPMG did not qualify to receive the five point preference. Neither Moss Adams LLP nor KPMG were the lowest priced contractors.~~

The following table lists the pricing as indicated by each proposer for the base price of four-years and a price for one single year option:

<u>Name of Firm</u>	<u>4-Year Base</u>	<u>1-Year Single Option</u>	<u>Total</u>
<u>CROWE HORWATH, LLP</u>	<u>\$ 1,866,086</u>	<u>\$ 467,009</u>	<u>\$ 2,333,095</u>
<u>MOSS ADAMS, LLP</u>	<u>\$ 2,005,621</u>	<u>\$ 541,407</u>	<u>\$ 2,547,028</u>
<u>MGO CERTIFIED PUBLIC ACCOUNTANTS</u>	<u>\$ 2,908,555</u>	<u>\$ 751,027</u>	<u>\$ 3,659,582</u>
<u>KPMG LLP</u>	<u>\$ 3,340,600</u>	<u>\$ 901,975</u>	<u>\$ 4,242,575</u>

In order to receive the recommendation of award of a contract for Metro's Annual Financial Audits project, each firms' proposal was reviewed to see if it met the minimum requirements of evaluation criteria established in the RFP. Failure to meet any of the criteria would render the proposer to be non-responsive to the requirements of the RFP. All firms met the minimum requirements. Award is being recommended to the firm who proposed the lowest price.

The PET determined through its evaluation of the proposals that the technically acceptable responsive and responsible, and the lowest price proposer, was Crowe Horwath LLP.

C. Cost/Price Analysis

The recommended price has been determined to be fair and reasonable based upon adequate competition, an independent cost estimate, and technical evaluation performed by the PET.

	Proposer Name	Proposal Amount	Metro ICE	Contract Amount
1	Crowe Horwath LLP	\$ 2,333,095	\$ 3,295,486	\$ 2,333,095

D. Background on Recommended Contractor

The recommended firm, Crowe, is one of the largest international public accounting and consulting firms. The firm has been in business for more than 50 years with practices in auditing, financial consulting for both private and public, and government agencies. Crowe exceeds \$5 million in annual gross receipts. Their local office is located at 15233 Ventura Boulevard, Ninth Floor, Sherman Oaks, CA 91403-2250. Metro will work with their local project team as well as with other consultants and accountants from its offices both locally and nationally.

Crowe is listed in INSIDE Public Accounting's 2014 Top 100 Accounting Firms. The firm uses its deep industry expertise to provide audit services to public and private entities while also helping clients reach their goals with tax, advisory, risk and performance services. Crowe has performed audit and consulting services for transportation agencies such as Washington Metropolitan Area Transportation Authority, Chicago Rapid Transit Authority, Dallas Area Rapid Transit and Miami-Dade County Transit. In addition, Crowe has extensive experience with performing professional services for the California State Teachers' Retirement System.

Crowe has knowledge and experience in adopting all applicable Governmental Accounting Standards Board, General Accounting Office, AICPA, EPA, FEMA, and Homeland Security grants.

Crowe's Project Manager, Scott R. Nickerson, is assigned to this project and is a partner in the firm. Mr. Nickerson is in a position to commit Crowe resources to meeting the needs of Metro. In addition to Crowe, the firm Vasquez and Company LLP of 801 S. Grand Avenue, Suite 400 Los Angeles, CA 90017-4646, and Qiu Accountancy Corporation, an SBE firm, located at 3580 Wilshire Blvd., Suite 1120, Los Angeles, CA 90011, will join the team as subcontractors for the services. Both Vasquez and Company and Qiu Accountancy have been in business for over 25 years and have performed satisfactory work for Metro.

E. Small Business Participation

The Diversity and Economic Opportunity Department (DEOD) established a 25% Small Business Enterprise (SBE) goal for this solicitation. Crowe Horwath LLP made a 25.01% SBE commitment.

SMALL BUSINESS GOAL	25% SBE	SMALL BUSINESS COMMITMENT	25.01% SBE
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	SBE Subcontractor	% Committed
1	Qiu Accountancy Corporation	25.01%
Total Commitment		25.01%

F. 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.

G. All Subcontractors Included with Recommended Contractor's Proposal

	Subcontractor	Services Provided
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1.	Qiu Accountancy Corporation	Various Tasks
2.	Vasquez and Company, LLP	Various Tasks