

**Metro****25****FINANCE AND BUDGET COMMITTEE
MARCH 17, 2005****SUBJECT: FINANCIAL AUDITS****ACTION: MODIFICATION 1 TO CONTRACT PS04511001 ANNUAL
FINANCIAL AUDIT OF LACMTA AND COMPONENT UNITS****RECOMMENDATION**

Authorize the Chief Executive Officer to execute modification No. 1 to Contract No. PS04511001 with PricewaterhouseCoopers, to provide additional National Transit Database (NTD) audits for local transit agencies in the amount of \$450,000 increasing the total contract value from \$1,596,367 to \$2,046,367.

RATIONALE

Contract No. PS04511001 is a five-year, labor rate contract for the financial and compliance audit requirements of Metro and component units, which include Public Transportation Services Corporation (PTSC), LACMTA Leasing Authority, PTSC-MTA Risk Management Authority (PRMA), Service Authority for Freeway Emergencies (SAFE), State Transit Assistance (STA), Benefits Assessment District (BAD) I, BAD II, NTD, and A-133 Single Audit. The audits ensure compliance with the Federal Transit Administration's (FTA) reporting procedures. FTA, under Section 15 of the Urban Mass Transportation Act of 1964, requires yearly audits of the NTD reports of all small local transit agencies to which Metro provides Proposition A & C subsidies. Twenty-eight NTD audits were included in the base contract, however, fifty-two such audits are required this year, and the number is expected to increase next year and in each of the option years of this contract. The yearly audits meet the requirements of FTA, and PricewaterhouseCoopers has agreed to perform the audits for additional agencies at \$3,500 per audit.

The reason for the year-to-year variation in the number of audits is that planning audits are completely voluntary; local transit agencies can begin or end their participation at will and usually inform Metro of their participation at the end of the year. As an incentive to participate in these voluntary audits, FTA grants additional transportation funds to the participating transit providers. Thus, it is in Metro's interest to encourage local transit providers to participate in the audits so that Los Angeles County transit providers obtain supplemental transportation funds from the FTA.

Metro's Planning Department continuously encourages Los Angeles County transit agencies to participate, thus maximizing the county's transit dollars.

FINANCIAL IMPACT

The \$3,500 per audit cost is passed on to the municipal transit providers. The cost of each audit is reimbursed to Metro from the Prop A (project 410057) subsidies Metro provides to the agencies. The cost center manager and Chief Financial Officer will be accountable for payment of multi-year funds to PricewaterhouseCoopers, as well as the reimbursement of funds.

IMPACTS TO OTHER CONTRACTS

This contract amendment will have no impact on other contracts.

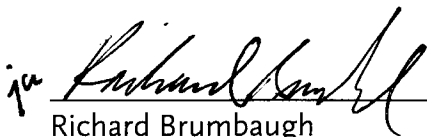
ALTERNATIVES CONSIDERED

The NTD audits are required by FTA to be performed by an independent Certified Public Accounting (CPA) firm. PricewaterhouseCoopers is the auditor of record, having provided Metro with satisfactory audit performance since 1989. The audits are an integral part of the contract awarded to PricewaterhouseCoopers. Therefore, it is not a viable alternative to have the audits performed either in-house or by another audit firm under a separate contract.

ATTACHMENT(S)

- 1. Attachment A – Procurement Summary

Prepared by: Josie Nicasio, Controller


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Chief Financial Officer


Roger Snoble
Chief Executive Office

**BOARD REPORT ATTACHMENT A-1
PROCUREMENT HISTORY**

FINANCIAL AUDIT OF MTA AND COMPONENT UNITS

A. Background on Contractor

PricewaterhouseCoopers LLP Los Angeles offices and its predecessor (Coopers Lybrand) has been providing auditing of financial reporting services for more than 20 years. PricewaterhouseCoopers has provided satisfactory annual auditing services to the Los Angeles County Metropolitan Transportation Authority since 1989. PricewaterhouseCoopers is one of the top five certified public accounting firms in the United States and also provides audit services to the Bay Area Rapid Transit District in San Francisco.

PricewaterhouseCoopers won the competitive procurement for Prop A and C and component units for the prior contract period from 1999 through 2002 as well as previous contracts for auditing and advisory services, such as actuarial services to the Risk Management Department.

B. Procurement Background

At the April, 2003 Board meeting, the Board awarded a negotiated procurement for the federally required outside audit services to PricewaterhouseCoopers, LLP (PWC) and their sub-contractor, Quezada and Company. Over the past two years, PWC and their sub-contractor have provided component audit services as required. The agency has identified additional components that require these audit services and an additional Not To Exceed amount is requested to pay for these services that are within the scope of the originally negotiated procurement.

PricewaterhouseCoopers and Quezada were requested to submit a firm, fixed unit rate proposal for the additional National Transit Database audits required.

The Diversity and Economic Opportunity Department identified a goal of 26% for the original procurement.

C. Evaluation of Proposals

PricewaterhouseCoopers and Quezada were requested to submit a proposal for the cost of the additional audits for the duration of the contract. The proposal was reviewed and determined to be acceptable per procurement policies and procedures. The rate of \$3,500 per audit was consistent with the number of the hours required per audit at the labor rates approved in the original contract.

D. Cost/Price Analysis Explanation of Variances

The recommended rate of \$3,500 per audit was determined to be fair and reasonable based upon historical pricing and project management technical knowledge of the audit process and similar pricing factors included in the initial contract.

**BOARD REPORT ATTACHMENT A
PROCUREMENT SUMMARY**

FINANCIAL AUDIT OF LACMTA AND COMPONENT UNITS

1.	Contract Number: PS 04-5110-01		
2.	Recommended Vendor: PricewaterhouseCoopers		
3.	Cost/Price Analysis Information:		
	A. Bid/Proposed Price: \$450,000	Recommended Price: \$450,000	
	B. Details of Significant Variances are in Attachment A-1.D		
4.	Contract Type: Labor Rate		
5.	Procurement Dates:		
	A. Issued: N/A		
	B. Advertised: N/A		
	C. Pre-proposal Conference: N/A		
	D. Proposals Due: N/A		
	E. Pre-Qualification Completed: March 18, 2003		
	F. Conflict of Interest Form Submitted to Ethics: March 18, 2003		
6.	Small Business Participation: N/A		
	A. Bid/Proposal Goal: 26%	Date Small Business Evaluation Completed: March 5, 2003	
	B. Small Business Commitment 26% Details are in Attachment A-2		
7.	Invitation for Bid/Request for Proposal Data: N/A		
	Notifications Sent:	Bids/Proposals Picked up:	Bids/Proposals Received:
8.	Evaluation Information:		
	A. Bidders/Proposers Names: PricewaterhouseCoopers	<u>Bid/Proposal Amount:</u> \$450,000	<u>Best and Final Offer Amount:</u> \$450,000
	B. Evaluation Methodology:		
9.	Protest Information:		
	A. Protest Period End Date: N/A		
	B. Protest Receipt Date: N/A		
	C. Disposition of Protest Date: N/A		
10.	Contract Administrator: Linda C. Wasley	Telephone Number: 922-4186	
11.	Project Manager: Josie Nicasio	Telephone Number: 922- 6810	

**BOARD REPORT ATTACHMENT A-2
LIST OF SUBCONTRACTORS**

**FINANCIAL AUDIT OF LACMTA AND COMPONENT UNITS
FINANCIAL AUDIT OF MTA AND COMPONENT UNITS**

PRIME CONTRACTOR – PricewaterhouseCoopers LLP

~~SMALL BUSINESS PARTICIPATION (CONTRACT No. PS-0451-101~~

This contract has a DBE participation commitment of **26%**. The contract was awarded in May 1, 2003 to PricewaterhouseCoopers LLP- and is 67 % complete for two years. Current DBE attainment based on the relevant contract amount is **16.6%**. Current DBE participation based on total actual amount paid-to-to the DBE firm is **44.7%**.

<u>Original Contract Amount</u>	\$1,596,366
<u>Relevant Contract Value</u>	\$1,596,366
<u>Total Actual Amount Paid to Date to Prime</u>	\$595,265

Subcontractor's Name	Commitment (To Date)	Current Attainment	Current Participation	Current Status
Quezada & Company	26.0%	16.6%	44.7%	Performing

Small Business Commitment ————— Other Subcontractors

Quezada and Company — 26.0%

Total Commitment — 26.0%