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MAY 20, 1997

REVISED: MAY 23, 1997



Los Angeles County
Metropolitan
Transportation
Authority

One Gateway Plaza
Los Angeles, CA
90012

213.922.6000

TO: BOARD OF DIRECTORS

FROM: LINDA BOHLINGER
INTERIM CHIEF EXECUTIVE OFFICER

SUBJECT: CONTRACT AUDIT BACKLOG
REDUCTION STRATEGY

RECOMMENDATION

Authorize the approval of a transfer of a not-to-exceed amount of \$150,000 for contract audit pool from the FY 1997 Board Contingency Account to Management Audit Services (MAS) to begin an enhanced work program in June 1997 to address the accumulating contract audit backlog.

ORGANIZATIONAL IMPACT

The growing backlog of contract audit work and increased workload involved in complying with the requirements of AB 1869 require a more aggressive approach and resource allocation. The recommended actions will provide MAS, beginning in June 1997, with additional resources necessary to successfully complete the current audit backlog and comply with AB 1869 mandates.

BUDGET IMPACT

The \$150,000 will be a one-time transfer of funds from the MTA Board Contingency Account, leaving a balance in that account of approximately \$2 million for the current fiscal year. The funds will be allocated to the use of MAS' current audit pool.

ALTERNATIVES CONSIDERED

The alternative of not increasing MAS resources would place the agency at risk of non-compliance with the requirements of AB 1869 and create a larger backlog of contract audits. The hiring of permanent full-time staff was considered but is not recommended at this time pending a review and report to the Audit Task Force and/or full Board in December, 1997 on the effectiveness of the recommended approach.

BACKGROUND

Currently, a substantial contract audit backlog exists as depicted in Exhibit I. These include incurred cost, closeout and pre-award audit requests received from the recently consolidated Procurement department. The backlog has been growing yearly, mirroring design and construction activity. The list of audits outstanding was developed and verified by the Procurement and Construction departments.

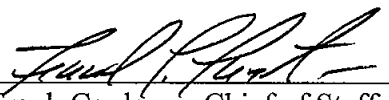
Additionally, audits of change orders over \$100,000 as required by Board policy and AB 1869 preclude the achievement of an acceptable audit backlog reduction rate. In recognition of this challenge, the Board by motion created an Audit Task Force to support and monitor staff progress in this area. This report responds to that Board motion. As indicated in Exhibit I, the backlog and change order activity can be addressed in succeeding years by increasing resource levels in FY 1998 and ratcheting down in succeeding years as the backlog is eliminated. A memo outlining a possible mix of full-time permanent employees, Temporary/Regular (defined as MTA hires under one year term agreements), contractors and staff from CPA firms is attached as Exhibit II. Also, attached is Exhibit III, which lists MAS' contract audit activity for FY 1996 and 1997 (to date), with identified questioned costs, estimated collection levels, and FY 1998 projected activity with new staffing allocation.

Based on discussions with MAS' two principal internal customers, Construction and Procurement, it is estimated that a staff resource level equal to 40 full-time equivalents (FTEs) will be necessary in FY 1998 to aggressively attack the accumulated audit backlog and timely address AB 1869 audit requirements. Staff recommends that the existing audit pool and temporary one-year hires be utilized to address the current audit backlog. This alternative is preferable as the length of the current recruitment and selection process for full-time permanent employees will significantly impact the speed at which the backlog could be addressed. In order to expedite the immediate implementation of the backlog reduction strategy in June 1997, it is requested that the Audit Task Force recommend to the Board the transfer of \$150,000 from the MTA Board Contingency Account which will be matched by a transfer of \$50,000 from the Chief of Staff's FY 1997 budget.

Beginning July 1997, the Human Resources Department will initiate the recruitment and selection process for a to-be-determined number of auditors hired on a one-year contract basis. In December 1997, in anticipation of FY 1999 budget development, staff will present a report to the Audit Task Force or other designated Board Committee on the progress achieved through the implementation of the backlog reduction strategy. Included in this report will be an analysis of the efficacy of utilizing non-permanent hires and recommendations concerning the appropriate mix of permanent full-time staff, contracted audit pool firms and one-year contracted hires.

Prepared by: Anthony J. Padilla

Approved:


Frank Cardenas, Chief of Staff

MASD Contract Audit Staffing Requirements: FY98-2000

AB1869 FY98 (hrs.)	AB1869 FY99 (hrs.)	AB1869 FY2000 (hrs.)	DESCRIPTION	Non-AB1869 FY98 (hrs.)	Non-AB1869 FY99 (hrs.)	Non-AB1869 FY2000 (hrs.)
			Close-out			
			There has never been a close-out of any contract Work Order (CWO) under the General Engineering Consultant Contract, E0070, also known as the Engineering Management Consultant (EMC) contract. We are three years behind the workload.			
			<ul style="list-style-type: none"> With the advent of the current revision to the EMC contract all 45 CWOs issued under the initial contract language will require close-out to permit conversion to the revised contract terms and conditions. 	2,250		
			<ul style="list-style-type: none"> There is potential cost recovery for all CWOs issued under the initial contract language but audit are required to establish a under run/over run determination. 			
			<ul style="list-style-type: none"> FTA has repeatedly requested close-out of the EastSide Preliminary Design CWO. 			
			Contract Change Notices			
			<ul style="list-style-type: none"> AB1869 requires all contractor changes over \$100K to have a fiscal audit. 			
			<ul style="list-style-type: none"> The current change control procedures, CF #10 and CF #11, require a fiscal audit prior to negotiations. 			
			<ul style="list-style-type: none"> All such audits must be accomplished before the Change Review Board can approve the negotiation position. 			
2,200			<ul style="list-style-type: none"> There are currently <u>55</u> Professional Service contract changes over \$100K. 			
			Annual Audit of Indirect Rates			
			<ul style="list-style-type: none"> The Construction Management (CM) Contracts provisions require that the indirect rates for the CM and it's subcontractors be established annually. 			
			Current Contracts Requiring Audit Support			
			Engineering Management Consultant, Contract No. E0070			
			(Three full time auditors requested for one year.)			
			2 prime and 4 principal subcontractors incurred cost audit for 1996, 1997, 1998.	960	960	960
			Greenline:			
			<ul style="list-style-type: none"> 2 CWOs require close-out. 	100		
			<ul style="list-style-type: none"> 5 subcontractor cost incurred audits required. 	600		

MASD Contract Audit Staffing Requirements: FY98-2000

			Pasadena Blue Line:			
			• 13 CWOs require close-out.	650		
			• CWOs require close-out		450	250
			• 8 subcontractor cost incurred audits required (2 in process).	720		
			• 8 subcontractor cost incurred audits required - 1997 & 1998		960	960
1,840			• Very high probability of cost recovery (\$3M).			
	1,200	1,000	• 46 CCNs over \$100K. 15 outstanding audit requests.			
			• CCNs over \$100K.			
			• Construction contracts will attempt negotiate all new CWOs as lump sum agreements.			
			• 5 Pre-award audits for Lump Sum subcontract.	250		
			• Pre-award audits for Lump Sum subcontract.		750	500
			Segment #2:			
			• 1 high dollar CWO require close-out.	50	50	50
			• 1 low dollar CWO require close-out.	50	50	50
			• 2 subcontractor cost incurred audits in process for 1995.	240		
			• 6 subcontract cost incurred audits for 1996.	720		
			• Subcontract cost incurred audits for 1997 & 1998.		480	240
1,760			• Probability of cost recovery (\$1M).			
	1,200	800	• 44 CCNs over \$100K. ? outstanding audit requests.			
			• CCNs over \$100K. ? outstanding audit requests.			
			• Cost transfer audit of \$4.8M to MRTC contract must be completed.	120		
			Segment #3 North Hollywood:			
			• 1 high dollar CWO require close-out.	50		
			• High dollar CWO require close-out		250	250
			• Subcontractor cost incurred audits required.	720	600	600
			• Probability of cost recovery?.			
1,240			• 31 CCNs over \$100K. 5 outstanding audit requests.			
	1,200	800	• CCNs over \$100K.			
			• Cost transfer audit of \$4.8M to MRTC contract must be completed.	120		

MASD Contract Audit Staffing Requirements: FY98-2000

			Eastside:			
			• 5 CWOs require close-out.	250	250	250
			• 3 pre-award audits outstanding for Lump Sum CWOs.	150		
			• 5 pre-award audits outstanding for Lump Sum CWOs.		250	250
200			• Probability of cost recovery?			
	750	500	• 5 CCNs over \$100K anticipated by the end of the fiscal year.			
			• CCNs over \$100K anticipated.			
			• Close-out required by FTA to demonstrate cost control.			
			PD - Construction Management Contractor, Contract No. 3369			
			Supports Segment #2 and Segment #3 System Design.			
			Four full time auditors are requested to support current activities.			
			Dedicated audit team to recover from 12 years of prior requirements.			
			Support ongoing litigation.			
			• Principals of joint venture never audited.	1,600	420	420
			• Commingled cost require separation.			
			• 13 Amendments require audit assistance for verification of current contract value.	650		
2,800			• Amendments require audit assistance for verification of current contract value.		250	250
	1,600	800	• 70 CCNs over \$100K (Segment #2). One CCN for \$4.8M.			
120			• CCNs over \$100K (Segment #2).			
	1,600	1,200	• 3 CCNs over \$100K (Segment #3). One CCN for \$4.3M delayed by audit.			
			• CCNs over \$100K (Segment #3).			
			• 12 ODC audits required for prior years.	600		
			• ODC audits required for prior years.		300	200
			• 9 subcontractor audits outstanding for multiple years (6).	1,440	1,080	1,080
			• Very high probability of cost recovery (\$5-\$20M).			
			• Forward pricing support: establish direct labor bands and indirect cost rates.	200	200	200
			MRTC, Contract No. 2297			
			• 20 disputed subcontractor audits need close-out support.	1,000		
			• Disputed subcontractor audits need close-out support.		300	
			• \$4.8M cost transfer form Segment #3.			

MASD Contract Audit Staffing Requirements: FY98-2000

			OKA - Construction Management Contractor, Contract No. MC001				
			Supports Green Line				
			• Close-out audit.				
			• 16 Close-out of subcontracts for multiple years.		2,560		
			• Disputed subcontractor audits need close-out support.			600	
			LKG - Configuration Management Contract No. CM001				
40			• 1 CCN over \$100K; audit in process.				
	100	100	• CCN over \$100K.				
			• 1995 & 1996 cost incurred audits.		160		
			• 1997 & 1998 cost incurred audits.			120	120
			• 3 subcontractor 1995 & 1996 cost incurred audits.		480		
			• 3 subcontractor 1997 & 1998 cost incurred audits.			360	360
			• Close-out audit in progress on prior contract.				
			LTK - Vehicle Design Services Contract No. E0001				
40	100	100	• 1 CCN over \$100K; audit in progress.				
			• 5 subcontractor 1994, 1995, & 1996 cost incurred audits.		700		
			• 5 subcontractor 1997 & 1998 cost incurred audits.			600	600
			• 1 prime 1994, 1995, & 1996 cost incurred audits.		160		
			• 1 prime 1997 & 1998 cost incurred audits.			140	140
			Padilla & Associates - Labor Compliance Contract No. SP001				
40	40	40	• 1 CCN over \$100K; audit in progress.				
			• Incurred cost 1997/1998 - prime			120	120
			• Incurred cost 1997/1998 - 3 subcontract			360	360

MASD Contract Audit Staffing Requirements: FY98-2000

			MTC - Construction Management Contractor, Contract No.			
			• 3 CWOs to the contract.	150		
			• CWOs to the contract.		250	250
			• 4 CWO revisions.	200		
			• 2 CWO revisions.		100	100
150		100	• 0 CCNs over \$100K require audit.			
			• Audit of indirect rates through 1995 promised to be completed by the end of April 1997. Audit is one year late with a potential cost recovery of \$360K.			
			• ODC audits for prime for past three years.	150	60	60
			• 3 joint venture cost incurred audits for 1996.	420		
			• 3 joint venture cost incurred audits for 1997 & 1998.		420	420
			• 1 joint venture cost incurred audit for 1995.	140		
			• 20 subcontractor incurred cost audits for 1996.	2,400		
			• 20 subcontractor incurred cost audits for 1997 & 1998.		1,800	1,800
			• 11 subcontractor incurred cost audit left for 1994-1995.	1,320		
			• Forward pricing support: establish direct labor bands and indirect cost rates.	200	200	200
			JMA - Construction Management Contractor			
			Segment #3, North Hollywood, Contract No. MC0047 (25% complete)			
			Segment #3, Eastside Extension, Contract No. MC0000 (Under negotiation)			
			Auditors are requested to assist in prevention of commingling of Project costs.			
40	200	200	• 1 CCN over \$100K for North Hollywood.			
	200	200	• TBD CCNs over \$100K for Eastside Extension.			
			• 4 Pre-Award audits remain unfinished for MC0047 (in process).			
			• 12 subcontract cost incurred audits for past two years.	1,920		
			• 12 subcontract cost incurred audits for 1997 & 1998.		1,440	1,440
			• 1 prime contractor needs forward pricing audit.		200	200
			• 4 subcontract forward pricing audits in process.	200	200	200
			• Forward pricing support: establish direct labor bands and indirect cost.	200	200	200
			• 3 Prime cost incurred audits for past two years	480		
			• 3 Prime cost incurred audits for 1997 & 1998.		420	420

MASD Contract Audit Staffing Requirements: FY98-2000

			Additional Audit Support Required			
			Yearly forward pricing of direct labor bands and indirect costs rates to support AB1869.			
			• Project Management Assistance Consultant Contract No. PM021.	50	50	50
			• Project Management Oversight Consultant Contract No. PM020.	50	50	50
			• CRSS CM for ADA Contract No. MC020.	50	0	0
			• Anil Verma & Assoc. CM for ADA Contract No. MC021.	50	0	0
			• Kabler Construction CM for ADA Contract No. MC022.	50	0	0
10,320 hrs. = 6.5 FTEs @ 1,600 hrs./FTE	8,340 hrs. = 5.2 FTEs @ 1,600 hrs./FTE	5,840 hrs. = 3.7 FTEs @ 1,600 hrs./FTE	TOTAL PROFESSIONAL CONSULTANTS	25,580 hrs. =16 FTEs @ 1,600 hrs./FTE	15,290 hrs. = 9.6 FTEs @ 1,600 hrs./FTE	13,600 hrs. = 8.5 FTEs @ 1,600 hrs./FTE
12,555	4,500	4,500	Audit Staffing Required to Support Construction Claims			
			Auditors are requested to support Construction Claims for FY98.			
			Workload by Project:			
			• Pasadena 3 claims			
			• Segment #2 178 claims			
			• Segment #3 98 claims			
			Total 279 claims			
6,750	5,625	5,625	Audit Staffing Required to Support Construction Projects			
			Auditors are requested to support Construction Project CCNs for FY98.			
			Workload by Project:			
			• Pasadena 3 CFRs			
			• Segment #2 112 CFRs			
			• Segment #3 25 CFRs (5 audits in process)			
			• Eastside 10 CFRs (estimate only)			
			Total 150 CFRs			
			• Progress payments	1,600	1,600	1,600

MASD Contract Audit Staffing Requirements: FY98-2000

			Additional Audit Support Required	1,600	1,600	1,600
			<ul style="list-style-type: none"> Parsons Engineering Science Contract No. EN025. Tertra Tech Contract No. EN026. Enviro Rail Contract No. EN027. Law/Crandall Contract No. EN028. CH2M Hill Contract No. EN030. Metcalf and Eddy Contract No. EN031. International Technology Contract No. EN032. 			
19,305 hrs. = 12.1 FTE @ 1,600 hrs./FTE	10,125 hrs. = 6.3 FTE @ 1,600 hrs./FTE	10,125 hrs. = 6.3 FTE @ 1,600 hrs./FTE	TOTAL CONSTRUCTION	3,200 hrs. = 2.0 FTEs @ 1,600 hrs./FTE	3,200 hrs. = 2.0 FTEs @ 1,600 hrs./FTE	3,200 hrs. = 2.0 FTEs @ 1,600 hrs./FTE
300	300	300	Administration Professional Services	2,160	2,160	2,160
			Request for proposals and contract changes covering projects for the following user departments:			
			<ul style="list-style-type: none"> Administration (ITS, Human Resources, Employee Relations, Materiel and Real estate) Finance (Revenue, Risk Management/Operations, Treasurer, Budget, Controller). Customer Relations and communications (Marketing, Customer Relations, Public Affairs, Government Relations, Internal Communications, Metro Art, Media Relations) Regional Transportation Planning and Development (Bus System Improvement Planning, Capital Planning, Countywide Planning, Multimodal Planning, Operations Planning and Scheduling. Other departments such as MASD, EEO, OIG, Executive Office and County Counsel. 			
720	720	720	Operations	5,400	5,400	5,400
			<ul style="list-style-type: none"> Operations Departments Congestion Relief Equipment Engineering Print Shop ITS 			

MASD Contract Audit Staffing Requirements: FY98-2000

			<ul style="list-style-type: none"> • Facilities Engineering • Facilities Maintenance • Countrywide Planning 			
1,020 hrs. = .6 FTE @ 1,600 hrs./FTE	1,020 hrs. = .6 FTE @ 1,600 hrs./FTE	1,020 hrs. = .6 FTE @ 1,600 hrs./FTE	TOTAL PROCUREMENT	7,560 hrs. = 4.7 FTEs @ 1,600 hrs./FTE	7,560 hrs. = 4.7 FTEs @ 1,600 hrs./FTE	7,560 hrs. = 4.7 FTEs @ 1,600 hrs./FTE
			Third Party Coordinators:			
			Audit requirements for public utilities and master agreements with state and local government.			
			• Caltrans	1,500	1,500	1,500
			• City of LA, Dept. of Transportation	600	600	600
			• DWP - Power	500	500	500
			• DWP - Water	500	500	500
			• Pacific Bell	300	300	300
			• So. Calif. Gas	200	200	200
			• So. Calif. Edison	200	200	200
			TOTAL THIRD PARTY COORDINATOR	3,800 hrs. = 2.4 FTEs @ 1,600 hrs./FTE	3,800 hrs. = 2.4 FTEs @ 1,600 hrs./FTE	3,800 hrs. = 2.4 FTEs @ 1,600 hrs./FTE
			SCRRA			
			Audit requirements approved by SCRRA (1 FTE)	2,080	2,080	2,080
			TOTAL SCRRA	2,080 hrs. = 1.3 FTEs @ 1,600 hrs./FTE	2,080 hrs. = 1.3 FTEs @ 1,600 hrs./FTE	2,080 hrs. = 1.3 FTEs @ 1,600 hrs./FTE

MASD Contract Audit Staffing Requirements: FY98-2000

AB1869 FY98(FTEs)	AB1869 FY99(FTEs)	AB1869 FY2000(FTEs)	<u>SUMMARY</u>	Non-AB1869 FY98(FTEs)	Non-AB1869 FY99(FTEs)	Non-AB1869 FY2000(FTEs)
6.5 FTEs	5.2 FTEs	3.7 FTEs	Professional Consultants	16.0 FTEs	9.6 FTEs	8.5 FTEs
12.1 FTEs	6.3 FTEs	6.3 FTEs	Construction	2.0 FTEs	2.0 FTEs	2.0 FTEs
.6 FTEs	.6 FTEs	.6 FTEs	Procurement	4.7 FTEs	4.7 FTEs	4.7 FTEs
			Third Party Coordinators	2.4 FTEs	2.4 FTEs	2.4 FTEs
			SCRRA	1.3 FTEs	1.3 FTEs	1.3 FTEs
19.2 FTEs	12.1 FTEs	10.6 FTEs	TOTAL - RESPECTIVE FISCAL YEAR	26.4 FTEs	20.0 FTEs	18.9 FTEs
			Total FY98 = 45.6 FTEs			
			Total FY99 = 32.0 FTEs			
			Total FY2000 = 29.5 FTEs			

MASD Contract Audit Staffing Requirements: FY98-2000

ADVERSE IMPACTS OF LESS THAN FULL OR NON-COMPLIANCE OF AB1869

RISKS

1. Construction contracts and Materiel are in full compliance with AB1869. At present, the procurement/contracting process generally will not proceed without MASD performing the appropriate audit, or blame MASD for delay in processing contract changes or procurement.
2. If AB1869 is implemented with existing staff:
 - Unacceptable delay in processing of change orders and associated impact to schedule.
 - Significant delay in processing of sole-source or negotiated contracts.
 - Significant delays could lead to unnecessary contract changes, claims, and re-procurements. This may involve substantial costs to MTA.
 - OIG risk identified by initiating audits to oversee compliance with AB1869 on construction projects.
 - Possible loss of State and Federal funding predicated on performing the required audits.
 - Possible loss of Board support/confidence for accountable MTA executive management responsible for not implementing AB1869.
 - Negative political/public opinion from perception that MTA is not protecting the public's dollars by negotiating, awarding or paying without verifying for accuracy and compliance.
 - Greater incentive to contractors to risk overcharging the MTA, intentionally or unintentionally, since contractor may not be audited timely.
 - Other MTA funding priorities may be replaced by overpaid contract changes or procurement.
 - Legal risks - to be developed.

QUANTITATIVE

1. 90% of Contract audit staff is working on AB1869 related change orders, sole source, or negotiated contracts since Construction contracts and Materiel are implementing AB1869.
2. FY98 Contract audit work related to AB1869 is estimated to be equal to 19.2 man-years of work. With an existing staff of 15 Contract auditors, this equates to 1.3 years of AB1869 work. Non-AB1869 work is estimated to be equal to 26.4 man-years of work. This equates to 1.7 years of non-AB1869 work.
3. With expanded staff, the work load can be significantly reduced or eliminated within a reasonable time.



INTEROFFICE MEMORANDUM

Date: April 25, 1997

To: Frank Cardenas, Chief of Staff

From: *A. Padilla*
Anthony J. Padilla, Director, Management Audit Services

Subject: 1997-98 Budget Request for MASD

BACKGROUND

MASD collaborated with Construction Contracting and Procurement (Procurement) to identify the entire backlog of contract audits, coupled with requirements under AB1869 and anticipated audit throughput for 1997-98.

The analysis focused on identifying the number of Contract Audit FTEs needed to adequately address current and new requirements while clearing most of the backlog within 12 months after full staffing levels are reached. We have also provided our estimates for "ratcheting down" the number of FTEs needed after year one, through the year 2000.

The summary on Page 9 identifies the number of FTE's that MASD and Procurement have determined are needed above and beyond current staffing levels (15 Contract Auditors).

ALTERNATIVES TO FTEs

Given our current budget reduction environment, there is obvious reluctance to bring on so many FTEs, especially since MASD estimates that once the backlog is addressed, the number of audit staff declines over time. Here are some suggestions for structuring the hiring and retention of audit staff.

Hiring FTEs on one year contracts (Temporary/Regular)

Currently, MASD has hired (3) three Contract Audit staff on a Temporary/Regular status. Hiring on this basis gives MASD flexibility in cutting back staffing levels as demand for contract audits and the backlog dissipate. These staffers are hired with full benefits and at slightly elevated salaries as incentives to sign-on.

Contracting Directly with Individual Auditors

MASD has submitted a request to HR to hire three contract auditors directly, using funds transferred from unused LABOR ACCOUNT FUNDS to a CONTRACT FUND. Auditors hired on a contract basis can be hired/released as needed.

Hiring Contract Auditors on an Hourly basis from CPA/PMO/PMA Firms

MASD has hired existing staff from Third Party Contractors (i.e., from MASD's CPA pool or MTA's PMO/PMA) on an hourly rate basis. This practice allows MASD to select qualified (known) staff from firms to work on projects and employs staff who may otherwise have to be cut back or laid-off by firms for lack of work. Cost is hire than staff we contract with directly.

Hiring Regular FTEs

MASD recognizes the nature of the workload will change over time, but the need for increasing regular staff exists. The demands of AB1869 will extend well beyond 2000 through the life of construction activities. Further, the most highly qualified auditors available will not see any incentive to leave permanent positions for term or temporary positions at MTA.

SUGGESTED HIRING PATTERN

A recommended hiring pattern for MTA for the FTE equivalent of 45 positions for '97-98 is as follows:

Regular FTEs	12
One Year Term FTEs	18
Contract/Contractor provided	<u>15</u>
TOTAL	45

The regular and one year term staff would be retained through the year 2000, and reduced as needed by eliminating the one year term staff. The contract staff hired would focus on reducing the backlog. Based on projected needs, the above presents an optimal mix.

CONTRACT AUDITS**PROJECTED NUMBER OF AUDITS AND POTENTIAL COST SAVINGS
FOR FISCAL YEAR 1998**

<u>ACTUAL:</u>	<u>NO. OF AUDITS</u>	<u>ACTUAL QUEST. COST</u>	<u>ESTIMATED POTENTIAL SAVINGS (3)</u>
FISCAL YEAR 1996	153	\$ 9.7 MIL.	\$ 2.91 MIL
FISCAL YEAR 1997	120	\$ 14.0 MIL	\$ 4.2 MIL
AVERAGE - 96 & 97	137	\$ 11.9 MIL	\$ 3.6 MIL
 <u>PROJECTED:</u>			
FISCAL YEAR 1998	450 (1)	\$ 25.9 MIL	\$ 7.8 MIL (2)

NOTE 1) Projected number of audits assumes full complement of 40 staff or availability of equivalent audit resources by October, 1997.

2) Projected questioned costs and/or potential cost savings assumes 60% of AB1869 CCNs audits and preaward audits will be performed based on Forward Pricing Rates (FR). FPR audits are currently in progress for major professional consultants and their subcontractors. Questioned costs for audits performed using FPR are expected to be very minimal because of prior audits done in connection with the negotiation of FPR rates with the consultants.

3) Estimated at 30% realization/collection.

4) Of 450 audits anticipated to be completed, 105 represent audit backlog which is 76% of total bac

**MASD CONTRACT AUDIT STAFFING
FY 1997 AND FY 1998**

STAFFING LEVELS

16	FY 1997 authorized staffing level
+ <u>11</u>	FY 1998 additional new positions for AB 1869
27	Total Full time permanent positions
+ <u>13</u>	FY 1998 additional full time equivalent positions for audit backlog
40	Total FY 1998

COSTS for Audit Backlog (\$ Millions)

\$ 0.15	FY 1997 Audit pool increase for immediate start-up for audit backlog (May Board Action Item #57)
<u>1.60</u>	FY 1998 combination of audit pool and one-year contract staff for audit backlog (June Board Action w/ adoption of FY 1998 Budget)
\$ 1.75	Total, 13 Full time equivalents - combination of MTA one-year contract employees and audit pool.