



SUBJECT: CPA AUDIT POOL CONTRACT

ACTION: PROVIDE FUNDING FOR THE CPA AUDIT POOL

RECOMMENDATIONS

A. Increase funding in the amount of \$4,185,000 to the CPA Audit Pool for audit services through April 2005.

	Contractor	Contract Number
1.	Lu, Chuan & Company	PS01-2511-15-01
2.	BDO Scidman, LLP	PS01-2511-15-02
3.	Conrad & Associates, LLP	PS01-2511-15-03
4.	Jones, Jenle & Schunck	PS01-2511-15-04
5.	Macias, Gini, & Company	PS01-2511-15-05
6.	Nunez & Associates	PS01-2511-15-06
7.	Qiu Accountancy Corp.	PS01-2511-15-07
8.	Quezada & Company	PS01-2511-15-08
9.	Ramirez International	PS01-2511-15-09
10.	Simpson & Simpson	PS01-2511-15-10
11.	Thompson, Cobb, Bazilio	PS01-2511-15-11
12.	Vargas, Lopez & Company	PS01-2511-15-12
13.	Vasquez & Company	PS01-2511-15-13
14.	Wang Professional Corp.	PS01-2511-15-14
15.	Williams & Tucker	PS01-2511-15-15

B. Authorize the Chief Executive Officer to execute task orders under these contracts for audit services in total not to exceed the amount of \$4,185,000.

RATIONALE

The MTA uses certified public accounting (CPA) firms' to meet federal, state, local and MTA audit requirements that call for certification of financial statements, independent opinions, and audits based on agreed-upon-procedures. Such services include audits for Call-for-Projects closeout audits and interim audits of cost reimbursement contracts, change orders, work orders and MTA internal audits. These firms may also provide specialized expertise for engagements such as information technology audits and independent audits of sensitive issues. In addition, the CPA firms may be tasked to provide auditors to meet audit workload demands exceeding the capacity of MASD's audit resources.

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The recommended not-to-exceed amount of \$4,185,000 is an estimate of the cost of audit services through April 2005. This amount includes \$925,000 to cover audits requested by other departments the cost of which are charged to their respective cost centers and projects. It also includes \$730,000 for contingencies or various audits that are requested with limited turnaround time to adequately plan and schedule these. In the past two years we received a fair amount of unplanned audit requests from various departments.

Management Audit Services will reduce outside audit support. Much of the backlog in the professional services and construction contracts had been completed. While we are current in our audit efforts, we plan to have an aggressive audit schedule in order to stay current. MASD has also increased audit activity in Information Technology area. We currently maintain a good balance of skills between our MTA auditors and outside auditors.

Background

The MTA Board approved the CPA Pool contract on April 2002. This was a three-year contract with two option years. The Board approved funding for the first year amounting to \$5,156,000. Due to a lower than expected utilization of audit firms, the first year funding was not used up until the end of November 2003. This effectively extended the period of performance but not the contract amount. This current funding is for a period of 17 months through April 2005, the end of the current contract.

FINANCIAL IMPACT

The funding of \$ 2,610,000 for auditing services is included in FY04 budget in cost centers listed below. Since this is a multi-year contract, the cost center managers and executive officers will be accountable for budgeting this cost in future years, including any option exercised. In FY03, \$2,476,592 was expended over the period.

<u>Cost Centers</u>	<u>Amount</u>
2517- Contract Audit (incl. Consol Audit)	\$2,125,000
2511- Internal Audit	410,000
5001- Accounting/Finance	30,000
4430- Planning	<u>45,000</u>
Total	\$2,610,000

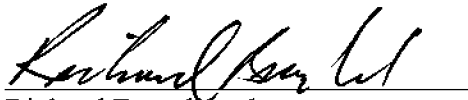
ALTERNATIVES CONSIDERED

The alternative would be to hire additional full-time staff to perform the audits. However, this alternative is not considered cost effective. Additionally, some of the audits call for certification of financial statements and independent opinions, which can only be provided by the CPA firms.

Attachment:

- A. Procurement Summary
- B. Departments/Projects Requiring Audit Support

Prepared by: Pete Cruz, MASD Audit Manager
Mark Penn, Procurement Manager



Richard Brumbaugh
Chief Financial Officer



Roger Snoble
Chief Executive Officer

**BOARD REPORT ATTACHMENT A
PROCUREMENT SUMMARY**

CPA Audit Pool

1.	Contract Number: PS01-2511-15-01 through -15; Funding increase request		
2.	Recommended Vendor: See attachment A-2		
3.	Cost/Price Analysis Information:		
	A. Bid/Proposed Price: Hourly rates	Recommended Price: \$ 4, 185, 000 Not to exceed	
	B. Details of Significant Variances are in Attachment A-1.D		
4.	Contract Type: Indefinite Delivery Contract (Indefinite Quantity)		
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: N/A		
	F. Conflict of Interest Form Submitted to Ethics: October 28, 2003		
6.	Small Business Participation:		
	A. Bid/Proposal Goal: N/A	Date Small Business Evaluation Completed: 11-19-03	
	Small Business Commitment: Details are in Attachment A-2 (include % contractor committed to): 25% DBE per contract		
7.	Invitation for Bid/Request for Proposal Data:		
	Notifications Sent: N/A	Bids/Proposals Picked up: N/A	Bids/Proposals Received: N/A
8.	Evaluation Information:		
	A. Bidders/Proposer Names: N/A	Bid/Proposal Amount: N/A	Best and Final Offer Amount: N/A
	B. Evaluation Methodology: Details are in Attachment A-1.C: N/A		
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: Ed Kichi	Telephone Number: 213-922-3647	
11.	Project Manager: Pete Cruz	Telephone Number: 213-922-3095	

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

CPA Audit Pool

A. Background on Contractors

Eleven of the firms were on the prior Certified Public Accountant (CPA) pool for Management Audit Services Department (MASD). Four of the firms are doing business with the MTA for the first time. The new firms are Andrew Lu and Company, BDO Seidman, LLP, Jones, Henle & Schunk and Wang Professional Corporation. All firms have experience with public agencies and have been in the CPA business from 5 to 20 years. All consultants are CPA firms.

Andrew Lu and Company is a full service accounting firm established in 1998 having strong experience in the areas of financial audits, tax compliance, and business management. This firm is a Disadvantaged Business Enterprise (DBE) Prime contractor.

BDO Seidman, LLP is a national full service CPA firm with offices located in Los Angeles, Orange County and across the United States. BDO Seidman, LLP is an accounting and consulting organization serving business and government agencies since 1910. This firm ranks as the sixth largest accounting firm in the United States.

Conrad & Associates, LLP was established in 1971 and has been performing audits for federal and state agencies for over 30 years. Past performance has been satisfactory.

Jones, Henle & Schunk has been in business since 1985 providing auditing services to State Of California, local city governments, and utility districts. This firm is experienced in audits of construction projects under federal and state agencies.

Macias, Gini & Company has been in business since 1987. This firm has performed numerous audits for MTA demonstrating their ability to perform specialty audits. Performance under the prior audit pool was satisfactory. This firm is a DBE Prime contractor.

Nunez & Associates has been in business since 1980 with specific expertise in the transit and construction industry. This firm has performed numerous audits for MTA. Performance under the prior audit pool was satisfactory. This firm is a DBE Prime contractor.

QUI Accountancy Corporation has been in business over four years. This firm specializes in providing audit services to government entities and has previously performed audits for MTA. This firm is a new prime contractor on the audit pool. Performance on prior work at MTA was satisfactory. This firm is a DBE Prime contractor.

Quezada & Company has been in business since 1971. This firm was in the prior audit pool and has a satisfactory record of performance. This firm is a DBE Prime contractor.

Ramirez International Financial Services, Inc. performed audit services under the prior audit pool as Strabala, Ramirez & Associates. Although now under a new name, the firm has had five years of experience with the MTA. Performance under the prior audit pool was satisfactory. This firm is a DBE Prime contractor.

Simpson & Simpson has been in business since 1976. This firm has a long history of providing audit services to the transportation industry both in LA and in Orange County. This firm was on the prior audit pool. Performance under the prior audit pool was satisfactory. This firm is a DBE Prime contractor.

Thompson, Cobb, Bazilio & Associates has been in business since 1983. This firm has performed specialty audits for MTA and was a member of the prior audit pool. Performance in the prior audit pool was satisfactory.

Vargas, Lopez and Company, LLP has been in business almost five years and has performed as a subcontractor for PricewaterhouseCoopers supporting MTA audit pool requirements for the last four years. Their performance under the prior audit pool as a subcontractor was satisfactory. This firm is a DBE Prime contractor.

Vasquez & Company has been in business since 1969 and was a member of the prior audit pool. Their performance under the prior pool was satisfactory. This firm is a DBE Prime contractor.

Wang Professional Corporation has been in business for only a year. However, Mr. Wang has been the lead auditor for MTA on matters concerning CALTRANS for over five years. He was the lead point of contact with PricewaterhouseCoopers for information regarding CALTRANS audits. Mr. Wang’s performance under the prior audit pool was satisfactory. This new firm is a DBE Prime contractor.

Williams & Tucker Accountancy Corporation has been in business since 1982. This firm performed as a subcontractor on the prior audit pool. The prior performance was satisfactory. This firm is a DBE Prime.

Table: CPA Audit Pool Contractor List.

	Contractor	Previous MTA experience in the past 5 years
1.	Andrew Lu & Company	No
2.	BDO Seidman LLP	No
3.	Conrad & Assocs. LLP	Yes
4.	Jones, Jenle & Schunck	No
5.	Macias, Gini & Co.	Yes
6.	Nunez & Associates	Yes
7.	QIU Accountancy Corp.	No
8.	Quezada & Company	Yes
9.	Ramirez International	Yes
10.	Simpson & Simpson	Yes
11.	Thompson, Cobb, Bazilio & Asso.	Yes
12.	Vargas, Lopez & Co.	Yes
13.	Vasquez & Company	Yes
14.	Wang Professional Corp.	Yes
15.	Williams & Tucker	Yes

B. Procurement Background

The MTA Board authorized award of a five year (inclusive of two one-year options) CPA Audit Pool Contract under Board Item 27, dated March 21, 2002. Funding was limited to year one, of five, for \$5,156,000.

These are Multiple Award (pool) contracts. This is a competitive procurement for a pool of audit firms to provide services. Selection of the audit firms to the pool was done by using the explicit factors evaluation methodology.

The CPA Audit Pool Contract includes fully burdened labor rates for each of the possible labor categories needed to perform audit services.

Task Orders are issued for each audit requirement. Task Orders are competed among the pool and awarded based on the following evaluation criteria:

- past performance on prior task order work,
- qualifications of the Contractor,
- ability to meet schedule, and
- fully burdened labor rates.

Price fair and reasonableness determination is made for each task order at the time of release.

The Diversity & Economic established a DBE participation goal of 25%. Each firm committed to or exceeded this goal. To date, approximately 35 tasks orders have been issued, 25 to DBE firms and 10 to non-DBE firms, for a total amount of \$ 4,997,204. The amount committed to DBE firms is \$ 3,957,013.

Total paid-to-date is \$ 4,098,577. Total paid to DBE firms is \$ 3,538,343. Current attainment based on the relevant contract amount is 77%. Current DBE participation based on total actual amount paid-to-date and actual amount paid-to-date to DBE firms is 82%. The services performed under this contract are specified in contract written task orders issued by the Authority.

Original Award Amount	\$5,156,000.00
Current Contract Value²	\$5,156,000.00
Total Actual Amount Paid to Date to Prime	\$4,098,577.00

*DBE Firms

Contractor Names	# of Task Orders	% Commitment	% Current Attainment	% Current Participation
LU, CHAUN & CO., LLP *	2	100.0%	93.0%	100.0%
BDO SEIDMAN, LLP	1	25.0%	25.0%	25.0%
CONRAD & ASSOCIATES LLP	-	25.0%	0.00%	0.00%
JONES, HENLE & SCHUNCK	-	25.0%	0.00%	0.00%
MACIAS, GINI & CO., LLP *	-	100.0%	0.00%	0.00%
NUNEZ & ASSOCIATES, INC. *	2	100.0%	82.0%	100.0%
QIU ACCOUNTANCY CORP *	-	100.0%	0.0%	0.00%
QUEZADA & CO. *	1	75.0%	0.00%	0.00%
RAMIREZ INTERNATIONAL *	-	100.0%	0.00%	0.00%
SIMPSON & SIMPSON *	12	100.0%	70.0%	100.0%
THOMPSON, COBB, BAZILLIO	9	25.0%	0.00%	0.00%
VARGAS, LOPEZ, AND CO. *	2	100.0%	96.0%	100.0%
VASQUEZ & CO. *	5	100.0%	87.0%	100.0%
WANG PROFESSIONAL CORP *	1	100.0%	100.0%	100.0%
WILLIAMS & TUCKER *	-	100.0%	0.00%	0.00%
TOTAL	35	T/O	77.0%	82.0%

1 Current Attainment = Total Actual Amount Paid-To-Date to Subcontractors ÷ Total Relevant Contract Amount

2 Relevant Contract = Original Contract value + Contract Cost Modifications affecting DBE or SBE Scope of Work

3 Current Participation = Total Actual Amount Paid-To-Date to Subcontractors ÷ Total Actual Amount Paid-To-Date to Prime Contractor

C. Evaluation of Proposals

Reference Article B (Procurement Background), paragraph 4: Task Orders.

D. Cost/Price Analysis Explanation of Variances

This is a funding increase request based on MASD's budget estimate.

Sorted by 5 year average \$\$s/hr:

	Contractor	Contract Number	5 yr. Avg., \$\$s/hr.
1.	Andrew Lu & Company	PS01-2511-15-01	\$ 49
2.	QIU Accountancy Corp.	PS01-2511-15-07	\$ 61
3.	Wang Professional Corp.	PS01-2511-15-14	\$ 61
4.	Simpson & Simpson	PS01-2511-15-10	\$ 62
5.	Williams & Tucker	PS01-2511-15-15	\$ 66
6.	Vargas, Lopez & Co.	PS01-2511-15-12	\$ 71
7.	Nunez & Associates	PS01-2511-15-06	\$ 72
8.	Thompson, Cobb, Bazilio	PS01-2511-15-11	\$ 72
9.	Vasquez & Company	PS01-2511-15-13	\$ 76
10.	Ramirez International	PS01-2511-15-09	\$ 83
11.	Quezada & Company	PS01-2511-15-08	\$ 94
12.	Conrad & Assocs. LLP	PS01-2511-15-03	\$ 95
13.	Jones, Jenle & Schunck	PS01-2511-15-04	\$ 117
14.	Macias, Gini & Co.	PS01-2511-15-05	\$ 117
15.	BDO Seidman LLP	PS01-2511-15-02	\$ 152

Bid/Proposal Amount	MTA Estimate	Recommended Not To Exceed Amount
Hourly rates	\$ 4,185,000	\$ 4,185,000

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

CPA Audit Pool

PRIME CONTRACTOR

	<u>Small Business Commitment</u>	<u>Other Subcontractors</u>	<u>% of participation</u>
1.	Andrew Lu & Company	A DBE Prime	100%
2.	BDO Seidman LLP	Vasquez & Company	25%
3.	Conrad & Assocs. LLP	Vasquez & Company	25%
4.	Jones, Jenle & Schunck	Macias, Gini; Harmon Wong	25%
5.	Macias, Gini & Co.	A DBE Prime	100%
6.	Nunez & Associates	A DBE Prime	100%
7.	QIU Accountancy Corp.	A DBE Prime	100%
8.	Quezada & Company	A DBE Prime	75%
9.	Ramirez International	A DBE Prime	100%
10.	Simpson & Simpson	A DBE Prime	100%
11.	Thompson, Cobb, Bazilio & Assoc.	Altmayer Consulting	25%
12.	Vargas, Lopez & Co.	A DBE Prime	100%
13.	Vasquez & Company	A DBE Prime	100%
14.	Wang Professional Corp.	A DBE Prime	100%
15.	Williams & Tucker	A DBE Prime	100%

**BOARD REPORT ATTACHMENT A-3
LIST OF ALL PROPOSERS**

CPA Audit Pool

Proposers Names: N/A

**BOARD REPORT ATTACHMENT B
DEPARTMENTS REQUIRING AUDIT SUPPORT**

CPA AUDIT POOL

MANAGEMENT AUDIT SERVICES	
Contract Audit Group	\$1,840,000 (1)
• Eastside Projects	
• San Fernando Valley Projects	
• Rail Lines/ Other	
• Call-for-Projects Audits	
Internal Audit Group	\$ 690,000 (2)
• IT Audits	
PLANNING	
Consolidated Audit for 2 years (2)	\$ 710,000 (3)
SCAG/STIP Audits	90,000
FINANCE	
Fixed Assets Physical Inventory	\$ 95,000
ATU Health & Welfare Trust Audit	30,000
OTHER	
Available for Unscheduled Audits	\$ 730,000
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TOTAL	\$4,185,000

- (1) These include pre-awards, change orders, incurred costs, overhead rates and closeout audits of contracts for construction and professional services. It also includes closeout audits of Call-for-Projects Memorandum of Understanding (MOU).
- (2) Information Technology audits of various MTA operating and developmental systems.
- (3) Audit of Proposition A&C and Transportation Development Act funds allocated to each of the 88 cities in Los Angeles County.