



# Memorandum

**Date:** 06.02.15 **RE:** Finance Committee  
June 9, 2015

**To:** Finance Committee: Commissioners Avalos (Chair), Mar (Vice Chair), Campos, Cohen, Kim and Wiener (Ex Officio)

**From:** Cynthia Fong – Deputy Director for Finance and Administration *CF*

**Through:** Tilly Chang – Executive Director *TC*

**Subject:** **ACTION** – Recommend Awarding a Three-Year Professional Services Contract, with an Option to Extend for Two Additional One-Year Periods, to Vavrinek, Trine, Day & Co., LLP in an Amount Not to Exceed \$300,000 for Annual Audit Services, and Authorizing the Executive Director to Negotiate Contract Payment Terms and Non-Material Contract Terms and Conditions

## Summary

Under its fiscal policy, Transportation Authority financial transactions and records are to be audited by an independent certified public accountant (CPA) firm at least annually and a report be submitted to the Transportation Authority Board on the results of the audit. The prior auditing services contract with Macias, Gini & O'Connell LLP will expire on June 30, 2015. The Transportation Authority's policy is to competitively re-bid professional services contracts after five years. Therefore on March 13, 2015, we issued a Request for Proposals (RFP 14/15-04) for annual audit services for a three-year contract covering audit for Fiscal Years 2014/15 through 2016/17, with two additional one-year extension options. By the due date of April 22, we received three responsive bids, which included both a technical and cost component. Interviews were conducted on May 6 by a selection panel comprised of staff from the Transportation Authority and the San Francisco Office of the Controller. Based on this competitive process, the selection panel recommended award of an annual audit services contract to the highest-ranking firm, Vavrinek, Trine, Day & Co., LLP.

## BACKGROUND

Under its fiscal policy, Transportation Authority financial transactions and records are to be audited by an independent certified public accountants (CPA) firm at least annually and a report be submitted to the Transportation Authority's Board on the results of the audit. The Transportation Authority's prior auditing services contract with Macias, Gini & O'Connell LLP will expire on June 30, 2015. The Transportation Authority's policy is to competitively re-bid professional services contracts after five years.

## DISCUSSION

The purpose of this memorandum is to describe the procurement process and recommend award of the annual audit services contract to Vavrinek, Trine, Day & Co., LLP. The contract would be for three years covering audits for Fiscal Years 2014/15, 2015/16 and 2016/17, with two additional one-year extension options.

On March 13, 2015, the Transportation Authority issued a Request for Proposals (RFP 14/15-04) for annual audit services. By the due date of April 22, 2015, we received three proposals in response to the RFP. The review panel, consisting of Transportation Authority staff and the City's Controller's Office staff, reviewed the proposals based on the qualifications and other criteria detailed in the RFP. The panel interviewed all three firms on May 6, 2015. Based on the selection panel's evaluation of the proposals, the review panel recommended award of the contract to the highest-ranked firm of Vavrinek, Trine, Day & Co., LLP. The recommended team distinguished itself on the basis of its strong audit approach and its extensive experience working with transportation agencies. Vavrinek, Trine, Day & Co., LLP has provided auditing services for the Santa Clara Valley Transportation Authority since 2005, the Golden Gate Bridge, Highway and Transportation District since 2008, the Transbay Joint Powers Authority since 2009, the Orange County Transportation Authority since 2011, and the Alameda County Transportation Commission since 2012.

We will receive federal financing assistance to fund a portion of this procurement, and will adhere to federal regulations pertaining to Disadvantaged Business Enterprises (DBE). For this contract, we have established a DBE goal of 10%, accepting certifications by the Transportation Authority and the California Unified Certification Program. We took steps to encourage participation from small and disadvantaged business enterprises, including advertising in eight local newspapers: El Reportero, Nichi Bei Weekly, San Francisco Bay View, San Francisco Examiner, San Francisco Chronicle, Small Business Exchange, the Western Edition and the World Journal. We also distributed the RFP to certified small, disadvantaged and local businesses, the Bay Area and cultural Chambers of Commerce, and the Small Business Councils. The Vavrinek, Trine, Day & Co., LLP team has pledged a total DBE utilization of 10% through its DBE-certified contractor, Calvin Y. Louie.

## **ALTERNATIVES**

1. Recommend awarding a three-year professional services contract, with an option to extend for two additional one-year periods, to Vavrinek, Trine, Day & Co., LLP in an amount not to exceed \$300,000 for annual audit services, and authorizing the Executive Director to negotiate contract payment terms and non-material contract terms and conditions, as requested.
2. Recommend awarding a three-year professional services contract, with an option to extend for two additional one-year periods, to Vavrinek, Trine, Day & Co., LLP in an amount not to exceed \$300,000 for annual audit services, and authorizing the Executive Director to negotiate contract payment terms and non-material contract terms and conditions, with modifications.
3. Defer action, pending additional information or further staff analysis.

## **CAC POSITION**

The CAC considered this item at its May 27, 2015 meeting and unanimously adopted a motion of support for the staff recommendation.

## **FINANCIAL IMPACTS**

The contract will be funded from a combination of federal, state, regional and Prop K funds. The first year's activity is included in the Transportation Authority's proposed Fiscal Year 2015/16 Budget. Sufficient funds will be included in future budgets to cover the remaining cost of the contract.

## **RECOMMENDATION**

Recommend awarding a three-year professional services contract, with an option to extend for two additional one-year periods, to Vavrinek, Trine, Day & Co., LLP in an amount not to exceed \$300,000 for annual audit services, and authorizing the Executive Director to negotiate contract payment terms and non-material contract terms and conditions.

Attachment:

1. Annual Audit Scope of Services

## **Attachment 1: Annual Audit Scope of Services**

Audit services will be requested on an hourly reimbursable basis, plus expenses, and may include, but are not limited to, the following categories of action:

- Conduct an annual audit of all the Transportation Authority's funds in accordance with generally accepted auditing standards as promulgated by the American Institute of Certified Public Accountants (AICPA) and the GASB with the objectives of expressing an opinion on the financial statements. The successful proposer (the Auditor) will deliver an independent auditor's report;
- Perform the procedures necessary to ensure that the Transportation Authority may use the Auditor's opinion on the basic financial statements in connection with any official statements for public debt issuance. The Auditor will issue a debt service certificate;
- Perform a single audit on the expenditures of federal grants in accordance with U.S. Office of Management and Budget (OMB) Circular A-133 and render the appropriate audit reports on Internal Control Over Financial Reporting based upon the audit of the Transportation Authority's financial statements in accordance with Government Auditing Standards and the appropriate reports on compliance with Requirements Applicable to each Major Program, Internal Control over Compliance and on the Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133. The single audit will include appropriate schedule of expenditures of federal awards, footnotes, findings and questioned costs, including reportable conditions and material weaknesses, and follow up on prior audit findings where required. In additions, completion and filing of the federal Data Collection Form. If the Transportation Authority does not meet the minimum requirements to necessitate a single audit, the fees shall be adjusted accordingly;
- Prepare a separate audit report on TIMMA;
- Issue a Management Letter that includes a listing of all non-material items, which were identified during the audit, as well as a listing of the status of resolved and unresolved Management Letter comments from prior audits will be submitted to Transportation Authority staff; and
- Present audit results and Management Letter to the Citizens Advisory Committee, Finance Committee, and Board.

The following auditing standards will be followed:

- Accounting principles and auditing standards generally accepted in the United States;
- Standards for financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States; and
- Provisions of U.S. OMB Circular A-133.

The Transportation Authority assumes the responsibility to prepare the Management Discussion and Analysis, the basic financial statements, other required supplementary information, schedule of expenditures of federal awards, and footnotes. The Auditor may then be asked to produce the final published financial statements and single audit. Any costs for this production should be built into the cost estimate. The following assistance will be available to the Auditor:

- The Transportation Authority's staff will be available to work with the selected firm to ensure a smooth implementation for the year ending June 30, 2015; and
- The Auditor will be provided workspace within the Transportation Authority's offices. Please note that the Transportation Authority has limited office space. All space requirements and other miscellaneous requirements and concerns should be made known to the Transportation Authority in the response and during contract negotiations.

### **Additional Accounting and Audit-Related Service**

From time to time the Transportation Authority may require additional or special auditing and/or audit related services such as compliance audits of recipients of Prop K funds. Where it can be demonstrated that it is to the Transportation Authority's benefit to engage the Auditor for such services, the Transportation Authority may amend the Auditor's contract by task orders to include said services without a subsequent formal bid process, provided that the cost of the amendments is less than \$75,000 in a fiscal year. Proposals submitted should address the proposer's ability and willingness to provide special support services upon request and provide reasonable estimates of hourly rates, by fiscal year, to be anticipated by the Transportation Authority should such services be required. These additional audit services may also be bid separately, at the sole discretion of the Transportation Authority.

Examples of additional or special accounting and/or audit services are:

- Proposition K Compliance Agreed-Upon Procedures;
- Proposition K Compliance Audit Procedures;
- Debt Consent Agreed-Upon Procedures;
- Management Audit; and
- Reviews or audits as required by any grantors.