



May 10, 2017

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer
Janet Sutter, Executive Director
Internal Audit Department

Subject: Agreements for On-Call General Auditing Services

Overview

The Internal Audit Department of the Orange County Transportation Authority relies on the services of external audit firms to perform financial, compliance, internal control, operational, and performance audits on an as-needed basis. Proposals were received in accordance with the Orange County Transportation Authority's procurement procedures for professional and technical services. Board of Directors' approval is requested to select firms to perform the required on-call general auditing services, and to authorize the Chief Executive Officer to negotiate the agreements.

Recommendations

- A. Approve the selections of BCA Watson Rice LLP; Conrad LLP; Vavrinek, Trine, Day & Company LLP; and KNL Support Services, as the firms to provide on-call general auditing services in an aggregate amount of \$450,000.
- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-7-1569 between the Orange County Transportation Authority and BCA Watson Rice LLP, to provide on-call general auditing services for a three-year initial term effective through June 30, 2020, with two, two-year option terms.
- C. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-7-1703 between the Orange County Transportation Authority and Conrad LLP, to provide on-call general auditing services for a three-year initial term effective through June 30, 2020, with two, two-year option terms.

- D. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-7-1704 between the Orange County Transportation Authority and KNL Support Services, to provide on-call general auditing services for a three-year initial term effective through June 30, 2020, with two, two-year option terms.
- E. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-7-1705 between the Orange County Transportation Authority and Vavrinek, Trine, Day & Company LLP, to provide on-call general auditing services for a three-year initial term effective through June 30, 2020, with two, two-year option terms.

Discussion

The Internal Audit Department (Internal Audit) of the Orange County Transportation Authority (OCTA) contracts with external audit firms on an on-call basis to perform financial, compliance, internal control, operational, and performance audits. These on-call firms augment Internal Audit staffing, allowing the department to complete its annual audit plan while providing flexibility to respond to requests by management, the Board of Directors (Board), or federal or state agencies.

Procurement Approach

This procurement was handled in accordance with OCTA's Board-approved procedures for professional and technical services. In addition to cost, many other factors are considered in an award for professional and technical services. Award is recommended to the firm (or firms) offering the most effective overall proposals considering such factors as qualifications of the firm, staffing and project organization, prior experience with similar projects, technical expertise in the field, approach to the work plan, as well as cost and price.

On February 28, 2017, Request for Proposals (RFP) 7-1569 was issued electronically on CAMM NET. The procurement was advertised on February 28 and March 7, 2017, in a newspaper of general circulation. A pre-proposal meeting was held on March 7, 2017, and was attended by four firms. One addenda was issued to provide a copy of the pre-proposal sign-in sheet and presentation.

On March 28, 2017, six proposals were received. Prior to the evaluation committee meeting, all contractual exceptions and/or deviations submitted by the proposers were reviewed. Moss Adams, LLP (Moss Adams) submitted contractual exceptions and/or deviations which were deemed non-negotiable

and was provided with the opportunity to retract the items. Moss Adams did not retract the exceptions/deviations; therefore, the firm's proposal was not included as part of the evaluation process.

An evaluation committee composed of staff from Contracts Administration and Materials Management, Internal Audit, Accounting and Financial Reporting, and Motorist Services and Special Projects departments met to review the remaining five proposals. The proposals were evaluated based on the following evaluation criteria and weights:

- Qualifications of the Firm 35 percent
- Staffing and Project Organization 25 percent
- Work Plan 15 percent
- Cost and Price 25 percent

The procurement sought to establish a pool of qualified firms to perform work in conformity with established and mandated criteria. Once the pool of qualified firms is established, specific work assignments will be awarded by contract task orders (CTOs), on a competitive basis as permitted by OCTA's procurement policy.

Several factors were considered in developing the criteria weights. Staff assigned the greatest importance to qualifications of the firm to emphasize the importance of the firm demonstrating substantial experience performing general auditing services as required by the scope of work. Staffing and project organization was assigned a weight of 25 percent to emphasize the staff's understanding of, and experience with, Government Auditing Standards issued by the Comptroller General of the United States, or other relevant professional audit standards. Cost and price was weighted at 25 percent to ensure hourly rates remain competitive. The work plan was weighted the lowest at 15 percent, as each CTO issued will define the specific scope of work. However, it was important that the firms demonstrate their understanding of the potential projects, approach to resource allocation, meeting project deadlines, as well as the potential challenges that might arise in performing the various types of audits.

The evaluation committee met on April 5, 2017 to review and discuss the remaining five proposals based on the evaluation criteria and short-listed four firms to be interviewed. The four firms are listed below in alphabetical order:

Firm and Location

BCA Watson Rice, LLP (BCA)
Torrance, California

Conrad, LLP (Conrad)
Lake Forest, California

KNL Support Services (KNL)
Los Angeles, California

Vavrinek, Trine, Day & Company, LLP (VTD)
Laguna Hills, California

The evaluation committee interviewed the four firms on April 13, 2017. The interviews consisted of the firms' project managers and key team members responding to the evaluation committee's questions. Questions were asked relative to the firms' experience performing similar services, understanding of the scope of work, process for quality assurance, and approach to completing an audit project within a requested timeline. After considering the responses to the questions asked during the interviews, the evaluation committee adjusted the preliminary scores for the four short-listed firms, resulting in a change to the ranking.

Based on the evaluation of the written proposals and interviews, the evaluation committee recommends the four short-listed firms for consideration of the award. The following is a brief summary of the evaluation results.

Qualifications of the Firm

The short-listed firms were all found by the evaluation committee to possess experience and expertise in general auditing services. All short-listed firms have government audit experience, as well as audit experience for transit agencies, including the Los Angeles County Metropolitan Transportation Authority, Riverside County Transportation Commission, Los Angeles World Airports, and OCTA. The short-listed firms all completed the quality control review program of the American Institute of Certified Public Accountants, in which a peer accounting firm reviews working papers and quality control procedures.

Staffing and Project Organization

Each firm proposed experienced audit teams with the majority of staff licensed as certified public accountants. The project organization structure proposed for

all short-listed firms includes oversight of staff and senior auditors by managers and partners for all engagements. Prior to the issuance of all audit reports, working papers are reviewed by partners to ensure accuracy of results.

Work Plan

The work plan proposed by each of the four firms provide a detailed approach to performing the various types of audits required per the scope of work, and demonstrated an in-depth and thorough understanding of the requirements of Internal Audit. The firms have demonstrated the flexibility and have the resources to respond to OCTA's audit needs.

Cost and Price

Pricing scores were based on a formula which assigned the highest score to the lowest proposed weighted average hourly rate, and scored the other proposals' weighted average hourly rates based on their relation to the lowest weighted average hourly rate. The short-listed firms' proposed hourly rates are competitive and consistent with prior OCTA agreements for similar services.

The rates proposed by the four firms are deemed fair and reasonable as compared to the weighted average hourly rates for all proposing firms.

Procurement Summary

Based on the evaluation of the written proposals, the firms' qualifications, and the information obtained during the interviews, the evaluation committee recommends award of four contracts to BCA, Conrad, KNL, and VTD. The teams include staff that are highly-qualified and have prior experience performing relevant auditing services for public agencies. The four firms delivered comprehensive proposals and presented interviews that were responsive to all the requirements of the RFP.

Fiscal Impact

Funding for these on-call contracts will be determined each fiscal year through the budget process. These projects are included in the proposed OCTA Fiscal Year 2017-18 Budget, Internal Audit, accounts 1610-7512-A0001-KHL and 0017-7512-M0201-KHL.

Summary

Staff recommends the Board authorize the Chief Executive Officer to negotiate and execute agreements with BCA Watson Rice LLP; Conrad LLP; KNL Support Services; and Vavrinek, Trine, Day & Company LLP, to provide on-call general auditing services, in an aggregate amount of \$450,000 for a three-year initial term, with two, two-year option terms.

Attachments

- A. Review of Proposals – RFP 7-1569 On-Call General Auditing Services
- B. Proposal Evaluation Criteria Matrix (Short-Listed Firms) – RFP 7-1569 On-Call General Auditing Services
- C. Contract History for the Past Two Years – RFP 7-1569, On-Call General Auditing Services

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Review of Proposals
RFP 7-1569 On-Call General Auditing Services
Presented to Finance and Administration Committee - May 10, 2017
6 proposals were received, 4 firms were interviewed. 4 firms are being recommended.

Overall Ranking	Proposal Score	Firm & Location	Sub-Contractors	Evaluation Committee Comments	Weighted Average Hourly Rate
1	82	BCA Watson Rice, LLP Torrance, California	None	Extensive qualifications and experience providing auditing services. Demonstrated an excellent understanding of project requirements. Proposed a well-rounded and experienced project team. Good work plan addressing all the elements of the scope of work. Good references. Comprehensive responses to interview questions reflecting depth of experience and knowledge. Consistent with current pricing for similar services.	\$122.18
2	80	Vavrinek, Trine, Day & Company, LLP Laguna Hills, California	None	Extensive qualifications and experience providing auditing services. Demonstrated an excellent understanding of project requirements. Proposed a well-rounded and experienced project team. Good work plan addressing all the elements of the scope of work. Good references. Comprehensive responses to interview questions reflecting depth of experience and knowledge. Proposed competitive pricing.	\$142.37
3	79	Conrad, LLP Lake Forest, California	None	Extensive qualifications and experience providing auditing services. Demonstrated an excellent understanding of project requirements. Proposed a well-rounded and experienced project team. Good work plan addressing all the elements of the scope of work. Good references. Comprehensive responses to interview questions reflecting depth of experience and knowledge. Proposed competitive pricing.	\$114.16
4	78	KNL Support Services Los Angeles, California	None	Good qualifications and experience providing auditing services. Demonstrated an excellent understanding of project requirements. Proposed a well-rounded and experienced project team. Good work plan addressing all the elements of the scope of work. Good references. Relevant responses to interview questions. Proposed competitive pricing.	\$100.28

Evaluation Panel:

Contracts Administration and Materials Management (1)
Internal Audit (2)
Accounting and Financial Reporting (1)
Motorist Services and Special Projects (1)

Proposal Criteria

Qualifications of the Firm
Staffing and Project Organization
Work Plan
Cost and Price

Weight Factors

35%
25%
15%
25%

**PROPOSAL EVALUATION CRITERIA MATRIX (Short-Listed Firms)
RFP 7-1569 ON-CALL GENERAL AUDITING SERVICES**

FIRM: BCA WATSON RICE, LLP						Weights	Overall Score
Evaluator Number	1	2	3	4	5		
Qualifications of Firm	4.0	4.5	4.0	4.0	4.0	7	28.7
Staffing/Project Organization	4.0	4.0	4.0	4.0	4.0	5	20.0
Work Plan	4.0	4.5	4.0	4.0	4.0	3	12.3
Cost and Price	4.1	4.1	4.1	4.1	4.1	5	20.5
Overall Score	80.5	85.5	80.5	80.5	80.5		82

FIRM: VAVRINEK, TRINE, DAY & CO., LLP						Weights	Overall Score
Evaluator Number	1	2	3	4	5		
Qualifications of Firm	4.5	4.0	4.5	4.5	4.0	7	30.1
Staffing/Project Organization	4.0	4.0	4.5	4.0	4.0	5	20.5
Work Plan	4.0	4.0	4.5	4.0	4.0	3	12.3
Cost and Price	3.5	3.5	3.5	3.5	3.5	5	17.5
Overall Score	81.0	77.5	85.0	81.0	77.5		80

FIRM: CONRAD, LLP						Weights	Overall Score
Evaluator Number	1	2	3	4	5		
Qualifications of Firm	4.0	3.5	4.0	4.0	4.0	7	27.3
Staffing/Project Organization	3.5	3.5	3.5	3.5	3.5	5	17.5
Work Plan	4.0	3.5	4.0	4.5	4.0	3	12.0
Cost and Price	4.4	4.4	4.4	4.4	4.4	5	22.0
Overall Score	79.5	74.5	79.5	81.0	79.5		79

FIRM: KNL SUPPORT SERVICES						Weights	Overall Score
Evaluator Number	1	2	3	4	5		
Qualifications of Firm	4.0	3.5	3.5	3.5	3.5	7	25.2
Staffing/Project Organization	4.0	3.5	3.5	3.5	3.5	5	18.0
Work Plan	3.5	3.0	3.5	3.0	3.5	3	9.9
Cost and Price	5.0	5.0	5.0	5.0	5.0	5	25.0
Overall Score	83.5	76.0	77.5	76.0	77.5		78

The score for the non-short-listed firm was 64.

CONTRACT HISTORY FOR THE PAST TWO YEARS
RFP 7-1569 On-Call General Auditing Services

Prime and Subconsultants	Contract No.	Description	Contract Start Date	Contract End Date	Subconsultant Amount	Total Contract Amount
Conrad, LLP						
Contract Type: Contract Task Order	C-6-1357	On-Call Price Review and Buy America Services	October 1, 2016	September 30, 2019	N/A	\$ -
Subconsultants: None						
Subtotal: \$						-
BCA Watson Rice, LLP						
Contract Type: Contract Task Order	C-2-1426	On-Call General Auditing Services	July 1, 2012	June 30, 2017	N/A	\$ -
Subconsultants: None						
Contract Type: Contract Task Order	C-1-2453	On-Call Price Review and Buy America Services	October 1, 2011	September 30, 2016	N/A	\$ -
Subconsultants: None						
Contract Type: Contract Task Order	A35602	State Transportation Improvement Program Planning Programing and Monitoring Compliance Audit	August 1, 2016	September 1, 2016	N/A	\$ 6,500
Subconsultants: None						
Contract Type: Contract Task Order	A35108	Comprehensive Transportation Funding Program Compliance and Financial Audit	June 15, 2016	December 31, 2016	N/A	\$ 61,875
Subconsultants: None						
Contract Type: Contract Task Order	A32347	State Transportation Improvement Program Planning Programing and Monitoring Compliance Audit	July 9, 2015	September 1, 2015	N/A	\$ 6,500
Subconsultants: None						
Subtotal: \$						74,875
KNL Support Services						
Contract Type: Contract Task Order	C-1-2797	On-Call Audit Services for Price Reviews and Buy America	October 1, 2011	September 30, 2016	N/A	\$ -
Subconsultants: None						
Subtotal: \$						-
Vavrinek, Trine, Day & Company, LLP						
Contract Type: Fixed Price	C-5-3564	Independent Annual Financial Auditing	January 19, 2016	March 31, 2019	N/A	\$ 899,700
Subconsultants: None						
Contract Type: Fixed Price	L-50012	Los Angeles – San Diego – San Luis Obispo Rail Corridor Financial Audit Services	January 26, 2016	March 31, 2019	N/A	\$ 75,000
Subconsultants: None						
Contract Type: Fixed Price	L-5-0008	Los Angeles – San Diego – San Luis Obispo Rail Corridor Financial Audit Services	September 18, 2015	March 1, 2016	N/A	\$ 6,500
Subconsultants: None						
Subtotal: \$						981,200