



METROPOLITAN
TRANSPORTATION
COMMISSION

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TO: Administration Committee

DATE: February 7, 2018

FR: Deputy, Executive Director, Policy

W. I. 1152

RE: Contract – Professional Auditing Services: PricewaterhouseCoopers, LLP (\$1,278,935)

This item would authorize the Executive Director or his designee to negotiate and enter into a contract with PricewaterhouseCoopers, LLP (PwC) to perform annual fiscal audits of Metropolitan Transportation Commission (MTC), Service Authority for Freeways and Expressways (MTC SAFE), the Bay Area Toll Authority (BATA), Bay Area Infrastructure Financing Authority (BAIFA), Bay Area Headquarters Authority (BAHA), and 375 Beale Condominium Corporation (375 Beale Condo), collectively referenced as “MTC”. The contract would be for a five year term beginning with the fiscal year (FY) ending June 30, 2018 through June 30, 2022, with two one-year renewal options through FY 2023-2024, subject to annual budgetary approval. The amount sought by this memorandum is for the first fiscal year of the contract only. Staff will return to seek funding approval for each subsequent fiscal year, based on confirming satisfactory service.

Procurement Process

In November 2017, MTC issued a Request for Qualifications (RFQ) to provide professional auditing services to perform annual fiscal audits for MTC. In addition, the RFQ requested the professional auditing services for the Association of Bay Area Governments (ABAG), ABAG Publicly Owned Energy Resources (ABAG POWER), and ABAG Finance Authority for Nonprofit Corporations (ABAG FAN). The RFQ authorizes a five year contract with two one-year renewal options.

Four firms responded to the RFQ and all advanced to the interview process held on January 30, 2018:

- | | |
|-----------------------------------|---------------------------|
| 1. Crowe Horwath | San Francisco, California |
| 2. KPMG | San Francisco, California |
| 3. Macias, Gini & O’Connell (MGO) | Walnut Creek, California |
| 4. PwC | San Francisco, California |

All of these firms met minimum qualifications for experience and maintain local offices.

The interview panel consisted of Commissioner Worth, Chief Financial Officer Brian Mayhew, and four MTC Finance staff members. The evaluation criteria were as follows: 1) experience and qualification of firm and assigned staff (30%); 2) comprehensiveness and adequacy of detailed work plan (20%); 3) reasonableness of task hours (15%); 4) timetable for meeting deadlines (15%); 5) value-added expertise and experience (20%).

After a thorough review of the proposals and the interviews, the panel recommends the selection of PwC to perform the annual fiscal audits for MTC. PwC was determined to be most qualified based on a combination of the strength of the staff's qualifications and experience, the capability to provide a wide range of different types of audits, the approach to the engagement, and the labor resources available to meet the schedule. PwC is neither a small business nor a disadvantaged business enterprise and currently has no subcontractors.

The following table shows the collective final score average of the four proposers based on their proposals and interviews.

Criteria	PwC	KPMG	Crowe Horwath	MGO
Experience and qualification of firm and assigned staff (max 30 points)	28.2	28.2	26.7	23.3
Comprehensiveness and adequacy of detailed work plan (max 20 points)	19.7	18	15.1	12
Reasonableness of task hours (max 15 points)	12.3	12.7	11.3	8.7
Timetable for meeting deadlines (max 15 points)	14.2	13.8	11.3	8.6
Value-added expertise and experience (20 points)	17.7	18.3	18	16.5
Total (Max 100 points)	92.1	91	82.4	69.1

PwC has been involved in audit work with MTC since 1999. PwC has made significant contributions to MTC's implementation of GASB accounting pronouncements, as well as the addition of new accounts and funds over the years. The following is a comparison between 2017 and 2018 for estimated audit hours that PwC has performed or will perform for MTC:

Entities	2017 Hours	2018 Hours	Difference
MTC	2,709	2,464	(245)
BATA	2,835	2,852	17
SAFE	378	384	6
BAHA	378	429	51
Subtotal	6,300	6,129	(171)
BAIFA		687	687
375 Beale Condo		356	356
Grand Total	6,300	7,172	872
First Year Start Up Hours		(280)	
FY 2019 Hours (Estimate)		6,892	

Hours for the general audit of MTC, BATA, SAFE, and BAHA will actually decrease for the FY 2018 audit. PwC will have to add 687 hours for BAIFA and 356 hours for 375 Beale Condo, both of which went operational in FY 2017-18 and will require separate audits. Hours will continue to decrease in subsequent years of the contract. The following is a comparison of the hours between 2018 and 2019 for estimated audit hours that PwC will perform:

Entities	2018 Hours	Cost	2019 Hours	Difference
MTC	6,129	\$1,096,410	6,075	(54)
BAIFA	687	\$120,225	477	(210)
375 Condo Beale	<u>356</u>	<u>\$62,300</u>	<u>286</u>	<u>(70)</u>
TOTAL	7,172	\$1,278,935	6,838	(334)

The RFQ process was comprehensive in nature with each firm submitting proposals covering ABAG and its affiliated entities. PwC considers the ABAG audit a first year startup engagement. While PwC has some knowledge of ABAG operations, the substantial level of grants and changing to MTC audit and reporting standards will make the first year quite difficult.

Entities	2018 Hours	Cost	2019 Hours	Difference
ABAG	1,380	\$241,500	1060	(320)
ABAG POWER	445	\$77,875	375	(70)
ABAG FAN	<u>474</u>	<u>\$82,950</u>	<u>394</u>	<u>(80)</u>
TOTAL	2,299	\$402,325	1,829	(470)

The first year costs of building databases and creating new financial reports should end in the second year, allowing us to estimate that costs and hours for ABAG will go down. At the ABAG Finance Committee and Executive Board meetings in March, staff will recommend that PwC conduct these audits as well.

Recommendation

The audit selection panel recommends that this Committee authorize the Executive Director or his designated representative to negotiate and enter into a contract with PwC in an amount not to exceed \$1,278,935 to provide the annual Financial and Compliance audit services as described above for five fiscal years ending June 30, 2022 with two one-year renewal options, subject to annual budgetary approval.


Alix A. Bockelman

SH/GL

REQUEST FOR COMMITTEE APPROVAL

Summary of Proposed Contract

Work Item No.:	1152
Consultant:	PricewaterhouseCoopers LLP (San Francisco, CA)
Work Project Title:	Professional Auditing Services
Purpose of Project:	To obtain services of an Independent Auditor
Brief Scope of Work:	To perform a comprehensive fiscal and compliance audit of MTC, MTC SAFE, BATA, BAIFA, BAHA, and 375 Beale Condominium Corporation (375 Beale Condo) for fiscal year ending June 30, 2018 through June 30, 2022. Auditor will render appropriate reports as required by Code of Regulations 2 CFR part 200 and in accordance with the financial and compliance type described in the Government Auditing Standards, published by the Comptroller General of the United States.
Project Cost Not to Exceed:	\$1,278,935
Funding Source:	MTC - \$1,096,410/ BAIFA - \$120,225/ 375 Beale Condo - \$62,300
Fiscal Impact:	Project costs are included in the 2017-18 budget
Motion by Committee:	That the Executive Director or his designee is authorized to negotiate and enter into a contract with PwC for services as described above and in the Deputy, Executive Director's memorandum dated February 7, 2018 and the Chief Financial Officer is authorized to set aside funds in the amount of \$1,278,935 for FY 2017-18 for such contract.
Administration Committee:	<hr/> Federal D. Glover, Chair
Approved:	Date: February 14, 2018