



Agenda Item No. 3

To: Finance-Auditing Committee/Committee of the Whole
Meeting of April 10, 2008

From: Bette Joe, Director of Accounting
Joseph M. Wire, Auditor-Controller
Celia G. Kupersmith, General Manager

Subject: **AUTHORIZE EXECUTION OF A PROFESSIONAL SERVICES AGREEMENT WITH VAVRINEK, TRINE, DAY & CO., LLP, RELATIVE TO REQUEST FOR PROPOSALS NO. 2008-D-3, EXTERNAL AUDIT SERVICES**

Recommendation

The Finance-Auditing Committee recommends that the Board of Directors authorizes execution of a Professional Services Agreement with Vavrinek, Trine, Day & Co., LLP (VTD), of Rancho Cucamonga, CA, relative to Request for Proposals No. 2008-D-3, *External Audit Services*, in the amount of \$279,000, for a three-year term, effective upon Board approval, with two one-year options to be exercised at the discretion of the General Manager or his/her designee, in the amount of \$99,000 for year four and in the amount of \$102,000 for year five; and further authorize a contingency in the amount \$48,000, equal to 10 percent of the contract, to conduct specially defined audit review services at designated rates, with the understanding that requisite funds are available in the District Division Operating Budget and will be budgeted accordingly for future years.

Summary

The contract for the current audit firm (Macias Gini O'Connell LLP) concluded with the issuance of the audited financial statements for the fiscal year ended June 30, 2007. Macias Gini O'Connell LLP has been the District's auditors since 2000. On February 5, 2008, the District issued an RFP for External Audit Services with a proposal submittal due date of March 4, 2008. The RFP was posted on the District's website; 33 potential proposers, including six DBE firms, were notified of the posting. The following proposals were received:

1. Vavrinek, Trine, Day & Co., LLP
2. Mayer Hoffman McCann P.C.
3. Maze & Associates
4. Macias Gini O'Connell LLP

An Evaluation Committee, comprised of District staff, evaluated each proposal based upon the following criteria (and related points awarded) set forth in the proposal documents:

1. Experience of the Audit Firm (0-20 points)
2. Experience of the Personnel Assigned to the Engagement (0-30 points)
3. Audit Approach, including education and training opportunities (0-30 points)
4. Fee Structure (0-20 points)

All four audit firms were interviewed by the Committee. The District requested that all four firms submit revised cost proposals, including two one-year options. Based upon the evaluation of both the written proposals, the results of the oral interviews and the revised cost proposals, staff recommends award of RFP No. 2008-D-3 to Vavrinek, Trine, Day & Co., LLP (VTD), Rancho Cucamonga, CA, as the highest ranked proposer.

VTD provides governmental auditing services to over 300 governmental agencies. Current transit clients headed by their Palo Alto office include San Mateo County Transit District (SamTrans), Santa Clara Valley Transportation Authority (VTA) and Monterey Salinas Transit District (MST). The Palo Alto office will oversee the audit of the District.

In reviewing the audit firm proposals, the Committee was especially impressed by VTD's knowledge of government accounting pronouncements; its ability to understand the nature of the District's operations by way of its audit experience with other transit agencies in the Bay Area; the emphasis on ease of transition to a new audit firm; customer care; and, VTD's commitment to meet critical reporting deadlines. Reference checks of VTD's proposed audit staff resulted in reports of significant client satisfaction.

In addition, VTD's fee structure was highly competitive and offers the lowest short-term and long-term savings for the District without sacrificing the expected level of audit expertise and services.

Lastly, the RFP includes an option to retain the consultant for additional specially defined audit services. Certain areas of District operations may require independent audit review, and the audit firm can serve in this capacity. Staff recommends the authorization of a 10 percent contingency in the amount of \$48,000 for funding these services.

In summary, staff recommends award to Vavrinek, Trine, Day & Company LLP as the District's external auditors in recognition of the following:

- Technical expertise of the firm
- Availability and quality of the audit staff
- Audit experience of similar transit agencies in the Bay Area
- Lowest short term and long term pricing for services requested in the RFP

Fiscal Impact

There are sufficient funds available in the District's Operating Budget for the cost of the audit services with the understanding that future years will be budgeted accordingly.