



Date: April 5, 2006
 Committee Meeting Date: April 20, 2006
 Board Meeting Date: May 4, 2006
 ACTION X DISCUSSION INFO

BOARD MEMORANDUM

TO: Administration and Finance Committee
 Santa Clara Valley Transportation Authority
 Board of Directors

THROUGH: Michael T. Burns
 General Manager

FROM: Roger Contreras
 Chief Financial Officer

SUBJECT: Financial Audit Services Contract

RECOMMENDATION:

Authorize the General Manager to execute a three-year contract with Vavrinek, Trine, Day and Co. (Vavrinek) to provide financial and compliance audit services to Santa Clara Valley Transportation (VTA) at a cost of \$520,000 for the three year period. Further authorize the General Manager to extend the contract for two additional one-year options at a price not to exceed \$186,000 for the first year of renewal and \$192,000 for the second year. Total amount of the contract for the five year period is \$898,000.

BACKGROUND:

Section 11-7 of the Administrative Code requires an independent audit of VTA's finances at the close of each fiscal year by a certified public accountant. In addition, the State and Federal Government, the Independent Citizen's Watchdog Committee for the 2000 Measure A, as well as the Bond Counsel require independent audit reports. The following is a list of the audited reports that are needed to meet these requirements.

- VTA General Purpose Financial Statements
- VTA/ATU Pension Plan Report
- Congestion Management Program Report
- 2000 Measure A Transportation Program
- VTA Single Audit Report
- Transportation Development Act Compliance Report
- Federal Transportation Administration Agreed-Upon Procedures Report related to the National Transit Database
- Budgetary Comparison Schedule

The auditing and reporting services have been performed by Macias, Gini & Company, LLP (Macias) since May 2001. Their five-year contract was completed with the audit of fiscal year 2005.

DISCUSSION:

On February 6, 2006, a Request for Proposal (RFP) was issued for Financial Audit Services. The RFP was sent to thirty firms and advertised in the San Jose Mercury News. A Pre-proposal conference was held on February 14, 2006. Proposals were received from four firms, namely Brown Armstrong Accountancy Corporation; Caporicci & Larson; Macias; and Vavrinek.

A selection committee comprised of the Controller, Fiscal Resources Manager and Accounting Manager reviewed the proposals. Review criteria were:

- Qualifications of the firm
- Staffing and project organization
- Understanding project requirements
- Local firm preference
- Price

After evaluation of the proposals, the selection committee interviewed the audit management of all four proposing firms. The interview with the firms resulted to the following ranking, with number one being the selected vendor:

1. Vavrinek
2. Macias
3. Brown Armstrong Accountancy Corporation
4. Caporicci and Larson

Considering the qualifications of the firm, Vavrinek proposed the lowest cost for the five year period. Although other firm's qualifications may be comparable, Vavrinek's proposal was deemed to be more solid because it did not involve any fee contingencies. Furthermore, Vavrinek is the only proposer who qualifies for the local firm preference points, as it is the only firm that has an office located within Santa Clara County.

The contract with the previous auditor for the five year period was \$717, 029.

ALTERNATIVES:

The Board could direct staff to issue a new RFP for these services, however, this is not recommended because it is not believed that a new solicitation would result in additional proposers or a lower price.

FISCAL IMPACT:

Sufficient funds have been budgeted in the Fiscal Resources Division to perform these services.

SBE PARTICIPATION:

Based on the limited scope of work and no subcontracting opportunities, no SBE goal has been established for this contract. Contractor is encouraged to make reasonable effort to utilize SBE to provide ancillary services and products associated with the performance of this agreement.

Prepared by: Grace Salandanan, Fiscal Resources Manager