



**METROPOLITAN  
TRANSPORTATION  
COMMISSION**

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## *Memorandum*

TO: Administration Committee

DATE: October 28, 2009

FR: Executive Director

W. I. 1152/1254

RE: Contract Amendment: Professional Auditing Services: PricewaterhouseCoopers, LLP (PWC)

Staff recommends that the Committee approve a contract amendment in the amount of \$1,840,456 with PriceWaterhouseCoopers, LLP (PWC), located in San Francisco, CA for audit and review services.

### **Background**

In April 2007, the Commission approved a three-year contract with two one-year options with PriceWaterhouseCoopers LLP (PWC) to perform a comprehensive financial and compliance audit starting with the fiscal year ending June 30, 2007. This memorandum recommends authorizing PWC for the first of two option years for audit services for the fiscal year ending June 30, 2010, as well as additional review services described below. While PWC is entitled by contract to a 5% increase, or a \$34,258 higher fee, PWC has agreed that the base audit fee for fiscal year 2010 will be the same as the base audit fee for fiscal year 2009 of \$685,166. The recommendation to renew the contract has been reviewed and approved by members of the Audit Committee.

PWC has also been under contract to provide external audit services and internal control reviews for MTC, MTC SAFE, BATA, and BAIFA. Through their work as internal auditors, PWC has detailed knowledge of the current toll collection system and accounting system, the interfaces, lane transactions, subsystems and related internal controls. PWC assisted with the procurement requirements for a new toll collections system and they assisted in reviewing the request for proposal and the evaluation of the proposals. For the design and development phase of the ATCAS II project, staff is proposing that PWC serve as an overall evaluator of the new system through June 30, 2011. These responsibilities include, but are not limited to, review of the adequacy of the internal controls including security access controls, application controls, and the controls around the transactions from the lanes. PWC will also assist in risk assessment, which includes testing of the new system, review of the test plans and results and validation that the controls are effective and operating as designed. Since PWC will ultimately have to test these controls as part of our annual audit, having the firm validate the controls during the system's development will be more efficient.

**Scope of work**

(1) Audit of the agency’s financial statements

The proposed audit will include the issuance of the Comprehensive Annual Financial Report (CAFR), including MTC, SAFE, BATA, BAIFA and fiduciary funds; a separate audit report of BAIFA; a single audit report in accordance with OMB Circular A-133; and a management letter.

(2) Caltrans expenditure review

Review of Caltrans expenditures reimbursed by BATA for appropriateness and compliance. This review is done every other year.

(3) ATCAS II

Perform advisory services for the design and development of the new toll collection system. Responsibilities include evaluation of internal controls for the system, software application, lane transactions, review and observe testing, review test plan, and risk assessment.

**Control Budget Summary**

<u>Scope</u>	<u>Amount</u>	<u>Fund Source</u>
Compliance audit fee	\$685,166	BATA, MTC, SAFE, BAIFA
Caltrans expenditure review	\$180,290	BATA
ATCAS II project	<u>\$975,000</u>	BATA
Total	\$1,840,456	

**Recommendation**

Staff recommends the Committee authorize the Executive Director or his designee to negotiate and enter into a contract amendment with PricewaterhouseCoopers, LLP in an amount not to exceed \$1,840,456 to provide audit and professional services as described in this memorandum. Funds have been budgeted in the operating budget and under the ATCAS II Replacement Project.

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Steve Heminger

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## Summary of Proposed Contract Amendment

Work Item No.: 1152/1154

Consultant: PricewaterhouseCoopers, LLP, San Francisco, CA

Work Project Title: Audit and Professional 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, BATA, BAIFA, and MTC SAFE for FY 2009-10. Auditor will render appropriate reports as required by the A-133 Single Audit and in accordance with the financial and compliance type described in the Government Auditing Standards, published by the Comptroller General of the United States. Review of Caltrans expenditures and ATCAS II project in accordance to Standards for Consulting Services established by the AICPA.

Project Cost Not to Exceed: \$1,840,456 this amendment (currently contract value is \$4,136,008)

Funding Source: Included in FY 2009-10 Operating budget and Toll Bridge Rehabilitation Funds

Fiscal Impact: Project costs are budgeted

Motion by Committee: That the Executive Director or his designated representative is authorized to negotiate and enter into a contract amendment with PricewaterhouseCoopers, LLP for services as described above. The Chief Financial Officer is authorized to set aside funds in the amount of \$1,840,456 for such amendment.

Administration Committee:

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Tom Bates, Chair

Approved: Date: November 4, 2009