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## ***Memorandum***

TO: BATA Oversight Committee

DATE: April 1, 2015

FR: Executive Director

W.I. 1254

RE: Contracts – Internal Project Auditing and Reporting Services (\$1,000,000 annually)

- |                   |                               |
|-------------------|-------------------------------|
| i. KPMG LLP       | iii. Moss-Adams LLP           |
| ii. McGladrey LLP | iv. Navigant Consulting, Inc. |

This memorandum requests approval of the above-listed pool of audit firms to conduct project audits of BATA projects for a five-year period from July 1, 2015 through June 30, 2020 with an option to renew for two additional one-year terms subject to the approval of future BATA projects. The audit firms will conduct detailed audits of construction costs, change orders, staff and overhead costs, as well as provide project risk management.

### **Background**

In 2010, BATA issued a Request for Qualifications (RFQ) to establish a pool of audit firms qualified to conduct internal project audits of the Regional Measure 1, Regional Measure 2, and Seismic Retrofit Program programs for the fiscal years 2011 through 2015. As a result of the RFQ, BATA entered into contracts with four audit firms. They were KPMG LLP, Deloitte Financial Advisory Services LLP, Thompson, Cobb, Bazilio & Associates, PC, and Sjoberg Evashenk Consulting, Inc. These contracts will expire on June 30, 2015. The auditing and reporting services are required for BATA projects, and BATA staff requests to continue them through today's proposed action. The proposed budget for services to be provided by all firms for FY 2015-16 through FY 2019-20 is \$1,000,000 per fiscal year.

### **Procurement Process**

A Request for Qualifications (RFQ) was issued in January 2015 seeking qualified firms to provide project auditing and reporting services. Firms were invited to submit statements of qualifications to participate in this audit program. Some of the minimum qualifications included experience with independent audit and management reporting on a capital project in excess of \$500 million and experience evaluating, testing, auditing, and validating construction support and overhead costs.

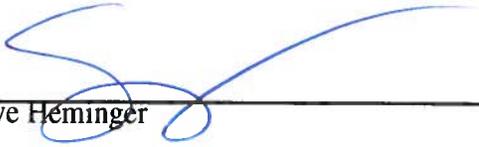
A total of five firms responded to the RFQ. The firms were: KPMG LLP, Macias Gini & O'Connell LLP, McGladrey LLP, Moss-Adams LLP, and Navigant Consulting, Inc. All five firms met the minimum qualifications. A committee of BATA finance staff evaluated the proposals. The evaluation criteria were: firm and staff qualifications and experience with auditing projects over \$500 million; experience with major bridge projects; experience with

State construction programs, budget controls, change orders, and overhead and support costs; written and oral communication; and client references. The evaluation panel established a minimum scoring of 70% in order to recommend a firm to the Committee. The scores are listed in Attachment 1. The consensus of the evaluation panel was to recommend a pool that includes KPMG LLP, which has established a successful record performing audits for BATA for the past 5 years, McGladrey LLP, Moss-Adams LLP, and Navigant Consulting, Inc. These four firms have extensive experience relative to the criteria stated in the RFQ and exceeded the minimum scoring threshold. Macias Gini & O'Connell is not being recommended as it lacks in-depth experience in connection with the experience-related evaluation criteria listed in the RFQ. The four firms are neither small businesses nor are disadvantaged business enterprises and currently have no subcontractors.

The process for assigning audit tasks is one of screening and then written proposals from individual firms. Screening is a very important step because an audit firm cannot conduct an independent audit of a firm that has a business relationship with the audit firm. Staff will then request written proposals that include a written engagement letter, staff availability, projected hours, costs, procedures and final report. The final negotiated engagement letter governs the audit. One of the reasons for having an active bench rather than a single firm is the potential for audit conflicts between national audit firms and large corporate contractors.

### **Recommendation**

Staff recommends that this Committee authorize the Executive Director or his designated representative to negotiate and enter into five-year contracts with KPMG LLP, McGladrey LLP, Moss-Adams LLP, and Navigant Consulting, Inc. to provide internal project auditing and reporting services for BATA projects for a five-year period beginning July 1, 2015 and ending June 30, 2020, with an option to renew for two additional one-year terms, in an amount not to exceed \$1,000,000 annually subject to the approval of future BATA budgets. The \$1,000,000 per fiscal year will be allocated among the selected firms on an as-needed basis. Staff recommends that we continue to budget \$1,000,000 per fiscal year to be allocated among the various audit firms on an as needed basis.



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Steve Heminger

SH/BM

## Attachment 1

### Average Proposal Scores: Internal Project Audit and Reporting Services

<b>Contractor</b>	<b>Total Score</b>	<b>Out of</b>
McGladrey LLP	85.0	100.0
Moss Adams LLP	87.7	100.0
Navigant Consulting, Inc.	89.0	100.0
KPMG LLP	91.0	100.0
Macias Gini & O'Connell LLP	50.0	100.0

# REQUEST FOR COMMITTEE APPROVAL

## Summary of Proposed Contract

Work Item No.: 1254

Contractor: KPMG LLP, McGladrey LLP, Moss-Adams LLP, and Navigant Consulting, Inc.

Work Project Title: Internal Project Auditing and Reporting Services

Purpose of Project: Conduct detailed audits of construction costs, change orders, staff and overhead costs as well as provide project risk management

Brief Scope of Work: Conduct detailed audits of construction costs, change orders, staff and overhead costs as well as provide project risk management.

Project Cost Not to Exceed: \$1,000,000 per year from FY 2015-16 through FY 2019-20

Funding Source: BATA Toll Revenue

Fiscal Impact: Funds to be included in the Toll Bridge Rehabilitation Program Budget, subject to approval of the FY 2015-16 and future BATA Budgets.

Motion by Committee: That the Executive Director or his designee is authorized to negotiate and enter into contracts with KPMG LLP, McGladrey LLP, Moss-Adams LLP, and Navigant Consulting, Inc. to provide internal project auditing and reporting services for five-year term from FY 2015-16 through FY 2019-20, with an option to renew for two additional one-year terms, as described above and in the Executive Director's memorandum dated April 1, 2015 and the Chief Financial Officer is directed to set aside funds in the amount of \$1,000,000, cumulatively, for all such contracts per fiscal year, subject to the approval of future BATA Budgets.

BATA Oversight Committee: \_\_\_\_\_  
Amy Rein Worth, Chair

Approved: Date: April 8, 2015