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ITEM ID: 2024-126-0

TRANSMITTAL DATE: March 1, 2024

MEETING DATE: March 8, 2024

TO: Contracts, Operations, Maintenance, and Safety Committee

FROM: Arnold Hackett, Chief Financial Officer

SUBJECT: QM166-24 External Audit Services - Recommendation to Award - Eide Bailly, LLC

Issue

The Authority requires external audit services of its financial statements on an annual basis in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

Recommendation

It is recommended that the Committee recommend the Board authorize the Chief Executive Officer to award Contract No. QM166-24 for External Audit Services to Eide Bailly, LLC in a not-to-exceed contract authority amount of \$1,021,143.20 (\$539,176 for the base years and \$389,136 for the option years, plus 10% contingency of \$92,831.20). The term of the contract shall be for a three-year base with one two-year option that may be exercised at the sole discretion of the Chief Executive Officer. The award is subject to resolution of any timely filed protest.

Strategic Commitment

This report aligns with the Strategic Business Plan commitment of:

- **Modernizing Business Practices:** We will improve our operational efficiency through transparency, objective metrics and streamlined governance, reducing over-reliance on subsidy while bringing our system into a state of good repair and investing in the development of our employees. By producing timely financial statements, we can present relevant financial information to users of our data to make better decisions regarding Metrolink's future.

Background

The Authority is required to have audited financial statements based on the Uniform Guidance requirements stating Nonfederal entries that expense \$750,000 or more in a year in federal assistance shall have a Single Audit conducted for that year.

The audit shall be conducted in accordance with GAGAS (i.e., Generally accepted government audit standards). The audit shall cover the entire operations of the Authority, which would include a series of audits that cover departments which administered awards during the fiscal year, provided that each such audit encompasses the financial statements and Schedule of Expenditures of Federal Awards (SEFA). The audited financial statements will be used by the Authority to produce the Annual Comprehensive Financial Report (ACFR).

On November 9, 2018, the Board awarded competitively procured contract no. QM160R-19 to Edie Bailly (formerly known as Vavrinek, Trine, Day & Co., LLP) to perform external audit services for a period of three years with two one-year operations, which were exercised, and the contract expires February 28, 2024. As the Authority's current External Auditors are in the final year of audit services, staff then initiated the process to procure external audit services for the fiscal years 2024-2028.

Discussion

On October 10, 2023, the Authority released a Request for Proposal (RFP) for External Audit Services for a contract term of three years with one two-year option. The solicitation was published in the five member counties, as well as posted on the Authority's online procurement module. Notices were also emailed to firms registered on the Authority's online procurement module. 26 firms downloaded the solicitation. On October 18, 2023, the Pre-Proposal Conference was held with five firms in attendance.

Eight proposals were received on November 21, 2023 from Crowe LLP, Davis Farr, Eide Bailly, Plante Moran, Sotomayor & Associates, The Pun Group, Vasquez & Company, and Weaver and Tidwell.

Evaluations were conducted in accordance with the Board-approved Contract Administration and Procurement Policies and Procedures, Proposal Evaluation. The evaluation committee consisted of two Authority staff members and one representative from a member agency.

Technical proposals were reviewed and scored. Five of the eight firms met the minimum technical score of 54.4 points, and therefore advanced to the interview phase of the evaluation. The results of the total scoring, including interview and cost, for the top five proposers, are shown in the following table.

FIRM	TOTAL SCORE
Crowe, LLP	80.20
Eide Bailly, LLC	86.40

Plante Moran	75.60
The Pun Group, LLP	79.90
Vasquez & Company	75.90

AUDITOR ROTATION

In compliance with Government Code Section 12410.6(b), Metrolink will require the lead partner, the partner having responsibility for this audit, or the audit partner responsible for reviewing the audit, following six consecutive fiscal years, to rotate off the engagement and be replaced by a new lead partner. If a firm cannot meet the rotation requirement, the firm must decline the audit engagement for a minimum of one year.

Eide Bailly has given assurances that the lead audit partner will rotate off the engagement following the sixth consecutive year of responsibility for this audit. The Project Manager will report on the rotation of the lead partner in future presentations regarding the outcome of the annual fiscal and single audit to the board.

Budget Impact

Funding will be requested through the FY2024-25 and subsequent years annual budget. There is no financial commitment with respect to the contract authority requested until funding is approved.

Next Steps

Upon Board approval, the contract will be executed for Eide Bailly LLC to begin providing service effective May 1, 2024.

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Approved by: Arnold Hackett, Chief Financial Officer