



**January 10, 2024**

**To:** Finance and Administration Committee

**From:** Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director  
Internal Audit Department

**Subject:** Agreement for Independent Annual Financial Auditing Services

### **Overview**

On October 23, 2023, the Board of Directors authorized the release of a request for proposals for an independent public accounting firm to perform annual financial and compliance audits and agreed-upon procedures reviews of the Orange County Transportation Authority and related agencies for the fiscal years ending June 30, 2024, 2025, and 2026. Proposals were received and evaluated in accordance with the Orange County Transportation Authority's procurement procedures for professional and technical services. Board of Directors' approval is requested to select a public accounting firm to perform independent annual financial auditing services.

### **Recommendations**

- A. Approve the selection of Eide Bailly LLP as the firm to provide independent annual financial auditing services.
- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-3-2931 between the Orange County Transportation Authority and Eide Bailly LLP, in the amount of \$1,715,487, to provide independent annual financial auditing services for a three-year initial term with one, two-year option term.

### **Discussion**

The Orange County Transportation Authority (OCTA) requires an independent public accounting firm to perform annual financial and compliance audits and agreed-upon procedures reviews of OCTA and its affiliated agencies for an initial term of three consecutive years, beginning with audits for the fiscal year

ending June 30, 2024. In addition to the typical annual services, OCTA is requesting the selected firm to also provide a Measure M2 (M2) compliance audit of the Orange County Local Transportation Authority for the fiscal year ending June 30, 2024, and pricing for such an audit in future years. Following the initial three-year term, there will be one, two-year option term for the fiscal years ending June 30, 2027, and 2028.

### ***Procurement Approach***

This procurement was handled in accordance with OCTA's Board of Directors' (Board)-approved procedures for professional and technical services. In addition to cost, many other factors are considered in an award for professional and technical services. Award is recommended to the firm offering the most comprehensive overall proposal considering such factors as prior experience performing similar projects, staffing and project organization, work plan, as well as cost and price.

On October 23, 2023, the Board authorized the release of Request for Proposals (RFP) 3-2931, which was issued electronically on CAMM NET. The project was advertised in a newspaper of general circulation on October 23 and October 30, 2023. One addendum was issued to provide responses to questions received.

On November 20, 2023, six proposals were received. An evaluation committee comprised of OCTA staff from the Contracts Administration and Materials Management and Internal Audit departments, the Finance and Administration Division, and the Los Angeles-San Diego-San Luis Obispo Rail Corridor Agency, as well as external representatives from the Audit Subcommittee of the M2 Taxpayer Oversight Committee and the Southern California Regional Rail Authority was established to review all proposals received. The proposals were evaluated based on the following Board-approved evaluation criteria and weightings:

- |                                     |            |
|-------------------------------------|------------|
| • Qualifications of the Firm        | 25 percent |
| • Staffing and Project Organization | 30 percent |
| • Work Plan                         | 20 percent |
| • Cost and Price                    | 25 percent |

Several factors are considered in establishing criteria weightings. An independent audit firm must have substantial depth and breadth of technical expertise in a variety of accounting and auditing matters and must demonstrate its compliance with Government Auditing Standards (GAS). As such, firm

qualification was weighted at 25 percent. The training and experience of the firm's staff and the organization of its team is critical to the professional and timely completion of the annual audit work. Also, continuity and retention of staff is crucial for a productive and efficient work environment. Therefore, staffing and project organization was weighted the highest at 30 percent. The work plan, or annual audit plan, is important because it is the approach the firm will use to examine OCTA's internal controls, compliance, and financial records. However, these procedures are largely based on accounting and auditing standards, and the agreed-upon procedures are provided by OCTA. As such, the work plan was weighted at 20 percent. Cost and price was weighted at 25 percent to ensure OCTA receives competitive pricing for services provided.

On December 5, 2023, the evaluation committee reviewed the six proposals based on the evaluation criteria and short-listed the three most qualified firms listed below in alphabetical order:

Firm and Location

Crowe, LLP (Crowe)  
Costa Mesa, California

Eide Bailly LLP (Eide Bailly)  
Rancho Cucamonga, California

The Pun Group, LLP (The Pun Group)  
Santa Ana, California

On December 12, 2023, the evaluation committee completed interviews with the three short-listed firms. The interview consisted of a presentation to demonstrate the firm's understanding of OCTA's requirements. The firms' engagement partner(s) and key team members had an opportunity to present their qualifications and respond to the evaluation committee's questions. Questions were asked relative to the firms' approach to providing guidance and technical assistance, conducting the M2 compliance audit, and communicating with OCTA staff about potential findings and recommendations. In addition, each team was asked specific clarification questions related to their proposal.

After considering the responses to the questions asked during the interviews, the evaluation committee reviewed the preliminary ranking and made adjustments to individual scores. However, Eide Bailly remained the highest-ranked firm with the highest overall score.

Based on evaluation of the written proposals and the information obtained from the interviews, the evaluation committee recommends Eide Bailly for consideration of the award. The following is a brief summary of the proposal evaluation results.

#### Qualifications of the Firm

Founded in 1917, Eide Bailly has more than 40 offices throughout 15 states and over 3,000 employees. The firm has similar relevant experience auditing public transit agencies, including the San Mateo County Transit District, Santa Clara Valley Transportation Authority, Riverside County Transportation Commission, North County Transit District, and Tri-County Metropolitan Transportation District of Oregon. Eide Bailly has previously provided independent financial auditing services to OCTA from 2016 until 2019, under a different name (Vavrinek, Trine, Day & Company, LLP). In addition to financial audit services, the firm demonstrated experience in conducting single audits and Transportation Development Act compliance audits. Furthermore, the firm has extensive experience conducting compliance audits for sales tax measures throughout California. The references provided by Eide Bailly reported that they were satisfied with the firm's performance, and the proposal demonstrated Eide Bailly's qualifications in providing independent annual financial auditing services.

Founded in 1942, Crowe has more than 500 personnel across six offices throughout California and over 6,600 employees, and a total of 40 offices nationwide. The firm has experience auditing government agencies, including the Los Angeles County Metropolitan Transportation Authority, Foothill Transit, San Bernardino County Transportation Authority, and San Diego Association of Governments. Crowe is also the incumbent firm and has been providing independent financial auditing services for OCTA since 2019. In addition to financial audit services, the firm demonstrated experience in conducting single audits, Transportation Development Act compliance audits, and applying agreed-upon procedures related to sales tax measures. The references provided by Crowe reported that they were satisfied with the firm's performance, and the proposal demonstrated Crowe's qualifications in providing independent annual financial auditing services.

The Pun Group was established in 2012 and has six offices across three states with 60 employees. The firm has experience auditing government agencies, including Imperial County Local Transportation Authority, San Diego Metropolitan Transit System, and Ventura County Transportation Commission. In addition to financial audit services, the firm demonstrated experience in conducting single audits, Transportation Development Act compliance audits, and applying agreed-upon procedures related to sales tax measures. The

references provided by The Pun Group reported that they were satisfied with the firm's performance, and the proposal demonstrated The Pun Group's qualifications in providing independent annual financial auditing services.

#### Staffing and Project Organization

Eide Bailly proposed an experienced audit team and a project organization structure that includes oversight of staff and senior auditors by managers and partners on the engagement. The firm is proposing a nine-person team with key personnel that have experience with GAS issued by the American Institute of Certified Public Accountants (AICPA). As part of its team, Eide Bailly also included an information technology principal with experience in identifying and managing cyber security risks. The proposed lead engagement partner has 25 years of auditing experience and has previously served as the lead engagement partner to OCTA. During the interview, Eide Bailly's team provided clear responses to the evaluation committee's questions and demonstrated a comprehensive understanding of OCTA's requirements.

Crowe proposed an experienced audit team and a project organization structure that includes oversight of staff and senior auditors by managers and partners on the engagement. The firm is proposing a 12-person team with key personnel that have experience with GAS issued by the AICPA. The firm proposed changing the lead engagement partner after the first year's audit to comply with Government Code 12410.6, which states that a local agency shall not employ a public accounting firm to provide audit services to a local agency if the lead audit partner or coordinating audit partner having primary responsibility for the audit, or the audit partner responsible for reviewing the audit, has performed audit services for that local agency for six consecutive fiscal years. The proposed lead engagement partner for the first year's audit has 23 years of auditing experience, and the proposed engagement partner that will join the project team after the first year's audit has 19 years of auditing experience. During the interview, the firm's team provided clear responses to the evaluation committee's questions and demonstrated a comprehensive understanding of OCTA's requirements.

The Pun Group proposed an experienced audit team and a project organization structure that includes oversight of staff and senior auditors by managers and partners on the engagement. The firm is proposing an eight-person team with key personnel that have experience with GAS issued by the AICPA. The proposed lead engagement partner has more than 21 years of auditing experience. The Pun Group's interview supported the team's relevant experience, staffing, and project understanding as the team provided clear responses to the evaluation committee's questions.

### Work Plan

Eide Bailly provided a clear approach to performing the various audits and demonstrated an understanding of the requirements and deliverables included in the scope of work. The firm's work plan is based on a structured five-step audit approach consisting of planning, interim work, fieldwork, reporting, and ongoing communication. The work plan also addressed quality control reviews to ensure accuracy of results and included a timeline for delivering final reports. Furthermore, the proposal also highlighted the use of technology to streamline the audit process, such as the use of a web-based project management solution for facilitating communication and a data extraction software to retrieve information more efficiently during an audit. During the interview, Eide Bailly provided detailed responses on the firm's approach for providing guidance and technical assistance, as well as conducting the M2 compliance audits and communicating with staff about potential findings and recommendations.

Crowe provided a clear approach to performing the various audits and demonstrated an understanding of the requirements and deliverables included in the scope of work. The firm's work plan emphasized the audit planning stages, addressed quality control reviews to ensure accuracy of results, and included a timeline for delivering final reports. Furthermore, the proposal also highlighted the Crowe Exchange solution to support project management of the audits. During the interview, Crowe provided responses on the firm's approach for providing guidance and technical assistance, as well as conducting the M2 compliance audits and communicating with staff about potential findings and recommendations.

The Pun Group provided its approach to performing the majority of the required audits and demonstrated a general understanding of the requirements and deliverables included in the scope of work. The firm's approach to completing the M2 compliance audit was general. The firm's work plan included a six-phase audit approach, addressed quality control reviews to ensure accuracy of results, and included a timeline for delivering final reports. Furthermore, the proposal also highlighted the use of artificial intelligence for data analytics during an audit. During the interview, The Pun Group provided responses on the firm's approach for providing guidance and technical assistance, as well as communicating with staff about potential findings and recommendations on the various audits.

### Cost and Price

Each firm was asked to submit firm-fixed prices for each of the audit deliverables. Pricing scores were based on a formula that assigned the highest

score to the lowest proposed total price and scored the other proposals based on their relation to the lowest proposed total price. Although Eide Bailly's pricing was not the lowest, it is considered competitive pricing based on other proposals received. The OCTA project manager's independent cost estimate could not be used as a basis for determining fair and reasonable pricing as the total project budget estimate was slightly below the recommended firm's proposed total price due the new M2 compliance audit requirement. This will be the first time that OCTA has included this type of audit for the annual financial auditing services.

#### **Procurement Summary**

Based on the evaluation of the written proposals, the firms' qualifications, as well as the information obtained from the interviews, the evaluation committee recommends the selection of Eide Bailly as the top-ranked firm to provide independent annual financial auditing services. Eide Bailly delivered a proposal and interview that was responsive to all the requirements of the RFP.

#### **Fiscal Impact**

Funding for these services was approved as part of OCTA's Internal Audit Department Fiscal Year 2023-24 Budget, Account No. 1610-7512-A0001-N1O, Measure M2 Account No. 0017-7512-M0201-N1O, 91 Express Lanes Account No. 0036-7512-B0001-N1O, and 405 Express Lanes Account No. 0037-7512-A9510-N1O. Additional funding required for the services can be accommodated within the current year budget.

#### **Summary**

Staff recommends the Board of Directors authorize the Chief Executive Officer to negotiate and execute Agreement No. C-3-2931 between the Orange County Transportation Authority and Eide Bailly LLP, in the amount of \$1,715,487, to provide independent annual financial auditing services for a three-year initial term with one, two-year option term.

***Attachments***

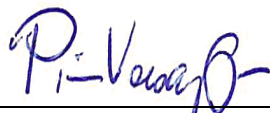
- A. Review of Proposals – RFP 3-2931 Independent Annual Financial Auditing Services
- B. Proposal Evaluation Criteria Matrix (Short-Listed Firms) – RFP 3-2931 Independent Annual Financial Auditing Services
- C. Contract History for the Past Two Years – RFP 3-2931 Independent Annual Financial Auditing Services

**Prepared by:**



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# ATTACHMENT A

**Review of Proposals**  
**RFP 3-2931 Independent Annual Financial Auditing Services**  
 Presented to Finance and Administration Committee - January 10, 2024  
**6 proposals were received, 3 firms were interviewed, 1 firm is being recommended**

Overall Ranking	Proposal Score	Firm & Location	Sub-Contractors	Evaluation Committee Comments		
1	82	<b>Eide Bailly LLP</b> Rancho Cucamonga, California	None	Has extensive prior experience providing similar services to public transit agencies. Has conducted compliance audits for over 30 sales tax measures throughout California. Proposed a nine-person team with key personnel that have experience with Government Auditing Standards (GAS). Proposed lead engagement partner has 25 years of auditing experience and has previously served as the lead engagement partner to the Orange County Transportation Authority (OCTA). Proposed an information technology principal with experience in identifying and managing cyber security risks. Demonstrated an understanding of the requirements included in the scope of work. Addressed quality control reviews to ensure accuracy and included a timeline for delivering final reports. Highlighted the use of technology to streamline the audit process. Received positive responses from references. Proposed a competitive total firm-fixed price.	<b>Total Proposed Price for the Initial Term:</b> \$ 1,868,954 <b>Total for M2 Audits Year 2 &amp; Year 3</b> \$ (153,467) <b>Total Contract Award</b> \$ 1,715,487	
2	76	<b>Crowe, LLP</b> Costa Mesa, California	None	Has extensive prior experience providing similar services to public transit agencies. Proposed a 12-person team with key personnel that have experience with GAS. Proposed lead engagement partner has 23 years of auditing experience and has previously served as the lead engagement partner to OCTA. Demonstrated an understanding of the requirements included in the scope of work. Addressed quality control reviews to ensure accuracy and included a timeline for delivering final reports. Highlighted the use of technology to streamline the audit process. Received positive responses from references. Proposed a competitive total firm-fixed price.	<b>Total Proposed Price for the Initial Term:</b> \$ 2,185,500 <b>Total for M2 Audits Year 2 &amp; Year 3</b> \$ (400,000) <b>Total Contract Award</b> \$ 1,785,500	
3	74	<b>The Pun Group LLP</b> Santa Ana, California	None	Has prior experience providing similar services to public transit agencies. Proposed an eight-person team with key personnel that have experience with GAS. Proposed lead engagement partner has 21 years of auditing experience. Demonstrated general understanding of the requirements included in the scope of work. Addressed quality control reviews to ensure accuracy and included a timeline for delivering final reports. Received positive responses from references. Proposed a competitive total firm-fixed price.	<b>Total Proposed Price for the Initial Term:</b> \$ 1,428,085 <b>Total for M2 Audits Year 2 &amp; Year 3</b> \$ (26,906) <b>Total Contract Award</b> \$ 1,401,179	

**Evaluation Panel:**  
*Internal*  
 Contracts Administration and Materials Management (1)  
 Internal Audit (1)  
 Finance and Administration (1)  
 Los Angeles-San Diego-San Luis Obispo Corridor Rail Agency (1)

*External*  
 Southern California Regional Rail Authority (1)  
 Taxpayer Oversight Committee (1)

**Proposal Criteria**  
 Qualifications of the Firm  
 Staffing and Project Organization  
 Work Plan  
 Cost and Price

**Weight Factors**  
 25%  
 30%  
 20%  
 25%

**PROPOSAL EVALUATION CRITERIA MATRIX (Short-Listed Firms)**  
**RFP 3-2931: Independent Annual Financial Auditing Services**

<b>Eide Bailly LLP</b>							<b>Weights</b>	<b>Overall Score</b>
<b>Evaluator Number</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>		
Qualifications of Firm	4.5	4.5	5.0	4.5	5.0	4.5	5	23.3
Staffing/Project Organization	4.5	5.0	4.5	4.5	4.5	5.0	6	28.0
Work Plan	5.0	4.5	4.5	4.5	4.5	5.0	4	18.7
Cost and Price	2.3	2.3	2.3	2.3	2.3	2.3	5	11.5
<b>Overall Score</b>	<b>81.0</b>	<b>82.0</b>	<b>81.5</b>	<b>79.0</b>	<b>81.5</b>	<b>84.0</b>		<b>82</b>

<b>Crowe, LLP</b>							<b>Weights</b>	<b>Overall Score</b>
<b>Evaluator Number</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>		
Qualifications of Firm	5.0	4.5	4.5	4.5	5.0	4.5	5	23.3
Staffing/Project Organization	4.5	4.0	4.0	4.5	4.0	4.0	6	25.0
Work Plan	4.5	4.5	4.5	4.5	4.5	4.5	4	18.0
Cost and Price	1.9	1.9	1.9	1.9	1.9	1.9	5	9.5
<b>Overall Score</b>	<b>79.5</b>	<b>74.0</b>	<b>74.0</b>	<b>77.0</b>	<b>76.5</b>	<b>74.0</b>		<b>76</b>

<b>The Pun Group, LLP</b>							<b>Weights</b>	<b>Overall Score</b>
<b>Evaluator Number</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>		
Qualifications of Firm	4.0	4.0	4.0	4.0	4.0	4.0	5	20.0
Staffing/Project Organization	4.0	4.0	4.0	4.0	4.0	4.0	6	24.0
Work Plan	4.0	3.5	3.5	3.5	3.5	4.0	4	14.7
Cost and Price	3.0	3.0	3.0	3.0	3.0	3.0	5	15.0
<b>Overall Score</b>	<b>75.0</b>	<b>73.0</b>	<b>73.0</b>	<b>73.0</b>	<b>73.0</b>	<b>75.0</b>		<b>74</b>

Range of scores for non-short-listed firms was 42 to 64.

**CONTRACT HISTORY FOR THE PAST TWO YEARS**  
**RFP 3-2931 Independent Annual Financial Auditing Services**

Prime and Subconsultants	Contract No.	Description	Contract Start Date	Contract End Date	Subconsultant Amount	Total Contract Amount
<b>Eide Bailly LLP</b>						
Contract Type: CTO	C-7-1705	On-Call General Auditing Services	July 17, 2017	June 30, 2022	N/A	\$ 450,000
Subconsultants: None						
Subtotal: \$						450,000
<b>Crowe, LLP</b>						
Contract Type: Firm-fixed price	C-8-1911	Independent Annual Financial Auditing Services	April 1, 2019	June 30, 2024	N/A	\$ 1,647,505
Subconsultants: None						
Subtotal: \$						1,647,505
<b>The Pun Group, LLP</b>						
Contract Type: N/A	None	N/A	N/A	N/A	N/A	\$ -
Subconsultants: None						
Subtotal: \$						-