



October 27, 2021

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Evaluation of Independent Auditor and Consideration of Contract Amendment to Extend Audit Services through the Fiscal Year Ending June 30, 2023

Overview

On January 28, 2019, the Orange County Transportation Authority Board of Directors approved an agreement with Crowe LLP, to provide independent annual financial auditing services for a three-year initial term with one, two-year option term. The Internal Audit Department has prepared an evaluation of Crowe LLP, and based on the evaluation, is recommending continuing the auditing services. Board of Directors' approval is requested to exercise the option term effective April 1, 2022 through March 31, 2024.

Recommendations

- A. Approve draft evaluation questions and comments compiled by the Internal Audit Department for the Finance and Administration Committee.
- B. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 3 to Agreement No. C-8-1911 between the Orange County Transportation Authority and Crowe LLP, to exercise the two-year option term, in the amount of \$592,200, to provide the annual financial and agreed-upon procedures audits for the fiscal years ending June 30, 2022 and 2023. This will increase the maximum obligation of the agreement to a total contract value of \$1,497,861.

Discussion

Crowe completed independent financial audits of OCTA for the fiscal years (FY) ended June 30, 2019, 2020, and 2021. The contract's option term will be for

independent audit services for the FYs ending June 30, 2022 and 2023. A decision as to whether to exercise the option term should be made through a recommendation by the Finance and Administration Committee (Committee), in its audit committee capacity, to the Board.

The American Institute of Certified Public Accountants (AICPA) recommends audit committees utilize a checklist developed by the Chartered Global Management Accountant group to evaluate its independent auditors. The tool suggests that input be obtained from various sources including the audit committee, Internal Audit, and management. Internal Audit has drafted responses on behalf of the Committee and will incorporate any changes the Committee provides. Internal Audit has also provided comments relative to management and Internal Audit's relationship and experience with Crowe. The draft checklist is provided as Attachment A. Based on the responses, Crowe has provided service to OCTA that meets expectations throughout the term of the agreement. Exercising the option term of the agreement will allow Crowe to provide independent audit services of OCTA's financial statements for the FYs ending June 30, 2022 and 2023.

Procurement Approach

This procurement was handled in accordance with OCTA's Board-approved procedures for professional services that conform to both federal and state laws. The original agreement was awarded on a competitive basis and includes a three-year initial term for \$888,300 and one, two-year option term. The initial term of the agreement expires on March 31, 2022, as shown in Attachment B.

The proposed Amendment No. 3 is to exercise the option term of the agreement through March 31, 2024. The budget for the amendment is \$592,200, which is based on firm-fixed rates and current usage for annual auditing services, bringing the total contract value to \$1,497,861. There was no escalation negotiated in the original contract. Therefore, the firm-fixed rates for the option term remain the same as the initial term. Exercising the option term will allow for continued auditing services through March 31, 2024.

Fiscal Impact

Funds to exercise the option term were included in OCTA's FY 2021-22 Budget, account nos. 1610-7512-A0001-N1O, 0036-7152-B0001-N1O, and 0017-7512-M0201-N1O.

Summary

Staff recommends the Board of Directors authorize the Chief Executive Officer to negotiate and execute Amendment No. 3 to Agreement No. C-8-1911 with Crowe LLP, to exercise the option term, in the amount of \$592,200, to provide audit services for the fiscal years ending June 30, 2022 and 2023.

Attachments

- A. Evaluations of Independent Auditors
- B. Crowe LLP, Agreement No. C-8-1911, Fact Sheet

Approved by:



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