

BOARD MEETING DATE: January 4, 2019

AGENDA NO. 5

PROPOSAL: Execute Contract for Biennial Audit of Motor Vehicle Registration Revenues for FYs 2015-16 and 2016-17

SYNOPSIS: Health and Safety Code Section 44244.1 requires any agency receiving fee revenues pursuant to Section 44243 or 44244 to be subject to an audit of each program or project funded at least once every two years. On September 7, 2018, the Board approved the release of an RFP to select an auditor to perform the biennial audit for FYs 2015-16 and 2016-17. This action is to award a contract to the firm of Simpson & Simpson, Certified Public Accountants. Local governments, the MSRC and SCAQMD will pay the cost of their own audits in the amounts of \$89,240, \$7,000 and \$4,560 respectively.

COMMITTEE: Administrative, December 14, 2018; Recommended for Approval

RECOMMENDED ACTION:

Authorize the Chairman to execute a contract with Simpson & Simpson Certified Public Accountants for performance of the biennial audit of Motor Vehicle Registration revenues for FYs 2015-16 and 2016-17 at a total cost not to exceed \$100,980.

Wayne Nastri
Executive Officer

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Background

AB 2766, chaptered into law as Health and Safety Code Sections 44220-44247, was enacted to authorize air pollution control districts to impose fees on motor vehicles. Fees are expended on mobile source air pollution reduction measures pursuant to the California Clean Air Act of 1988 or the SCAQMD's AQMP pursuant to Article 5 of Chapter 5.5 of Part 3 of the Health and Safety Code. Health and Safety Code Section 44244.1(a) states that any agency receiving fee revenues pursuant to Section 44243 or 44244 shall, at least once every two years, be subject to an audit of each program or project funded. The audit is to be conducted by an independent auditor selected by the

SCAQMD in accordance with Division 2 (commencing with Section 1100) of the Public Contract Code. Audit program guidelines for local government recipients of fee revenues under Health and Safety Code Sections 44220-44247 were prepared by the SCAQMD with input from the Technical Advisory Committee Audit Subcommittee of the Interagency AQMP Implementation Committee (IAIC), representatives of the Finance Committee of the League of California Cities and with CPA firms whose clients include local governments. These audit guidelines were approved by the IAIC, MSRC and by the Board on December 4, 1992 and further revised and approved in January 1995, and again in August 2003. This is the twelfth biennial audit of these fee revenues and covers FYs 2015-16 and 2016-17.

Proposal

On September 7, 2018, the Board approved an RFP to conduct the biennial audit of recipients of AB 2766 fee revenues. The audit will cover recipients in all three segments of the AB 2766 fee distribution to determine whether the fee revenues collected in FYs 2015-16 and 2016-17 were spent on the reduction of pollution from motor vehicles as described above. The primary purpose of the audit is to set forth an opinion regarding the propriety of the expenditures incurred, not the degree of efficacy in reducing air pollution.

Outreach

In accordance with SCAQMD's Procurement Policy and Procedure, a public notice advertising the RFP and inviting bids was published in the Los Angeles Times, the Orange County Register, the San Bernardino Sun, and Riverside County Press Enterprise newspapers to leverage the most cost-effective method of outreach to the South Coast Basin..

Additionally, potential bidders were notified utilizing SCAQMD's own electronic listing of certified minority vendors. Notice of the RFP was e-mailed to the Black and Latino Legislative Caucuses and various minority chambers of commerce and business associations, and placed on the Internet at SCAQMD's website (<http://www.aqmd.gov>) where it could be viewed by making the selection "Grants & Bids." Information was also available on SCAQMD's bidder's 24-hour telephone message line (909) 396-2724.

Bid Evaluation

The SCAQMD received two proposals from CPA firms that are qualified to perform audits in the State of California. All of the proposals were received by the 3:00 p.m., October 12, 2018 deadline and were evaluated by a technically qualified panel in accordance with criteria contained in the RFP.

Panel Composition

The panel convened to evaluate the proposals consisted of: the MSRC Contract Administrator (MSRC), Los Angeles County's Transportation Manager (Local Governments), SCAQMD Senior Accountant (CPA) and the SCAQMD Financial Services Manager. Of the four panelists that scored the proposals two are female and two are male. One of the panelists is African American and three are Caucasian.

Of the two proposals received, both were rated technically qualified to perform the audit of the AB 2766 program and were scored for cost. The evaluation results for the proposals are:

BIDDER	TECHNICAL SCORE	BID AMOUNT	COST	SMALL/ LOCAL BUSINESS	TOTAL POINTS	OVERALL RANK
Simpson & Simpson, Certified Public Accountants	66.5	\$100,980	30.0	15	111.5	1 st
BCA Watson Rice, LLP.	64.8	\$123,475	23.3	15	103.1	2 nd

The selection criteria used to rank the proposals included responsiveness to the RFP; technical expertise; qualifications and experience; past performance; cost; and SB/SBJV/DVBE/DVBEJV/DVBE/SB subcontractors/local business designation (non-EPA). Based on the panel's assessment of the criteria, Simpson & Simpson Certified Public Accountants is being recommended to the Board.

Resource Impacts:

The maximum audit cost is \$100,980. The total audit costs will be borne by the entities being audited as follows:

- The cost of the audit of the SCAQMD's portion of motor vehicle registration revenues is \$4,560. Sufficient funds are included in the FY 2018-19 Budget;
- The cost of the audit of ten projects of the Mobile Source Air Pollution Reduction Trust Fund is \$7,000 and shall be deducted from the FY 2018-19 revenues subvended to the Mobile Source Air Pollution Reduction Review Committee; and
- The total cost of the audit of local governments is up to a maximum of \$89,420. The average cost for a non-compliant local government is \$1,574 and the average cost for a compliant local government is \$871. This cost will be borne by the entities being audited in the manner set forth in the audit program guidelines and will be deducted from quarterly fee revenues prior to distribution.