

FINANCIAL ANALYSIS

Regarding the Board Independent Auditing Services Contract with TAP International, Inc.

Contract Background

On June 7, 2019, an amendment to the Board Independent Auditing Services agreement (Contract) was completed to increase the not-to-exceed amount from \$405,000 to \$1,005,000 to complete all three proposed audits and approximately three additional future audits. The three proposed audits were (1) Contract Change Order Processing, (2) Real Estate Review, and (3) District Counsel Office Review. The three additional future audits have not been identified. However, as listed in chronological order on the Annual Audit Work Plan for FY 2019-2020, the next three audits are identified as Construction Project Management, SCADA Audit, and Permitting Best Practices. The Contract is set to expire on May 8, 2020.

For the Board Independent Auditor contract, awarded to TAP International, Inc., the overall remaining contract amount is \$407,828.95. Exactly \$443,472.67 has been spent to date, and \$153,698.38 remains to be paid on approved task orders.

Budget Background

For FY 2019-2020, \$500,000 was budgeted for the Audit Management Program. In addition, \$746,220.02 was carried forward as prior year encumbrances, for a total FY 2019-2020 budget of \$1,246,220.02. Of that, \$184,692.69 has been spent in FY 2020, and \$153,698.38 is remaining to be paid against existing task orders, leaving a remaining balance of \$907,828.95.

Financial Analysis

The Annual Audit Work Plan Balance Sheet shown below provides an estimated remaining contract amount and budget amount for minimum and maximum planned hours respectively for each audit listed in the Annual Audit Work Plan.

Staff estimated the cost for each individual audit by using the Lead Auditor's rate of \$195/hour multiplied by the minimum and maximum planned hours for each individual audit. The estimated cost for each individual audit is then subtracted from the overall remaining budget amount (\$907,828.95) and contract amount (\$407,828.95) in chronological order as listed in the Annual Audit Work Plan until the overall remaining contract amount is exhausted and exceeded as shown in red parentheses.

Based on the projected maximum overall remaining contract amount, the FY 2019-2020 Risk Management Audit would be the last audit under the contract, which is set to expire on May 8, 2020, if the audits are initiated in order as listed in the Annual Audit Work Plan.

Based on the projected maximum overall remaining budget amount, the FY 2020-2021 Water Fix Audit would be the last audit that could be paid for with the FY 2019-2020 budget, if the audits are initiated in order as listed in the Annual Audit Work Plan.

It should be noted that this analysis does not include the impact of non-audit related services, which staff estimates would cost about \$75,000 per year.

Annual Audit Work Plan Balance Sheet*										
Fiscal Year	Audit	Min. Planned Hours	Max. Planned Hours	Lead Auditor Rate/hr.	Est. Min. Audit Cost	Est. Max. Audit Cost	Est. Min. Remaining Contract Amount	Est. Max. Remaining Contract Amount	Est. Min. Remaining Budget Amount	Est. Max. Remaining Budget Amount
Current Remaining as of 12/31/2019							\$407,828.95		\$907,828.95	
2019-2020	Construction Project Management	314	371	\$195	\$61,230	\$72,345	\$346,598.95	\$335,483.95	\$846,598.95	\$835,483.95
2019-2020	SCADA Audit	714	857	\$195	\$139,230	\$167,115	\$207,368.95	\$168,368.95	\$707,368.95	\$668,368.95
2019-2020	Permitting Best Practices	171	229	\$195	\$33,345	\$44,655	\$174,023.95	\$123,713.95	\$674,023.95	\$623,713.95
2019-2020	Risk Management	143	260	\$195	\$27,885	\$50,700	\$146,138.95	\$73,013.95	\$646,138.95	\$573,013.95
2019-2020	Billing and Collections	343	429	\$195	\$66,885	\$83,655	\$79,253.95	(\$10,641.05)	\$579,253.95	\$489,358.95
2019-2020	Accountability	115	171	\$195	\$22,425	\$33,345	\$56,828.95	(\$43,986.05)	\$556,828.95	\$456,013.95
2020-2021	Community Engagement	371	457	\$195	\$72,345	\$89,115	(\$15,516.05)	(\$133,101.05)	\$484,483.95	\$366,898.95
2020-2021	Property Management	400	400	\$195	\$78,000	\$78,000	(\$93,516.05)	(\$211,101.05)	\$406,483.95	\$288,898.95
2020-2021	Homelessness Analysis	290	371	\$195	\$56,550	\$72,345	(\$150,066.05)	(\$283,446.05)	\$349,933.95	\$216,553.95
2020-2021	Local Workforce Hiring	200	229	\$195	\$39,000	\$44,655	(\$189,066.05)	(\$328,101.05)	\$310,933.95	\$171,898.95
2020-2021	Equipment Maintenance	143	229	\$195	\$27,885	\$44,655	(\$216,951.05)	(\$372,756.05)	\$283,048.95	\$127,243.95
2020-2021	Community Engagement	46	86	\$195	\$8,970	\$16,770	(\$225,921.05)	(\$389,526.05)	\$274,078.95	\$110,473.95
2020-2021	Water Fix	160	286	\$195	\$31,200	\$55,770	(\$257,121.05)	(\$445,296.05)	\$242,878.95	\$54,703.95

***Note: Non-Audit Related Services Estimated Yearly Cost**

BAC meeting attendance	\$	40,442.40
Board of Director/Audit Committee Requests for Information (15 hrs. at \$195/hr.)	\$	2,925.00
Audit Training (8 hrs. at \$195/hr.)	\$	1,560.00
Support Services (10 hrs. at \$195/hr.)	\$	1,950.00
Management Reviews (8 hrs. at \$195/hr.)	\$	1,560.00
Ad-hoc Board Audits (three ad-hoc board audits which could include desk reviews)	\$	10,350.00
Annual Independent Auditor Report	\$	1,560.00
Audit Follow-up (8 hrs. at \$195/hr.)	\$	1,560.00
Full Board meeting attendance	\$	12,550.00
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Total	\$	74,457.40

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