BACKGROUND

Subsection 64.040 (C) of Measure D requires a comprehensive financial, statistical and programmatic audit and analysis to be performed within four years of the effective date of the Act and every five years thereafter. Following is the text from Measure D relating to the comprehensive audit:

SUBSECTION 64.040: RECYCLING POLICY GOALS AND RECYCLING PLAN

C. The Recycling Board shall contract, not more than four (4) years after the effective date of this Act, and then every five (5) years thereafter, for an audit to determine compliance with the Recycling Plan and the degree of progress toward the recycling policy goal then in effect. Said audits shall be conducted by an independent auditor (or auditors) with experience in source reduction and recycling. The reports of said audits shall be completed within one (1) year and issued to each municipality, the Board of Supervisors and the Authority. Said reports shall include at least the following:

1. A narrative and analytical evaluation of all recycling programs within Alameda County, whether funded through this Act or not, both Alameda Countywide and within each municipality;

2. A statistical measure of the progress toward the recycling policy goal then in effect;

3. An evaluation of the Recycling Board's activities, including, but not limited to, an accounting of the monies spent by the Recycling Board; and

4. Recommendations to the Recycling Board, the Board of Supervisors, the Authority and the municipal governing bodies for the maintenance and expansion of recycling programs, and any necessary resulting amendments to the Recycling Plan.

Based upon recommendations from prior audits, the Financial & Compliance Audit was separated from the Programmatic Evaluation and was split into two phases covering a 3 year phase and a 2 year phase so as to make the reviews of financial records timelier and less onerous for the member agencies.
Compared to the Programmatic Overview and Evaluation, the Financial and Compliance Reviews have tended to be quite succinct and straightforward. There have been no serious "red flags" in any reports regarding misallocation or misuse of any Recycling Fund monies, nor of noncompliance with any County Charter mandates. Past Financial & Compliance Reports have contained recommendations regarding development of Board fiscal policies and requirements aimed at easier and smoother audit reviews in the future.

**DISCUSSION**

The adopted budget and work plan for FY 14/15 includes release of the Request For Proposals (RFP) for the 5 Year Financial and Compliance Audit (covering FY 11/12, 12/13 and 13/14 in Phase I and FY 14/15 and 15/16 in Phase II) in the summer and contract award in the Fall. $125,000 was budgeted for the Phase I work. The RFP was released at the end of August and was emailed to five firms and posted on the Agency website. Attachment A lists the scope of work, including a checklist of various Measure D Mandates that the selected consultant shall review for compliance by the appropriate agencies - the Board itself, the municipalities, or Alameda County government. These mandates include both financial and programmatic elements.

Four responses to the RFP were received by the October 10, 2014 deadline. A team of three staff consisting of Gina Peters, Chief Finance Officer, Meri Soll, Senior Program Manager and Tom Padia, Recycling Director read and reviewed the four proposals and agreed to interview the top two proposers. All cost proposals were within the Phase I budgeted amount of $125,000. On Monday, November 3, interviews of the two finalists were conducted by the same staff team.

A chart of the two firms interviewed summarizes some key aspects of their proposals:

<table>
<thead>
<tr>
<th>Proponent Name</th>
<th>Phase I Cost</th>
<th>Phase II Cost</th>
<th>Total Cost - Phases I &amp; II</th>
<th>Total Hrs.- Phases I &amp; II</th>
<th>Avg. Cost Per Hour</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. HF&amp;H Consultants, LLC</td>
<td>$114,025</td>
<td>$ 99,045</td>
<td>$213,070</td>
<td>742+621=1363</td>
<td>$156.32</td>
</tr>
<tr>
<td>2. Crowe Horwath</td>
<td>$ 97,090</td>
<td>$82,710</td>
<td>$179,800</td>
<td>648+558=1206</td>
<td>$149.09</td>
</tr>
</tbody>
</table>

The interview panel scored the proposers on the criteria of: firm qualifications and experience, project team qualifications and experience, proposed scope of work and project understanding, cost/value, and quality of presentation.

The panel was unanimous in selecting Crowe Horwath as the top-rated proposer, based upon the criteria listed. Cost was not a primary factor in the selection, although Crowe Horwath was 16% below the other finalist. The New Point Group, the firm that conducted the last 5 Year Financial Audit, combined with Crowe Horwath, a much larger accounting and management consulting firm, towards the end of their previous engagement with the Recycling Board. The primary project staff proposed for this contract also worked on the previous 5 Year Audit.
Primarily Crowe Horwath was rated highest based upon the proposed management structure for the project and the communications skills of the team members. It should be noted that all four responding firms were considered qualified to perform the work, and both finalists were considered highly qualified.


RECOMMENDATION

Staff recommends that the Recycling Board approve contract award and authorize execution of a funding agreement with Crowe Horwath LLP for the Financial and Compliance Five Year Audit, for a total not-to-exceed amount of $179,800, per their proposal to the Board. $97,090 will be awarded from the approved FY 14/15 budget for Phase I of the scope of work. Upon satisfactory completion of Phase I, the remaining $82,710 will be allocated from the FY 15/16 budget (the work will commence after the end of FY 15/16) and will be included in the FY 15/16 budget resolution.
Attachment A

5 Year Financial and Compliance Audit – Scope of Work and Compliance Checklist

Scope of Work:

- Review audited financial statements, recycling budgets and program descriptions of the 16 municipalities receiving Recycling Fund administrative disbursements to determine compliance with Measure D fiscal requirements. Review statements for Fiscal Years 2011/12, 2012/13, and 2013/14 in Phase I; and Fiscal Years 2014/15 and 2015/2016 in Phase II.


- For all of the above, develop recommendations for improvements, if any, indicated in current policies, procedures and practices.

- Review and evaluate the aggregated countywide California Integrated Waste Management Board waste generation and diversion calculations, the “Performance Measurements – Recycling and Sustainability Index” outlined in the Alameda County Source Reduction and Recycling Plan- Vision 2010: 75% and Beyond and updated annually, and measurement of progress toward the “75% and beyond” landfill diversion goal.

COMPLIANCE CHECKLIST OF MEASURE D MANDATES - FOR 5 YR AUDIT

RECYCLING BOARD COMPLIANCE

Development of Recycling Plan Subsection 64.040(B)
Compliance with Fund allocations - amounts and uses Subsection 64.060(B)
Analysis and review of Waste Characterization Studies Subsection 64.060(C)
Compliance with Source Reduction Program requirements Subsection 64.080
Compliance with Recycled Product Market Development Program requirements Subsection 64.110
Compliance with limits on Board member compensation Subsection 64.130(M)

MUNICIPAL COMPLIANCE (16 Agencies - The cities of Alameda, Albany, Berkeley, Dublin, Emeryville, Fremont, Hayward, Livermore, Newark, Oakland, Piedmont, Pleasanton, and San Leandro and Union City, and the Castro Valley and Oro Loma Sanitary Districts)

Reqt. for local refuse hauler surcharge reimbursement Subsection 64.070(A)
Residential Recycling Program requirements Subsection 64.090
Commercial Recycling Program requirements Subsection 64.100

ALAMEDA COUNTY COMPLIANCE

Collection of Measure D per-ton surcharge* Subsection 64.050(A-C)
Recycled Product Purchase Preference Program reqts. Subsection 64.120
GENERAL COMPLIANCE - All Entities Receiving Fund Monies

Compliance with restriction against use of Fund monies for contracts longer than 5 years without competitive re-bidding (or 5-10 years, with specific Board allowance) Subsection 64.060(D)