

**SOUND TRANSIT
STAFF REPORT**

MOTION NO. M2002-133

Contract amendment with Deloitte & Touche, LLP

Meeting:	Date:	Type of Action:	Staff Contact:	Phone:
Finance Committee	12/5/02	Discussion/Possible Action	Hugh Simpson, Chief Financial Officer Kelly Priestley, Controller	(206) 398-5082 (206) 398-5479

Contract/Agreement Type:	✓	Requested Action:	✓
Competitive Procurement		Execute New Contract/Agreement	
Sole Source		Amend Existing Contract/Agreement	✓
Memorandum of Agreement		Contingency Funds Required	
Purchase/Sale Agreement		Budget Amendment Required	

✓ Applicable to proposed transaction.

OBJECTIVE OF ACTION

To execute a contract amendment with Deloitte & Touche LLP for audit services.

ACTION

To authorize the Executive Director to execute a contract amendment with Deloitte & Touche LLP for audit services in the amount of \$250,000, for a new total authorized contract amount not to exceed \$1,856,056.

KEY FEATURES

- Authorizes the Executive Director to execute a contract amendment with Deloitte & Touche LLP for audit services, extending the contract date to July 31, 2003, and adding the amount of \$250,000, for a new total authorized contract amount not to exceed \$1,856,056.
- Scope of the contract amendment includes 2002 Financial, Federal A-133, and NTD audits.
- Provides for timely completion of necessary audits for the year 2002.
- Amendment will bridge the service gap caused by the lack of response to the Request for Proposal for financial and federal auditing services. The original contract with Deloitte & Touche was for three years, with options for two one-year extensions. Deloitte & Touche's contract will expire February 15, 2003. Staff had anticipated a new contract award as a result of the RFP process, but was dissatisfied with the outcome and will go out to bid again.
- An RFP process will be initiated in 2003 for financial and federal audit services upon completion of the audits for the year 2002. Performance audit services will be procured separately during the first quarter of 2003.

BUDGET IMPACT SUMMARY

Project Description: Consultant contract with Deloitte & Touche LLP

Current Status: Current contract expires 2/15/03

Projected Completion Date: 7/31/03

Action Outside of Adopted Budget:	Y/N	Y Requires Comment
This Line of Business	N	
This Project	N	
This Phase	N	
This Task	N	
Budget amendment required	N	
Key Financial Indicators:	Y/N	Y Requires Comment
Contingency funds required	N	
Subarea impacts	N	
Funding required from other parties other than what is already assumed in financial plan	N	

N = Action is assumed in current Board-adopted budget. Requires no budget action or adjustment to financial plan

BUDGET DISCUSSION

The Proposed 2003 Budget contains sufficient funds to cover the proposed costs. The budget is contained in the Finance and Information Services department, under Accounting/Auditing Services.

REVENUE, SUBAREA, AND FINANCIAL PLAN IMPACTS

The proposed action is consistent with the current Board-adopted budget and is affordable within Sound Transit's current long-term financial plan and the subarea financial capacity.

SUMMARY FOR BOARD ACTION

Action Item: Auditing and Accounting Services

	(A) Current Approved Contract Value	(B) Spent to Date+ Estimate for remainder of 2002	Balance	(C) Proposed Action	(D) Proposed Total Contract Value
Contract Budget:					
Auditing and Accounting Services Contrat	1,606,056	1,357,279	248,777	250,000	1,856,056
Contingency					-
Total	1,606,056	1,357,279	248,777	250,000	1,856,056
Percent Contingency	0%			0.00%	0.00%

Accounts to be charged:	2003 Staff Budget	Future Staff Budgets	Direct Charges to Projects	Total
Auditing and Accounting Services	282,500	-		282,500
				-
				-
TOTAL CONTRACT CHARGES:	282,500	-	-	282,500

Budget Shortfall

Level	\$	Potential Revenues	Funding Source
NA	-	-	NA

M/W/DBE – SMALL BUSINESS PARTICIPATION

Deloitte & Touche will be utilizing a minority- and woman-owned business enterprise as a sub-contractor on this project. Carol Taniguchi, CPA, will serve as the manager in charge of the Federal OMB A-133 audit and the Agreed-Upon Procedures sub-area Equity Project. It is estimated that Ms. Taniguchi will participate in approximately 10% of the total contract.

HISTORY OF PROJECT

Prior Board or Committee Actions and Relevant Board Policies

Motion or Resolution Number	Summary of Action	Date of Action
M98-8	A motion of the Executive Committee authorizing the Executive Director to execute a three-year contract for independent audit services in the amount not to exceed \$300,000.	1/16/98
M99-34	A motion of the Finance Committee authorizing the Executive Director to amend the existing contract with Deloitte & Touche LLP, adding an additional \$758,618.	6/3/99
M2001-77	A motion of the Board authorizing the Executive Director to execute a contract amendment with Deloitte & Touche LLP, in the amount of \$100,000 to provide audit services for reviewing the Sound Transit estimating systems for the Link Light Rail cost estimates.	7/26/2001
M2001-111	A motion of the Finance Committee authorizing the Executive Director to execute a contract amendment with Deloitte & Touche LLP, in the amount of \$447,438, for audit services.	10/18/2001

In January 1998, the Finance Committee passed Motion No. M98-8 for audit services that authorized executing a contract with Deloitte & Touche LLP for a three-year period through January 2001. The purpose of this contract is to provide comprehensive audit services to Sound Transit on an annual basis, to include financial statement audits that have federal compliance elements, subarea reports, performance audits, contract auditing, business process redesign support, bond issuance support and general auditing support.

The original three-year contract was approved for \$300,000, which was an estimate until the audit program for Sound Transit could be developed. Once the scope of work was defined and expenses forecasted, an additional \$758,618 was added to the contract to cover expenses through March of 2001. In February of 2001, staff exercised the first of two one-year extensions but no additional funds were requested at that time. In October 2001, the Finance Committee approved a contract amendment of \$447,438, which incorporated the 2002 audit budget and contract authority for the Link cost estimate audit requested by the Board on July 26, 2001.

This contract will be complete in July 2003, once the annual financial, federal A-133 and NTD audits are complete.

CONSEQUENCES OF DELAY

This contract amendment will bridge the gap in service caused by the lack of response to the RFP for auditing services. The auditing requirements of the agency will not be fulfilled until a new RFP can be advertised and a new contractor selected.

LEGAL REVIEW

BN 11-15-02

SOUND TRANSIT

MOTION NO. M2002-133

A motion of the Finance Committee of the Central Puget Sound Regional Transit Authority authorizing the Executive Director to execute a contract amendment with Deloitte & Touche LLP for audit services in the amount of \$250,000, for a new total authorized contract amount not to exceed \$1,856,056.

Background:

In January 1998, the Finance Committee passed Motion No. M98-8 for audit services that authorized executing a contract with Deloitte & Touche LLP for a three-year period through January 2001. The purpose of this contract is to provide comprehensive audit services to Sound Transit on an annual basis, to include financial statement audits that have federal compliance elements, subarea reports, performance audits, contract auditing, business process redesign support, bond issuance support and general auditing support.

The original three-year contract was approved for \$300,000, which was an estimate until the audit program for Sound Transit could be developed. Once the scope of work was defined and expenses forecasted, an additional \$758,618 was added to the contract to cover expenses through March 2001. In February of 2001, staff exercised the first of two one-year extensions but no additional funds were requested at that time. In October 2001, the Finance Committee approved a contract amendment of \$447,438, which incorporated the 2002 audit budget and contract authority for the Link cost estimate audit requested by the Board on July 26, 2001.

The contract will be complete in July 2003, once the annual financial, federal A-133 and NTD audits are complete. At that time, a new procurement will be initiated for financial and federal audit services. Performance audit services will be procured separately during the first quarter of 2003.

Motion:

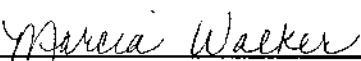
It is hereby moved by the Finance Committee of the Central Puget Sound Regional Transit Authority that the Executive Director is authorized to execute a contract amendment for auditing services with Deloitte & Touche LLP in the amount of \$250,000, for a new total authorized contract amount not to exceed \$1,856,056.

APPROVED by the Finance Committee of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on December 5, 2002.

ATTEST:



Kevin Phelps
Finance Committee Chair



Marcia Walker
Board Administrator

