

**SOUND TRANSIT  
STAFF REPORT**

**MOTION NO. M2008-79**

**Contract for Accounting and Internal Control Advisory Services**

<b>Meeting:</b>	<b>Date:</b>	<b>Type of Action:</b>	<b>Staff Contact:</b>	<b>Phone:</b>
Finance Committee	8/7/08	Discussion/Possible Action	<b>Brian McCartan, CFO</b> Tracy Butler, Treasurer	(206) 398-5100 (206) 398-5146

<b>Contract/Agreement Type:</b>	<input checked="" type="checkbox"/>	<b>Requested Action:</b>	<input checked="" type="checkbox"/>
Competitive Procurement	<input checked="" type="checkbox"/>	Execute New Contract/Agreement	<input checked="" type="checkbox"/>
Sole Source		Amend Existing Contract/Agreement	
Agreement with Other Jurisdiction(s)		Budget Amendment	
Real Estate		Property Acquisition	

**PROPOSED ACTION**

Authorizes the chief executive officer to execute a three-year contract with two one-year options with Protiviti, Inc. to provide accounting and internal control services for a total authorized contract amount not to exceed \$350,000.

**KEY FEATURES of PROPOSED ACTION**

- The scope of the contract includes analytic support in the evaluation of internal control and related business processes, evaluation of accounting treatments, benchmarking and performance measurement as well as internal audit projects including, control risk assessment and audit committee advisory services.
- The contract is for a period of three years, with two one-year options to extend. The requested amount covers all five year of the contract.
- Funding for the investment advisory services has been assumed within the agency's financial plan and within the staff budgets.

**BUDGET IMPACT SUMMARY**

There is no action outside of the Board-adopted budget; there are no contingency funds required, no subarea impacts, or funding required from other parties other than what is already assumed in the financial plan.

**BUDGET and FINANCIAL PLAN DISCUSSION**

Budget for this request is located within the Finance and Information Technology Staff Operating Budget on page 186 in the Adopted 2008 Budget book.

The consultant would be compensated based on a pre-agreed fee schedule. These costs would be paid out of Finance and Information Technology's annual budget for all financial consulting services with the remaining portion from future budget proposals. Details are provided in the following section.

## **BUDGET TABLE**

Summary for Board Action (X \$1,000)

Action Item: On-call financial advisory services

	Adopted 2008 Budget	Spent to date in 2008	Contract Expenditures 2008	Remaining 2008 Budget
<b>Current Year Budget</b>				
FIT Services Consultant/Management	1,028	132	18	879
Other Services	2,583	1,254		1,329
<b>Total Account Category</b>	<b>3,611</b>	<b>1,386</b>	<b>18</b>	<b>2,208</b>

### **Budget Shortfall**

Level	Shortfall	Resources	Funding Source
N/A	-	-	N/A

Contract Spending Plan	Prior Year(s) Spending	2008 Spending	Future Expenditures	Total
Protiviti, Inc.	-	18	333	350

Contract Budget	Current Approved Contract Value	Spent to Date	Proposed Action	Proposed Total Contract Value
Protiviti, Inc.	-	-	350	350
	-	-		-
	-	-		-
	-	-		-
	-	-	350	350
<b>Percent Contingency</b>	-	-		

### **Notes:**

Budget for this item is included in the Sound Transit Staff Operating Budget Summary page 186 of the Adopted 2008 Budget. On page 186, Corporate Services section, see Consultant/Management line item. The 2009 portion of the contract amount will be requested in the Proposed 2009 Budget.

## **SMALL BUSINESS PARTICIPATION**

### **Prime Consultant/Consultant**

Protiviti, Inc. is the prime consultant for this contract and one of the thirteen members of the financial advisory team. Four of whom are WBEs (Kraght Snell, P.S., Spectrum Design, Red Cedar Partners and Scott Balice Strategies).

There is no subcontracting opportunity due to the nature of the work.

### **Equal Employment Workforce Profile (% Women/People of Color)**

Protiviti, Inc. workforce demographics are 53% female and 28% minority.

## **PROJECT DESCRIPTION and BACKGROUND for PROPOSED ACTION**

Since 1997, Sound Transit has maintained a team of financial advisory firms to provide, on an on-call basis, specialized services in the areas of debt management, investment management,

transit and financial planning and innovative financing transaction. This approach has proved very effective at providing the agency focused expert consultant services in key areas.

In July 2008, Sound Transit issued a new Request for Proposal (RFP) for these financial advisory contracts. The RFP included services in:

- Debt Issuance and management;
- Investment advisory services;
- Economic forecasting and analysis;
- Transit financial planning and modeling;
- Public private partnership and innovative financing;
- Strategic grant advisory services;
- Accounting and internal control advisory services; and
- Arbitrage rebate services.

The agency received 38 proposals in total. Staff intends to sign nine contracts under the CEO's authority with EcoNorthwest, Scott Balice Strategies, Seattle Northwest, Porter & Associates, Inc., Raul V. Bravo & Associates, Inc., Spectrum Design, Red Cedar Partners, and Duncan Kent & Associates.

Sound Transit received five proposals for accounting and internal control services and selected Red Cedar Partners (\$175,000), Duncan Kent & Associates (\$175,000), Kraght Snell, P.S. (\$750,000) and Protiviti (\$350,000) as the most qualified to provide the requested services.

Services in the area of accounting and internal control would include analytic support in the evaluation of internal control and related business processes, evaluation of accounting treatments, benchmarking and performance measurement as well as internal audit projects.

#### Analysis of Contracting Out vs. Performing In-House

Sound Transit has an accounting staff of 17 employees responsible for the Agency's day-to-day accounting functions, financial reporting and the agency's system of internal control and three employees responsible for compliance and external reporting. Functions performed include processing of accounts payable, billing, collection of receivable, payroll, month, quarter and year-end account reconciliation, analysis and reporting as well as preparing for and responding to required external financial audits. Sound Transit currently contracts with KPMG to provide independent financial, A133, subarea and NTD audit services.

Protiviti, Inc will provide services that include audit and accounting advisory services - particularly in support of internal control analysis, internal control risk assessment and supplemental compliance audit support to the existing compliance staff and internal audit projects as assigned. These services are specialized and it would be less cost effective to create permanent positions to fill this requirement. These services complement external audit services, as they provide for professional advisory services in the area of internal control. These services can not be performed by the external auditor due to independence requirements.

#### **Prior Board/Committee Actions**

None.

**CONSEQUENCES of DELAY**

A delay of two weeks would not impact the agency's financial functions and interrupt the services provided by the current consultant.

**PUBLIC INVOLVEMENT**

Not applicable.

**ENVIRONMENTAL COMPLIANCE**

PW 7/30/08

**LEGAL REVIEW**

JW 7/30/08

## **SOUND TRANSIT**

### **MOTION NO. M2008-79**

A motion of the Finance Committee of the Central Puget Sound Regional Transit Authority authorizing the chief executive officer to execute a three-year contract with two one-year options with Protiviti, Inc. to provide accounting and internal control services for a total authorized contract amount not to exceed \$350,000.

#### **Background:**

Since 1997, Sound Transit has maintained a team of financial advisory firms to provide, on an on-call basis, specialized services in the areas of debt management, investment management, transit and financial planning and innovative financing transaction. This approach has proved very effective at providing the agency focused expert consultant services in key areas.

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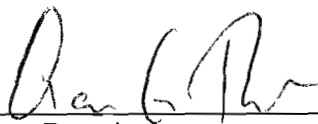
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Services in the area of accounting and internal control would include analytic support in the evaluation of internal control and related business processes, evaluation of accounting treatments, benchmarking and performance measurement as well as internal audit projects.

#### **Motion:**

It is hereby moved by the Finance Committee of the Central Puget Sound Regional Transit Authority that the chief executive officer is authorized to execute a three-year contract with two one-year options with Protiviti, Inc. to provide accounting and internal control services for a total authorized contract amount not to exceed \$350,000.

APPROVED by the Finance Committee of the Central Puget Sound Regional Transit Authority  
at a regular meeting thereof held on August 7, 2008.



Aaron Reardon  
Finance Committee Chair

ATTEST:



Marcia Walker  
Board Administrator