

MOTION NO. M2013-82

**Contract for Financial and Federal Audit Services**

MEETING:	DATE:	TYPE OF ACTION:	STAFF CONTACT:	PHONE:
Operations and Administration Committee	10/3/2013	Recommend to Board Final Action	Brian McCartan, CFO <b>Kelly Priestley, Director of Accounting</b>	206-398-5100 206-398-5479

PROPOSED ACTION

Authorizes the chief executive officer to execute a three-year contract with two one-year options to extend with KPMG, LLP to provide independent financial and federal audit services for a total authorized contract amount not to exceed \$2,000,000.

KEY FEATURES SUMMARY

- Under this contract, KPMG, LLP will complete the following:
  - Year-end financial statement audits (including an audit of A-133 federal compliance),
  - Agreed-upon procedures reporting for the agency’s annual national transit database report, and the agency’s annual report on subarea equity.
  - A year-end financial statement audits for the One Regional Card For All (ORCA) system administered by Sound Transit as the fiscal agent for ORCA.
- The contract provides for additional specialized accounting and attestation services that may be required in the performance of the Auditor’s responsibilities such as awareness letters for debt issuance, analysis of new accounting pronouncements, analysis of accounting treatment for complex transactions and other small scope audits (for example, retirement plan audits).
- The requested amount provides enough funding for the three year contract and the two one-year options.

BACKGROUND

Sound Transit is required to perform annual audits in its capacity as a recipient of federal funds, and to comply with National Transit Database reporting requirements and under Washington State law. The Agency’s voter approved Sound Move and ST2 plans also set forward an audit requirement over subarea financial reporting.

Sound Transit’s existing contract for independent financial and federal audit services expires at the end of January 2014. In June 2013, Sound Transit advertised a new Request for Proposals (RFP) for audit services of which only one proposal was received. In August 2013, the (RFP) was advertised again in order to receive at least two proposals. Upon the second advertisement, four proposals were received. KPMG, LLP was recommended by the evaluation committee as the best value proposal submitted.

The audit team is based in Seattle, except for the concurring review partner, who specializes in government audits and is based in Alaska. KPMG, LLC has conducted audits for many transit agencies, including the California High Speed Rail Authority, National Railroad Passenger Corporation, San Francisco Municipal Transportation Agency, Los Angeles County Metropolitan Authority and Metropolitan Atlanta Rapid Transit Authority. KPMG conducts more A-133 audits than any other US firm.

## FISCAL IMPACT

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

The total requested amount for the five-year period is \$2,000,000. The estimated cost for audit services over the first three-year period is \$1,040,820 with an estimated \$200,000 in reserve for administrative and other costs totaling \$1,240,820. The following two-year option period costs are \$759,180. The Proposed 2014 Budget contains sufficient funding within the Finance and Information Technology Department staff-operating budget to cover the expenses for the first year. The balance will be requested in future years' staff operating budgets.

**Action Item: This action is to approve the audit services contract with KPMG, LLP.**

Current Year Budget	Adopted 2013 Budget	Spent to Date in 2013	Contract Expenditures 2013	Remaining 2013 Budget
Finance and Information Technology – Services	7,526	3,405	40	4,081

Contract Spending Plan	Prior Year Spending	2013 Spending	Future Expenditures	Total
KPMG, LLP		40	1,960	2,000

Contract Budget	Current Approved Contract Value	Spent to Date	Proposed Action	Proposed Total Contract Value
KPMG, LLP	-	-	2,000	2,000
<b>Total</b>	-	-	<b>2,000</b>	<b>2,000</b>
<b>Percent Contingency</b>	-	-	<b>0%</b>	<b>0%</b>

### Budget Shortfall

Level	Shortfall	Resources	Funding Source
N/A			

#### Notes:

Amounts are expressed in \$000s.

Finance and Information Technology budget is on page 81 of the 2013 Adopted Budget.

Spent to Date is as of August 31, 2013.

## SMALL BUSINESS PARTICIPATION

KPMG, LLP is the prime auditor for this contract. KPMG, LLP is committed to a 15% Small Business goal on the annual audit engagement. Francis & Company will participate on the financial, federal A-133, and National Transit Database audit.

### Small Business and DBE Goals

Sound Transit Goal: 15%

Small Business: 15%

Commitment:

Small Business: 15%

<b>Subconsultant/Subcontractor</b>	<b>Business Type</b>	<b>% of Work</b>	<b>Amount</b>
Francis & Company	DBE	15%	\$265,353
<b>Total</b>		<b>15%</b>	<b>\$265,353</b>

## EQUAL EMPLOYMENT WORKFORCE PROFILE

390 employees; 46% women; 24% minorities.

## PUBLIC INVOLVEMENT

Not applicable to this action.

## TIME CONSTRAINTS

The current financial and federal audit services contract expires early February 2014. A delay past that date would result in a lapse of service by the auditor to perform audit work and meet required deadlines for reporting to external agencies and bondholders.

## PRIOR BOARD/COMMITTEE ACTIONS

None.

## ENVIRONMENTAL REVIEW

JI 9/16/2013

## LEGAL REVIEW

JW 09/27/2013

## **MOTION NO. M2013-82**

A motion of the Operations and Administration 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 to extend with KPMG, LLP to provide independent financial and federal audit services for a total authorized contract amount not to exceed \$2,000,000.

### **BACKGROUND:**

Sound Transit is required to perform annual audits in its capacity as a recipient of federal funds, and to comply with National Transit Database reporting requirements and under Washington State law. The Agency's voter approved Sound Move and ST2 plans also set forward an audit requirement over subarea financial reporting.

Under this contract, KPMG, LLP will complete the following:

- Year-end financial statement audits (including an audit of A-133 federal compliance),
- Agreed-upon procedures reporting for the agency's annual national transit database report, and the agency's annual report on subarea equity.
- A year-end financial statement audits for the One Regional Card For All (ORCA) system administered by Sound Transit as the fiscal agent for ORCA.

The contract provides for additional specialized accounting and attestation services that may be required in the performance of the Auditor's responsibilities such as awareness letters for debt issuance, analysis of new accounting pronouncements, analysis of accounting treatment for complex transactions and other small scope audits (for example, retirement plan audits). The requested amount provides enough funding for the three year contract and the two one-year options.

Sound Transit's existing contract for independent financial and federal audit services expires at the end of January 2014. In June 2013, Sound Transit advertised a new Request for Proposals (RFP) for audit services of which only one proposal was received. In August 2013, the (RFP) was advertised again in order to receive at least two proposals. Upon the second advertisement, four proposals were received. KPMG, LLP was recommended by the evaluation committee as the best value proposal submitted.

The audit team is based in Seattle, except for the concurring review partner, who specializes in government audits and is based in Alaska. KPMG, LLC has conducted audits for many transit agencies, including the California High Speed Rail Authority, National Railroad Passenger Corporation, San Francisco Municipal Transportation Agency, Los Angeles County Metropolitan Authority and Metropolitan Atlanta Rapid Transit Authority. KPMG conducts more A-133 audits than any other US firm.

**MOTION:**

It is hereby moved by the Operations and Administration 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 to extend with KPMG, LLP to provide independent financial and federal audit services for a total authorized contract amount not to exceed \$2,000,000.

APPROVED by the Operations and Administration Committee of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on October 3, 2013.

  
\_\_\_\_\_  
Paul Roberts  
Operations and Administration Committee Chair

ATTEST:

  
\_\_\_\_\_  
Marcia Walker  
Board Administrator