



## Motion No. M2023-92

### Contract with Crowe, LLP for Financial and Federal Audit Services

Meeting:	Date:	Type of action:	Staff contact:
Finance and Audit Committee	10/19/2023	Recommend to Board	John Henry, Chief Financial Officer
Board	10/26/2023	Final action	<b>Jeff Clark, Deputy Executive Director – Financial Operations</b>

### Proposed action

Authorizes the chief executive officer to execute an eight-year contract with Crowe, LLP to provide independent financial and federal audit services, agreed upon procedures, and ORCA financial audits and system and organizational control reports, for a total authorized contract amount not to exceed \$6,500,000.

### Key features summary

- Sound Transit’s existing contract for independent financial and federal audit services expires with the 2022 audit period completion.
- This action will authorize a contract with Crowe, LLP to provide the following services:
  - Year-end financial statement and single audits and reports,
  - Agreed-upon procedures reporting for the agency’s annual National Transit Database report, and the agency’s annual sources and uses of funds by Subarea (Subarea Equity) report,
  - Year-end financial statement audits and system and organizational control 1, Type 2 examinations and reporting 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, transactional, tax advisory, 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 amount requested is sufficient to provide services for the eight-year contract.

### Background

Sound Transit is required to perform annual audits in its capacity as a recipient of federal funds, to comply with National Transit Database reporting requirements and under Washington State law and because Sound Transit is an issuer of public debt. The agency’s voter approved Sound Move, ST2 and ST3 plans also set oversight requirements for subarea financial reporting.

Crowe, LLP’s national headquarters is in Chicago, Illinois. It is a global accounting, consulting, and technology firm. Within their national government focus area, Crowe has in depth experience working with public transit agencies and related transit planning, financing, financial advisory, construction, performance improvement, technology, risk management, forensic services, and oversight organizations. Crowe is a leader in serving the transportation industry in the United States, and more specifically public transportation authorities. They currently audit nine of the largest twenty-five public

transportation authorities in the country. Crowe has proposed subcontracting with Joyce Kirangi, CPA, LLC, a Woman-Owned Small Business firm located in Kent, WA, which specializes in Governmental Auditing Services.

### Procurement information

In April 2023, Sound Transit advertised a new Request for Proposals for audit services of which four proposals were received.

Procurement, Contracts and Agreements (PCA) determined that the Request for Proposals method was appropriate for this procurement. The rationale for this method is because the services are performance based and discussions will be needed and factors in addition to price would be evaluated.

The team determined the consensus scores for each evaluation criterion for each submittal. Based upon the evaluation score summary, a competitive range was established by the Evaluation Committee, which included two firms. Sound Transit provided weaknesses and deficiencies to each firm in the competitive range, and they were each given the opportunity for an interview/discussion and then to submit revised proposals, including revised price proposals. Revised proposals were submitted by each shortlisted firm. Crowe, LLP was recommended by the evaluation committee as the best value proposal submitted.

### Fiscal information

This action for \$6,500,000, will be funded from 2 department’s annual operating budgets:

- Within the Finance Department’s Services category, the Accounting/Audit Services budget is \$420,000, of which \$101,563 is estimated to be spent from this contract in the remainder of 2023 and is currently within the agency’s budget authority.
- Within the Executive Department’s Services category, the Accounting/Audit Services budget is \$380,000, of which \$33,854 is estimated to be spent from this contract in the remainder of 2023 and is currently within the agency’s budget authority.

After approval of this action, sufficient budget remains to cover remaining annual expenditures. Funding for the additional years of the contract will be included in future annual budget requests.

#### Contract Detail

(in thousands)

<b>Crowe, LLP Contract</b>	<b>Board Approvals to Date</b>	<b>Proposed Action</b>	<b>Proposed Total for Board Approval</b>		
Contract Amount	\$	\$6,500	\$6,500		
Contingency	0	0	0		
<b>Total Contract Amount</b>	<b>\$</b>	<b>\$6,500</b>	<b>\$6,500</b>		
Percent Contingency	0%	0%	0%		

  

<b>Contract Spending Plan</b>	<b>Contract Spend to Date<sup>3</sup></b>	<b>Contract Spend Forecast Remainder of 2023</b>	<b>Future Spending</b>	<b>Total</b>
Crowe, LLP Contract	\$	\$135	\$6,365	\$6,500

**FINANCE**

Budget Cost Category	2023 Annual Operating Budget <sup>1</sup>	YTD Actuals <sup>2</sup>	Contract Spend Forecast Remainder of 2023	YTD Plus Action (Current Year Only)	Remaining Annual Operating Budget
Salaries and Benefits	11,968	7,298	-	7,298	4,671
Services	6,307	(1,795)	102	(1,694)	8,000
Materials and Supplies	15	3		3	13
Utilities		0		0	(0)
Insurance	25,341	13,792		13,792	11,549
Taxes				0	0
Miscellaneous	227	50		50	177
Leases and Rentals				0	0
<b>Total Annual Operating Budget</b>	<b>\$43,858</b>	<b>\$19,347</b>	<b>\$102</b>	<b>\$19,449</b>	<b>\$24,409</b>
<b>Services Category Detail</b>					
Accounting/Audit Services	420	314	102	415	5

**EXECUTIVE**

Budget Cost Category	2023 Annual Operating Budget <sup>1</sup>	YTD Actuals <sup>2</sup>	Contract Spend Forecast Remainder of 2023	YTD Plus Action (Current Year Only)	Remaining Annual Operating Budget
Salaries and Benefits	47,120	28,065	-	28,065	19,055
Services	12,918	6,092	34	6,126	6,792
Materials and Supplies	957	424		424	533
Utilities	45	11		11	34
Insurance		(29)		(29)	29
Taxes	5	0		0	4
Miscellaneous	3,666	1,636		1,636	2,029
Leases and Rentals	365	177		177	189
<b>Total Annual Operating Budget</b>	<b>\$65,076</b>	<b>\$36,377</b>	<b>\$34</b>	<b>\$36,411</b>	<b>\$28,665</b>
<b>Services Category Detail</b>					
Accounting/Audit Services	380	309	34	342	38

**Notes:**

<sup>1</sup> 2023 Annual Operating Budget is located on page 59 of the 2023 Adopted Budget book.

<sup>2</sup>YTD Actuals as of August 2023.

<sup>3</sup>Spending to Date as of August 2023.

## Disadvantaged and small business participation

### Participation by small businesses and disadvantaged business enterprises (DBEs)

Sound Transit promotes and encourages small business participation, which also includes disadvantaged business enterprises (DBEs). Small business and DBE goals are based upon an examination of subcontracting opportunities contained in the work of this contract and the number of small businesses/DBEs available to perform such subcontracting work.

Sound Transit determined that there were few small business and DBE subcontracting opportunities based upon the work described in this contract, so small business/DBE goals were not established. Although no small business/DBE goals were established, Crowe has proposed that approximately 15% of the audit work will be subcontracted to a local DBE that specializes in government auditing services.

## **Public involvement**

Not applicable to this action.

## **Time constraints**

The current financial and federal audit services contract expires with the 2022 audit period. A one-month delay past October could result in a lapse of service by the auditor to perform audit work and meet required deadlines for reporting to external agencies and bondholders.

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**Environmental review** – KH 10/5/23

**Legal review** – AJP 10/6/23



## Motion No. M2023-92

A motion of the Board of the Central Puget Sound Regional Transit Authority authorizing the chief executive officer to execute an eight-year contract with Crowe, LLP to provide independent financial and federal audit services, agreed upon procedures, and ORCA financial audits and system and organizational control reports, for a total authorized contract amount not to exceed \$6,500,000.

### Background

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### Motion

It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority that the chief executive officer is authorized to execute an eight-year contract with Crowe, LLP to provide independent financial and federal audit services, agreed upon procedures, and ORCA financial audits and system and organizational control reports, for a total authorized contract amount not to exceed \$6,500,000.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on October 26, 2023.



Dow Constantine  
Board Chair

**Attest:**



Kathryn Flores  
Board Administrator