

**STAFF REPORT**

**SOUND TRANSIT  
MOTION NO. M2001-111**

**Deloitte & Touche LLP Contract Amendment for Audit Services**

<b>Meeting:</b>	<b>Date:</b>	<b>Type of Action:</b>	<b>Staff Contact:</b>	<b>Phone:</b>
Finance Committee	10/18/01	Discussion/Possible Action	Hugh Simpson, Chief Financial Officer Debra Kerner, Controller	(206) 398-5082  (206) 689-3377

**OBJECTIVE OF ACTION**

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

**ACTION**

Authorizes the Executive Director to execute a contract amendment with Deloitte & Touche LLP for audit services in the amount of \$447,438 for a new total authorized contract amount not to exceed \$1,506,056.

~~Approval of Motion No. M2001—that would authorize the Executive Director to execute a an amendment to the contract with Deloitte & Touche LLP in the amount of \$475,000, for a new contract amount not to exceed \$1,533,618 to provide audit services for the Link cost estimates.~~

**KEY FEATURES**

**Highlights of Proposed Action:**

- ◆ Authorizes the Executive Director to execute a contract amendment with Deloitte & Touche LLP in the amount of \$447,438 for Audit Services, for a new total authorized contract amount not to exceed \$1,506,056.
- ◆ Compensation to Deloitte & Touche LLP for this scope of work will be based on composite hourly rates.
- ◆ Above action includes the following tasks:
  - \$155,000 for the 2001 financial and federal A-133 Audit
  - \$25,000 for the 2001 NTD audit.
  - \$100,000 for Link cost estimating performance audit
  - \$17,438 for Link cost estimate audit feasibility analysis
  - \$80,000 for 2002 performance audits
  - \$50,000 system reviews
  - \$20,000 for accounting services
- ◆ The \$100,000 for the Link cost estimating performance audit is not budgeted, however, through budget savings staff believes this amount can be funded in 2001.

## **BUDGET**

As presented to the Board on July 26, 2001, the \$100,000 for the Link cost estimating performance audit is not budgeted; however, through budget savings, staff believes this amount can be funded in 2001. The remaining \$347,438 is included in the annual operating budgets for 2001 and 2002 classified under accounting and auditing services (page 32 of Adopted 2001 Budget).

<b>Column A</b>	<b>Column B</b>	<b>Column C</b>	<b>Column D</b>	<b>Column E</b>
<b>Total Project Budget</b>	<b>Budget for this Task (B)</b>	<b>Obligated To Date (C)</b>	<b>Total Amount Requested (D)</b>	<b>Shortfall* or Surplus (B-[C+D])</b>
\$447,348	712,500	365,284	447,348	(\$100,132)

<b>*Amount of Shortfall</b>	<b>Potential Revenues</b>	<b>Funding Sources</b>
(\$100,132)		Budget savings in other areas

## **DISCUSSION OF PROPOSED ACTION**

In January 1998, the Finance Committee passed Motion No. 98-8 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, for a new contract amount not to exceed \$1,058,618. In February of 2001, staff exercised the first of two, one-year extensions but no additional funds were requested at that time. The proposed contract amendment of \$447,438 incorporates the 2002 audit budget presented to the Audit and Reporting Subcommittee at its last meeting and contract authority for the Link cost estimate audit requested by the Board on July 26, 2001. This scope of work was not anticipated and the funds were not included in the existing Audit Services contract or 2001 budget.

This contract will be complete in April 2002 once the annual financial and federal A-133 audits are complete. At this time a new procurement will be initiated for all audit services. Staff will be presenting procurement alternatives, e.g., separating the financial and performance audit services, to the Audit and Reporting Sub-Committee during 1st quarter 2002.

**Prior Board or Committee Actions  
and Relevant Board Policies**

<b>Motion or Resolution Number</b>	<b>Summary of Action</b>	<b>Date of Action</b>
98-8	A motion of the Executive Committee of the Regional Transit Authority for the Pierce, King and Snohomish Counties authorizing the Executive Director to execute a three-year contract for independent audit services, in an amount not to exceed \$300,000.	1/16/98
M99-34	A motion of the Finance Committee of the Central Puget Sound Regional Transit Authority authorizing the Executive Director to amend the existing contract with Deloitte & Touche LLP for a total amount not to exceed \$1,058,618.	6/3/99
M2001-77	A Motion of the Board of the Central Puget Sound Regional Transit Authority that would authorize the Executive Director to execute an amendment to the contract with Deloitte & Touche LLP in the amount of \$100,000, increasing the current authorized contract amount of \$1,058,618, for a new contract amount not to exceed \$1,158,618 to provide audit services for reviewing the Sound Transit estimating systems for the Link Light Rail cost estimates.	7/26/01

**ALTERNATIVES**

The performance audit could be separately procured.

**CONSEQUENCES OF DELAY**

On-going auditing needs of the agency will not be fulfilled.

**LEGAL REVIEW**

JDW 10/5/01

## SOUND TRANSIT

### MOTION NO. M2001-111

A Motion of the Finance Committee of the Central Puget Sound Regional Transit Authority that would authorize the Executive Director to execute a contract amendment with Deloitte & Touche LLP for audit services in the amount of \$447,438, for a total contract amount not to exceed \$1,506,056.

#### 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 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.

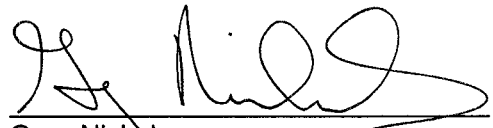
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The proposed contract amendment of \$447,438 incorporates the 2002 audit budget presented to the Audit and Reporting Subcommittee at its last meeting and contract authority for the Link cost estimate audit requested by the Board on July 26, 2001. This scope of work was not anticipated and the funds were not included in the existing audit services contract or 2001 budget, however staff believes this amount can be funded in 2002 through budget savings in other areas.

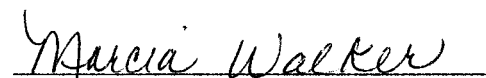
#### Motion:

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 \$447,438, for a new contract amount not to exceed \$1,503,618.

APPROVED by the Finance Committee of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on the 18th day of October 2001.

  
Greg Nickels  
Finance Committee Chair

ATTEST:

  
Marcia Walker  
Board Administrator