

**SOUND TRANSIT
STAFF REPORT**

MOTION NO. M2008-98

Contract for Independent Financial and Federal Audit Services

Meeting:	Date:	Type of Action:	Staff Contact:	Phone:
Finance Committee	10/2/08	Discussion/Possible Action	Brian McCartan, Chief Financial Officer Kelly Priestley, Controller	(206) 398-5100 (206) 398-5479

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

PROJECT NAME

Financial and Federal Audit Services

PROPOSED ACTION

Authorizes the chief executive officer to execute a three-year contract with two one-year options with KPMG, LLP, for independent financial and federal audit services for a total authorized contract amount not to exceed \$2,200,000.

KEY FEATURES of PROPOSED ACTION

- The scope of the contract includes audit services for the agency's year-end financial statements including an audit of A-133 federal compliance. In addition, audit services include agreed-upon procedures reporting on the agency's annual national transit database report and the agency's annual report on subarea equity. The contract also provides for the audit of financial reporting related to the agency's role as fiscal agent for the ORCA project.
- Additional specialized accounting services to include awareness letters for debt issuance, analysis of new accounting pronouncements, and analysis of accounting treatment for complex transactions.
- The contract provides for a three-year term with two additional one-year options to extend. The requested amount provides enough funding for the full five years of the contract.

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 DISCUSSION

The total requested amount for the five-year period is \$2,200,000. The estimated cost for audit services only over the first three-year period is \$1,052,325 with an estimated \$199,000 in reserve for administrative and other costs totaling \$1,251,000. The following two-year option period costs are \$949,000. The Adopted 2008 Budget contains sufficient funding within the Finance and Information Services Department staff-operating budget to cover the expenses for the first year. The balance will be requested in future years' staff operating budgets.

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.

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
Current Year Budget				
FIT Services Consultant/Management	1,028	151	335	542
Other Services	2,583	1,889	-	694
Total Services Category	3,611	2,040	335	1,236

Budget Shortfall

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

Contract Spending Plan	Prior Year(s) Spending	2008 Spending	Future Expenditures	Total
KPMG	-	335	1,865	2,200

	Current Approved Contract Value	Spent to Date	Proposed Action	Proposed Total Contract Value
Contract Budget				
KPMG	-	-	2,200	2,200
	-	-	-	-
	-	-	-	-
	-	-	-	-
Total	-	-	2,200	2,200
Percent Contingency	-	-		

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, Finance & Information Technology section, see Consultant/Management line item. Future years' portion of the contract amount will be requested in future budgets.

SMALL BUSINESS PARTICIPATION

Prime Consultant/Contractor

KPMG, LLP is the prime auditor for this contract. KPMG, LLP is committed to a 15% M/W/DBE and Small Business goal on the annual audit engagement. Francis & Company, an MBE CPA firm, will participate on the financial, federal and national transit database audit.

Utilization Breakdown Table

Subconsultant/Subcontractor	Business Type	% of Work	Dollar Value
Francis & Company	MBE	15%	\$270,000
Total			\$270,000

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

KPMG's workforce demographics are 51% women and 21% minorities. Within their proposal, KPMG demonstrated a strong commitment to EEO and has won a number of awards in recognition of their efforts.

PROJECT DESCRIPTION and BACKGROUND for PROPOSED ACTION

Sound Transit's existing contract for independent financial and federal audit services expires at the end of October 2008. In August 2008, Sound Transit advertised a new Request for Proposals for audit services. In response to the solicitation, three 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 A-133 audits and is based in Alaska. All team members have prior Sound Transit audit experience and bring strong A-133, NTD and subarea experience and knowledge to the engagement.

KPMG, LLP has provided service in the Seattle area for over 80 years with 34 partners and over 400 employees who dedicate a significant portion of their time serving public sector and transit clients. They have six offices within the Pacific Northwest. Key transportation authority clients include City County of San Francisco, San Francisco Bay Area Rapid Transit and Los Angeles County Metropolitan Authority. KPMG conducts more A-133 audits than any other US firm.

The scope of the contract includes audit services for the agency's year-end financial statements including an audit of A-133 federal compliance. In addition, audit services include agreed upon procedures reporting on the agency's annual national transit database report and the agency's annual report on subarea equity. The contract also provides for the audit of financial reporting related to the agency's role as fiscal agent for the ORCA project.

Additional specialized accounting services to include awareness letters for debt issuance, analysis of new accounting pronouncements, and analysis of accounting treatment for complex transactions.

Prior Board/Committee Actions

None.

CONSEQUENCES of DELAY

Since audit planning begins in November, a delay of two to four weeks would not impair Sound Transit business.

PUBLIC INVOLVEMENT

Not applicable to this action.

ENVIRONMENTAL COMPLIANCE

SSK 9/24/08

LEGAL REVIEW

JW 9/24/08

SOUND TRANSIT

MOTION NO. M2008-98

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 KPMG, LLP, for independent financial and federal audit services for a total authorized contract amount not to exceed \$2,200,000.

Background:

Sound Transit's existing contract for independent financial and federal audit services expires at the end of October 2008. In August 2008, Sound Transit advertised a new Request for Proposals for audit services. In response to the solicitation, three proposals were received. KPMG, LLP was recommended by the evaluation committee as the best value proposal submitted.

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Motion:

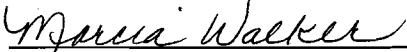
It is hereby moved by the Finance Committee of the Central Puget Sound Regional Transit Authority that the chief executive officer is authorized to execute a three-year contract with two one-year options with KPMG, LLP, for independent financial and federal audit services for a total authorized contract amount not to exceed \$2,200,000.

APPROVED by the Finance Committee of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on October 2, 2008.



Aaron Reardon
Finance Committee Chair

ATTEST:



Marcia Walker
Board Administrator