

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No.	5c
Date of Meeting	October 5, 2010

DATE: September 28, 2010

TO: Tay Yoshitani, Chief Executive Officer

FROM: Dan Thomas, Chief Financial & Administrative Officer
Rudy Caluza, Director, Accounting & Financial Reporting
Lisa Lam, Senior Manager, Financial Reporting & Controls

SUBJECT: One-Year Contract Extension with Moss Adams for the Financial Statement, Single Audit (federal grant compliance) and Passenger Facility Charge Auditing Services for the Port's 2010 Operating Period

Amount of This Request: \$577,600

Source of Funds: AFR operating budget & various capital budgets, prorated

Estimated Workers Employed: 13 from Moss Adams and 2 from Branch Richards

ACTION REQUESTED:

Request Port Commission authorization for the Chief Executive Officer to extend the contract for Financial Statement, Single Audit (federal grant compliance) and Passenger Facility Charge auditing services of the Port's 2010 operating period with Moss Adams in the amount not-to-exceed \$577,600. This is the fifth and final renewal of this contract.

This action also notifies Commission, per the requirements of RCW 53.19.60 that authorization of this proposed Amendment increases the contract value by \$577,600 to \$2,965,200 which is in excess of the original contract value both individually and cumulatively greater than 50% of the original contract price of \$551,000.

SYNOPSIS:

In 2006, the Port competitively selected Moss Adams to perform annual independent audits of the Financial Statement, Single Audit (federal grant compliance) and the Passenger Facility Charge (PFC) in 2006, and the Commission authorized the Chief Executive Officer and the Chief Financial & Administrative Officer to execute a contract, renewable year-to-year for up to four years at the Port's sole discretion, on July 25, 2006. This is the final year of the contract, and a Request for Proposal (RFP) will be issued for a new contract for auditing services in 2011. The Commission Audit Committee reviewed this contract on

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September 7, 2010, and concurred in seeking Commission approval for the final year of contract.

Moss Adams is the largest Seattle-based CPA firm and audits many regional and state municipal enterprise clients, such as Seattle Public Utilities. It subcontracts with Branch Richards & Co., a small minority-owned business CPA firm, and fully integrates Branch Richards staff into the broader Moss Adams team. This effort supports the Port's small business initiative. Moss Adams exceeded the Port's expectations in the 2009 audit by completing both the federal regulatory compliance audits two months early, which coincided with the completion of its audit of the Port's financial statements. Moss Adams estimates that its fees will decrease 4% in 2010, barring any major audit issues that would require an expansion of the scope of work or additional audit work, with a not-to-exceed commitment of \$577,600. The firm responded to the Port's 2009 cost-cutting initiative by cutting its fee by 5%, or over \$30,000, when compared with the 2008 fee.

BACKGROUND:

Annual independent audits are required for the financial statements of the Port and the Warehousemen's Pension Trust Fund for purposes of obtaining an independent auditors opinion as to the fairness in presentation of the financial results and position, and independent audits are required of the Port's administration of federal grants and PFC revenues in accordance with applicable regulations.

The Port selected Moss Adams to perform the required audits of its financial statements in 2006 as the result of a formal RFP process, and, the Port Commission approved the award of a one year contract for auditing services, renewable for up to four years at the Port's sole discretion, to Moss Adams on July 25, 2006. The term of audit services contained in the RFP was for fiscal years ending December 31, 2006, 2007 and 2008, along with an option to extend the contract on a year-to-year basis for another two years. This action exercises the second of the one year renewals to cover the 2010 audit period. The Port intends to issue a new RFP to competitively procure auditing services in 2011. The Commission Audit Committee reviewed this extension and concurred in seeking Commission approval at its meeting on September 7, 2010.

Moss Adams is the nation's eleventh largest firm, the largest based in the western half of the U.S., and the largest Seattle-based CPA firm. It subcontracts with Branch Richards & Co., a small minority-owned business CPA firm, fully integrating their staff members into the broader Moss Adams audit team. This effort directly support's the Commission's small business initiative, which is a priority for the Port. In addition to its many municipal enterprise clientele nationally, Moss Adams' large enterprise clientele in our region includes the City of Seattle - Seattle Public Utilities, the City of Tacoma – Tacoma Public Utilities, Snohomish and Clark County public utility districts, and the Washington State Housing Finance Commission.

Moss Adams' fees for the 2010 audit services remain flat, equal to the 2009 engagement in the amount not to exceed \$577,600. Moss Adams has also proposed a 4% reduction in fees,

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barring any major audit issues that would require an expansion of scope or additional audit work. Moss Adams also reduced its 2009 audit fee by 5%, or over \$30,000, when compared to the 2008 fee, in response to the Port's 2009 cost-cutting initiative.

To ensure timely reporting to the public and to its bondholders, the Port holds our independent CPA firm contractually accountable to complete its audit and issue the independent auditor opinion on the Port's financial statements by April 30th of each year, which then enables the Port to issue its financial statements by the first week of May. The CPA firm is also required to complete and issue both the Single Audit and PFC audit reports by June 30th of each year. Moss Adams exceeded the Port's expectations in the 2009 audit engagement by completing both federal regulatory compliance audits two months earlier, coinciding with the completion of its audit of the Port's financial statements.

This year, Moss Adams will again need to work under rigid timelines with Audit Planning during October which encompass risk assessments, prepared-by-client schedules required of the Port, and interviews of key Port leadership; Interim Audit Fieldwork during October-December which encompass internal controls and significant accounts testing and audit procedures for federal awards administration; Year-end Audit Fieldwork during February-March which encompass the audit of Port's financial statements and testing the Schedule of Federal Awards; and then internal quality assurance and concurring partner review during April.

FINANCIAL IMPLICATIONS:

Fees for the 2010 audit services remain flat, equal to the 2009 engagement in the amount not to exceed \$577,600. Moss Adams has also proposed a 4% reduction in fees, barring any major audit issues that would require an expansion of scope or additional audit work.

SOURCE OF FUNDS:

The fee for the 2010 audit services, which is conducted during latter 2010 and first half of 2011, is included in the Accounting & Financial Reporting (AFR) department's 2010 approved and 2011 proposed operating budgets, and in capital budgets as appropriate. The funding sources are approximately 55% and 45%, respectively.

OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:

Moss Adams Letter and Fee Proposal for 2010 Audits dated July 27, 2010.

PREVIOUS COMMISSION ACTIONS:

September 17, 2009 – The Commission authorized an option to extend the contract with Moss Adams for the Port's 2009 operating period for \$577,600.

October 27, 2008 – The Commission authorized the execution of a contract with Moss Adams for the Port's 2008 operating period for \$608,000.

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May 6, 2008 – The Commission authorized an amendment to the Moss Adams contract in an amount not-to-exceed \$62,000.

September 25, 2007 – The Commission authorized the execution of a contract with Moss Adams for the Port's 2007 operating period for \$589,000.

July 25, 2006 – The Commission authorized the execution of a contract with Moss Adams for 2006 in the amount of \$551,000 and renewable year-to-year for up to four additional years at the Port's sole discretion.