

THE NORTHWEST SEAPORT ALLIANCE
MEMORANDUM

MANAGING MEMBERS
ACTION ITEM

Item No.	<u>8B</u>
Date of Meeting	<u>July 6, 2022</u>

DATE: June 24, 2022

TO: Managing Members

FROM: John Wolfe, CEO

Sponsor: Audit Co-Chairs: Sam Cho, Deanna Keller

Project Manager: Darren Arakaki, Director Accounting and Port Auditor

SUBJECT: Contract Approval for Financial Audit Services

A. ACTION REQUESTED

Request contract approval in the amount of \$355,000 with Moss Adams, LLP for financial audit services for audit years 2022-2026.

B. BACKGROUND

The previous financial audit services contract with RSM US LLP ended upon completion of the 2021 audit. The contract with RSM was for five years including a two year extension option. Last year due to the COVID-19 pandemic the Audit Committee and the Managing Members authorized a one-year extension – so the contract ended up covering six years.

On November 15, the Audit Committee authorized the solicitation for NWSA financial audit services to be restricted to the homeport auditors per RCW 53.19.020 which provides an exemption from the competitive solicitation process if the Managing Members determine that a competitive solicitation process is not appropriate or cost-effective. The Managing Members authorized the restricted competitive procurement on December 7, 2021.

A request for proposal for financial audit services for audit years 2022-2026 was issued in April.

On June 23, the Audit Committee recommended that the Moss Adams LLP proposal for financial audit services be presented to the Managing Members for contact approval.

C. PROJECT DESCRIPTION AND DETAILS

The Request for Proposals (RFP) for financial audit services covered a term of three years with one extension option for two years at the Audit Committee's sole discretion. The scope of services require the auditors to: render an opinion on whether the NWSA's financial statements are presented fairly in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and any other applicable procedures for the audit of a government's financial statements prepared in accordance with Generally Accepted Accounting Principles; to satisfy requirements imposed by the Single Audit Act and Subpart F of Title 3 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

The two homeports issued RFPs for financial auditors in 2021 for their respective ports. The Port of Tacoma Audit Committee and Commission approved the selection of Moss Adams in the fall of 2021 and the Port of Seattle Audit Committee and Commission approved the selection of Moss Adams in December 2021. Since both homeports selected Moss Adams, the RFP was issued to Moss Adams.

D. RFP EVALUATION

The RFP evaluation committee consisted of: Sam Cho, Audit Committee Co-chair, David Morrison, NWSA CFO, Erin Galeno, POT CFAO, Darren Arakaki, Director Accounting POT, and Brian Lee, Manager Financial Accounting POT.

The evaluation focused on the following areas.

Audit Approach

The composition of the team and their ability and capacity to perform the scope of work:

- The audit approach, planning, identifying key areas of risk associated with deliverables;
- The audit approach with regard to key areas of risk and challenges considering the formation of the NWSA by the Port of Seattle and the Port of Tacoma;
- The proposed project team's ability to perform the work identified in the scope of services and a staffing estimate.

Staff

The experience and technical competence of key team members and their roles on the project.

Compensation

Fairness and reasonableness of the fixed fee contract for three years and the two year extension option.

E. COMPENSATION – AUDIT FEES

The proposed fees for the five years are \$319,500. A contingency for new accounting standards and unusual transactions is an additional \$35,500. The contingency was not part of the Moss Adams proposal, but is being added to the contract amount to cover potential

unforeseen new accounting standard adoptions and significant unusual transactions that are out of the scope of the proposed contract. The Moss Adams proposal is an increase of 10% over the audit fees of the previous five years and the total cost including the contingency is an increase of 22%.

The fee schedule is presented in the table below.

	2022	2023	2024	2025	2026	Total
Annual Financial Statement Audit	\$45,850	\$47,700	\$49,600	\$52,000	\$54,600	\$249,750
Single Audit (Federal Grants)	\$12,775	\$13,300	\$13,850	\$14,550	\$15,275	\$69,750
Subtotal	\$58,625	\$61,000	\$63,450	\$66,550	\$69,875	\$319,500
Contingency (New Accounting Standards, Unusual Transactions)	\$0	\$0	\$10,000	\$10,000	\$15,500	\$35,500
Grand Total	\$58,625	\$61,000	\$73,450	\$76,550	\$85,375	\$355,000

The evaluation team concluded that the Moss Adams proposal met all of the required RFP deliverables and that Moss Adams has a strong background in the port industry having served the Port of Seattle, Port of Portland, Port of LA, Port of Long Beach, Port of San Diego.

F. CONCLUSION

Request contract approval in the amount of \$355,000 with Moss Adams, LLP for financial audit services for audit years 2022-2026.

G. NEXT STEPS

Draft and finalize contract for financial audit services with Moss Adams.

H. PREVIOUS ACTIONS OR BRIEFINGS

November 15, 2022: Audit Committee Meeting: Request authorization to limit the competitive solicitation for financial audit services.

December 7, 2021: Managing Member Meeting: Managing Members authorized the restricted competitive solicitation for financial audit services to the homeport financial auditors per RCW 53.19.020.

June 23, 2022: Audit Committee Meeting: Audit Committee recommended that the Moss Adams, LLP proposal for financial audit services be presented to Managing Members for contract authorization.