

Date: April 27, 2022

To: Board of Directors

From: Sam Desue, Jr.



Subject: RESOLUTION NO. 22-04-25 OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) AUTHORIZING A CONTRACT WITH EIDE BAILLY, LLP FOR INDEPENDENT AUDIT SERVICES

1. **Purpose of Item**

This Resolution requests that the TriMet Board of Directors (Board) authorize the General Manager or his designee to execute a contract with Eide Bailly, LLP for independent audit services (Contract).

2. **Type of Agenda Item**

- Initial Contract
 Contract Modification
 Other _____

3. **Type of Contract Procurement**

- Low Bid / Invitation to Bid (ITB)
 Request for Proposals (RFP) (inc. CM/GC)
 Request for Qualifications (RFQ) (Personal Services)
 Other (inc. sole source):

4. **Reason for Board Action**

Board authorization is required for all personal services contracts obligating TriMet to pay in excess of \$500,000.

5. **Type of Action**

- Resolution
 Ordinance 1st Reading
 Ordinance 2nd Reading
 Other _____

6. **Background**

The integrity of TriMet's system of internal controls and financial reporting is of paramount importance to the many stakeholders that rely on TriMet's financial information. Stakeholders include, but are not limited to bondholders, the Federal Transit Administration (FTA), various project funding partners, taxpayers, transit riders, employees, and the Board of Directors. Annual audits by recognized and well-respected independent certified public

accounting firms have always been an important element of TriMet's system of internal controls and financial reporting.

Historically, TriMet has contracted with major national accounting firms to perform annual audits. With the passage of the Sarbanes-Oxley Act of 2002, major accounting firms have concentrated their practices on major publicly traded companies, private companies, and Sarbanes-Oxley compliance work rather than governmental auditing. Due to these changes, TriMet, as well as other government agencies, has not received proposals from the major accounting firms, Deloitte, Price Waterhouse Coopers, Ernst & Young, and KPMG (also referred to as the “Big Four” firms) for many years now.

Since TriMet's inception, the following accounting firms have been awarded contracts to perform the annual audits:

- 1969 to 1972 Savage & Company
- 1973 to 1982 Coopers & Lybrand
- 1983 to 1987 PricewaterhouseCoopers
- 1988 to 1999 KPMG
- 1999 to 2001 Arthur Anderson (until 2002 Northwest practice merged with KPMG)
- 2002 to 2006 KPMG
- 2007 to 2011 Moss Adams
- 2012 to 2017 Moss Adams
- 2018 to 2022 Moss Adams

7. Description of Procurement Process

TriMet issued a competitive Request for Proposals (RFP) on February 4, 2022, with a proposal due date of February 25, 2022. In an effort to increase distribution of the solicitation, Procurement staff included the list of firms and individuals who are licensed municipal auditors through the Oregon Board of Accountancy to the solicitation notification. A total of 306 vendors were notified of the RFP. TriMet received proposals from Eide Bailly, LLP and Moss Adams, LLP.

A Source Evaluation Committee (SEC) comprised of staff from the Finance & Administrative Services Division convened on March 10, 2022, to review the technical proposals of the two firms. Proposal evaluation was based on the criteria published in the RFP and included firm and team qualifications, project understanding and approach, and project timeline. The firms were ranked based on their technical merits and the price proposals scored based on a mathematical calculation prescribed in the RFP.

At the conclusion of the evaluation, the SEC determined that both firms are qualified and interviews were not needed, but a Best and Final Offer (BAFO), specific to pricing, would be requested. Best and Final Offers were received on March 21, 2022, and on March 22, 2022 the SEC reconvened to discuss the BAFO pricing.

Overall scores of the firms prior to and after BAFO are summarized on the tables below.

Overall scores of the firms **prior to BAFO** submissions are as follows:

CRITERIA (possible points)	Eide Bailly	Moss Adams
TECHNICAL (75 Total)		
Qualifications of Firm, Staff and Diversity (35)	31.00	32.00
Project Understanding & Approach (30)	25.50	28.50
Project Timeline (10)	7.50	9.25
TECHNICAL SCORE	64.00	69.75
Five-Year Price	\$1,334,858	\$1,555,330
PRICING (25 Total)	25.00	21.46
TOTAL SCORE	89.00	91.21

Overall scores of the firms **after the BAFO** submissions are as follows:

CRITERIA (possible points)	Eide Bailly	Moss Adams
TECHNICAL (75 Total)		
Qualifications of Firm, Staff and Diversity (35)	31.00	32.00
Project Understanding & Approach (30)	25.50	28.50
Project Timeline (10)	7.50	9.25
TECHNICAL SCORE	64.00	69.75
Five-Year Price	\$1,201,372	\$1,555,330
BAFO PRICING (25 Total)	25.00	19.31
TOTAL SCORE	89.00	89.06

The BAFO pricing resulted in a point score difference of 0.06. Eide Bailly reduced its price by \$133,486, but Moss Adams did not change its price. After a thorough discussion, the SEC concluded that Moss Adams' additional cost of \$353,958 (~\$70,000/year) is too much compared to Eide Bailly's price proposal and that, even though Moss Adams scored higher technically, it is not justifiable to pay that additional amount for the services. In addition, TriMet has relied upon Moss Adams for 15 years and the SEC felt that it would be beneficial to utilize a new firm. The SEC ultimately determined that Eide Bailly, LLP represents the overall best value to TriMet.

The term of the contract will be for five (5) years. The total amount of the contract for the term is estimated to be \$1,201,372. Eide Bailly's annual price for the first year of the proposed contract is \$213,143. Pricing for future years will be based on individual reports that Eide Bailly will provide as a result of annual audit activities. While price adjustments will be allowed, they will be capped at the Consumer Price Index – All Urban Wage Earners and Clerical Workers (CPI-W), for the Portland-Salem area Western Region, Pacific Division – Class A.

8. **Diversity**

Eide Bailly intends to self-perform all work under this contract, and its current workforce consists of 53.4% female and 14.3% minority employees.

9. **Financial/Budget Impact**

The Services are included in the Finance & Administrative Services Division's annual operating budget.

10. **Impact if Not Approved**

Audit work must begin in May 2022 in order to meet the stringent deadlines set forth in the scope of services.

RESOLUTION NO. 22-04-25

**RESOLUTION NO. 22-04-25 OF THE TRI-COUNTY METROPOLITAN
TRANSPORTATION DISTRICT OF OREGON (TRIMET) AUTHORIZING A
CONTRACT WITH EIDE BAILLY, LLP FOR INDEPENDENT AUDIT
SERVICES**

WHEREAS, TriMet has authority under ORS 267.200 to enter into a contract with Eide Bailly, LLP for the procurement of Independent Audit Services (Contract); and

WHEREAS, by Resolution dated October 25, 2017, the TriMet Board of Directors (Board) adopted a Statement of Policies requiring the Board to authorize personal services contracts obligating TriMet to pay in excess of \$500,000; and

WHEREAS, the total amount of the Contract exceeds \$500,000;

NOW, THEREFORE, BE IT RESOLVED:

1. That the Contract shall conform with applicable law.
2. That the General Manager or his designee is authorized to execute the Contract in the amount of not more than \$1,201,372, with the total amount to be based on actual services utilized through the Contract's April 30, 2027, expiration.

Dated: April 27, 2022

Presiding Officer

Attest:

Recording Secretary

Approved as to Legal Sufficiency:

Gregory E. Skillman
Legal Department