SUMMARY STATEMENT

ITEM NO.: DRPA-11-088  SUBJECT: Selection of Accounting Firm to Provide Professional Auditing Services

COMMITTEE: Audit Committee

COMMITTEE DATE: October 28, 2011

BOARD ACTION DATE: November 16, 2011

PROPOSAL: That the Board select an independent accounting firm to audit the books and records of the DRPA and PATCO, and to perform additional audits, as necessary, for the years 2011 through 2013.

PURPOSE: To audit the books and records of the DRPA and PATCO as required by the Authority’s Interstate Compact for Annual Financial Audits. In addition, the DRPA requires annual audit reports for the Single Audit Report - Supplemental Schedule of Federal Financial Assistance as required by the Single Audit Act of 1984 as amended in 1996, and U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, including revisions published in the Federal Register, June 27, 2003 and PATCO's National Transit Database (NTD) report as required by statute, Title 49 CFR Part 630, Federal Register, December 6, 2007 and as presented in the 2008 NTD Reporting Manual. The engagement is to include the preparation of any Federal or State filings that may be required.

BACKGROUND: DRPA staff sent a Request for Proposal (RFP) for Auditing Services, for the years 2011 through 2013, to approximately twenty (20) accounting firms. In addition, the RFP was posted on the DRPA’s website. Seven (7) firms submitted technical proposals and “sealed dollar cost bid” quotations to provide these services to the Delaware River Port Authority and Port Authority Transit Corporation, as shown below:

1. Asher & Co.
2. BDO
3. Bowman & Company, LLP
4. Clifton Gunderson LLP
5. KPMG LLP
6. McGladrey & Pullen, LLP
7. Zelenkofske Axelrod LLC
DRPA staff qualified five (5) firms, which submitted the following total “all-inclusive maximum pricing quotations:

**Pricing Quotations:**

- Zelonkofske Axelrod, LLC $ 399,075
- Clifton Gunderson, LLP $ 429,440
- Bowman & Company, LLP $ 455,500
- McGladrey & Pullen, LLP $ 455,798
- KPMG LLP $ 612,000

**Evaluation of Accounting Firms:**

Following a review of each firm's technical proposal and the “sealed dollar cost bid,” the firm of McGladrey & Pullen, LLP is recommended to provide Professional Auditing Services to the DRPA and PATCO. The following considerations impacted the recommendation of staff:

- Extensive experience in public sector and governmental auditing.
- Quality of audit proposal and audit approach. The firm indicated an understanding of the scope of the DRPA engagement and proposed a comprehensive and efficient audit approach to manage the engagement.
- Experience and familiarity with the implementation of GASB 34, and other recently enacted Government Finance Officers Association (GFOA) standards (e.g., GASB 45 and 53).
- Commitment to the involvement of MBE and WBE firms in the audit engagement.
- Experience in preparing Comprehensive Annual Financial Reports in accordance with GFOA standards, which the DRPA is committed to preparing. (The DRPA has received the Certificate of Achievement for Excellence in Financial Reporting for eighteen (18) consecutive years and has submitted its 2010 annual report for consideration for this award).

**Fee Proposal**

The fee proposed by McGladrey & Pullen, LLP to perform the DRPA and PATCO audit engagements and the preparation of any Federal or State filings for the years 2011 through 2013 totals $455,798. The fees include the basic cost of the audit engagement and all out-of-pocket expenses to be incurred by the accounting firm.
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Fees, including PATCO’s share, for the 2011 through 2013 engagements are $147,490, $151,900 and $156,408, respectively.

Recommendation

Upon consideration of the qualifications of all respondents and their fee proposal, the firm of McGladrey & Pullen LLP is recommended to provide Professional Auditing Services to the DRPA and PATCO for the three-year period 2011 through 2013.

At its October 28th, 2011 meeting, the DRPA Audit Committee interviewed five of the auditing firms and in accordance with the August 2010 board resolution which created the audit committee, recommended McGladrey & Pullen LLP to provide Professional Auditing Services to the DRPA and PATCO for the three-year period 2011 through 2013.

SUMMARY: Amount: $455,798 for the 2011-2013 Year Audits
Source of Funds: Revenue and General Funds
Capital Project #: N/A
Operating Budget: N-T-E $455,798 for 3 years
Master Plan Status:
Other Fund Sources: PATCO’s Share Est. $27,000 for the 2011 Year Audit
Duration of Contract: Three Years
Other Parties Involved: N/A

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1 Fees, including PATCO’s share, for the 2011 through 2013 engagements are $147,490, $151,900 and $156,408, respectively.
RESOLUTION

RESOLVED: That the Board of Commissioners authorizes DRPA staff to negotiate a contract with McGladrey & Pullen, LLP & Company, LLP to conduct the annual audit of the books and records of Delaware River Port Authority and PATCO; prepare any Federal or State filings and to perform the Single Audit Report - Supplemental Schedule of Federal Financial Assistance as required by the Single Audit Act of 1984, as amended; and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations and PATCO's National Transit Database (NTD) report as required by statute, Title 49 U.S.C. 5335(a), for federal funding under the Urbanized Area Formula Program, for a fee of $455,798 for the Delaware River Port Authority and for the Port Authority Transit Corporation for the years 2011 through 2013; and be it further

RESOLVED: The Chairman and Vice Chairman of the Audit Committee, and the Chief Executive Officer must approve and are hereby authorized to approve and execute all necessary agreements, contracts, or other documents on behalf of the DRPA. If such agreements, contracts, or other documents have been approved by the Chairman and Vice Chairman of the Audit Committee, and Chief Executive Officer and if thereafter either the Chairman or Vice Chairman of the Audit Committee is absent or unavailable, the remaining Officer may execute the said document(s) on behalf of DRPA along with the Chief Executive Officer. If both the Chairman and Vice Chairman of the Audit Committee are absent or unavailable, and if it is necessary to execute the said document(s) while they are absent or unavailable, then the Chief Executive Officer shall execute such documents on behalf of the DRPA.

SUMMARY: Amount: $455,798 for the 2011-2013 Year Audits' Source of Fund: Revenue and General Funds Capital Project #: N/A Operating Budget: N-T-E $455,798 for 3 years Master Plan Status: Other Fund Sources: PATCO’s Share Est. $27,000 for the 2011 Year Audit Duration of Contract: Three years Other Parties Involved: N/A

1 Fees, including PATCO’s share, for the 2011 through 2013 engagements are $147,490, $151,900, and $156,408, respectively.