



Finance, Administration and Oversight Committee

Action Item III-A

January 10, 2008

**Request to Change the Process for Selecting
External Audit Firms**

**Washington Metropolitan Area Transportation Authority
Board Action/Information Summary**

Action
 Information

MEAD Number:

Resolution:
 Yes No

PURPOSE

Initiate action to change the process for selecting the external auditing firm that conducts the annual financial audit of Metro from the Finance, Administration and Oversight Committee to the Office of Inspector General.

DESCRIPTION

Resolution #83-3, approved January 6, 1983, established the policy that the contracting of external audit services is the direct responsibility of the Board of Directors, and that the External Auditor will be selected by the Board of Directors. Resolution #2000-13, approved February 10, 2000, directs the Board of Directors Audit Committee to procure and present to the Board of Directors a qualified candidate for External Auditor services in accordance with established policies and general guidelines.

General guidelines include the following:

1. Solicit the major accounting firms (current contractor excluded);
2. Use best value procurement allowing WMATA to procure the best technically qualified firm with a reasonable price rather than the best price only;
3. The Assistant Inspector General, Audit will establish an Evaluation Support Team who will evaluate the proposals submitted by CPA firms and present the evaluations to the Inspector General;
4. The Inspector General and the Evaluation Support Team will hear Oral Presentations by the selected Proposer that has submitted the best value proposal to the Board Finance, Administration and Oversight Committee for approval;
5. The Board Finance, Administration and Oversight Committee will recommend the Proposer that has submitted the best value proposal to the Board of Directors for final approval; and
6. Throughout this and future audit procedures, the Inspector General shall serve as the Confidential Secretary to the Board of Directors.

Resolution #2006-18, approved April 20, 2006, established responsibility for the supervision of Metro's annual independent audit of financial accounts by the Office of Inspector General. With the establishment of the Office of Inspector General, as well as its subject area expertise on financial statement audits and related matters, the Board of Directors delegates responsibility for selecting the external auditing firm to perform the annual financial audit of Metro to the Office of Inspector General. The Assistant Inspector General, Audit, will establish an Evaluation Support Team to evaluate the proposals submitted by major accounting firms. The Inspector General will recommend the firm that has submitted the best value proposal to the Finance, Administration and Oversight Committee for approval. The Committee will recommend the best value proposal to the Board of Directors for final approval.

FUNDING IMPACT

None. This work is the responsibility of the Office of Inspector General.

RECOMMENDATION

That the Board of Directors approve the Office of Inspector General's request to change the process for selecting an external auditing firm to conduct the financial statement and Single Audit Act audits.

PRESENTED & ADOPTED:

SUBJECT: GUIDELINES FOR PROCUREMENT OF EXTERNAL AUDITOR SERVICES

PROPOSED
RESOLUTION
OF THE
BOARD OF DIRECTORS
OF THE
WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

WHEREAS, The Board of Directors, through the adoption of Board Resolution #83-3, with Attachments 1 and 2, provided direction for internal and external audits; and

WHEREAS, The Board of Directors, through the adoption of Board Resolution #2006-18, established responsibility for the supervision of WMATA's annual independent audit of financial accounts by the Office of Inspector General; and

WHEREAS, The contract for the current External Auditor will expire May 30, 2008; now, therefore be it

RESOLVED, That the Inspector General is directed to procure and recommend to the Board of Directors a qualified candidate for External Auditor services in accordance with established policies and the following general guidelines:

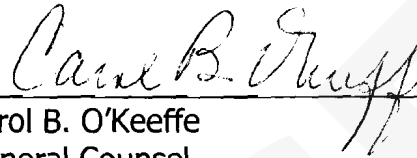
- 1) Solicit major accounting firms;
- 2) Use best value procurement allowing WMATA to procure the best technically qualified firm with a reasonable price rather than the best price only;
- 3) The Assistant Inspector General, Audit will establish an Evaluation Support Team who will evaluate the proposals submitted by CPA firms and present the evaluations to the Inspector General;
- 4) The Inspector General and the Evaluation Support Team will hear Oral Presentations by the selected proposers. The Inspector General will recommend the Proposer that has submitted the best value proposal to the Board Finance, Administration and Oversight Committee for approval;
- 5) The Board Finance, Administration and Oversight Committee will recommend the Proposer that has submitted the best value proposal to the Board of Directors for final approval; and
- 6) Throughout this and future audit procedures, the Inspector General shall serve as the Confidential Secretary of the Board of Directors.

and be it further

RESOLVED, That this Resolution supercedes the guidelines for External Auditor selection contained in Board Resolution #2003-13; and be it finally

RESOLVED, That this Resolution shall be effective immediately.

Reviewed as to form and legal sufficiency,



Carol B. O'Keeffe
General Counsel



Request to Change the Process for Selecting External Auditing Services

Presented to the Board of Directors:

Finance, Administration and Oversight Committee

January 10, 2008





Background

- **Resolution #83-3 established the policy that contracting for external audit services is the direct responsibility of the Board of Directors**
- **Resolution #2000-13 directed the Board's Audit Committee to procure and present to the Board of Directors a qualified candidate in accordance with established policies and procedures**
- **Resolution #2006-18 established the Office of Inspector General with the responsibility for the supervision of the annual audit**



Current Board Approved Policies and Guidelines

Former Office of the Auditor General:

- Solicits major accounting firms,
- Uses best value procurement, and
- Establishes an evaluation support team to evaluate proposals submitted and select proposers to make oral presentations to the former Board Audit Committee



Current Board Approved Policies and Guidelines (Cont'd)

Former Board Audit Committee:

- **Hears oral presentations by selected proposers,
and**
- **Recommends an external auditing firm to the
Board of Directors for approval**



Proposed Change to Current Policies and Guidelines

Office of Inspector General:

- Solicits major accounting firms
- Uses best value procurement
- Establishes an evaluation support team to evaluate the proposals, and
- Selects proposers to make oral presentations to the Inspector General



Proposed Change to Current Policies and Guidelines (Cont'd)

The Inspector General:

- **Hears the oral presentations by the selected external auditing firms, and**
- **Recommends an external auditing firm to the Finance, Administration and Oversight Committee for approval**

The Finance, Administration and Oversight Committee:

- **Recommends the selected external auditing firm to the Board of Directors for approval**



Recommendation

Board of Directors approval of the attached resolution to change the process for selecting an external auditing firm to conduct the financial statement and Single Audit Act audits by using the expertise of the Office of Inspector General