



CENTRAL TEXAS REGIONAL
MOBILITY AUTHORITY

April 25, 2018
AGENDA ITEM

Audit Committee Meeting: Accept the Letter
of Engagement for independent
auditing services

Strategic Plan Relevance: Regional Mobility
Department: Finance
Contact: Bill Chapman, Chief Financial Officer
Associated Costs: N/A
Funding Source: N/A
Action Requested: Consider and act on draft resolution

Summary:

Each year the Mobility Authority engages an independent CPA firm to conduct the Authority's required annual audit and single audit. RSM US, L.L.P. (formerly, Padgett, Stratemann & Co., L.L.P.) will be conducting the annual audit for the Fiscal Year ending June 30, 2018 and will present those reports to the Audit Committee upon completion.

This item requests approval by the Audit Committee of the Chief Financial Officer's acceptance of a letter of engagement with RSM US, L.L.P. to provide independent auditing services to the Mobility Authority.

Backup provided: Draft Resolution
Letter of engagement

**MEETING OF THE AUDIT COMMITTEE
OF THE
CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY**

RESOLUTION NO. 18-0XX

**APPROVING A LETTER OF ENGAGEMENT FOR
INDEPENDENT AUDITING SERVICES**

WHEREAS, the Mobility Authority is required to have an annual financial and compliance audit of its books and records in accordance with 43 *Texas Administrative Code* §26.61; and

WHEREAS, in February 2015, the Central Texas Regional Mobility Authority's (Mobility Authority) Chief Financial Officer and Controller issued a request for qualifications to procure a firm to perform financial and auditing services for a period of three (3) years with two (2) one-year options to be exercisable by the Mobility Authority in its sole discretion; and

WHEREAS, responses were submitted by four firms and, after evaluating each response using the scoring criteria set forth in the request for qualifications, the Chief Financial Officer and Controller recommended that the Board retain Padgett, Stratemann & Co., L.L.P. (now known as RSM US LLP); and

WHEREAS, by Resolution No. 15-017, dated March 25, 2015, the Mobility Authority's Audit Committee authorized the Executive Director to negotiate and execute a contract with Padgett, Stratemann & Co., L.L.P. (now known as RSM US LLP) to provide independent auditing services to the Mobility Authority; and

WHEREAS, the initial term of the contract has expired and the Chief Financial Officer and Controller recommend that the first option to extend the contract with RSM US LLP (formerly Padgett, Stratemann & Co., L.L.P.) be exercised; and

WHEREAS, the Chief Financial Officer further recommends that the Audit Committee approve the letter of engagement from RSM US LLP to provide an independent audit of the finances of the Mobility Authority for the fiscal year ending on June 30, 2018, which is attached hereto as Exhibit A.

NOW THEREFORE, BE IT RESOLVED, that the Audit Committee hereby exercises the first option to extend the contract with RSM US LLP for an additional year; and

BE IT FURTHER RESOLVED, that the Audit Committee approves the letter of engagement with RSM US LLP and authorizes the Chief Financial Officer to execute the letter of engagement on behalf of the Mobility Authority in the form or substantially the form as is attached hereto as Exhibit A.

Adopted by the Audit Committee of the Board of Directors of the Central Texas Regional Mobility Authority on the 25th day of April 2018.

Submitted and reviewed by:

Approved:

Geoffrey Petrov, General Counsel

David Singleton
Chairman, Audit Committee

Exhibit A



RSM US LLP

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April 6, 2018

William Chapman, CFO
Central Texas Regional Mobility Authority
3300 North IH-35, Suite 300
Austin, Texas 78704

Dear Mr. Chapman:

The Objective and Scope of the Audit of the Financial Statements

You have requested that we audit the financial statements of Central Texas Regional Mobility Authority's (the Mobility Authority) business-type activities as of and for the year ending June 30, 2018, which comprise the basic financial statements. Management is responsible for the preparation of the required supplementary information (RSI) and supplementary information presented in relation to the financial statements as a whole in accordance with accounting principles generally accepted in the United States of America. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

Our audit will be conducted with the objective of our expressing an opinion on the financial statements.

We will also perform the audit of the Mobility Authority as of June 30, 2018 so as to satisfy the audit requirements imposed by the Single Audit Act and Subpart F of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State of Texas Single Audit Circular and the Uniform Grant Management Standards.

The Responsibilities of the Auditor

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); *Government Auditing Standards* issued by the Comptroller General of the United States (GAS); the provisions of the Single Audit Act; Subpart F of Title 2 U.S. CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and the U.S. Office of Management and Budget's (OMB) Compliance Supplement and the State of Texas Uniform Grant Management Standards (UGMS). Those standards, regulations and guides require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements. The determination of abuse is subjective; therefore, GAS does not expect us to provide reasonable assurance of detecting abuse.

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

In making our risk assessments, we consider internal control relevant to the Mobility Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

We will also communicate to the Audit Committee of the Board of Directors (a) any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements that becomes known to us during the audit, and (b) any instances of noncompliance with laws and regulations that we become aware of during the audit (unless they are clearly inconsequential).

The funds that you have told us are maintained by the Mobility Authority and that are to be included as part of our audit are the same as those reported in the prior year's financial statements.

The federal and state financial assistance programs and awards that you have told us that the Mobility Authority participates in and that are to be included as part of the single audit are comparable to those reported in the prior year's financial statements.

We are responsible for the compliance audit of major programs under the Uniform Guidance and the Texas UGMS, including the determination of major programs, the consideration of internal control over compliance, and reporting responsibilities.

Our reports on internal control will include any significant deficiencies and material weaknesses in controls of which we become aware as a result of obtaining an understanding of internal control and performing tests of internal control consistent with requirements of the standards and circulars identified above. Our reports on compliance matters will address material errors, fraud, abuse, violations of compliance obligations, and other responsibilities imposed by state and federal statutes and regulations or assumed by contracts; and any state or federal grant, entitlement or loan program questioned costs of which we become aware, consistent with requirements of the standards, guides and circulars identified above.

The Responsibilities of Management and Identification of the Applicable Financial Reporting Framework

Our audit will be conducted on the basis that management and, when appropriate, those charged with governance acknowledge and understand that they have responsibility:

1. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
2. To evaluate subsequent events through the date the financial statements are issued or available to be issued, and to disclose the date through which subsequent events were evaluated in the financial statements. Management also agrees that it will not evaluate subsequent events earlier than the date of the management representation letter referred to below;
3. For the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
4. For establishing and maintaining effective internal control over financial reporting, and for informing us of all significant deficiencies and material weaknesses in the design or operation of such controls of which it has knowledge;

5. For report distribution; and
6. To provide us with:
 - a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;
 - b. Additional information that we may request from management for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence;

As part of our audit process, we will request from management and, when appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the audit, including among other items:

1. That management has fulfilled its responsibilities as set out in the terms of this letter; and
2. That it believes the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for identifying and ensuring that the Mobility Authority complies with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations. In addition, management is responsible for the design and implementation of programs and controls to prevent and detect fraud or abuse, and for informing us about all known or suspected fraud or abuse affecting the entity involving management, employees who have significant roles in internal control, and others where the fraud or abuse could have a material effect on the financial statements or compliance. Management is also responsible for informing us of its knowledge of any allegations of fraud or abuse, or suspected fraud or abuse, affecting the entity received in communications from employees, former employees, analysts, regulators or others.

Management is responsible for the preparation of the supplementary information in accordance with accounting principles generally accepted in the United States of America. Management agrees to include the auditor's report on the supplementary information in any document that contains the supplementary information and indicates that the auditor has reported on such supplementary information. Management also agrees to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.

Because the audit will be performed in accordance with the Texas UGMS, the Single Audit Act and the Uniform Guidance, management is responsible for (a) identifying all federal and state awards received; (b) preparing the schedules of expenditures of federal and state awards (including notes and noncash assistance received) in accordance with Uniform Guidance and Texas UGMS requirements; (c) internal control over compliance; (d) compliance with federal and state statutes, regulations, and the terms and conditions of federal and state awards; (e) making us aware of significant vendor relationships where the vendor is responsible for program compliance (f) following up and taking corrective action on audit findings, including the preparation of a summary schedule of prior audit findings and a corrective action plan; and (g) submitting the reporting package and data collection form.

The Board of Directors is responsible for informing us of its views about the risks of fraud or abuse within the entity, and its knowledge of any fraud or abuse or suspected fraud or abuse affecting the entity.

Our association with an official statement is a matter for which separate arrangements will be necessary. The Mobility Authority agrees to provide us with printer's proofs or masters of such offering documents for our review and approval before printing, and with a copy of the final reproduced material for our approval before it is distributed. In the event our auditor/client relationship has been terminated when the Mobility Authority seeks such consent, we will be under no obligation to grant such consent or approval.

You have informed us that you may issue public debt in the future and that you may include our report on your financial statements in the offering statement. You have further informed us that you do not intend for us to be associated with the proposed offering.

We agree that our association with any proposed offering is not necessary, providing the Mobility Authority agrees to clearly indicate that we are not associated with the contents of any such official statement or memorandum. The Mobility Authority agrees that the following disclosure will be prominently displayed in any such official statement or memorandum:

RSM US LLP, our independent auditor, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. RSM US LLP also has not performed any procedures relating to this official statement.

Because RSM US LLP will rely on the Mobility Authority and its management and Board of Directors to discharge the foregoing responsibilities, the Mobility Authority holds harmless and releases RSM US LLP and its partners and employees from all claims, liabilities, losses and costs arising in circumstances where there has been a knowing misrepresentation by a member of the Mobility Authority's management that has caused, in any respect, RSM US LLP's breach of contract or negligence. This provision shall survive the termination of this arrangement for services.

Records and Assistance

If circumstances arise relating to the condition of the Mobility Authority's records, the availability of appropriate audit evidence or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting or misappropriation of assets which, in our professional judgment, prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawing from the engagement.

During the course of our engagement, we may accumulate records containing data that should be reflected in the Mobility Authority's books and records. The Mobility Authority will determine that all such data, if necessary, will be so reflected. Accordingly, the Mobility Authority will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by the Mobility Authority personnel will be described in a client participation list, which will outline the specific schedules and analyses that should be completed by the Mobility Authority personnel, including the dates when the information should be available to us. The participation list will be provided and agreed to by Mary Temple, Controller. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

In connection with our audit, you have requested us to perform certain non-audit services necessary for the preparation of the financial statements, including drafting the financial statements, footnotes, RSI and supplementary information. The GAS independence standards require that the auditor maintain independence so that opinions, findings, conclusions, judgments and recommendations will be impartial and viewed as impartial by reasonable and informed third parties. Before we agree to provide a non-audit service to the Mobility Authority, we determine whether providing such a service would create a significant threat to our independence for GAS audit purposes, either by itself or in aggregate with other non-audit services provided. A critical component of our determination is consideration of management's ability to effectively oversee the non-audit services to be performed. The Mobility Authority has agreed that Mary Temple, Controller possesses suitable skill, knowledge or experience and that the individual understands that she will be responsible for the Mobility Authority's technical review of the financial statements, footnotes, RSI and supplementary information and will coordinate any other requests for non-audit services to be performed. Accordingly, the management of the Mobility Authority agrees to the following:

1. The Mobility Authority has designated Mary Temple, Controller as a senior member of management who possesses suitable skill, knowledge and experience to oversee the services;
2. Mary Temple, Controller will assume all management responsibilities for subject matter and scope of the audit services and support in drafting the financial statements, footnotes and RSI;
3. The Mobility Authority will evaluate the adequacy and results of the services performed; and
4. The Mobility Authority accepts responsibility for the results and ultimate use of the services.

GAS further requires that we establish an understanding with the Mobility Authority's management and those charged with governance of the objectives of the non-audit services, the services to be performed, the entity's acceptance of its responsibilities, the auditor's responsibilities and any limitations of the non-audit services. We believe this letter documents that understanding.

Other Relevant Information

RSM US LLP may mention the Mobility Authority's name and provide a general description of the engagement in RSM US LLP's client lists and marketing materials.

From time to time and depending upon the circumstances, we may use third-party service providers to assist us in providing professional services to you. In such circumstances, it may be necessary for us to disclose confidential client information to them. We enter into confidentiality agreements with all third-party service providers and we are satisfied that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others.

In accordance with GAS, a copy of our most recent peer review report is enclosed for your information.

Fees, Costs, and Access to Workpapers

Our fees for the services described above are based upon the value of the services performed and the time required by the individuals assigned to the engagement plus directly billed expenses, including travel, meals, and fees for services from other professionals, as well as a charge of 5 percent of fees for all other expenses, including indirect administrative expenses such as technology, research and library databases, communications, photocopying, postage and clerical assistance. Our fee estimate of \$89,500 (which is inclusive of the administrative fee described above) is exclusive of any required state single audits (If a State of Texas single audit is determined to be necessary, the additional cost will be \$9,500 for each major state program.). Based on our planning discussions with CTRMA management, the implementation of new accounting standards such as GASB Statement Nos. 84, 85 or 86 should not require any additional 2018 audit fees. If GASB Statement No. 84 does require separate fiduciary fund reporting in CTRMA's 2018 financial statements, there will be an additional cost of approximately \$3,000.

The base fee estimate described above and completion of our work are based upon the following criteria:

1. Anticipated cooperation from the Mobility Authority personnel
2. Timely responses to our inquiries
3. Timely completion and delivery of client assistance requests and preparation of supplementary schedules and financial statement support
4. Timely communication of all significant accounting and financial reporting matters
5. The assumption that unexpected circumstances will not be encountered during the engagement
6. The assumption of one major program for the Federal single audit
7. Segment reporting requirements will not be required for fiscal year 2018
8. There are no fiduciary fund types or agency funds that are part of the reporting entity

If any of the aforementioned criteria are not met, then fees may increase. Interim billings will be submitted as the work progresses.

Our professional standards require that we perform certain additional procedures, on current and previous years' engagements, whenever a partner or professional employee leaves the firm and is subsequently employed by or associated with a client in a key position. Accordingly, the Mobility Authority agrees it will compensate RSM US LLP for any additional costs incurred as a result of the Mobility Authority's employment of a partner or professional employee of RSM US LLP.

In the event we are requested or authorized by the Mobility Authority or are required by government regulation, subpoena or other legal process to produce our documents or our personnel as witnesses with respect to our engagement for the Mobility Authority, the Mobility Authority will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

The documentation for this engagement is the property of RSM US LLP. However, you acknowledge and grant your assent that representatives of the cognizant or oversight agency or their designee, other government audit staffs, and the U.S. Government Accountability Office shall have access to the audit documentation upon their request and that we shall maintain the audit documentation for a period of at least three years after the date of the report, or for a longer period if we are requested to do so by the cognizant or oversight agency. Access to requested documentation will be provided under the supervision of RSM US LLP audit personnel and at a location designated by our firm.

Claim Resolution

The Mobility Authority and RSM US LLP agree that no claim arising out of services rendered pursuant to this agreement shall be filed more than two years after the date of the audit report issued by RSM US LLP or the date of this arrangement letter if no report has been issued. The Mobility Authority waives any claim for punitive damages. RSM US LLP's liability for all claims, damages and costs of the Mobility Authority arising from this engagement is limited to the amount of fees paid by the Mobility Authority to RSM US LLP for the services rendered under this arrangement letter.

Information Security - Miscellaneous Terms

RSM US LLP is committed to the safe and confidential treatment of the Mobility Authority's proprietary information. RSM US LLP is required to maintain the confidential treatment of client information in accordance with relevant industry professional standards which govern the provision of services described herein. The Mobility Authority agrees that it will not provide RSM US LLP with any unencrypted electronic confidential or proprietary information, and the parties agree to utilize commercially reasonable measures to maintain the confidentiality of the Mobility Authority's information, including the use of collaborate sites to ensure the safe transfer of data between the parties.

RSM US LLP may terminate this relationship immediately in its sole discretion if RSM US LLP determines that continued performance would result in a violation of law, regulatory requirements, applicable professional standards or RSM US LLP's client acceptance or retention standards, or if the Mobility Authority is placed on a verified sanctioned entity list or if any director or executive of, or other person closely associated with, the Mobility Authority or its affiliates is placed on a verified sanctioned person list, in each case, including but not limited to lists promulgated by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. State Department, the United Nations Security Council, the European Union or any other relevant sanctioning authority.

If any term or provision of this agreement is determined to be invalid or unenforceable, such term or provision will be deemed stricken and all other terms and provisions will remain in full force and effect.

Reporting

We will issue a written report upon completion of our audit of the Mobility Authority's financial statements. Our report will be addressed to the Board of Directors of the Mobility Authority. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

In addition to our report on the Mobility Authority's financial statements, we will also issue the following types of reports:

1. A report on the fairness of the presentation of the Mobility Authority's schedules of expenditures of federal and state awards for the year ending June 30, 2018;
2. Reports on internal control related to the financial statements and major programs. These reports will describe the scope of testing of internal control and the results of our tests of internal control;
3. Reports on compliance with laws, regulations, and the provisions of contracts or grant agreements. We will report on any noncompliance that could have a material effect on the financial statements and any noncompliance that could have a material effect, as defined by the Texas UGMS and Subpart F of Title 2 U.S. CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal and State Awards*, on each major program;
4. An accompanying schedule of findings and questioned costs.

Electronic Signatures and Counterparts

Each party hereto agrees that any electronic signature of a party to this agreement or any electronic signature to a document contemplated hereby (including any representation letter) is intended to authenticate such writing and shall be as valid, and have the same force and effect, as a manual signature. Any such electronically signed document shall be deemed (i) to be "written" or "in writing," (ii) to have been signed and (iii) to constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. Each party hereto also agrees that electronic delivery of a signature to any such document (via email or otherwise) shall be as effective as manual delivery of a manual signature. For purposes hereof, "electronic signature" includes, but is not limited to, (i) a scanned copy (as a "pdf" (portable document format) or other replicating image) of a manual ink signature, (ii) an electronic copy of a traditional signature affixed to a document, (iii) a signature incorporated into a document utilizing touchscreen capabilities or (iv) a digital signature. This agreement may be executed in one or more counterparts, each of which shall be considered an original instrument, but all of which shall be considered one and the same agreement. Paper copies or "printouts," of such documents if introduced as evidence in any judicial, arbitral, mediation or administrative proceeding, will be admissible as between the parties to the same extent and under the same conditions as other original business records created and maintained in documentary form. Neither party shall contest the admissibility of true and accurate copies of electronically signed documents on the basis of the best evidence rule or as not satisfying the business records exception to the hearsay rule.

This letter constitutes the complete and exclusive statement of agreement between RSM US LLP and the Mobility Authority, superseding all proposals, oral or written, and all other communications with respect to the terms of the engagement between the parties.

Please sign and return a copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements, including our respective responsibilities.

RSM US LLP



Mike O'Brien, Partner

Confirmed on behalf of Central Texas Regional Mobility Authority:

William Chapman, CFO

Date