

CONTRACT AGREEMENT

between

MOSS ADAMS LLP

2707 Colby Avenue, Suite 801
Everett, WA 98201

Project Manager:

Olga A. Darlington,
Senior Manager

Telephone: 425-551-5712

Email: olga.darlington@mossadams.com

And

Southern California Regional Rail
Authority
One Gateway Plaza, 12th Floor
Los Angeles, California 90012
(hereinafter "Authority")

CONTRACT DOCUMENTS

RFP NO. QM145-15

EXTERNAL AUDIT SERVICES

AWARDED: July 12, 2014

**Not-To-Exceed Contract Amount:
\$487,770 Base Term**

Authority Project Manager:

Name: Barbara Manning
Title: Chief Internal Auditor
Telephone: 213-452-0322
Email: ManningB@scrra.net

Contract Administrator:

Name: Amy Wang
Title: Senior Contract &
Compliance Administrator
Telephone: (213) 452-0206
Email: WangA@scrra.net

**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY
METROLINK COMMUTER RAIL SYSTEM**

**CONTRACT NO. QM145-15
EXTERNAL AUDIT SERVICES**

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ATTACHMENT A – SCOPE OF SERVICES

ATTACHMENT B – PRICING SCHEDULE

ATTACHMENT C – CONTRACT TASK ORDER (CTO) FORMS

ATTACHMENT D – FORM 60, COST PROPOSAL

This Agreement, is made and entered into as of this 8th Day on October, 2014, by and between the SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY (hereinafter referred to as "AUTHORITY") and MOSS ADAMS LLP (hereinafter referred to as "CONSULTANT").

RECITALS

WHEREAS, AUTHORITY is a joint powers AUTHORITY organized under Sections 6500 et seq. of the California Government Code and Section 130255 of the California Public Utilities code with power to contract for services described in Attachment A to this Agreement entitled "Attachment A - Scope of Services" (hereinafter referred to as "Services");

WHEREAS, CONSULTANT has indicated it is qualified to perform such Services and (1) has reviewed all the available data furnished by AUTHORITY pertinent to the Services to be rendered; (2) has inspected and reviewed the Services to be rendered; (3) will exercise the ordinary care and skill expected of a practitioner in its profession; and (4) is willing to accept responsibility of performing the Services set forth in this Agreement for the compensation and in accordance with the terms, requirements and conditions herein specified;

NOW, THEREFORE, for the consideration hereinafter stated, the parties agree as follows:

1. SCOPE OF SERVICES

- A. CONSULTANT will perform the Services and related tasks as described in ATTACHMENT A - SCOPE OF SERVICES attached hereto and is incorporated by reference into and made a part of this Agreement.
- B. This is a non-exclusive Agreement, whereby AUTHORITY may, at its sole discretion, augment or supplant the Services with its own forces or forces of another Consultant or entity. CONSULTANT will cooperate fully with AUTHORITY's staff or other CONSULTANT or entity that may be providing similar or the same Services for AUTHORITY. Should the CONSULTANT encounter a situation the CONSULTANT believes may result in an actual or apparent conflict of interest or impinge upon the CONSULTANT's independence, the CONSULTANT will proceed in accordance with Section 21(C) of this Agreement.

2. PERIOD OF PERFORMANCE

The period of performance shall be from October 15, 2014 to October 15, 2017, plus a single two-year option to be exercised at the sole discretion of the Authority, unless amended by mutual agreement of both parties through a written amendment to this Agreement or unless earlier terminated pursuant to the provisions of this agreement.

3. PAYMENT

A. For CONSULTANT's full and complete performance of its obligations under this Agreement, the AUTHORITY shall pay CONSULTANT in accordance with Attachment B – Price Schedule, and subject to the maximum cumulative payment obligation.

AUTHORITY's maximum cumulative payment obligation under this Agreement shall not exceed Four Hundred Eight-Seven Thousand Seven Hundred and Seventy-Seven Dollars (\$487,770), including all amounts payable to CONSULTANT for all costs, including but not limited to direct labor, other direct costs, subcontracts, indirect costs including but not limited to leases, materials, taxes, insurance, and profit.

B. Invoicing

CONSULTANT shall invoice AUTHORITY on a monthly basis no later than the 15th of each month. CONSULTANT shall furnish information as may be requested by AUTHORITY to substantiate the validity of an invoice.

CONSULTANT shall submit an electronic copy of the invoice to accountspayable@scrra.net; and cc the Project Manager. Should CONSULTANT not be able to transmit the invoice electronically, the original of the invoice should be forward to Accounts Payable and one copy of the invoice may be forwarded to the Project Manager at the address:

Southern California Regional Rail Authority
One Gateway Plaza, Floor 12
Los Angeles, CA 90012

Each invoice shall include the following information:

- Contract Agreement No.
- Purchase Order number or CTO identification number(s)
- Detail description of the services rendered
- Time period covered by the invoice
- Amount of payment requested
- Information as requested by AUTHORITY

C. Payment

AUTHORITY shall remit payment within thirty (30) calendar days of approval of the invoices by AUTHORITY's Project Manager.

At its sole discretion, AUTHORITY may decline to make full payment for any Services until such time as CONSULTANT has documented, to AUTHORITY's satisfaction, that CONSULTANT has fully completed all required Services.

In the event the AUTHORITY should overpay CONSULTANT, such overpayment shall not be construed as a waiver of AUTHORITY's right to obtain reimbursement for the overpayment. Upon discovering any overpayment, either on its own or upon notice of AUTHORITY, CONSULTANT shall immediately reimburse AUTHORITY the entire overpayment.

4. CONTRACT TASK ORDERS FOR ADDITIONAL SERVICES

CONSULTANT shall perform Additional Services under this Agreement as specified in written Contract Task Orders (hereinafter referred to as "CTO" Attachment C) issued by AUTHORITY. The AUTHORITY, at its discretion, may require CONSULTANT to initiate Services prior to the approval of a CTO on a Letter of Intent basis, for a limited period of time and limited compensation.

AUTHORITY shall not be obligated to pay costs in excess of the not-to-exceed cost set forth in each CTO. CONSULTANT shall perform the CTO Services and all obligations under this Agreement within such not-to-exceed cost.

A. CTO Proposal Preparation

The AUTHORITY will issue a written Request for Proposal to the CONSULTANT for submission of a detailed CTO proposal. The request will include, as needed, a description of the Services to be performed, the required schedule, and any special conditions related to the performance of the Services.

The CONSULTANT's Cost Proposal (Exhibit D) shall be detailed and respond completely to the AUTHORITY's request. The proposal shall include, but not be limited to:

1. A description of the Services to be performed for the CTO, in sufficient detail to allow for the AUTHORITY's evaluation and/or an independent cost estimate, if required.
2. A list of the CONSULTANT's personnel, by function and labor title, to be used in the performance of the Services, estimated labor hours for each and specific fully burdened labor rate. (If a subcontractor is used to perform services, the same information is to be provided for subcontractors).
3. If it is the usual practice of partners or principals to perform certain basic technical work, they may be compensated for the time when they are actually engaged in the work, but only at a rate of pay commensurate with the type of work performed, as agreed upon by the AUTHORITY and the CONSULTANT in paragraph 3.A Payment.
4. A schedule for completion of the Services, including a breakdown of milestone completion dates if required by the AUTHORITY's request.
5. A detailed cost breakdown for the proposed Services which includes (1) the fully burdened labor rate for the CONSULTANT personnel, by labor title, to be used in the performance of the CTO, and (2) other direct costs (e.g., material, facility rental, audio

taping). If required by the AUTHORITY's request, the cost breakdown shall be detailed by milestone and/or deliverables.

6. The negotiated not-to-exceed cost for the CTO will be in effect for the duration of the CTO.

7. No "percentage of ..." costs are permitted under this Agreement, except the negotiated or audited overhead rates that are included as part of the fully burdened labor rate.

The process for revising an approved CTO shall include all the requirements of this Article. The Request for Proposal and CTO forms for revisions are included as Exhibit C.

5. AUDIT AND INSPECTION OF RECORDS

CONSULTANT agrees that AUTHORITY or any duly authorized representative shall have access to and the right to examine, audit, excerpt, copy or transcribe any pertinent transaction, activity, time cards, employment records or other records relating to this Agreement. Such material, including all pertinent cost, accounting, financial records and proprietary data must be kept and maintained by CONSULTANT for a period of three (3) years after completion of this Agreement unless AUTHORITY's written permission is given to dispose of material prior to this time. The foregoing shall not include access to workpapers by the audited entity, as such access could impair the effectiveness of the audit work plan.

6. NOTIFICATION

All notices hereunder concerning this Agreement and the Services to be performed shall be physically transmitted by courier, overnight, registered or certified mail, return receipt requested, postage prepaid and addressed as follows:

To the AUTHORITY:
Southern California Regional Rail Authority
One Gateway Plaza, Floor 12
Los Angeles, CA 90012

To the CONSULTANT:
Moss Adams LLP
2707 Colby Avenue, Suite 801
Everett, WA 98201

Attn: Amy Wang
Senior Contract & Compliance
Administrator

Attn: Olga A. Darlington
Senior Manager

7. AUTHORITY AND CONSULTANT'S REPRESENTATIVES

Each person signing this Agreement represents and warrants that he or she is duly authorized and has legal capacity to execute and deliver this Agreement. Each party represents and warrants to the other that the execution and delivery of this Agreement and the performance of such party's obligations hereunder have been duly authorized

and that the Agreement is a valid and legal obligation, binding on such party and enforceable in accordance with its terms.

A. Authority's Project Manager

The Authority's Project Manager is Barbara Manning, Chief Internal Auditor.

B. Consultant's Key Personnel

The following are CONSULTANT's key personnel, shown with their roles in the Services to be provided:

<u>Name</u>	<u>Role</u>
<u>Olga Darlington</u>	<u>Senior Manager (Project Manager)</u>
<u>Laurie Tish</u>	<u>Engagement Partner</u>
<u>Julie Desimone</u>	<u>Technical Partner</u>
<u>Francis Tam</u>	<u>IT Partner</u>
<u>Matthew Parsons</u>	<u>Manager</u>

AUTHORITY awarded this Agreement to CONSULTANT based on AUTHORITY's confidence and reliance on the expertise of CONSULTANT's key personnel described above. CONSULTANT shall not reassign key personnel or assign other personnel to key personnel roles until AUTHORITY approves a replacement in writing. CONSULTANT will have no liability for a loss of such personnel due to circumstances beyond the Contractor's control (e.g. termination for cause, resignation, injury, sickness, death).

8. TERMINATION FOR CONVENIENCE

AUTHORITY may terminate this Agreement for AUTHORITY's convenience at any time by giving CONSULTANT ten (10) days written notice thereof. Upon receipt of said notice, CONSULTANT shall immediately take action not to incur any additional obligations, cost or expenses, except as may be reasonably necessary to terminate its activities. AUTHORITY shall pay CONSULTANT its reasonable and allowable costs through the effective date of termination and those reasonable and necessary costs incurred by CONSULTANT to effect such termination. Thereafter, CONSULTANT shall have no further claims against AUTHORITY under this Agreement. All Deliverables (defined below) procured for or to be delivered under this Agreement shall become AUTHORITY property upon date of such termination. CONSULTANT retains exclusive ownership of its work papers. CONSULTANT shall not have any liability to the AUTHORITY as a result of AUTHORITY's use of any unfinished, incomplete, or draft work products or materials that are furnished to the AUTHORITY, provided that the CONSULTANT has notified the AUTHORITY of the incomplete status of such material.

9. TERMINATION FOR BREACH OF AGREEMENT

A. If CONSULTANT fails to perform any of the provisions of this Agreement or so fails to make progress as to endanger timely performance of this Agreement, AUTHORITY may give CONSULTANT written notice of such default. If CONSULTANT does not cure such default or provide a plan to cure such default which is acceptable to the AUTHORITY within the time permitted by AUTHORITY, then AUTHORITY may terminate this Agreement due to CONSULTANT's breach of this Agreement.

B. CONSULTANT may terminate this Agreement with a ten (10) days' written notice to AUTHORITY only when audit standards require the auditor to withdraw from an engagement.

C. If a federal or state proceeding for relief of debtors is undertaken by or against CONSULTANT, or if CONSULTANT makes an assignment for the benefit of creditors, then AUTHORITY may immediately terminate this Agreement.

D. If CONSULTANT violates Article titled COMPLIANCE WITH LOBBYING POLICIES, then AUTHORITY may immediately terminate this Agreement.

E. In the event AUTHORITY terminates this Agreement as provided in this Article, AUTHORITY may procure, upon such terms and in such manner as AUTHORITY may deem appropriate, Services similar in scope and level of effort to those so terminated, and CONSULTANT shall be liable to AUTHORITY for all of its costs and damages, including, but not limited, any excess costs for such Services.

F. All Deliverables produced or procured under this Agreement shall become AUTHORITY property upon date of such termination as specified within Article 8 titled TERMINATION FOR CONVENIENCE.

G. If, after notice of termination of this Agreement under the provisions of this Article, it is determined for any reason that CONSULTANT was not in default under the provisions of this Article, or that the default was excusable under the terms of this Agreement, the rights and obligations of the parties shall be the same as if the notice of termination had been issued pursuant to Article 8, TERMINATION FOR CONVENIENCE.

H. The rights and remedies of AUTHORITY provided in this Article shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Agreement.

10. ASSIGNMENT

This Agreement, any interest herein or claim hereunder, may not be assigned by CONSULTANT either voluntarily or by operation of law, nor may all or any part of this Agreement be subcontracted by CONSULTANT, without the prior written consent of AUTHORITY. Consent by AUTHORITY shall not be deemed to relieve CONSULTANT of its obligations to comply fully with all terms and conditions of this Agreement.

11. SUBCONSULTING

AUTHORITY hereby consents to CONSULTANT's subcontracting of portions of the Services to the parties identified below for the functions described in CONSULTANT's proposal. CONSULTANT shall include in each subcontract agreement the stipulation that CONSULTANT, not AUTHORITY, is solely responsible for payment to the subconsultant for the amounts owing and that the subconsultant shall have no claim, and shall take no action against AUTHORITY, Member Agencies or officers, directors, employees or sureties thereof for nonpayment by CONSULTANT.

**Subconsultants Names and
Addresses**

Services to Be Performed

None identified

12. INDEPENDENT CONSULTANT

CONSULTANT's relationship to AUTHORITY in the performance of this Agreement is that of an independent Consultant. CONSULTANT's personnel performing Services under this Agreement shall at all times be under CONSULTANT's exclusive direction and control and shall be employees of CONSULTANT and not employees of AUTHORITY. CONSULTANT shall pay all wages, salaries and other amounts due its employees in connection with this Agreement and shall be responsible for all reports and obligations respecting them, such as social security, income tax withholding, unemployment compensation, workers' compensation and similar matters.

13. INSURANCE

Throughout the duration of this Agreement, Consultant shall maintain the following insurance provisions. Consultant shall not of its own initiative cause such insurance to be canceled or materially changed during the course of this Agreement.

- a) Commercial General Liability to include Products/Completed Operations, Independent Consultant, Contractual Liability, and Personal Injury Liability; with at least the following limits of liability:
- b) Primary Bodily Injury Liability Limits of \$1,000,000 per occurrence, \$2,000,000 aggregate.
- c) Automobile Liability: Automobile Liability with the following limits:
 - i. Primary Bodily Injury with limits of \$1,000,000 per occurrence and Primary Property Damage with limits of \$1,000,000 per occurrence, or
 - ii. Combined single limits of Liability for Primary Bodily and Primary Property Damage of \$2,000,000 per occurrence.

- d) Workers' Compensation Insurance with the limits established and required by the State of California, or other state in which Work will be performed.
- e) Employer's Liability with limits of \$1,000,000 per occurrence.
- f) Professional Liability (E&O) with limits of \$1,000,000 per claim and aggregate

Proof on Insurance will be required prior to commencement of work under the contract. A certificate of insurance will be required to be furnished to the Senior Contract & Compliance Administrator.

The insurance coverage is subject to the following requirements:

The Authority, its member agencies, officers, directors, employees and agents are named as an additional insured via endorsement (blanket endorsement acceptable) on Commercial General Liability and Automobile Liability insurance with respect to performance of services under the contract. Should the successful CONSULTANT elect not to provide Automobile Liability insurance coverage, their employees will not be able to operate Authority vehicles and the CONSULTANT will assume all liability for their employees and subconsultants travel to and from the Authority and between Authority facilities in the course of performing their work.

The coverage shall be primary and noncontributory as to any other insurance with respect to liability hereunder.

CONSULTANT will endeavor to provide Authority thirty (30) days prior written notice of cancellation or of material changes in coverage.

CONSULTANT will be responsible for any deductibles or self-insured retentions (SIR). In the event of any claims or suits which may arise for which Authority seeks coverage under such policy as an additional insured, CONSULTANT shall satisfy such deductible or self insured retention to the extent of any loss covered by such policy arising from or connected with any alleged act or omission of CONSULTANT its officers, directors, employees, agents, Subcontractors, or suppliers, even if CONSULTANT is not a named defendant in the lawsuit. CONSULTANT's policies shall neither obligate nor prohibit the Authority or any Additional Insured, from paying any portion of any CONSULTANT deductible or SIR.

14. INDEMNITY

CONSULTANT shall indemnify, defend and hold harmless AUTHORITY, and its member agencies, and their officers, directors, employees and agents from and against any and all liability, expense (including but not limited to defense costs and attorneys' fees), claims, causes of action, and lawsuits for damages of any nature whatsoever for bodily injury, death, personal injury or property damage (including property of CONSULTANT) arising from or connected with any alleged negligent or wrongful act and/or omission of CONSULTANT, its officers, directors, employees, agents,

subconsultants or suppliers. This indemnity shall survive termination of this Agreement and/or final payment thereunder. CONSULTANT has no obligation to indemnify the AUTHORITY from any claims resulting solely from acts or omissions of the AUTHORITY.

15. REVISIONS IN SCOPE OF WORK

By written notice or order, AUTHORITY may, from time to time, order work suspension or make changes to this Agreement. Changes in the Services shall be mutually agreed to and incorporated into an amendment to this Agreement. Upon execution of an amendment, CONSULTANT shall perform the Services, as amended.

16. RIGHTS IN TECHNICAL DATA

A. No material or technical data prepared by the CONSULTANT under this Agreement is to be released by CONSULTANT to any other person or entity except as necessary for the performance of the Services or when required by law or legal process. All press releases or information concerning the Services that might appear in any publication or dissemination, including but not limited to newspapers, magazines, electronic media, shall first be authorized in writing by the AUTHORITY.

B. Except for the CONSULTANT's work papers, which shall remain the exclusive property of the CONSULTANT, the all final reports and completed deliverables (which may include: letters, documents, reports and other products and data produced under this Agreement) and delivered to the AUTHORITY ("Deliverables"), shall become the property of the AUTHORITY without restriction or limitation on their use, provided such use is in accordance with this Agreement. Original copies of Deliverables shall be delivered to the AUTHORITY upon completion of the work or termination of the work. The CONSULTANT shall be permitted to retain copies of such items for the furtherance of its technical proficiency; however, publication of this material is subject to the prior written approval of the AUTHORITY except when disclosure is required by law or legal process.

17. OWNERSHIP OF REPORTS AND DOCUMENTS

Except for the CONSULTANT's work papers, which shall remain the exclusive property of the CONSULTANT, all Deliverables, as defined above, shall become the property of AUTHORITY. Copies may be made for CONSULTANT's records, but shall not be furnished to others without written authorization from AUTHORITY. Such Deliverables shall be deemed works made for hire, and all rights in copyright therein shall be retained by AUTHORITY except when disclosure is required by law or legal process.

18. WORK FOR HIRE

To the extent a Deliverable provided as a part of this Agreement is considered a "work for hire" as defined under Section 101, Title 17, such Deliverable will be a "work for hire" as it pertains to ownership rights. The CONSULTANT, by his/her endorsement hereon agrees that all rights to any Deliverable created or produced hereunder are waived, and

that ownership rests with the AUTHORITY. The CONSULTANT further agrees to ensure transfer of all rights to such Deliverables as defined under federal copyright law that may be created or produced under this Agreement by its suppliers, Consultants or subconsultants.

19. DISPUTE RESOLUTION AND SUBMITTAL OF CLAIMS BY CONSULTANT

Prior to the filing of a claim or the commencement of any legal action, the parties agree to discuss and attempt to resolve, in good faith, any dispute or claim arising out of or relating to the Contract or the services provided thereunder. If, after good faith efforts, the parties are unable to resolve their dispute within 30 days, or as agreed to by both parties, then the parties are free to pursue all other legal and equitable remedies available to them. Nothing herein shall preclude CONSULTANT from filing a formal claim in accordance with applicable California law provided, however, that CONSULTANT shall, if permitted, seek a tolling of any filing requirements during the pendency of any good faith discussions.

CONSULTANT shall file any and all claims with AUTHORITY's Project Manager in writing within thirty (30) days of the event or occurrence giving rise to the claim. The claim shall be in sufficient detail to enable AUTHORITY to ascertain the claim's basis and amount, and shall describe the date, place and other pertinent circumstances of the event or occurrence giving rise to the claim and the indebtedness, obligation, injury, loss or damages allegedly incurred by CONSULTANT.

Even though a claim may be filed and/or in review by AUTHORITY, CONSULTANT shall continue to perform in accordance with this Agreement.

20. EQUAL OPPORTUNITY

CONSULTANT shall not discriminate against, or grant preferential treatment to, any individual or group, or any employee or applicant for employment because of race, age, religion, color, ethnicity, sex, national origin, ancestry, physical handicap, mental condition, political affiliation, sexual orientation or marital status. CONSULTANT shall take action to ensure that applicants and employees are treated without regard to the above.

21. STANDARD OF PERFORMANCE

A. CONSULTANT shall perform and exercise, and require its subconsultants to perform and exercise due professional care and competence in the performance of the Services in accordance with the requirements of this Agreement. CONSULTANT shall be responsible for the professional quality, technical accuracy, completeness and coordination of the Services, it being understood that AUTHORITY will be relying upon such professional quality, accuracy, completeness and coordination in utilizing the Services. The foregoing obligations and standards shall constitute the "Standard of Performance" for purposes of this Agreement. The provisions of this paragraph shall survive termination or expiration of this Agreement and/or final payment thereunder.

B. All workers shall have sufficient skill and experience to perform the Services assigned to them. AUTHORITY shall have the right, at its sole discretion, to require the removal of CONSULTANT's personnel at any level assigned to the performance of the Services at no additional fee or cost to AUTHORITY, if AUTHORITY considers such removal in its best interests and requests such removal in writing and such request is not done for illegal reasons. Further, an employee who is removed from performing Services under this Agreement under this Article shall not be re-assigned to perform Services under this Agreement without AUTHORITY's prior written authority.

C. Recognizing the importance of both actual and apparent independence of the CONSULTANT, nothing in this agreement is intended to impinge the independence of the CONSULTANT. Should a situation arise through the performance of the services required by this agreement that the CONSULTANT determines may create an actual or apparent lack of independence of the CONSULTANT, the AUTHORITY expects the CONSULTANT to bring it to the attention of the appropriate level of the AUTHORITY. The AUTHORITY and CONSULTANT shall mutually develop a resolution of the situation that is satisfactory to both parties.

22. NOTIFICATION OF EMPLOYMENT OF SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY BOARD MEMBERS/ALTERNATES AND EMPLOYEES

To ensure compliance with Authority's Ethics Policy, CONSULTANT shall use its best efforts to provide written notice to AUTHORITY disclosing the identity of any individual who CONSULTANT desires to employ or retain under a contract, and who CONSULTANT knows, or with the exercise of reasonable diligence, should know (1) presently serves as a Board Member/Alternate or an employee of the AUTHORITY with the title "Chief" or "Director", or (2) served as a Board Member/Alternate or an employee of the AUTHORITY with the title "Chief" or "Director" within the previous 12 months of the date of the proposed employment or retention by CONSULTANT. CONSULTANT's written notice shall indicate whether the individual will be an officer, principal or shareholder of the entity and/or will participate in the performance of the Agreement.

23. DISQUALIFYING POLITICAL CONTRIBUTIONS

In the event of a proposed amendment to this Agreement, CONSULTANT shall provide a written statement disclosing any contribution(s) of \$250 or more made by CONSULTANT or its subconsultant within the preceding twelve (12) months of the date of the proposed amendment. Applicable contributions include those made by any agent/person/entity on behalf of CONSULTANT or subconsultant.

24. COMPLIANCE WITH LAW

CONSULTANT shall familiarize itself with and perform the Services required under this Agreement in conformity with applicable requirements and standards of AUTHORITY, municipal and public agencies, public and private utilities, special districts, and railroad agencies whose facilities and services may be affected by Services under this Agreement. CONSULTANT shall also comply with all applicable Federal, California and local laws and ordinances.

25. COMPLIANCE WITH LOBBYING POLICIES

A. CONSULTANT agrees that if it is a Lobbyist Employer or if it has retained a Lobbying Firm or Lobbyist, as such terms are defined by AUTHORITY in its Ethics Policy, it shall comply or ensure that its Lobbying Firm and Lobbyist complies with AUTHORITY's Ethics Policy.

B. If CONSULTANT (Lobbyist Employer) or its Lobbying Firm or Lobbyist fails to comply, in whole or in part, with AUTHORITY's Ethics Policy, such failure shall be considered a material breach of this Agreement and AUTHORITY shall have the right to immediately terminate or suspend this Agreement.

26. PUBLIC RECORDS ACT

A. All records, documents, drawings, plans, specifications and other material relating to conduct of AUTHORITY's business, including materials submitted by CONSULTANT in its proposal and during the course of performing the Services under this Agreement, shall become the exclusive property of AUTHORITY and may be deemed public records. Said materials may be subject to the provisions of the California Public Records Act. AUTHORITY's use and disclosure of its records are governed by this Act.

B. AUTHORITY will not advise as to the nature or content of documents entitled to protection from disclosure under the California Public Records Act, including interpretations of the Act or the definitions of trade secret, confidential or proprietary. AUTHORITY will accept materials clearly and prominently labeled "TRADE SECRET" or "CONFIDENTIAL" or "PROPRIETARY" as determined by CONSULTANT. AUTHORITY will endeavor to notify CONSULTANT of any request of the disclosure of such materials. Under no circumstances, however, will AUTHORITY be liable or responsible for the disclosure of any labeled materials whether the disclosure is required by law or a court order or occurs

through inadvertence, mistakes or negligence on the part of AUTHORITY or its officers, employees and/or CONSULTANTS.

- C. In the event of litigation concerning the disclosure of any material submitted by CONSULTANT, AUTHORITY's sole involvement will be as a stake holder, retaining the material until otherwise ordered by a court. CONSULTANT, at its sole expense and risk, shall be responsible for prosecuting or defending any action concerning the materials, and shall defend, indemnify and hold AUTHORITY harmless from all costs and expenses, including attorneys' fees, in connection with such action.

27. WAIVER/INVALIDITY

No waiver of a breach of any provision of this Agreement by either party shall constitute a waiver of any other breach of the provision, or of any other breach of the provision of the Agreement. Failure of either party to enforce any provision of this Agreement at any time shall not be construed as a waiver of that provision.

The invalidity in whole or in part of any provision of this Agreement shall not void or affect the validity of any other provision.

28. FORCE MAJEURE

Performance of each and all CONSULTANT's and AUTHORITY's covenants herein shall be subject to such delays as may occur without CONSULTANT's or AUTHORITY's fault from acts of God, strikes, riots, or from other similar causes beyond CONSULTANT's or AUTHORITY's control.

29. CONFIDENTIALITY

CONSULTANT agrees that during entire term of this Agreement and until destroyed in compliance with CONSULTANT's ordinary business practice and applicable law, any information, data, figures, records, findings and the like received or generated by CONSULTANT in the performance of this Agreement, shall be considered and kept as private and privileged records and will not be divulged to any person, firm, corporation, or other entity except (1) with the written consent of AUTHORITY or (2) in response to a good faith legal requirement after reasonable notice to AUTHORITY.

30. CONSULTANT'S INTERACTION WITH THE MEDIA AND THE PUBLIC

A. AUTHORITY shall review and approve in writing all AUTHORITY related copy proposed to be used by CONSULTANT for advertising or public relations purposes prior to publication. CONSULTANT shall not allow AUTHORITY related copy to be published in its advertisements and public relations programs prior to receiving such approval. CONSULTANT shall ensure that all published information is factual and that it does not in any way imply that AUTHORITY endorses CONSULTANT's firm, service, and/or product.

B. CONSULTANT shall refer all inquiries from the news media to AUTHORITY, and shall comply with the procedures of AUTHORITY's Public Affairs staff regarding statements to the media relating to this Agreement or the Services.

C. If CONSULTANT receives a complaint from a citizen or the community, CONSULTANT shall inform AUTHORITY as soon as possible and inform AUTHORITY of any action taken to alleviate the situation.

D. The provisions of this Article shall survive the termination or expiration of this Agreement.

31. GOVERNING LAW AND VENUE

The validity of this Agreement and of any of its terms or provisions, as well as the rights and duties of the parties hereunder, shall be governed by the laws of the State of California and the proper venue of any action brought hereunder is and shall be Los Angeles County, California.

CONSULTANT shall comply with all applicable federal, state and local laws and ordinances.

32. MODIFICATIONS TO AGREEMENT

Unless specified otherwise in the Agreement, this Agreement may only be modified by written mutual consent evidenced by signatures of representatives authorized to enter into and modify the Agreement. In order to be effective, amendments may require prior approval by the AUTHORITY's Board of Directors, and in all instances require prior signature of an authorized representative of the AUTHORITY.

33. PRECEDENCE

Conflicting provisions hereof, if any, shall prevail in the following descending order of precedence: (1) the provisions of this Agreement, (2) Attachment A – Scope of Services, (3) CONSULTANT's proposal dated August 21, 2014, and clarification dated August 27, 2014 and September 4, 2014.

34. ENTIRE AGREEMENT

This Agreement, and any attachments or documents incorporated herein by inclusion or by reference, constitutes the complete and entire agreement between AUTHORITY and CONSULTANT and supersedes any prior representations, understandings, communications, commitments, agreements or proposals, oral or written.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the date shown below, and effective on the date first hereinabove written.

MOSS ADAMS LLP

SOUTHERN CALIFORNIA
REGIONAL RAIL AUTHORITY



Olga Darlington
Senior Manager



Michael P. DePallo
Chief Executive Officer


10/16/2014

Date

Tax I.D. No. 91-0189318

APPROVED AS TO FORM:

Don Del Rio
General Counsel



General Counsel

ATTACHMENT A
SCOPE OF SERVICES

**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY
METROLINK COMMUTER RAIL SYSTEM**

**CONTRACT NO. QM145-15
EXTERNAL AUDIT SERVICES**

SCOPE OF SERVICES

1.0 PURPOSE

The Southern California Regional Rail Authority (Authority) requires a qualified firm of certified public accountants for a three year contract to audit its financial statements for the three fiscal years beginning the fiscal year ending June 30, 2014. At the option of the Authority, the audit engagement may be extended for two subsequent fiscal years by written amendment. These audits are to be performed in accordance with generally accepted auditing standards, the standards set forth for financial audits in the U.S. General Accountability Office's (GAO) Government Auditing Standards, the provisions of the Single Audit Act of 1984, as amended in 1996, U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State and Local Governments, U.S Office of Management and Budget (OMB) Circular A-102 Grants and Cooperative Agreements With State and Local Government and Governmental Accounting Standards Board (GASB) Pronouncements.

2.0 BACKGROUND

Consultant (also, herein, referred to as "Auditor") shall perform annual independent auditing and related services for the Authority.

The Authority will provide reasonable assistance in providing Auditor documentation required to perform an examination of the Authority's financial statements.

The Authority is comprised of a single enterprise fund for the provision of passenger rail services known as Metrolink. Metrolink services are financed in part by user charges.

3.0 SCOPE OF SERVICES

A. Scope of the Work to be Performed

The Authority's goal is to provide the public and its constituents with a comprehensive financial statement that gives complete, accurate and understandable information about the Authority's financial condition. The Auditor will be required to perform the following tasks:

1. Audit of the Authority's basic financial statements in accordance with Generally Accepted Auditing Standards (GAAS) generally accepted in the United States of America and the standards applicable to financial audits contained in Generally Accepted Government Audit Standards (GAGAS), issued by the Comptroller

General of the United States. Apply certain limited procedures on the methods of measurement and presentation of the management discussion and analysis (MDA) and the required supplementary information (RSI).

- a. For the FY14 audit, the Authority has retained the accounting firm Bazilio Cobb Associates to observe the annual inventory count and to provide an independent report on the inventory valuation. It is anticipated that the Consultant will place reliance on the audit report of Bazilio Cobb for the FY14 inventory valuation unless there are unanticipated and compelling reasons to preclude the Consultant from doing so. Please see Exhibit 1 for a summary of the procedures employed by Bazilio Cobb during their inventory observation.
2. Audit to satisfy the requirements imposed by the Single Audit Act, as amended, and U.S. Office of Management and Budget (OMB) Circular A-133 and OMB's Circular titled *Uniform Requirements for Grants to State and Local Governments*, assuming a single major program.
3. Certification of financial statements and reports as required by Section 15 (currently Title 49 U.S. Code Section 5335), Federal Transit Administration (FTA) Act due by October 28 of each year, including the National Transit Database Report. It is expected that the auditor will prepare and publish an agreed upon procedures report.
4. Completion of the Data Collection Form for Reporting on Audits of States, Local Governments, and Non-Profit Organizations.
5. Agreed upon procedures engagement of records related to Measure R, the Traffic Relief and Rail Expansion Ordinance.
6. Agreed upon procedures engagement related to Authority's California Transit security Grant Program-California Transit Assistance Fund (CTSGP-CTAF) which is a result of Proposition 1B funding. The agreed upon procedures shall be in accordance with Transportation Development Act regulations.
7. Provision of consultation to the Authority regarding the Authority's participation in the Certificate Program, including advice concerning the early implementation of new authoritative pronouncements and implementation of financial reporting formats consistent with the Government Finance Officers Association (GFOA).

B. Auditing Standards and Regulations to be Followed

The audits are to be performed by the Consultant in accordance with generally accepted auditing standards, including use of the most current version of each of the following standards and guidelines:

- The standards set forth for financial audits in the General Accountability Office's (GAO) Generally Accepted Government Auditing Standards (GAGAS);
- The standards set forth for financial accounting by the Governmental Accounting Standards Board (GASB);
- Generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants (AICPA);
- The provisions of the federal Single Audit Act of 1984, the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations and OMB Circular A-102, Grants and Cooperative Agreements With State and Local Governments;
- Transportation Development Act regulations.
- Applicable Code of Federal Regulations such as CFR49 Part 18 as a grantee in the Transportation Industry.

C. Reports to be Issued

Following completion of the audit and preparation of the fiscal year's comprehensive financial statements and special purpose audits, the auditor shall issue:

1. Management Letter addressed to the Authority setting forth recommendations (as applicable) for improvements in the Authority's accounting systems. A draft of the management letter will be provided to the Authority's Controller/CFO for review prior to publication.
2. A report on the fair presentation of the Basic Financial Statements for the Authority in conformity with generally accepted accounting principles.
3. A single audit report on the Authority's internal control and compliance with laws and regulations related to audit of the financial statements and federal awards. The report shall include the provisions of the *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

4. Agreed upon procedures report related to National Transit Database (NTD) report. Report should be in conformance with Uniform System of Accounts and Records and Reporting System as defined by CFR 49 Part 630.
5. Report on agreed upon procedures of the CSTGP-CTAF.
6. A Board of Directors or equivalent letter as promulgated by the reporting standards of the AICPA generally accepted auditing standards.

D. Audit Schedule

The Authority shall provide draft financial statements for the initiation of audit activities no later than October 31 of each year. Barring unforeseen circumstances, the Auditor must conduct the audit activities and provide all required reports and information to the Authority no later than December 15 of each year. For FY14, these dates may need to be adjusted.

E. Other Auditor Responsibilities

1. Reports on fraud, abuse, or illegal acts, or indications of such acts including all questioned costs found as the result of these acts should be covered by a separate special report to the Federal department or agency.
2. The auditor shall communicate in a letter to the Executive Management and Audit Committee, the Chief Executive Officer, and the Chief Financial Officer any reportable conditions found during the audit. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. "Non-reportable conditions" discovered by the auditor shall be communicated in the "Management Letter".
3. Auditors shall be required to make immediate, written notification to the Executive Management and Audit Committee of the Board, the Chief Executive Officer, and the Chief Financial Officer of all, other than inconsequential, irregularities and illegal acts or indications of illegal acts of which they become aware.
4. In addition to the support in the conducting of the annual audit and related activities, the Auditor shall remain available throughout the duration of the fiscal year to advise the Authority on issues of procedure and problem resolution.

F. Other Communications

The Auditor shall make all communications to the Authority required by the audit standards under which the engagement is performed. Those communications include, but are not limited to:

1. The auditor's responsibility under generally accepted auditing standards.
2. Significant accounting policies.
3. Management judgment and accounting estimates.
4. Significant audit adjustments.
5. Other information in documents containing audited financial statements.
6. Disagreements with management.
7. Management consultation with other accountants.
8. Major issues discussed with management prior to retention.
9. Difficulties encountered in performing the audit.

The Auditor must be available to present the audit plan prior to beginning field work. In addition, the independent auditor must be available to present all final reports to the Board of Director's Executive Management and Audit Committee and SCRRA Management as requested.

G. Working Paper Retention and Access to Working Papers

All work papers and reports must be retained, at the auditor's expense, for a minimum of five years (or the retention timeframe established by the professional standards, whichever is longer) unless the firm is notified in writing by Authority of the need to extend the retention period. The work papers are subject to review by federal and state agencies and other individuals with oversight responsibilities of Authority. Accordingly, the work papers shall be made available upon request.

In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review work papers.

EXHIBIT 1
PHYSICAL INVENTORY COUNT OBSERVATION PROGRAM

I. Audit Objectives:

- A. Determine that inventory quantities indicated on Southern California Regional Rail Authority (SCRRA) aka Metrolink perpetual inventory reports properly include all products, materials, and supplies on hand at the various locations (Existence, Completeness, and Valuation or Allocation).
- B. Determine that inventory reports are accurately compiled, extended, footed, and summarized and determine that the totals are properly recorded (Existence, Completeness, and Valuation or Allocation).
- C. Determine that excess, slow-moving, obsolete, and defective items are identified and reduced to their net realizable value, if applicable (Valuation or Allocation).
- D. Determine that the final inventory valuation after the physical count agrees with the total inventory value recorded to the general ledger.

II. Audit Procedures:

- A. Review SCRRA physical inventory count policies and procedures.
- B. Determine the number of sites, the physical location, and the value of SCRRA inventory maintained at each site. Select a sample of sites for observation of the physical inventory account. For the sites selected, obtain the physical inventory date count schedule to determine that sufficient audit staff is available to observe the physical count at selected SCRRA locations.
- C. At the inventory locations selected for testing, perform the following;
 - Tour the site and note the type, organization, and conditions of the inventory;
 - Determine that inventory not included in the physical count is properly segregated and marked "Do Not Count – Not Included in Inventory" ;
 - Discuss with the Materials Unit Supervisor the cut-off procedures in place for receiving and shipping inventory during the physical count;
 - Determine that inventory not included in the physical count is properly segregated and marked "Do Not Count – Not Included in Inventory";
 - Observe the physical inventory count and judgmentally take and record test counts;
 - Discuss with Materials Unit Supervisor the procedures in place to identify, value, and scrap, if appropriate obsolete and slow moving inventory;

- D. Trace recorded test counts to the appropriate final reconciled inventory reports, list all exceptions and document the total effect of adjustments per each location.
- E. Calculate final value of inventory based on all locations and agree the amount to the amount recorded to the general ledger.
- F. Write a memo on all test work performed for the inventory observation and subsequent reconciliation of final inventory valuation to the general ledger.
- G. Discuss and document internal control improvements and/or exceptions noted during the physical observation with the Material Unit Supervisor and Management.
- H. Document finding as appropriate and include SCCRA Material Unit Management comments on the documents for discussion in an exit conference with Senior Management.
- I. Prepare Final Report documenting the objectives, scope of work, and results of the observation of SCRRA Annual Physical Inventory.

EXHIBIT 2 STANDARD AUDIT PROVISIONS

Scope of Services and Limitations – Non-Attest

Auditor will provide the Authority with the following non-attest services:

- Completion of the Data Collection Form
- Drafting of financial statements

Auditor's professional standards require that it remain independent with respect to its audit clients, including those situations where non-attest services are also provided. As a result, the Authority must accept the responsibilities set forth below related to this engagement:

- Assume all management responsibilities.
- Oversee the service by designating an individual, preferably within senior management, who possesses skill, knowledge, and/or experience to oversee our non-attest services. The individual is not required to possess the expertise to perform or reperform the services.
- Evaluate the adequacy and results of the non-attest services performed.
- Accept responsibility for the results of the non-attest services performed.

Auditor understands that Tom Franklin, Controller has been designated by the Authority to oversee the non-attest services and that in the opinion of the Authority is qualified to oversee our non-attest services as outlined above. If any issues or concerns in this area arise during the course of our engagement, Auditor will discuss them with you prior to continuing with the engagement.

Timing

Olga A. Darlington is responsible for supervising the engagement and authorizing the signing of the report. Auditor's scheduling depends on the Authority's completion of the year-end closing and adjusting process prior to its arrival to begin the fieldwork. The Auditor may experience delays in completing its services due to the Authority's staff's unavailability or delays in its closing and adjusting process.

Procedures and Limitations

Auditor's procedures may include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of certain receivables and certain other assets, liabilities and transaction details by correspondence with selected customers, creditors, and financial institutions. Auditor may also request written representations from the Authority's attorneys as part of the engagement, and they may bill the Authority for responding to this inquiry. The supplementary information will be subject to certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves. At the conclusion of the audit, Auditor will require certain written representations from the Authority's management ("Management") about the financial statements and supplementary information and related matters. Management's failure to provide representations to our satisfaction will preclude us from issuing our report.

An audit includes examining evidence, on a test basis, supporting the amounts and disclosures in the financial statements. Therefore, the audit will involve judgment about the number of transactions to be examined and the areas to be tested. Also, Auditor will plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material

misstatement. Such material misstatements may include errors, fraudulent financial reporting, misappropriation of assets, or noncompliance with the provisions of laws or regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity that may have a direct financial statement impact. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements and noncompliance may not be detected, even though the audit is properly planned and performed in accordance with U.S. GAAS. An audit is not designed to detect immaterial misstatements or noncompliance with the provisions of laws or regulations that do not have a direct and material effect on the financial statements. However, Auditor will inform you of any material errors, fraudulent financial reporting, misappropriation of assets, and noncompliance with the provisions of laws or regulations that come to Auditor's attention, unless clearly inconsequential. Auditor's responsibility as Auditor is limited to the period covered by its audit and does not extend to any time period for which it is not engaged as the Auditor.

The audit will include obtaining an understanding of the Authority and its environment, including its internal control sufficient to assess the risks of material misstatements of the financial statements whether due to error or fraud and to design the nature, timing, and extent of further audit procedures to be performed. An audit is not designed to provide assurance on internal control or to identify deficiencies in the design or operation of internal control. However, if, during the audit, Auditor becomes aware of any matters involving internal control or its operation that it considers to be significant deficiencies under standards established by the American Institute of Certified Public Accountants, Auditor will communicate them in writing to Management and those charged with governance. Auditor will also identify if it considers any significant deficiency, or combination of significant deficiencies, to be a material weakness.

Auditor may assist Management in the preparation of the Authority's financial statements and supplementary information. Regardless of any assistance Auditor may render, all information included in the financial statements and supplementary information remains the representation of Management. Auditor may issue a preliminary draft of the financial statements and supplementary information to the Authority for its review. Any preliminary draft financial statements and supplementary information should not be relied upon, reproduced, or otherwise distributed without the written permission of Auditor.

Management's Responsibility for Financial Statements

As a condition of this engagement, Management acknowledges and understands that it is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Auditor may advise Management about appropriate accounting principles and their application and may assist in the preparation of the Authority's financial statements, but Management remains responsible for the financial statements. Management also acknowledges and understands that it is responsible 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 error or fraud. This responsibility includes the maintenance of adequate records, the selection and application of accounting principles, and the safeguarding of assets. Management is responsible for informing Auditor about all known or suspected fraud affecting the the Authority involving: (a) Management, (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial statements. The Authority is responsible for informing Auditor of its knowledge of any allegations of fraud or suspected fraud affecting the Authority received in communications from employees, former employees, regulators or others. Management is responsible for adjusting the financial statements to correct material misstatements and for confirming to Auditor in the Management representation letter that the effects of any uncorrected misstatements aggregated by Auditor during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole. Management is also responsible for identifying and ensuring that the Authority complies with applicable laws and regulations.

Management is responsible for making all financial records and related information available to Auditor and for the accuracy and completeness of that information. Management agrees that as a condition of our engagement management will provide Auditor with:

- 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;
- additional information that Auditor may request from Management for the purpose of the audit; and
- unrestricted access to persons within the Authority from whom Auditor determines it necessary to obtain audit evidence.

Management's Responsibility for Supplementary Information

Management is responsible for the preparation of the supplementary information in accordance with the applicable criteria. Management agrees to include the Auditor's report on the supplementary information in any document that contains the supplementary information and that indicates that Auditor has reported on such supplementary information. Management is responsible to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with the 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 by the entity of the supplementary information and the auditor's report thereon. For purposes of this agreement, audited financial statements are deemed to be readily available if a third party user can obtain the audited financial statements without any further action by management. For example, financial statements on the Authority's Web site may be considered readily available, but being available upon request is not considered readily available.

Dissemination of Financial Statements

Auditor's report on the financial statements must be associated only with the financial statements that were the subject of the engagement. The Authority may make copies of Auditor's report, but only if the entire financial statements (including related footnotes and supplementary information, as appropriate) are reproduced and distributed with Auditor's report. The Authority agrees not to reproduce or associate Auditor's report with any other financial statements, or portions thereof, that are not the subject of this engagement.

Offering of Securities

This agreement does not contemplate Auditor providing any services in connection with the offering of securities, whether registered or exempt from registration, and Auditor will charge additional fees to provide any such services. The Authority agrees not to incorporate or reference our report in a private placement or other offering of the Authority's equity or debt securities without Auditor's express written permission. The Authority further agrees Auditor is under no obligation to reissue its report or provide written permission for the use of Auditor's report at a later date in connection with an offering of securities, the issuance of debt instruments, or for any other circumstance. Auditor will determine, at its sole discretion, whether it will reissue its report or provide written permission for the use of its report only after it has conducted any procedures deemed necessary in the circumstances. The Authority agrees to provide Auditor with adequate time to review documents where (a) Auditor's report is requested to be reissued, (b) Auditor's report is included in the offering document or referred to therein, or (c) reference to Auditor is expected to be made. If Auditor decides to reissue its report or provide written permission to the use of the report, the Authority agrees that Auditor will be included on each distribution of draft offering materials and Auditor will receive a complete set of final documents. If Auditor decides not to reissue its report or withhold its written permission to use the report, the Authority may be required to engage another firm to audit periods covered by such audit reports, and that firm will likely bill the Authority for its services. While the successor auditor may request access to Auditor's engagement documentation for those periods, Auditor is under no obligation to permit such access.

Changes in Professional or Accounting Standards

To the extent that future federal, state, or professional rule-making activities require modification of Auditor's audit approach, procedures, scope of work, etc., Auditor will advise the Authority of such changes and the impact on Auditor's fee estimate. If the parties are unable to agree on the additional fees, if any, that may be required to implement any new accounting and auditing standards that are required to be adopted and applied as part of the engagement, Auditor may terminate this agreement as provided herein, regardless of the stage of completion.

Representations of Management

During the course of this engagement, Auditor may request information and explanations from Management regarding, among other matters, the Authority's operations, internal control, future plans, specific transactions, and accounting systems and procedures. At the conclusion of the engagement, Auditor will require, as a precondition to the issuance of its report, that Management provide Auditor with a written representation letter confirming some or all of the representations made during the engagement. The procedures that Auditor will perform in this engagement will be heavily influenced by the representations that Auditor receives from Management. Accordingly, false representations could cause Auditor to expend unnecessary efforts or could cause a material error or fraud to go undetected by our procedures. In view of the foregoing, the Authority agrees that Auditor will not be responsible for any misstatements in the the Authority's financial statements and supplementary information that Auditor fails to detect as a result of false or misleading representations, whether oral or written, that are made to it by the Authority's management. While Auditor may assist Management in the preparation of the representation letter, it is Management's responsibility to carefully review and understand the representations made therein.

In addition, because Auditor's failure to detect material misstatements could cause others relying upon the audit report to incur damages, the Authority further agrees to indemnify and hold Auditor harmless from any liability and all costs (including legal fees) that it may incur in connection with claims based upon our failure to detect material misstatements in the Authority's financial statements and supplementary information resulting in whole or in part from knowingly false or misleading representations made to Auditor by any member of the Authority's management.

Use of Nonlicensed Personnel

Certain engagement personnel who are not licensed as certified public accountants may provide services during this engagement.

ATTACHMENT B
PRICE SCHEDULE

**CONTRACT NO. QM145-15
EXTERNAL AUDIT SERVICES
PRICE SCHEDULE**

PART I. SUMMARY NOT-TO-EXCEED AMOUNT BY FISCAL YEAR

TOTAL Not-to-Exceed Amount for Base (FY14, FY15, and FY16): \$487,770

TOTAL Not-to-Exceed Amount for Option (FY17 and FY18): \$317,240

GRAND TOTAL (Base + Option): \$805,010

BASE	Fiscal Year 2014		
	(A) Estimated Number of Hours	(B) Averaged Fully Burdened Hourly Rate	© Not-to-Exceed Amount (A X B)
Audit of Authority's basic financial statements in accordance with Generally Accepted Auditing Standards and Government Auditing Standards	700	\$145	\$101,500
	210 (A)	\$145	\$30,450 (A)
Single audit and related reports including Data Collection Form submission	180	\$145	\$26,100
Certification of financial statements as required by NTD by Title 49 US Code Part 630	120	\$145	\$17,400
Measure "R" – compliance audit	15	\$145	\$2,175
Proposition 1B – compliance audit	15	\$145	\$2,175
FY2014 Subtotal	1,240		\$179,800

(A) Estimated cost for FY 2014 audit only to perform additional work addressing issues with system implementation. These additional hours and costs are not expected to be incurred in Years 2-5 of the contract.