

**SOUND TRANSIT  
STAFF REPORT**

**MOTION NO. M2006-65**

**Contract Amendment for Audit Services**

<b>Meeting:</b>	<b>Date:</b>	<b>Type of Action:</b>	<b>Staff Contact:</b>	<b>Phone:</b>
Finance Committee	9/7/06	Discussion/Possible Action	Hugh Simpson, Chief Financial Officer, Finance & Information Technology <b>Kelly Priestley, Controller</b>	(206) 398-5082  (206) 398-5479

<b>Contract/Agreement Type:</b>	<input checked="" type="checkbox"/>	<b>Requested Action:</b>	<input checked="" type="checkbox"/>
Competitive Procurement	<input checked="" type="checkbox"/>	Execute New Contract/Agreement	<input type="checkbox"/>
Sole Source	<input type="checkbox"/>	Amend Existing Contract/Agreement	<input checked="" type="checkbox"/>
Agreement with Other Jurisdiction(s)	<input type="checkbox"/>	Budget Amendment	<input type="checkbox"/>
Real Estate	<input type="checkbox"/>	Property Acquisition	<input type="checkbox"/>

**PROJECT NAME**

Financial and Federal Audit Services

**PROPOSED ACTION**

Authorizes the Chief Executive Officer to execute a contract amendment with KPMG, LLP to provide independent financial and federal audit services in the amount of \$425,000, for a new total authorized contract amount not to exceed \$1,355,687; and to exercise the first of two options to extend the term of the contract to October 20, 2007.

**KEY FEATURES of PROPOSED ACTION**

- KPMG, LLP currently provides financial and federal audit services under a contract effective October 20, 2003. The contract is for a three-year term with two options; each extending the term of the contract for an additional year.
- The current contract ends October 20, 2006; the contract amendment will exercise the first contract option, allowing KPMG, LLP to continue to provide audit services through October 20, 2007.
- The scope of the contract includes financial statement audits that have federal compliance elements, financial, federal A-133, national transit database audits, subarea reports, contract auditing, bond issuance support, and accounting and financial reporting services and general accounting support.

## **BUDGET IMPACT SUMMARY**

There is no action outside of the Board-adopted budget; there are no contingency funds required, no subarea impacts, or funding required from other parties other than what is already assumed in the financial plan.

## **BUDGET and FINANCIAL PLAN DISCUSSION**

The proposed action is consistent with the current adopted budget and is affordable within the agency's long-term financial plan and subarea financial capacity. The action will have no new revenue impact on Sound Transit.

Expenditures for this contract are charged to the accounting and audit services account in the finance department. This account has a \$435K budget for 2006; this action would commit \$338K of the 2006 budget and \$87K of 2007 budget which will be addressed in the next year's budget.

## **BUDGET TABLE**

### **Summary for Board Action (Year of Expenditure \$000)**

Action Item: Extend the contract with KPMG

	(A) Current Approved Contract Value	(B) Spent to Date As of 7/31/06	(C) Proposed Action	(D) Proposed Total Contract Value
Accounts to be Charged				
KPMG Accounting Audit Services	931	890	425	1,356
Contingency		-		-
Total	931	890	425	1,356
Percent Contingency	0%	0%	0%	0%

Direct Charge Budget:	2006 Budget	Future 2007 Staff Budget		Total
Accounting & Audit Services Budget	338	87		425
Total Account	338	87	-	425

### **Notes**

The budget for Accounting and Audit Services is on page 192 of the 2006 Adopted Budget Book.

## **M/W/DBE – SMALL BUSINESS PARTICIPATION**

### **Prime Consultant/Contractor**

KPMG, LLP is the prime auditor for this contract.

On the original contract, KPMG, LLP committed to a 17% M/W/DBE and Small Business goal. Francis & Kirschner, an MBE CPA firm, participated on the financial, federal and national transit database audit, representing 17% (\$153,000) of the work on this contract. For this extension, Francis & Kirschner will perform the same tasks, representing 13% of the total amount. For the total contract, Francis & Kirschner will perform over 15.3% of the contract.

### Utilization Breakdown Table

<b>Subconsultant</b>	<b>Business Type</b>	<b>% of Work</b>	<b>Dollar Value</b>
Francis & Kirschner PLLC	MBE	13%	\$55,500
<b>Total</b>			

### EEO Commitment

KPMG's workforce demographics are 50.3% women and 9% minorities. Within its proposal for the original contract, KPMG demonstrated a strong commitment to EEO and has won a number of awards in recognition of its efforts.

### **PROJECT DESCRIPTION and BACKGROUND for PROPOSED ACTION**

After a competitive RFP process, KPMG, LLP was selected in September 2003 and approved by the Board in October 2003. The contract is for a three-year term with two options; each extending the term of the contract for an additional year. The three-year term expires on October 20, 2006. The contract amendment will exercise the first contract option, allowing KPMG to continue to provide audit services through October 20, 2007.

KPMG provides financial and federal audit services to Sound Transit. The scope of the contract includes financial statement audits that have federal compliance elements, financial, federal A-133, national transit database audits, subarea reports, contract auditing, bond issuance support, and accounting and financial reporting services and general accounting support.

### **Prior Board/Committee Actions on this Project**

<b>Motion/Resolution Number and Date</b>	<b>Summary of Action</b>
M2003-106 10/16/03	Authorized the Chief Executive Officer to execute a contract with KPMG, LLP, for independent financial and federal audit services for a total authorized contract amount not to exceed \$930,687, for a three-year term with the option of two additional one-year extensions, effective date is October 20, 2003

### **CONSEQUENCES of DELAY**

A delay in approving the proposed contract amendment before October 5, 2006 would not allow Sound Transit to complete its independent audit requirements within the prescribed timeframe.

### **PUBLIC INVOLVEMENT**

Not applicable to this action.

### **ENVIRONMENTAL COMPLIANCE**

Not applicable to this action.

### **LEGAL REVIEW**

JW 8/18/06

## SOUND TRANSIT

### MOTION NO. M2006-65

A motion of the Finance Committee of the Central Puget Sound Regional Transit Authority authorizing the Chief Executive Officer to execute a contract amendment with KPMG, LLP to provide independent financial and federal audit services in the amount of \$425,000, for a new total authorized contract amount not to exceed \$1,355,687; and to exercise the first of two options to extend the term of the contract to October 20, 2007.

#### Background:

The scope of the contract includes financial statement audits that have federal compliance elements, financial, federal A-133, national transit database audits, subarea reports, contract auditing, bond issuance support, and accounting and financial reporting services and general accounting support.

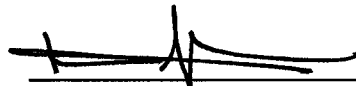
The three-year term expires on October 20, 2006. The contract amendment will exercise the first contract option, allowing KPMG, LLP to continue to provide audit services through October 20, 2007.

After a competitive RFP process, KPMG, LLP was selected in September 2003 and approved by the Board in October 2003. The contract is for a three-year term with two options; each extending the term of the contract for an additional year.

#### Motion:

It is hereby moved by the Finance Committee of the Central Puget Sound Regional Transit Authority that the Chief Executive Officer is authorized to execute a contract amendment with KPMG, LLP to provide independent financial and federal audit services in the amount of \$425,000, for a new total authorized contract amount not to exceed \$1,355,687; and to exercise the first of two options to extend the term of the contract to October 20, 2007.

APPROVED by the Finance Committee of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on September 7, 2006.



Fred Butler  
Finance Committee Chair

ATTEST:



Marcia Walker  
Board Administrator