

**SOUND TRANSIT
STAFF REPORT**

MOTION NO. M2007-105

Contract Amendment for Independent Financial and Federal Audit Services

Meeting:	Date:	Type of Action:	Staff Contact:	Phone:
Finance Committee	10/18/07	Discussion/Possible Action	Brian McCartan, Executive Director, Finance & Information Technology Kelly Priestley, Controller	(206) 398-5100 (206) 398-5479

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

PROJECT NAME

Financial and Federal Audit Services

PROPOSED ACTION

Authorizes the chief executive officer to exercise the second of two one-year options with KPMG, LLP to provide independent financial and federal audit services and amend the contract in the amount of \$425,000, for a revised total authorized contract amount not to exceed \$1,780,687.

KEY FEATURES of PROPOSED ACTION

- KPMG, LLP currently provides financial and federal audit services under a contract effective October 30, 2003. The contract is for a three-year term with two options; each extending the term of the contract for an additional year.
- Motion No. M2006-65 allowed Sound Transit to exercise the first option, extending the contract to October 30, 2007. This amendment will exercise the second option, allowing KPMG, LLP to continue to provide audit services through October 30, 2008.
- 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 \$533 thousand budget for 2007; this action would commit \$425 thousand of the remaining 2007 budget. The costs for audit fees are matched to the year of the financial statements being audited so these costs will occur in 2007.

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 8/31/07	(C) Proposed Action	(D) Proposed Total Contract Value
Contract Budget				
KPMG Accounting Audit Services Contract	1,356	1,212	425	1,781
Contingency		-		-
Total	1,356	1,212	425	1,781
Percent Contingency	0%	0%	0%	0%

Direct Charge Budget:	2007 Budget	Spent to Date As of 8/31/07	Proposed Action	Budget Remaining
Accounting & Audit Services Budget	533	66	425	41
Total Account	533	66	425	41

Notes

The budget for the Accounting and Audit Services Budget is on page 185 of the 2008 Proposed Budget Book.

SMALL BUSINESS PARTICIPATION

Prime Consultant/Contractor

KPMG, LLP is the prime consultant for this contract.

On the original contract, KPMG, LLP committed to a 17% Small Business participation goal. Francis & Kirschner, a minority-owned, small business CPA firm, participated on the financial, federal and national transit database audit, representing 17% (\$153,000) of the work on this contract. For the extensions, Francis & Kirschner will perform the same tasks, which represents 13% of the additional work for this contract. For the total contract, Francis & Kirschner will perform over 15% of the work for this contract.

Utilization Breakdown Table

Sub consultant	Business Type	% of Work	Dollar Value
Francis & Kirschner PLLC	Small Business	13.7%	\$45,181
Total			

EEO Commitment

KPMG's workforce demographics are 50.5% women and 21% 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 expired on October 30, 2006. The first contract amendment exercised the first contract option, allowing KPMG to continue to provide audit services through October 30, 2007. The second and final contract option will allow them to continue to provide services through October 30, 2008.

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

Motion/Resolution Number and Date	Summary of Action
M2006-65 9/7/2006	Authorized 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 \$1,355,689; and to exercise the first of two options to extend the term of the contract to October 20, 2007.
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 30, 2007 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 10/10/07

SOUND TRANSIT

MOTION NO. M2007-105

A motion of the Finance Committee of the Central Puget Sound Regional Transit Authority authorizing the chief executive officer to exercise the second of two one-year options with KPMG, LLP to provide independent financial and federal audit services and amend the contract in the amount of \$425,000, for a revised total authorized contract amount not to exceed \$1,780,687.

Background:

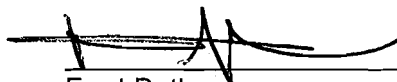
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Motion:

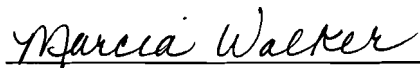
It is hereby moved by the Finance Committee of the Central Puget Sound Regional Transit Authority that the chief executive officer is authorized to exercise the second of two one-year options with KPMG, LLP to provide independent financial and federal audit services and amend the contract in the amount of \$425,000, for a revised total authorized contract amount not to exceed \$1,780,687.

APPROVED by the Finance Committee of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on October 18, 2007.



Fred Butler
Finance Committee Chair

ATTEST:



Marcia Walker
Board Administrator