



MEMORANDUM

TO: Mayor and Council Members
Toby Hammett Futrell, City Manager

FROM: Jeff Knodel, Controller

DATE: May 21, 2007

SUBJECT: Ratification for Audit Services from KPMG, LLP

On June 12, 2003, Council authorized negotiation and execution of a 24-month professional service agreement with KPMG, L.L.P., Austin, TX for professional auditing services in an amount not to exceed \$945,113, with three 12-month extension options in an amount not to exceed \$504,262 for the first extension option, \$523,158 for the second extension option, and \$542,314 for the third extension option, for a total agreement amount not to exceed \$2,514,847. The contract services include auditing of the city of Austin's Comprehensive Annual Financial Report, federal and state single audit reports, and other special related services. Amendments to date, excluding extension options, total \$333,889. Amendments include an administrative increase in the amount of \$29,000 for an audit of the Push-Up Foundation, an administrative increase in the amount of \$15,000 for a program audit of the Urban Renewal Agency's schedule of federal awards, and an amendment approved by Council on April 27, 2006 in the amount of \$289,889 for additional single audit services for each of the three extension options.

During the course of the FY 2006 audit of the City's Comprehensive Annual Financial Report (CAFR), KPMG notified City management that they would be unable to complete the necessary audit procedures within the six month period required by City financial policies. The delay is the result of an ongoing investigation by the Travis County District Attorney into allegations within the Austin Convention Center Department. Due to the nature of the investigation, the timeline to complete the City's FY 2006 CAFR audit is unknown.

This request for ratification is for forensic work incurred to date by KPMG in the amount of \$129,794. An action item will be presented at the May 24th Council meeting to include approval of the ratification in the amount of \$129,794, in addition to an estimate for future forensic work in the amount of \$140,206, for a total contract amendment in the amount \$270,000. The additional audit work is necessary to complete and issue the City's FY 2006 CAFR. Upon approval of this item, the total contract amount will be \$3,118,736.

Please feel free to contact me for additional information. I can be reached at 974-2589.