



**METROPOLITAN  
TRANSPORTATION  
COMMISSION**

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## *Memorandum*

TO: Administration Committee

DATE: February 28, 2007

FR: Executive Director

W. I. 1152

RE: Contract Amendment – Agency wide Enterprise Risk Assessment: Consultant – KPMG

Staff recommends that this Committee approve a contract amendment with KPMG to conduct a detailed internal control risk management assessment for MTC, as well as all operating entities which include MTC SAFE and BATA. The cost of the study and findings is not expected to exceed \$300,000.

The recent issuance of the Statement on Auditing Standards No. 112 (SAS 112) has conformed evaluation standards for internal control testing with government agencies and the control level required of private companies under Sarbanes-Oxley. The new standard requires the audit firm to review, document and test management practices and internal controls and to report any significant deficiencies or material weaknesses. The standard is effective in the current financial year.

Staff has asked for proposals from several firms that are currently under contract or recommended by firms under contract to MTC. We have received proposals from KPMG, currently performing internal control test work on TransLink® and construction audits for BATA seismic projects; Deloitte & Touche, LLP, currently doing internal control work on Bay Bridge expenditures; and Grant Thornton, submitted in conjunction with our current general audit firm PricewaterhouseCoopers. All three proposals had prices ranging from \$250,000 to \$300,000. Staff completed an evaluation of the proposals and recommends KPMG. They have done similar internal control work for MTC with the TransLink® project and are well qualified to complete the task.

### Recommendation

Staff recommends that this Committee authorize the Executive Director or his designee to negotiate and enter into a contract amendment with KPMG in an amount not to exceed \$300,000 to conduct a detailed internal control risk management assessment pursuant to SAS 112.

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Steve Heminger

BM:cm

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## REQUEST FOR COMMITTEE APPROVAL

### Summary of Proposed Consultant Contract

Work Item No.: 1152

Consultant: KPMG

Project Title: SAS 112 risk evaluation.

Purpose of Project: Internal control risk management assessment.

Brief Scope of Work: Review, document and test management practices and internal controls for MTC and its operating entities.

Project Cost Not to Exceed: \$300,000

Funding Source: MTC/BATA

Fiscal Impact: Funding in the FY 2006-07 agency budget.

Motion by Committee: That the Executive Director or his designee is authorized to negotiate and enter into a contract amendment with (TBD) for risk evaluation assessment, and the Chief Financial Office is directed to set aside funds in the amount of \$300,000 for such contract amendment.

Administration  
Committee:

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Bill Dodd, Chair

Approved: Date: March 7, 2007