

**BOARD OF COUNTY COMMISSIONERS
AGENDA ITEM SUMMARY**

Meeting Date: February 15, 2012

Division: Budget & Finance

Bulk Item: Yes No

Department: OMB

Staff Contact Person/Phone #: Penny Kipp X4470

AGENDA ITEM WORDING: Approval of a Task Authorization with KPMG to update the Fiscal Year 2011 Full Cost Allocation Plan and the 2 CFR Part 225 (formerly OMB Circular A-87) Cost Allocation Plan.

ITEM BACKGROUND: Full Cost Allocation reduces ad valorem taxes by recovering indirect costs from non-ad valorem revenue funds and corrects for indirect cost subsidy to special taxing districts. This cost allocation plan will be based on expenditures incurred for the fiscal year ended September 30, 2011. KPMG is currently contracted with the State of Florida Department of Management Services (Consulting Services for Management Skills, Contract number 973-001-06-1) so that Monroe County may use in lieu of a formal request for proposal.

PREVIOUS RELEVANT BOCC ACTION: On November 18, 2009, the BOCC approved the execution of a Letter of Engagement to update the Fiscal Year 2009 Full Cost Allocation Plan and the OMB A-87 Cost Allocation Plan. On June 20, 2007, the BOCC approved the execution of a Letter of Engagement to update the Fiscal Year 2005 and 2006 Cost Allocation Plans. The BOCC approved implementation of a full cost allocation plan to be completed by KPMG beginning with Fiscal Year 1998.

CONTRACT/AGREEMENT CHANGES: N/A

STAFF RECOMMENDATIONS: With the complexity in the plan preparation and with familiarity of previous Monroe County's Cost Allocation Plan's (1998-2009) by this accounting firm, staff recommends approval of this item, as it is in the best interest of the County.

TOTAL COST: \$29,500.00 **INDIRECT COST:** _____ **BUDGETED:** Yes No

COST TO COUNTY: \$29,500.00 **SOURCE OF FUNDS:** General Funds

REVENUE PRODUCING: Yes No **AMOUNT PER MONTH** _____ **Year** _____

APPROVED BY: County Atty *stf* OMB/Purchasing *cd* Risk Management *jo*

DOCUMENTATION: Included Not Required _____

DISPOSITION: _____

AGENDA ITEM # _____

MONROE COUNTY BOARD OF COUNTY COMMISSIONERS

CONTRACT SUMMARY

Contract with: KPMG, LLC Contract # _____
 Effective Date: _____
 Expiration Date: 120 days from date of commencement

Contract Purpose/Description: Approval of a Task Authorization with KPMG to update the Fiscal Year 2011 Full Cost Allocation Plan and the 2 CFR Part 225 (formerly OMB Circular A-87) Cost Allocation Plan.

Contract Manager: Penny Kipp X4470 OMB #1
 (Name) (Ext.) (Department/Stop #)

for BOCC meeting on 2/15/2012 Agenda Deadline: 1/31/2012

CONTRACT COSTS

Total Dollar Value of Contract: \$29,500 Current Year Portion: \$29,500
 Budgeted? Yes X No Account Codes: 001-00101-530340- - - -
 Grant: \$ _____
 County Match: \$ _____

ADDITIONAL COSTS

Estimated Ongoing Costs: \$ _____/yr For: _____
 (Not included in dollar value above) (eg. maintenance, utilities, janitorial, salaries, etc.)

CONTRACT REVIEW

	Date In	Changes Needed	Reviewer	Date Out
Division Director	<u>1/31/12</u>	Yes <input type="checkbox"/> No <input type="checkbox"/>	<u>[Signature]</u>	<u>1/31/12</u>
Risk Management	<u>1-31-12</u>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	<u>[Signature]</u>	<u>1/31/12</u>
O.M.B./Purchasing	<u>1-31-12</u>	Yes <input type="checkbox"/> No <input type="checkbox"/>	<u>[Signature]</u>	<u>1/31/12</u>
County Attorney	<u>1/31/12</u>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	<u>[Signature]</u>	<u>1/31/12</u>

Comments: _____

Task Authorization

Florida Department of Management Services, Consulting Services Contract# 973-001-06-1

January xx, 2012

Engagement Objective and Scope

Monroe County Board of County Commissioners (County) has two engagement objectives. The first objective is the completion of the Full Cost Allocation Plan based on actual expenditures for the fiscal year ended September 30, 2011. The second objective is completion of the 2 CFR Part 225 (formerly OMB Circular A-87) Plan (the Regulation) based on actual expenditures for the fiscal year ended September 30, 2011. KPMG will assist the County with the following:

Objective #1: Full Cost Plan

The first plan will be a "full-cost" plan for use in allocating indirect costs to enterprise funds, internal service funds, and certain special revenue funds.

Objective #2: OMB Circular A-87 Cost Plan

The second plan will be prepared in accordance with the Federal Office of Management and Budget Circular A-87, Cost Principles for State and Local Governments (relocated to Title 2 in the Code of Federal Regulations, Subtitle A, Chapter II, Part 225) and may be used in allocating indirect costs to the County's federal grant programs. The Regulation does not require most local governments to submit its cost allocation plan for negotiation and approval unless specifically requested by its federal cognizant agency. The County is responsible for submitting its cost allocation plan for negotiation and approval if requested by its federal cognizant agency.

Terms and Conditions

KPMG is proposing to assist the County using the State of Florida Management Consulting Services Contract # 973-001-06-1. The contract terms and conditions used in this document are managed by the Florida Department of Management Services and are located in the State Contracts, Agreements and Price Lists. The Management Consulting Service Contract # 973-001-06-1 is incorporated herein by reference and maintained in the contract manager's file.

Work Plan Approach

KPMG is prepared to initiate the project within two weeks from the receipt of the signed task authorization. We estimate that an elapsed calendar time of up to 120 calendar days from the date of commencement would be required to assist you in the development of the final reports. The time-frame is dependent upon the timeliness of requested information furnished by the County. The County will be responsible for the collection of all statistical information used as allocation bases, as well as all decisions regarding allocation statistics, cost pools, and receiving departments used in the cost allocation plan. KPMG's role will be to advise the County and complete the indirect cost plans after the County has made key decisions. To achieve the engagement objectives, KPMG proposes the following tasks:

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Task	Activity	Work Product	Deliverable
1. Project Initiation	The project team will conduct a project initiation meeting with the County's project sponsor and other County management to confirm the scope and deliverables for the project. The meeting will help facilitate a project schedule within the framework of the County's normal work routines.	- Information Request List - Project Charter - Communications Plan - Risk Register	
2. Issue Status Reports	KPMG will issue monthly status reports to County management that details the progress of the project and list issues that could affect the project timeline.	- Monthly Status Report	
3. Gather & Assess Data	Conduct interviews with staff and collect data pertaining to the CAPs.		
4. Analyze Data	Work with the County to identify expenditures by cost pool and services performed. Analyze allowable and unallowable costs and assist the County to identify allocation bases. The County assumes responsibility for the assumptions used in the development of the Full CAP and the OMB A-87 CAP prior to KPMG issuing the deliverables.		
5. Submit Draft Report	KPMG will submit the report as a "draft" for the County's management initial review. KPMG's will use expenditures for the year ending September 30, 2011 in developing the draft reports.		
6. Issue Final Report	KPMG will respond to the County's feedback and will revise the draft reports as necessary. KPMG will then issue the reports in final form to the County.		- Full Cost CAP - OMB A-87 CAP

KPMG has developed a project timeline that identifies our sequence of tasks coinciding with the County's needs. The following chart depicts the project timeline.

PROPOSED PROJECT TIMELINE

Task	Mar-12	Apr-12	May-12	Jun-12
1. Project Kick Off				
2. Issue Status Reports				
3. Gather and Assess Data				
4. Analyze Data				
5. Submit Draft Report				
6. Issue Final Report				

*As part of Task 1, KPMG will work with the County's staff to finalize the timeline.

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Other Considerations

Our analysis will be prepared under the Consulting Standards issued by the American Institute of Certified Public Accountants (AICPA) and does not constitute an examination, compilation or agreed upon procedures in accordance with the standards established by the AICPA. This analysis will be prepared based on information received from the County. No independent verification of this information will be made by KPMG and we assume no responsibility for the accuracy or reliability of the information provided to us. The analysis is intended solely for the use of the County, may be provided to any third party with the consent of KPMG, and should not be relied upon for any other purposes.

In rendering the regulatory-related services described in this task authorization, we will consider the applicable technical literature, laws, regulations and guidelines provided by the regulators. This regulatory guidance is subject to change or modification, retroactively or prospectively, by varying interpretation and by subsequently issued pronouncements, legislation, and regulatory, administrative, or judicial decisions. We cannot guarantee that the regulatory authorities would agree with our analysis or that our engagement would foreclose or limit any potential regulatory action or criticism. The scope of our assistance does not constitute an audit of compliance with any regulation or regulatory requirement nor does it constitute an audit of regulatory matters. Accordingly, we will not express an opinion or conclusion or provide any form of assurance on any regulatory matters related to the areas covered in this engagement.

Certain aspects of the specific requirements to be applied under the Regulations may currently be uncertain either because they still remain in draft and subject to consultation processes or because there is uncertainty in their interpretation or because they remain subject to Office of Management and Budgets' discretion or policy in how they are implemented. The requirements are therefore subject to change, potentially in significant ways, in the future.

Any amendment to this task authorization, including but not limited to, the scope of KPMG's services hereunder, shall only be effective if the same is in writing and executed by the County and KPMG. As stated in the task authorization the parties acknowledge and agree that: (a) KPMG shall not provide legal services hereunder, and (b) nothing herein shall be deemed by the County that KPMG has provided such legal services hereunder.

It has been our experience that the County's participation is necessary for this type of engagement to be successful. It is imperative that we receive timely cooperation regarding requested data for effective use of KPMG and County resources. Our assumptions for the engagement are as follows:

- The County will provide data for central service departments at division / department / fund level (or their equivalent) summaries that provide a reasonable basis for allocating each function's activity to the benefiting department/division.
- If KPMG receives the requested information from the County by April 15, 2012, we will issue the draft reports to the County by May 15, 2012. If we do not receive the information by April 15, 2012, KPMG will issue the draft reports within 30 days of receipt of the requested data. KPMG is amenable to accelerating the project timeline if acceptable to the County
- KPMG requests the County review the draft reports and provide comments to KPMG within 15 days of receiving the draft report. KPMG will issue the final reports within 15 days of receiving the County's comments. Should the County not provide written comments or request an extension for

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the review of the draft reports, KPMG will consider the draft reports as finalized and issue the reports in final form.

- The County will provide relevant operational, technical, and background information as required by the engagement team.
- The County will provide assistance to help KPMG achieve the successful completion of the engagement. Such assistance may include:
 - Assistance in gaining timely access to documentation, systems, and key personnel
 - Timely feedback at key decision points
 - Active participation to facilitate the timely resolution of project-related issues
- The County will provide a common office space adequate for up to 2 KPMG personnel.
- The County will provide meeting space as needed to conduct interviews and work sessions throughout the project.

KPMG Project Team

Mr. David L. Dennis, a partner in KPMG's Orlando, Florida office, will serve as the engagement partner. Mr. David Jahosky, a senior manager in KPMG's Orlando office, will serve as the engagement manager and will serve as the KPMG primary point of contact for this engagement. Mr. Chris Krepcho, a manager in KPMG's Orlando office and Ms. Kristen Kearney, a senior associate in KPMG's Orlando office, will supervise KPMG project team members during the course of the engagement.

Project Budget

Actual work effort may vary, but KPMG's fees and expenses will not exceed \$29,500 without the prior approval of the County. Our fees for professional services include professional staffing, administrative support, report production and travel costs. KPMG will invoice for actual fees and expenses monthly. All invoices are due upon receipt. If unforeseen circumstances cause us to believe that our total hours or fees will exceed the estimate provided, we will discuss this situation with you and agree upon an appropriate course of action.

We will invoice the County monthly and invoices are due upon receipt. If unforeseen circumstances cause us to believe that our professional fees will exceed the estimate provided above, we will discuss this situation with you and agree upon an appropriate course of action. Our fees are based on time and materials for personnel involved in the engagement at hourly rates commensurate with the professional's level and experience as outlined in the State of Florida Term Contract 973-001-06-1. KPMG's hourly rates per these agreements are as follows:

State Term Position Category	Potential Key Resources	Hourly Rate
Principal	David L. Dennis David G. Jahosky	\$275
Senior Consultant	Chris Krepcho Kristen Kearney Sara Kaiser	\$175
Consultant	Thomas Eaton Megan Taylor Hasting Westphal	\$125

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County Responsibilities

By accepting this task authorization, the County’s management accepts responsibility for the substantive outcomes of this engagement and, therefore, has a responsibility to be in a position in fact and appearance to make an informed judgment on the results of this engagement and that the County will comply with the following:

- Designate a qualified management-level individual to be responsible and accountable for overseeing the engagement.
- Establish and monitor the performance of the engagement to ensure that it meets management’s objectives.
- Make any decisions that involve management functions related to the engagement and accept full responsibility for such decisions.
- Evaluate the adequacy of the services performed and any findings that result.

Approved:

Monroe County Board of County Commissioners, Florida

KPMG LLP

By: _____

By: David L. Dennis, Partner

Signature: _____

Signature: _____

Dated: _____

Dated: January xx, 2012

MONROE COUNTY ATTORNEY
 APPROVED AS TO FORM


 S. ZAMNE A. HUTTON
 COUNTY ATTORNEY
 1/31/12