

IMPACT STATEMENT

Legislation title: *Amend contract with Moss Adams, LLP to extend by one year for financial and federal compliance audits of FY 2014-2015 and increase by \$658,445. (Ordinance; amend Contract No. 30002662)

Contact name: Fiona Earle, Principal Management Auditor/Contract Manager

Contact phone: 503-823-3539

Presenter name: Mary Hull Caballero, City Auditor, Drummond Kahn, Director of Audit Services

Purpose of proposed legislation and background information:

- To authorize the amendment of the City's contract with Moss Adams, LLP, Certified Public Accountants, to extend it by one year. This extension will allow Moss Adams, LLP to conduct the independent financial and federal compliance audits relating to the financial statements of fiscal year (FY) ending June 30, 2015 for the City and its reporting entities.
- Ordinance No. 185332 passed by Council on May 16, 2012 authorized the Contract No. 30002662 with Moss Adams, LLP to conduct the financial and federal compliance audits for three fiscal years, 2011-12 through FY 2013-14. This contract gives the City the option to extend the term of the services provided by Moss Adams, LLP for up to two additional year in one-year increments.
- The City's reporting entities, whose financial data has to be included in the City's Comprehensive Annual Financial Report (CAFR), are the Portland Development Commission, the Fire & Police Disability & Retirement Funds, the Hydroelectric Power Funds and Mt. Hood Cable Regulatory Commission. The City's contract with Moss Adams, LLP also provides for the audit of these reporting entities' individual financial statements.
- These annual financial and/or compliance audits are required by Section .500 of the Federal Office of Management and Budget's Circular A-133, Oregon Law ORS 297.425, City Charter, Section 10a of the Power Sales Agreement with Portland General Electric Company dated April 12, 1979, and/or the City's 1992 Administrative Services Agreement with Mt. Hood Cable Regulatory Commission.
- This is the 6th contract amendment. It will be the first one-year contract extension. The 1st and 2nd amendments added a one-time purchase card review and the ongoing financial audit of Mt. Hood Cable Regulatory Commission to the contract. The 5th amendment extended the time and cost to complete the federal compliance audit last year due to the late discovery of a 7th major program. The 3rd and 4th amendments extended the delivery dates for financial statements to the auditors, and the related audit opinion due dates, with no increase in compensation, in FY 2011-12 and FY 2013-14.

Financial and budgetary impacts:

- The proposed ordinance will result in a contract amendment, which will increase the City's financial obligation by \$658,445 for the audits relating to FY2014-15. This will bring the current "not to exceed" amount of \$1,816,977 for Contract No. 30002662 up to \$2,475,422. The initial contract's "not to exceed" amount for three years of audits was \$1,745,842.

- The proposed ordinance authorizes additional spending of up to \$658,445 for the audits relating to FY 2014-15. Most of the required work will occur during the fiscal year immediately following the fiscal year being audited. The contract audit expenses will be paid for from the relevant budgets for FY 2015-16.
- For the “not to exceed” amounts included in the \$658,445, the City Auditor’s Office will pay \$344,650 for the City’s FY 2014-15 CAFR audit and \$116,000 for the federal compliance, or Single Audit. The City Auditor’s Office Requested Budget for FY 2015-16 General Fund covers these contracted amounts on Center Code AUCA000001.
- If the Bureau of Revenue and Financial Services (BRFS) management requests and authorizes accounting assistance for the implementation of the Government Accounting Standards Board’s Statement No. 68, then BRFS will pay an amount not to exceed \$30,000 from Center Code MFFS000001. The BRFS FY 2015-16 Requested Budget includes sufficient General Fund for this cost.
- The following reporting entities will pay for cost of the audit of their respective FY 2014-15 financial statements included in the \$658,445, in the “not to exceed” amounts set out below:
 - \$110,850 for the Portland Development Commission’s CAFR audit. PDC management has agreed to pay this from PDC’s Indirect Fund 102, Cost Center 120, Accounting and Payroll.
 - \$27,700 for the Fire and Police Disability and Retirement Funds, to be paid from the Fire and Police Disability and Retirement Fund, Center Code DRDR000004.
 - \$16,600 for the Hydroelectric Power Funds, to be paid from the Hydro-electric Power Operating Fund, Center Code WAHP000001.
 - \$12,645 for the Mt. Hood Cable Regulatory Commission, to be paid from the MHCRC Agency Fund, Center Code 9MFRBMH00001.
- The reporting entities’ funds have been budgeted for the intended use in their requested budgets for FY 2015-16.

Community impacts and community involvement:

- This action relates to a contract which was authorized for a three year term plus the option for the City to make up to two one-year extensions (FY 2014-15 and FY 2015-16), for a total of five years maximum before a new competitive bidding process is required. This is a normal practice for financial audit contracts. This type of contract is in harmony with the Government Finance Officers Association Best Practice for audit procurement of having multiyear agreements of at least five years in duration when obtaining the services of independent auditors. Such agreements allow for greater continuity and help to minimize the potential for disruption in connection with the independent audit. The City Auditor has considered input from the professional accounting staff in the reporting entities being audited, and is satisfied with the conduct of the past audits delivered under this contract.
- Conducting and reporting the outcome of the impartial annual audit of the City’s financial statements to City Council and the public benefits all the residents of Portland by improving City accountability.
- Widespread public involvement was not included in the initial selection of Moss Adams, LLP for the City’s financial audit contract. Moss Adams, LLP was selected for this contract

using the process outlined under Portland City Code Chapter 5.68. This is a competitive bidding process that promotes accountability and competition among all segments of the citizens of Portland. The RFP was advertised in the DJC for three consecutive days during February 2012.

- In addition, as required by the City's procurement process, the selection committee which recommended the award of this contract to Moss Adams, LLP included three members of the public from the Minority Evaluator Program through the Alliance of Minority Chambers.

Budgetary Impact Worksheet

Does this action change appropriations?

☐ **YES:** Please complete the information below.

☒ **NO:** Skip this section

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount