

AMENDMENT NUMBER 9**CONTRACT NUMBER 30002662****FOR****Financial & Federal Compliance Audits**

Pursuant to Ordinance Number [_____]

This Contract was made and entered on May 18, 2012 by and between Moss Adams, LLP, hereinafter called Contractor, and the City of Portland, a municipal corporation of the State of Oregon, by and through its duly authorized representatives, hereinafter called City.

1. This contract is hereby extended by one year through May 16, 2017, for the City's fiscal year June 30, 2016 financial and compliance audits.
2. Additional work is necessary as described in the Scope of Work as follows:
 - a) The Contractor agrees to conduct audits of the financial statements of the following entities, the "Auditees", for a fifth year, FY 2015-16:
 - a. **City of Portland**
 - b. **Portland Development Commission (PDC)**
 - c. **Fire and Police Disability and Retirement (FPD&R)**
 - d. **Hydroelectric Power Fund**
 - e. **Mt. Hood Cable Regulatory Commission (MHCRC)**

The financial statements of the City and of PDC are also known as their Comprehensive Annual Financial Report (CAFR). The audit reports to be provided will cover the fiscal year beginning July 1, 2015 and ending June 30, 2016, except for the Hydroelectric Power Fund, whose fiscal year runs from September 1, 2015 through August 31, 2016.

b) Oregon Minimum Standards

As required by the Minimum Standards for Audits of Oregon Municipal Corporations, the Contractor will test the City's, the Portland Development Commission's, and Mt. Hood Cable Regulatory Commission's compliance with certain provisions of laws, regulations, contracts, grants including provisions of certain Oregon Revised Statutes, and will report any noncompliance found. The Oregon Minimum Standards reports are to be published in the related CAFR or financial statements.

c) Government Auditing Standards

As required by Government Auditing Standards, the Contractor will prepare a separate written report on their tests of compliance with applicable laws and regulations for each of the City's CAFR, the Portland Development Commission's CAFR, FPDR's and the Hydroelectric Power Fund's financial statements.

In a revision to **Section 2.2 f, (1)** of the Contract, the City's Government Auditing Standards report on compliance and internal controls, will be delivered by the Contractor with the audit opinion on the City's CAFR (see **Section 5 below for Due Dates for Contractor's**

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Reports), for publication in the same. The City's CAFR will be published separately from the Single Audit reporting package for FY 2015-16. The Contractor will provide a duplicate copy of the City's Government Auditing Standards report for publication in the Single Audit reporting package. Any control deficiency or compliance findings noted in the City's CAFR audit will be reported by the Contractor in a **Schedule of Findings and Recommendations**, for publication in the CAFR. Any such Schedule of Findings and Recommendations will in addition make up Part II of the Schedule of Findings and Questioned Cost required by the federal regulations for the Single Audit from the Contractor.

d) The Single Audit

The Contractor agrees to conduct the federal compliance audit, also known as the Single Audit, of the federal awards expended during FY 2015-16 by the City and its component units, to determine whether the City has complied with federal statutes, regulations, and the terms and conditions of federal awards that may have a direct and material effect on each of its major programs.

The City anticipates having up to six major programs requiring testing under the Single Audit Act for FY2015-16. The Single Audit for FY 2015-16 may require testing compliance of the City's and its component units' federal awards with two sets of requirements because some of the City's federal awards span many years. These compliance requirements come from the old Office of Management and Budgets (OMB) Circular A-133 for awards received up to December 16, 2014, and from the new Uniform Grant Guidance (UGG) for awards received after that date.

See **Section 7 a)** below for changes to **Additional Compensation** if the number of major programs in FY 2015-16 is more or less than six.

e) Interim Audit Fieldwork

The Contractor will advise the relevant Auditee Project Manager and the Audit Contract Manager if it requires access to perform on site audit fieldwork prior to the end of the FY 2015-16 fiscal year.

f) Other Services aka Technical Assistance

The Contractor will continue to provide the other services included in **Section 1.6.8** of this contract, and in **Amendment No. 2, Section 1.5.7** for MHCRC, without additional compensation. Technical assistance includes the Contractor making available to the entity being audited, without additional compensation, any benchmarking studies used during the audits' analytical review procedures or related to reporting audit results to illustrate audit findings. The cost of these Other Services is included in the **Additional Compensation** for the audits in **(7) below**. However, if the City, its reporting entities or MHCRC were to ask the Contractor for some special benchmarking study, that would fall outside this contract.

g) Training

The Contractor will continue to provide the Training services included in **Section 1.7.1** of this contract, up to six CPE credits in the contract extension year, without additional compensation, to the staff of the City and its reporting entities, except for MHCRC. The cost of Training is included in the **Additional Compensation** for the audits in **(7) below**.

h) Non-Audit Services

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The Contractor will continue to provide limited technical advice or assistance (aka Non-Audit Services), set out in **Section 1.7.2** of this contract, and in **Amendment No. 2, Section 1.6.1** for MHCRC, without additional compensation, including consultation and assistance regarding adoption of appropriate accounting standards. Contractor will provide up to thirty-six hours of Non-Audit Services to the City and its reporting entities combined, plus up to eight hours for MHCRC, in the contract extension year.

i) Additional Testing for PDC's New IT System

PDC is implementing a new IT system during FY 2015-16 to record and process its financial transactions. The fees and hours for PDC's FY 2015-16 CAFR audit set out in the **Additional Compensation** for the audits in **(7) below** include the additional effort Moss Adams expects to expend on testing the integrity of the financial data transferred from PDC's old financial system, Lawson, into the new IT system.

3. Contract Manager and Auditee Project Managers

There is no change to the City's Contract Manager for this Agreement, Fiona C.H. Earle, ACA, CIA, Principal Management Auditor, from the Office of the City Auditor. The entities being audited under this contract, which are listed in **2 a) above**, are collectively called "Auditees". The Auditee Project Managers' list has been updated in the attached **Exhibit C v3**.

4. Contractor's Personnel

Pursuant to **Section 27** of the Agreement, Moss Adams LLP will assign the personnel listed to do the work in the capacities designated on the attached **Exhibit Gv2**.

5. Due Dates for Contractor's Reports

The City of Portland wishes to file the audited FY 2015-16 CAFR with the Oregon Secretary of State by November 15, 2016. This will require the substantial completion of the Single Audit, and the delivery of the audit opinion and audit reports for the City's CAFR, and for the City's reporting entities, at earlier dates than in the original Contract or in previous amendments to it. If any due date falls on a weekend or holiday, the Contractor will deliver its opinion and/or reports on the workday immediately preceding the due date, unless stated otherwise in the list below.

The final delivery date for Contractor's audit opinions and reports depends upon the Auditees' punctual delivery of the audit schedules and draft reports as listed in **item 6** of this Amendment. As set out in **Exhibit E, item 1** of the Contract, the Contractor will not be considered to have received the financial statements and audit schedules until they are accurate, consistent with other related schedules and statements, and free of material unreconciled differences.

Contractor will deliver:

- i. Review comments on the first draft of the **Portland Development Commission's** FY 2015-16 CAFR by October 20, 2016.
- ii. Audit opinion and Government Auditing Standards report on the **Fire and Police Disability and Retirement Funds** for FY 2015-16 by October 28, 2016.
- iii. Review comments on the first draft of the **City's FY 2015-16 CAFR** by October 28, 2016.
- iv. Audit opinion and reports on the **Portland Development Commission's** FY 2015-16 CAFR by

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- v. Audit opinion and reports on the **City's FY 2015-16 CAFR** by noon on November 15, 2016, including the Summary of Revenues and Expenditures for filing with the Secretary of State, and the Schedule of Findings and Recommendations if it's applicable, per **Section 2.c)** of this Amendment.
- vi. Audit opinion and reports on **MHCRC's FY 2015-16 financial statements** by noon on December 9, 2016.
- vii. Audit opinion on the **Hydroelectric Power Fund's FY 2015-16 financial statements** by February 10, 2017.
- viii. Audit opinion on the Schedule of Expenditure of Federal Awards, audit reports on compliance, and the Schedule of Findings and Questioned Costs, if any, for the City's FY 2015-16 **Single Audit** by end of day, December 5, 2016. If the due date falls on a Saturday, Sunday, or Federal holiday, the Single Audit reporting package is due the next business day.
- ix. The **electronic data collection form for the Single Audit** will be completed and signed by the earlier of 30 days after delivering the Single Audit reports in **viii above**, and March 31, 2017. If the due date falls on a Saturday, Sunday, or Federal holiday, the Single Audit reporting package is due the next business day.
- x. Draft SAS 114 letters to Those Charged with Governance for the City and PDC by seventeen days after the date of the related audit opinion.
- xi. Final SAS 114 letters for the City and PDC due in time for filing the documents for a public meeting of the City Council and the Commission on the subject to the financial audit, and no later than 60 days after the related audit opinion dates.
- xii. Final SAS 114 letter for MHCRC by December 9, 2016, in time for filing for the public meeting of the Commission on December 19, 2016. Contractor will send draft SAS 114 letter for MHCRC as early as possible.
- xiii. Summary of Revenues and Expenditures for MHCRC, December 9, 2016 with delivery of the audit opinion. This Summary is to be send to the MHCRC's Audit Project Manager, instead of the City Accounting Division, with a copy sent to the Audit Contract Manager.
- xiv. Summary of Revenues and Expenditures for PDC, within 30 days after delivering the audit opinion, or on the next regular business day if that date falls on a weekend or holiday.
- xv. Working draft Management Letter, also known as the Best Practices Letter, for the City and PDC due no later than 30 days after the date of the audit opinion on the related CAFR.
- xvi. Final Management Letter for PDC due no later than 45 days after the date of the audit opinion on PDC's CAFR.
- xvii. Final Management Letter for the City due no later than 60 days after the date of the audit opinion on the City's CAFR.
- xviii. Working draft Management Letter for MHCRC due no later than 30 days after the date of the audit opinion on MHCRC's financial statements.
- xix. MHCRC's Final Management Letter due no later than 60 days after the date of the audit opinion.

6. Audit Schedules and Draft Financial Report Delivery Dates

The accounting staff of the City and its reporting entities agree to prepare and deliver the financial statements and report drafts to the Contractor by the dates listed below. These dates will need to be confirmed by the accounting staff of the City and other Auditees with the Contractor once the FY 2015-16 closing dates for SAP are known.

If any due date falls on a weekend or holiday, the Auditee will deliver its financial statements on the workday immediately preceding the due date.

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Auditee personnel and accounting staff will review with the Contractor the list of detailed audit schedules needed to support the financial statements. Auditee personnel and accounting staff agree to prepare and deliver the detailed audit schedules at date(s) to be mutually agreed upon later by the Contractor and Auditees.

Financial Statements' Due Dates

ENTITY/Statements, Schedules	Date Due to Contractor	Responsible Staff	Accounting
CITY OF PORTLAND CAFR			
First draft CAFR, excluding PDC amounts.	10/07/2016	Technical Acctg Supervisor, Bureau of Revenue & Financial Services (BRFS)	
Draft MD&A and CAFR pages with PDC amounts.	10/14/2016	City Controller, BRFS	
Final draft CAFR	11/03/2016	Technical Acctg Supervisor, BRFS	
Final MD&A	11/04/2016	City Controller, BRFS	
CITY OF PORTLAND SINGLE AUDIT			
Schedule of Federal Award Expenditures – Draft	7/29/2016	Principal Financial Analyst/Grants Division, BRFS	
Schedule of Federal Award Expenditures – Final draft	10/11/2016	Principal Financial Analyst/Grants Division, BRFS	
PORTLAND DEVELOPMENT COMMISSION (PDC)			
First draft CAFR	10/10/2016	Accounting Supervisor/PDC	
Final draft CAFR	10/25/2016	Accounting Supervisor/PDC	
FIRE & POLICE DISABILITY AND RETIREMENT FUNDS			
Final draft financial statements	9/30/16	FPDR Financial Manager	
HYDROELECTRIC POWER FUND			
Draft Statement of Annual Purchase Price	10/19/2016	Hydroelectric Project Mgr/ Hydroelectric Power Division, Water Bureau	
Final Statement of Annual Purchase Price	12/30/2016	Hydroelectric Project Mgr, with data from PGE	
Final draft financial statements	01/13/2017	Technical Acctg Supervisor, BRFS	
MT. HOOD CABLE REGULATORY COMMISSION			
Budgetary Trial Balance numbers, Accounting Period 12	8/26/2016	Technical Acctg Supervisor, BRFS	
Component units' audited financial statements	10/10/2016	Director, MHCRC	
Budgetary & GAAP Trial Balance numbers, Accounting Period 13	11/18/2016 *	Technical Acctg Supervisor, BRFS	
Completed draft financial statements, including GAAP Basis and Budgetary Basis Statements	11/18/2016 *	Technical Acctg Supervisor, BRFS	

* MHCRC's draft financial statements, and the budgetary and GAAP trial balance for accounting period 13 will be sent to the Contractor and to MHCRC's Finance Committee on November 18, 2016. The Finance Committee will meet to approve the draft financial statements by the end of the first week of December, 2016. If the Finance Committee makes any changes to MHCRC's financial statements, the

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revised statements will be sent to the Contractor by end of the day of the Finance Committee meeting.

7. **Additional Compensation** for the FY 2015/16 audits is necessary and shall not exceed **\$599,750**. This total additional compensation, and the related hours, are allocated to the audits under this contract extension in the maximum, "not to exceed" amounts that the Contractor can be paid for each audit, as set out below:

Additional hours and fees not to exceed	Hours	Fees \$
City's CAFR Audit	1,760	\$301,000
City's IT Evaluation and Risk Assessment	80	\$ 18,000
Single Audit	560	\$ 96,100
Single Audit for each Major Program over six	93	\$ 16,000
Fire and Police Disability and Retirement Funds	160	\$ 27,700
Hydroelectric Power Fund	85	\$ 14,700
City of Portland Subtotal	2,738	\$473,500
Portland Development Commission's CAFR Audit	580	\$100,300
PDC's IT Evaluation and Risk Assessment	60	\$ 12,800
PDC Total	640	\$113,100
City of Portland Total	3,378	\$586,600
Mt. Hood Cable Regulatory Commission	76	\$ 13,150
TOTAL	3,454	\$599,750

- a) If the number of major programs for the Single Audit exceeds six, the Contractor's fees will be increased by \$16,000 for each additional major program. Before any work can begin and any billings submitted by Moss Adams for work on any seventh or additional major programs, the City's Audit Contract Manager will be required to authorize the additional work and communicate that authorization to the Contractor. Moss Adams will include only authorized hours in its monthly invoices. If the number of major programs is less than the six expected, the City will pay Contractor the prorated amount of the Single Audit fee for the actual number of major programs audited.

b) Premium Rates

As set out in **Exhibit E, 4 c** to the original contract, any extension due to late delivery by the Auditees of the financial statements and/or audit schedules, which requires the knowledge and experience of senior managers and partners of the Contractor for testing and review of the CAFR, will be billed at the hourly rates for Partner and Senior Manager set out in **7 c) to this Amendment**.

Before any work can begin and any billings be submitted by Moss Adams, the Contractor must estimate the total hours required to complete the audit timely, and the Auditee Project Manager responsible for the delivery of the late statements and/or audit schedules will be required to agree to pay for this work. Before this work can begin and any billings be submitted, both the Contractor and the responsible Auditee Project Manager must communicate the estimated hours, cost and authorization to the Audit

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Contract Manager so that the appropriate amendment can be drawn up. Moss Adams will include only authorized hours in its monthly invoices.

c) **Hourly Rates for Billing Audit Work**

Work on the audits under this Amendment shall be billed for actual hours worked, up to the lesser of the total hours and total "not to exceed amount" for each audit set out in **Item 7** above. On or before the 15th of each month, the Consultant shall submit to the City's Contract Manager a separate invoice for each audit, for work performed by the Consultant during the preceding month. These invoices shall contain the City's Contract Number and set out all items for payment including, but not limited to: the name of the individual, labor category, direct labor rate, hours worked during the period, and tasks performed. The billing rates shall not exceed those set forth below:

<u>Title</u>	<u>Hourly Rate</u>
Partner	\$404
Senior Manager	\$310
Manager	\$221
Senior	\$184
Staff	\$160
IT Senior Manager	\$331
IT Manager/Supervisor	\$278
IT Senior	\$226

8. As a result of this amendment the contract's total "not to exceed amount" is increased to **\$3,075,172.**

All other terms and conditions shall remain unchanged and in full force and effect.

CONTRACTOR SIGNATURE

This contract amendment may be signed in two (2) or more counterparts, each of which shall be deemed an original, and which, when taken together, shall constitute one and the same contract amendment.

The parties agree the City and Contractor may conduct this transaction by electronic means, including the use of electronic signatures.

Contractor Name: Moss Adams, LLP
 Address: 975 Oak Street, Suite 500,
Eugene, OR 97401
 Telephone: (541) 686-1040

Signature:  Date: 2/17/2016

Name: James C. Lanzarotta

Title: Partner

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CITY OF PORTLAND SIGNATURES

By: _____
Chief Procurement Officer

Date: _____

By: _____
Elected City Auditor: Mary Hull Caballero

Date: _____

Approved:

By: N/A
Office of City Auditor

Date: _____

Approved as to Form:

By: APPROVED AS TO FORM
Office of City Attorney [Signature]
CHIEF DEPUTY CITY ATTORNEY

Date: 2/25/16

Financial & Federal Compliance Audit Contract EXHIBIT Cv3

AUDITEE PROJECT MANAGERS FOR FY2016 AUDITS

The Auditees' project managers or their designees will be the primary point of contact for the Contractor to obtain audit evidence. The Auditees' project managers assigned to provide the Contractor with support for each audit will be:

Audit	Auditee Project Manager	Telephone/E-mail
CITY OF PORTLAND's CAFR	Michelle Kirby City Controller Accounting Division Bureau of Revenue & Financial Services	503.823-4358
FEDERAL COMPLIANCE	Sheila Black-Craig Principal Financial Analyst, Grants Compliance Program Bureau of Revenue & Financial Services	503.823-6863
PORTLAND DEVELOPMENT COMMISSION	Faye Brown Chief Financial Officer	503.823-3230
FIRE & POLICE DISABILITY & RETIREMENT FUND	Stacy Jones FPDR Financial Manager	503.823-2609
HYDROELECTRIC POWER FUND	Frank Galida Hydroelectric Project Mgr Hydroelectric Power Division Water Bureau	503.823-7517
MT. HOOD CABLE REGULATORY COMMISSION	Mary Beth Henry Staff Director, MHCRC and Manager, Office for Community Technology	503.823-5414

In addition, there will be the following specific agency/bureau contacts:

Audit Area	Agency/Bureau Contact	Telephone/E-mail
City CAFR's Audit Schedules, Hydroelectric Power's Financial Statements, And MHCRC's Financial Statements	Ron Vaught Acting Technical Accounting Supervisor Bureau of Revenue & Financial Services	503.823-2790
City Debt	Eric Johansen Debt Manager Public Finance and Treasury Division, Bureau of Revenue & Financial Services	503.823-4222 eric.johansen@portlandoregon.gov
City Revenue	Thomas Lannom Director, Revenue Division Bureau of Revenue & Financial Services	503.823-5154
Utility Team	Remani Mathew Accounting Manager Water Bureau	503.823-7634

**Contract No. 30002662, Amendment No. 6
EXHIBIT Gv2**

CONTRACTOR'S PERSONNEL

Moss Adams shall assign the following personnel to work on the Audits of FY 2015/2016 in the capacities designated:

Name	Title	Capacity
James Lanzarotta	Assurance Partner	Overall engagement partner & governmental expert Engagement review partner for City's CAFR audit and Single/Compliance Audit, Portland Development Commission's CAFR audit, FPDR's financial audit, Hydroelectric Power Fund's financial audit, and MHCRC's financial audit
Jim Thompson	Assurance Partner	Overall concurring reviewer (except for Hydroelectric Power Fund audit)
Chris Kradjan	Assurance Partner	Information Systems and Technology – Overall engagement review partner
Mary Case	Assurance Partner	Technical Resource Partner, if needed
Julie Desimone	Assurance Partner	Engagement Review Partner – for City Utility funds' financial statements within the City's CAFR audit, and Hydroelectric Power Fund's financial audit Utility expert.
Laurie Tish	Assurance Partner	Concurring reviewer for Hydroelectric Power Fund's audit
Ken DeHart	Assurance Senior Manager	In-charge auditor for City's CAFR audit & In-charge auditor for MHCRC's audit
Brad Smith	Partner	In-charge auditor for Portland Development Commission's CAFR Audit, and In-charge auditor for FPDR's financial audit
Greg Damon	Assurance Senior Manager	Information Systems and Technology – In Charge auditor and IT delegated engagement review
Micah Clinger	Assurance Manager	In-charge auditor for Compliance (Single) Audit
Keith Simovic	Assurance Manager	In-charge auditor for Hydroelectric Power Fund's financial audit