

IMPACT STATEMENT

Legislation title: Amend contract with Moss Adams, LLP to extend by one year for financial and federal compliance audits of FY 2015-2016 and increase compensation by \$599,750. (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, and/or Fiona Earle, Principal Management Auditor, Audit Services Division

Purpose of proposed legislation and background information:

This ordinance will authorize the amendment of the City's contract with Moss Adams, LLP, Certified Public Accountants, to extend it by one, final 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 2015-16 for the City and its reporting entities.

The City's contract with Moss Adams, LLP provides for the audit of the individual financial statements of these reporting entities, whose financial data has to be included in the City's Comprehensive Annual Financial Report (CAFR): the Portland Development Commission, the Fire & Police Disability & Retirement Funds, the Hydroelectric Power Funds, and Mt. Hood Cable Regulatory Commission.

The City and its reporting entities are required to have an independent, annual financial and/or compliance audit by one or more of the following mandates: the Federal Office of Management and Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; Oregon Law ORS 297.425; City Charter, Section 2-505; 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.

Council passed Ordinance No. 185332 on May 16, 2012 which 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 gave the City the option to extend the term of the services provided by Moss Adams, LLP for up to two additional years in one-year increments. 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 during 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.

Council passed Ordinance No. 187107 on May 6, 2015 to authorize an amendment to extend this contract by one year, for the performance of the financial and compliance audits of FY 2014-15.

Financial and budgetary impacts:

The proposed ordinance will authorize a 9th contract amendment, which will increase the City's financial obligation by \$599,750 for the audits relating to FY2015-16. This will bring the current "not to exceed" amount of \$2,475,422 for Contract No. 30002662 up to \$3,075,172. The initial contract's "not to exceed" amount for three years of audits was \$1,745,842. The previous one-year contract extension by the 6th amendment increased the "not to exceed" compensation amount by \$658,445 for the audits relating to FY 2014-15.

The proposed ordinance authorizes additional spending up to \$599,750, most of which will be paid for out of the relevant budgets for FY 2016-17. Most of the work required on a financial audit occurs during the fiscal year immediately following the fiscal year being audited.

The audits included in this contract extension, for a total "not to exceed" amount of \$599,750 will be funded by various City bureaus and reporting entities, as follows below.

The City Auditor's Office will pay up to \$431,100 for the City's FY 2015-16 CAFR audit and the federal compliance, or Single Audit. The City Auditor's Office Requested Budget for FY 2016-17 General Fund covers this contracted amount.

The following reporting entities will pay for the audit of their respective FY 2015-16 financial statements, up to the following amounts:

- \$113,100 for the Portland Development Commission's CAFR audit. PDC management has agreed to pay this from PDC's Indirect Fund.
- \$27,700 for the Fire and Police Disability and Retirement Funds, to be paid from the Fire and Police Disability and Retirement Fund.
- \$14,700 for the Hydroelectric Power Funds, to be paid from the Hydro-electric Power Operating Fund.
- \$13,150 for the Mt. Hood Cable Regulatory Commission, to be paid from the Mt. Hood Cable Regulatory Commission Fund.

The reporting entities' funds have been budgeted for the intended use in their requested budgets for FY 2016-17.

The City Auditor's Office is not aware of any impact the proposed audits may have on the current and future staffing levels of the bureaus which will produce the FY 2015-16 financial statements of the City and its reporting entities.

Community impacts and community involvement:

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 and businesses of Portland by improving City accountability and transparency.

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



Portland City Auditor

Audit Services Division

Auditor Mary Hull Caballero

Director Drummond Kahn

187 645

Date: March 15, 2016

To: City Council

From: Fiona Earle, Principal Management Auditor
Audit Services Division
Office of the City Auditor

RE: Amendment request for Council Agenda Item 254

Amend contract with Moss Adams, LLP to extend by one year for financial and federal compliance audits of FY 2015-2016 and increase compensation by \$599,750. (Ordinance; amend Contract No. 30002662)

Due to an oversight, the following change is needed in the Council Directives on Agenda Item 254. The amendment will be presented at the Council meeting on March 16, 2016.

NOW, THEREFORE, the Council directs:

- f. ~~The Chief Procurement Officer is authorized to execute any amendments to this extended contract which are not an extension of the term of the contract or which in and of themselves do not exceed the 25% limitation of the additional contract amount of \$599,750.~~



City of Portland

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