

**PORTLAND DEVELOPMENT COMMISSION**  
**BOARD AUDIT COMMITTEE**  
Portland, Oregon

**RESOLUTION NO. 6953**

**APPROVING THE INDEPENDENT AUDITOR AND AUDIT SCOPE,  
SCHEDULE AND FEES FOR THE FISCAL YEARS 2011-12, 2012-13, AND  
2013-14**

**WHEREAS**, the City of Portland ( the "City") and the Portland Development Commission ("PDC") desire to engage an independent auditor to conduct an audit of the financial statements of the City and PDC under one contract to be managed by the City Auditor in order to achieve cost savings to the City;

**WHEREAS**, on February 24, 2012, the City issued Request for Proposals No. AUD012 for Financial and Compliance Audits of the City of Portland and Component Units (the "RFP");

**WHEREAS**, for accounting purposes, PDC is a discretely presented Component Unit of the City of Portland;

**WHEREAS**, an inter-agency selection review committee (composed of City of Portland and PDC staff, and three external persons) reviewed and evaluated the responses to the RFP and selected Moss Adam, LLP as the successful proposer;

**WHEREAS**, on March 17, 2004, the PDC Board of Commissioners (the "Board") adopted Resolution No. 6112 which created the PDC Board Audit Committee; and

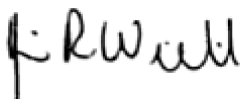
**WHEREAS**, on June 9, 2004, the Board adopted Resolution No. 6150, the Board Audit Committee Charter, which requires the Board Audit Committee, among other things, to approve the independent auditor hired to conduct the annual examination of Commission financial statements and to approve the audit scope, schedule, and fees.

**NOW, THEREFORE, BE IT RESOLVED**, that the PDC Board Audit Committee approves Moss Adams, LLP, as the independent financial auditor to conduct the audits of PDC's financial statements for the fiscal years 2011-12, 2012-13, and 2013-14;

**BE IT FURTHER RESOLVED**, that the PDC Board Audit Committee approves the scope, schedule and fees for such audits as set forth in Exhibits A and B attached hereto; and

**BE IT FURTHER RESOLVED**, that this resolution shall become effective immediately upon its adoption.

Adopted by Portland Development Commission on June 13, 2012



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Gina Wiedrick, Recording Secretary

**Exhibit A**

Audit Year	Total Audit and CAFR	
	Hours	Dollars
2012	650	\$100,000
2013	650	\$102,000
2014	650	\$104,000
	Total	<u>\$306,000</u>

CITY OF PORTLAND  
AGREEMENT FOR PROFESSIONAL, TECHNICAL, OR EXPERT SERVICES

CONTRACT NO. 30002662

SHORT TITLE OF WORK PROJECT:  
FINANCIAL & FEDERAL COMPLIANCE AUDITS

This contract is between the City of Portland ("City") acting by and through the elected City Auditor, and Moss Adams LLP, hereafter called "Contractor." The City's Contract Manager for this contract is Fiona Earle, ACA, CIA, Principal Management Auditor.

**Effective Date and Duration**

This contract shall become effective on May 17, 2012 (or on the date at which every party has signed this contract, whichever is later). This contract shall expire, unless otherwise terminated or extended, on May 16, 2015. The City shall have sole discretion to extend this contract for two (2) additional one-year periods subject to the Contractor's agreement. The total contract period shall not exceed five (5) years. The City may assess whether to continue the contract at each anniversary date, or after completion of each year's audits.

**Consideration**

(a) City agrees to pay Contractor a sum not to exceed \$1,745,842 for accomplishment of the work for three (3) years, and reserves the right to extend this contract upon mutual agreement by the City and the Contractor for up to two (2) additional years in one-year increments.

(b) Interim payments shall be made to Contractor according to the schedule identified in the STATEMENT OF THE WORK AND PAYMENT SCHEDULE.

**Definitions**

The entities for whom the services are to be provided under this contract are the City, which is the primary government, and its three reporting entities. The City and these reporting entities are collectively hereafter called "Auditees":

- Portland Development Commission (PDC)
- Fire and Police Disability and Retirement Funds (FPDR)
- Hydroelectric Power Fund

The terms "contract" and "Agreement" are used interchangeably.

"Basic financial statements" means the documents defined as financial statements by the statements of the Governmental Accounting Standards Board (GASB).

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CONTRACTOR DATA AND CERTIFICATION

Name (please print): Moss Adams LLP

Address: 975 Oak Street, Suite 500, Eugene, OR 97401

Employer Identification Number (EIN) 91-0189318  
[INDEPENDENT CONTRACTORS: DO NOT PROVIDE SOCIAL SECURITY NUMBER (SSN) - LEAVE BLANK IF NO EIN]

City of Portland Business License # 111095

Citizenship: Nonresident alien  Yes  No

Business Designation (check one):  Individual  Sole Proprietorship  Partnership  Corporation  
 Limited Liability Co (LLC)  Estate/Trust  Public Service Corp.  Government/Nonprofit

Payment information will be reported to the IRS under the name and taxpayer I.D. number provided above. Information must be provided prior to contract approval.

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**TERMS AND CONDITIONS**

**1. Standard of Care:** Contractor shall perform all services under this contract using that care, skill and diligence that would ordinarily be used by similar professionals in this community in similar circumstances. Contractor will re-perform any services not meeting this standard without additional compensation.

**2. Effect of Expiration**

Passage of the contract expiration date shall not extinguish, prejudice, or limit either party's right to enforce this Contract with respect to any default or defect in performance that has not been corrected.

**3. Order of Precedence**

This contract consists of these Terms and Conditions, the Statement of Work and Payment Schedule, and any exhibits that are attached. Any apparent or alleged conflict between these items will be resolved by using the following order of precedence: a) these Terms and Conditions; b) Statement of Work and Payment Schedule; c) approved, written contract amendments, if any; and d) any exhibits attached to the contract.

**4. Early Termination of Contract**

(a) The City may terminate this Contract for convenience at any time for any reason deemed appropriate in its sole discretion. Termination is effective immediately upon notice of termination given by the City.

(b) Either party may terminate this Contract in the event of a material breach by the other party that is not cured. Before termination is permitted, the party seeking termination shall give the other party written notice of the breach, its intent to terminate and fifteen (15) calendar days to cure the breach. If the breach is not cured within 15 days, the party seeking termination may terminate immediately by giving written notice that the Contract is terminated.

(c) Notwithstanding paragraph 4(b), the City may terminate this Contract immediately by written notice to Contractor upon denial, suspension, revocation or non-renewal of any license, permit or certificate that Contractor must hold to provide services under this Contract.

(d) Contractor may terminate this Contract for cause related to any City actions that impede Contractor's ability to perform, according to applicable auditing standards, services under this Agreement upon thirty (30) days advance notice to the City.

**5. Remedies and Payment on Early Termination**

(a) If the City terminates pursuant to 4(a) above, the City shall pay the Contractor for work performed in accordance with the Contract prior to the termination date. No other costs or loss of anticipated profits shall be paid.

(b) If the City terminates pursuant to 4(b) above, the City is entitled all remedies available at law or equity. In addition, Contractor shall pay the City all damages, costs and sums incurred by the City as a result of the breach.

(c) If the Contractor justifiably terminates the contract pursuant to subsection 4(b) or 4(d), the Contractor's only remedy is payment for work prior to the termination. No other costs or loss of anticipated profits shall be paid.

(d) If the City's termination under Section 4(b) was wrongful, the termination shall be automatically converted to one for convenience and the Contractor shall be paid as if the Contract was terminated under Section 4(a).

(e) In the event of early termination the Contractor's Work Product (defined below) created before the date of termination becomes property of the City.

**6. Assignment**

Contractor shall not subcontract, assign or transfer any of the work scheduled under this agreement, without the prior written consent of the City. Notwithstanding City approval of a subcontractor, the Contractor shall remain obligated for full performance hereunder, and the City shall incur no obligation other than its obligations to the Contractor hereunder. The Contractor agrees that if subcontractors are employed in the performance of this Agreement, the Contractor and its subcontractors are subject to the requirements and sanctions of ORS Chapter 656, Workers' Compensation.

**7. Compliance with Applicable Law**

Contractor shall comply with all applicable federal, state and local laws and regulations. Contractor agrees it currently is in compliance with all tax laws.

**8. Indemnification for Property Damage and Personal Injury**

Contractor shall indemnify, defend, and hold harmless the City, its officers, agents, and employees, from all claims, losses, damages, and costs (including reasonable attorney fees) for personal injury and tangible property damage arising out of the intentional or negligent acts or omissions of the Contractor, its Subcontractors, suppliers, employees or agents in the performance of its services. Nothing in this paragraph requires the Contractor or its insurer to indemnify the City for claims of personal injury or property damage caused by the negligence of the City. This duty shall survive the expiration or termination of this contract.

**9. Insurance**

Contractor shall obtain and maintain in full force at Contractor expense, throughout the duration of this Contract and any warranty or extension periods, the required insurance identified below. The City reserves the right to require additional insurance coverage as required by statutory or legal changes to the maximum liability that may be imposed on Oregon cities during the term of the Contract.

**Commercial General Liability Insurance:** Contractor shall have commercial general liability (CGL) insurance covering bodily injury, personal damage, including coverage for independent contractor's protection (required if any work will be subcontracted), premises/operations, contractual liability, products and completed operations, in per occurrence limit of not less than \$1,000,000, and aggregate limit of not less than \$2,000,000. Contractor shall provide evidence that any subcontractor, if any, performing work or providing goods or services under the Contract has the same types and amounts of coverage as required herein or that the subcontractor is included under Contractor's policy.

Required and attached or  waived by Authorized Bureau Representative

**Automobile Liability Insurance:** Contractor shall have automobile liability insurance with coverage of not less than \$1,000,000 each incident. The insurance shall include coverage for any auto or all owned, scheduled, hired and non-owned auto. This coverage may be combined with the commercial general liability insurance policy.

Required and attached or  waived by Authorized Bureau Representative

**Workers' Compensation Insurance:** Contractor shall comply with the workers' compensation law, ORS Chapter 656 and as it may be amended. Unless exempt under ORS Chapter 656, the Contractor and all subcontractors shall maintain coverage for all subject workers.

Required and attached or  waived by Authorized Bureau Representative

**Professional Liability & Errors & Omissions Insurance:** Contractor shall have Professional Liability and/or Errors & Omissions insurance to cover damages caused by negligent acts, errors or omissions related to the professional services, and performance of duties and responsibilities of the Contractor under this contract in an amount with a combined single limit of not less than \$1,000,000 per occurrence and aggregate of \$3,000,000 for all claims per occurrence. In lieu of an occurrence based policy, Contractor may have claims made policy in an amount not less than \$1,000,000 per claim and \$3,000,000 annual aggregate, if the Contractor provides continuous coverage for a duration of three (3) years following completion of the contract. Contractor shall provided proof of insurance through satisfactory certificate(s) of insurance to the City.

Required and attached or  waived by Authorized Bureau Representative

**General Insurance Provisions.**

**Additional Insured:** The liability insurance coverage, except Professional Liability, Errors and Omissions, or Workers' Compensation, shall be without prejudice to coverage otherwise existing, and shall name the City of Portland and its bureaus/divisions, officers, agents and employees as Additional Insureds, with respect to the Contractor's activities to be performed, or products or services to be provided. Coverage shall be primary and non-contributory with any other insurance and self-insurance. Notwithstanding the naming of additional insureds, the insurance shall protect each additional insured in the same manner as though a separate policy had been issued to each, but nothing herein shall operate to increase the insurer's liability as set forth elsewhere in the policy beyond the amount or amounts for which the insurer would have been liable if only one person or interest had been named as insured.

**Continuous Coverage; Notice of Cancellation:** The Contractor agrees to maintain continuous, uninterrupted coverage for the duration of the Contract. There shall be no termination, cancellation, material change, potential exhaustion of aggregate limits or non renewal of coverage without thirty (30) days written notice from Contractor to the City. If the insurance is canceled or terminated prior to completion of the Contract, Contractor shall immediately notify the City and provide a new policy with the same terms. Any failure to comply with this clause shall constitute a material breach of Contract and shall be grounds for immediate termination of this Contract.

**Certificate(s) of Insurance:** Contractor shall provided proof of insurance through acceptable certificate(s) of insurance to the City prior to the award of the Contract if required by the procurement documents (e.g., request for proposal), or at execution of Contract and prior to any commencement of work or delivery of goods or services under the Contract. The Certificate(s) will specify all of the parties who are endorsed on the policy as Additional Insureds (or Loss Payees). Insurance coverage required under the Contract shall be obtained from insurance companies acceptable to the City of Portland. The Contractor shall pay for all deductibles and premium. The City reserves the right to require, at any time, complete, certified copies of required insurance policies (except declarations page as to the Professional Liability policy), including endorsements evidencing the coverage required.

**10. Ownership of Work Product**

All Work Product produced by the Contractor under this contract is the exclusive property of the City. "Work Product" is defined as final reports or other completed deliverables created under this contract and delivered to the City, excluding any Contractor Material (defined below) contained or embodied therein. The Contractor and the City intend that such Work Product shall be

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deemed "work made for hire" of which the City shall be deemed the author. If for any reason a Work Product is deemed not to be a "work made for hire," the Contractor hereby irrevocably assigns and transfers to the City all right, title and interest in such work product, whether arising from copyright, patent, trademark, trade secret, or any other state or federal intellectual property law or doctrines. Contractor shall obtain such interests and execute all documents necessary to fully vest such rights in the City. Contractor waives all rights relating to Work Product, including any rights arising under 17 USC 106A, or any other rights of authorship, identification or approval, restriction or limitation on use or subsequent modifications. If the Contractor is an architect, the Work Product is the property of the Contractor-Architect, and by execution of this contract, the Contractor-Architect grants the City an exclusive and irrevocable license to use that Work Product.

Notwithstanding the above, all pre-existing trademarks, services marks, patents, copyrights, and/or trade secrets and rights of Contractor are and will remain the exclusive property of Contractor. Moreover, Contractor shall own its working papers and any engagement documentation and accounting-related general skills, know-how, expertise, ideas, concepts, methods, techniques, processes, software, materials or other intellectual property, or information not provided by the City, which may have been discovered, created, received, developed or derived by Contractor either prior to or as a result of providing services under the contract (collectively, "Contractor Materials"). The City shall have a non-exclusive, non-transferable license to use Contractor Materials for its own internal use and only for the purposes for which they were delivered. Notwithstanding anything to the contrary in this contract, Contractor and its personnel are free to use and employ their general skills, know how, and expertise, and to use, disclose, and employ any generalized ideas, concepts, know-how, methods, techniques, or skills gained or learned during the course of this contract so long as they acquire and apply such information without any unauthorized use or disclosure of confidential or proprietary information of City. All such records and Work Product shall be promptly provided as required under the provisions of Paragraph 22.

**11. EEO Certification:** In the event Contractor provides in excess of \$2,500.00 for services to the City in any fiscal year, Contractor shall obtain EEO certification from the City.

**12. Equal Benefits**

Contractor must comply with the City's Equal Benefits program as prescribed by Chapter 3.100 of the Code of the City of Portland. The required documentation must be filed with Procurement Services, City of Portland, prior to contract execution.

**13. Successors in Interest**

The provisions of this contract shall be binding upon and shall inure to the benefit of the parties hereto, and their respective successors and approved assigns.

**14. Severability**

The parties agree that if any term or provision of this contract is declared by a court of competent jurisdiction to be illegal or in conflict with any law, the validity of the remaining terms and provisions shall not be affected, and the rights and obligations of the parties shall be construed and enforced as if the contract did not contain the particular term or provision held to be invalid.

**15. Waiver**

The failure of the City to enforce any provision of this contract shall not constitute a waiver by the City of that or any other provision.

**16. Errors**

The Contractor shall promptly perform such additional services as may be necessary to correct errors in the services required by this contract without undue delays and without additional cost.

**17. Governing Law/Venue**

The provisions of this contract shall be interpreted, construed and enforced in accordance with, and governed by, the laws of the State of Oregon without reference to its conflict of laws provisions that might otherwise require the application of the law of any other jurisdiction. Any action or suits involving any question arising under this contract must be brought in the appropriate court in Multnomah County Oregon.

**18. Amendments**

All changes to this contract, including changes to the scope of work and contract amount, must be made by written amendment and approved by the Chief Procurement Officer and Contractor to be valid. Any amendment that, in aggregate with other amendments, increases the contract amount by more than 25% during the original three-year term of the contract must be approved by the City Council and executed by the Chief Procurement Officer, to be valid. If the contract term is extended beyond three years, such extension or extensions shall be approved by City Council. Thereafter, amendments to the contract shall be made in the same manner. For purposes of determining whether the amount of an amendment to the extended contract exceeds 25% of the amount of the extended contract and requires City Council approval, contract amounts and payments made under previous years of the contract shall be disregarded and only the contract amount for the extended term shall be considered.

**19. Business License**

The Contractor shall obtain a City of Portland business license as required by Portland City Code (PCC) 7.02 prior to beginning work under this Contract.

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**20. Prohibited Conduct**

The Contractor shall not hire any City employee who evaluated the proposals or authorized the award of this Contract for two years after the date the contract was authorized without the express written permission of the City and provided the hiring is permitted by state law.

**21. Payment to Vendors and Subcontractors**

The Contractor shall timely pay all subcontractors and suppliers providing services or goods for this Contract.

**22. Access to Records**

(a) The Contractor shall maintain all records relating to this Contract for six (6) years after final payment. Consistent with the appropriate auditing standards, the City Auditor's Office may examine, audit and copy the Contractor's books, documents, papers, and records relating to this contract at any time during this period upon reasonable notice. Copies of these records shall be made available upon request. Payment for the reasonable cost of requested copies shall be made by the City. Contractor also shall make available for inspection, at any time within six years from the date of final payment, all work papers, documents or other materials produced by the Contractor in connection with this Agreement, to authorized representatives of *bona fide* "peer review" firms, the City's cognizant federal audit agency, an authorized successor contractor (upon execution of appropriate authorization and access letters), and the State of Oregon, Secretary of State, Division of Audits.

**(b) Compensation for Access to Records**

(i) For access to records produced under Section 22 (a), in addition to reasonable copying charges, the Contractor may charge the City its actual expenses based on its standard hourly rates then in effect for services provided to the City under this subsection, up to a maximum of 16 hours. Such services are contemplated to include the gathering of such records. Contractor shall use the lowest salaried or hourly personnel available and qualified for the tasks of gathering records. However, services provided to government agencies, or to another professional accounting or peer review firm in connection with a peer review of Contractor's work, shall be provided as deemed necessary and at no cost to the City.

(ii) For access to records, under Subsection 4 where the City has breached this Agreement, the Contractor may charge the City or a successor contractor its standard hourly rates up to a maximum of 16 hours at their then current rates for applicable personnel for copying and review of required documents.

(iii) For early termination under Section 4 where the Contractor has breached the Agreement, access to and/or copies of records will be provided to the City or the City's designated successor contractor at no cost to either the City or a successor contractor.

**23. Audits**

(a) The City may conduct financial and performance audits of the billings and services specified in this agreement at any time in the course of the agreement and during the six (6) year period established by paragraph 22. The City's Procurement Services staff at the direction of the Chief Procurement Officer may examine, audit and copy the Contractor's billing and service records relating to this Contract at any time during the term of the Contract and for six (6) years after final payment, upon reasonable notice. Audits will be conducted in accordance with generally accepted auditing standards as promulgated in Government Auditing Standards by the Comptroller General of the United States Government Accountability Office.

(b) If an audit discloses that payments to the Contractor exceed the amount to which the Contractor was entitled, the Contractor shall repay the amount of the excess to the City.

**24. Electronic Signatures**

The City and Contractor may conduct this transaction, including any contract amendments, by electronic means, including the use of electronic signatures.

**25. Merger Clause**

This Contract encompasses the entire agreement of the parties, and supersedes all previous understandings and agreements between the parties, whether verbal or written.

**26. Dispute Resolution/Work regardless of disputes**

The parties shall participate in mediation to resolve disputes before conducting litigation. The mediation shall occur at a reasonable time after the conclusion of the Contract with a mediator jointly selected by the parties. Notwithstanding any dispute under this Contract, the Contractor shall continue to perform its work pending resolution of a dispute, and the City shall make payments as required by the Contract for undisputed portions of the work. In the event of litigation no attorney fees are recoverable. No different dispute resolution paragraph(s) in this contract or any attachment hereto shall supersede or take precedence over this provision.

**27. Progress Reports: /  / Applicable / \_\_\_ / Not Applicable**

If applicable, the Contractor shall provide monthly progress reports to the Contract Manager as described in the Statement of the Work and Payment Schedule.

**28. Contractor's Personnel: /  / Applicable / \_\_\_ / Not Applicable**

If applicable, the Contractor shall assign the personnel listed in the Statement of the Work and Payment Schedule for the work required by the Contract and shall not change personnel without the prior written consent of the City, which shall not be unreasonably withheld.

**29. Subcontractors**

The Contractor shall use the subcontractors identified in its proposals. The Contractor shall not change subcontractor assignments without the prior written consent of the Chief Procurement Officer. Failure to use the identified M/W/ESB subcontractors without prior written consent is a material breach of contract.

**30. Third Party Beneficiaries**

There are no third party beneficiaries to this contract. Enforcement of this contract is reserved to the parties.

**31. Public Records Act and Release of Information**

If the Contractor reviews documents that are exempt from disclosure under the Oregon Public Records Act, the Contractor shall not disclose such records to any third party without written City approval. In the event of an external quality control review ("peer review") of the firm, conducted in accordance with auditing standards, the Contractor shall not disclose records to the reviewing party unless the reviewing party agrees to or is otherwise bound by nondisclosure of exempt City records. Contractor shall be fully liable for any unauthorized disclosure and shall defend and indemnify the City for any and all claims, losses, damages, and costs (including reasonable attorney fees) resulting from such disclosure.

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**List of the Exhibits that will be attached to and made part of this Contract:**

- Exhibit A – Contractor's Fees & Hours for Services.
- Exhibit B – Summary of Auditee Responsibilities and Representations.
- Exhibit C – Auditee Project Managers.
- Exhibit D – Billing and Progress Report.
- Exhibit E – Contract Amendments Form.

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**STATEMENT OF THE WORK  
AND PAYMENT SCHEDULE**

**1. SCOPE OF WORK**

Moss Adams LLP ("Contractor") will provide financial statement and federal compliance audit services, and other non-attest services (see **Section 1.7** below), to the City of Portland ("City") and its reporting entities, for at least three years, beginning with the audits relating to fiscal year (FY) 2011-12. The City's reporting entities are comprised of: Portland Development Commission, Hydroelectric Power Fund, and Fire and Police Disability and Retirement Funds. The City and these reporting entities collectively will be referred to as "Auditees."

**1.1 Technical Requirements** - The Contractor agrees to conduct audits of all the Auditees' financial statements, and the federal compliance audit, in accordance with the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and auditing standards generally accepted in the United States of America issued by the Auditing Standards Board of the American Institute of Certified Public Accountants. In addition, the Contractor will adhere to the requirements of the Single Audit Act (and subsequent amendments) and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* for federal compliance audits. The Contractor will be licensed as a municipal auditor by the Oregon Board of Accountancy and will adhere to the Minimum Standards for Audits of Oregon Municipal Corporations as applicable. The objectives of the audits are to express opinions and/or issue separate written reports as set forth below.



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**1.2 Limitations of the Auditing Process** - The Contractor is responsible for planning and performing audits to obtain reasonable assurance that the Auditees' financial statements and audited materials are free of material misstatements, whether caused by errors or fraud, and to exercise additional professional skepticism in considering the risk of fraud, and to perform additional inquiries of management and others regarding fraud. The Auditees and their management shall remain responsible for the preparation of their respective financial statements, and the design and implementation of programs and internal controls to discourage or prevent fraudulent activities.

Similarly, in performing the audits, the Contractor will be aware of the possibility that illegal acts or noncompliance may have occurred. However, it is recognized that the audits provide no assurance that illegal acts or noncompliance that have a direct and material effect on the determination of financial statement amounts will be detected and only reasonable assurance that noncompliance having a direct and material effect on each major federal program will be detected. The Contractor will inform the City Auditor, the City contract manager, and Auditees of any fraud, or illegal acts, or any significant errors, that come to the Contractor's attention during the course of the audits.

**1.3 Compliance with Laws and Regulations** - As part of obtaining reasonable assurance, for the Oregon Minimum Standards report, and the *Government Auditing Standards* report, about whether the financial statements are free of material misstatement, the Contractor will perform tests of the Auditees' compliance with certain provisions of applicable laws, regulations, contracts, and grants. However, except for major federal financial assistance programs which are part of the Single Audit/A-133 report, the Contractor's objective is not to provide opinions on the overall compliance with such provisions. Furthermore, the Auditees are responsible for identifying and ensuring that the Auditees comply with applicable laws and regulations.

**1.4 Commencement of Work** - The Contractor agrees that work to be done pursuant to this Agreement will not commence until after:

- (a) The Contractor has obtained and provided to the contract manager acceptable certificate(s) of the insurance required by this Contract;
- (b) The City's contract manager issues the Notice to Proceed; and
- (c) The later of (i) the date this Agreement is signed by the Contractor and approved by the City Attorney's office and City Council, or (ii) the effective date of this Agreement, as set out on the first page.

**1.5 Notification of Start of Field Work** - For purposes of establishing the day each year that field work will begin, the Contractor agrees to provide written notification of the date(s) to the City's contract manager and the Auditee project managers. This notification can be made by email to the contacts listed in Exhibit C.

**1.6 Required Services: Audits** - The Contractor agrees to provide all of the following services:

**1.6.1 Financial Statement Audits** for the following Auditees, including examination of the financial statements for FY 2011-12 through FY 2013-14, and possibly through FY 2015-16, if the City extends this Agreement:

- City of Portland
- Portland Development Commission
- Fire & Police Disability & Retirement Funds
- Hydroelectric Power Fund

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**1.6.1.1 City of Portland.**

The City has a June 30 fiscal year-end. The City's Comprehensive Annual Financial Report (CAFR) is prepared by City's Accounting Division personnel in the Office of Management & Finance, using the accounting principles generally accepted in the United States of America. In addition to the **Technical Requirements** for audits set out above, the City's CAFR must be audited in accordance with the Minimum Standards for Audits of Oregon municipal corporations.

The City's financial statements will also include the audited financial data from the Portland Development Commission (PDC), the Fire and Police Disability and Retirement Funds (FPDR), and, as of June 30, the Hydroelectric Power Fund. PDC is included in the City's CAFR as a discretely presented component unit. The reporting treatment for PDC in the City's CAFR is expected to remain unchanged for the FY 2011-12 CAFR under Governmental Accounting Standards Board (GASB) Statement No. 61 *The Financial Reporting Entity: Omnibus*. FPDR is included in the City's CAFR as a blended component unit and the Hydroelectric Power Fund is an enterprise fund in the City's CAFR.

The objective of the City's financial audit is the expression of an opinion (or disclaimer of an opinion) by the Contractor, based on this audit and the report of other auditors, if any, concerning whether the basic financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, any discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, every year and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The City's financial audit will also meet the objectives of the Minimum Standards for Audits of Oregon Municipal Corporations. As required by the Oregon Minimum Standards, the Contractor will review the fiscal affairs of the City. This review will include sufficient testing to determine whether the City's financial operations have been carried out in compliance with certain provisions of laws, charter provisions, rules and regulations, contracts, and grants, including provisions of certain Oregon Revised Statutes, and will report any noncompliance that comes to its attention. Contractor will determine if the accounts and records are maintained in a manner that will permit the preparation of financial statements which will fairly present the financial position and results of operations of the municipal corporation in accordance with legal provisions and in accordance with generally accepted accounting principles.

The Contractor will also read Management's Discussion and Analysis and other required supplementary information included in the CAFR and consider whether such information, including the manner of presentation, is materially consistent with information appearing in the basic financial statements. However, Contractor is not required to provide an opinion on Management's Discussion and Analysis.

The Contractor also will subject supplementary information to certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves.

As required by *Government Auditing Standards*, the Contractor will prepare a separate written report on tests of compliance with applicable laws and regulations. This report will contain a statement on those items tested, and a description of all material instances of noncompliance found.

The City intends to qualify its CAFR for the GFOA Certificate of Achievement for Excellence in Financial Reporting. Accordingly, the Contractor will assist City personnel in their efforts to prepare the CAFR so that all the qualifications for obtaining the Certificate are met.

As part of the annual audit, the Contractor will consider the City's internal control structure, as required by the applicable auditing standards and OMB Circular A-133. Contractor will communicate in writing with those charged with governance, with the City Auditor and with the Auditees on any material weakness and/or significant deficiency in the design or operation of internal control over financial reporting and/or

internal controls over federal compliance that come to its attention during the audit. In addition, the Contractor will make a report to management (Management Letter), informing the City of any less serious internal control deficiencies, and recommendations that may lead to increased effectiveness and efficiency, or other matters to be brought to the attention of management.

**1.6.1.2 Portland Development Commission (PDC).**

PDC has a June 30 fiscal year-end. Its CAFR is prepared by PDC's Accounting personnel in the Finance and Asset Management Division, using the accounting principles generally accepted in the United States of America. In addition to the **Technical Requirements** for audits set out above, PDC's CAFR must be audited in accordance with the Minimum Standards for Audits of Oregon municipal corporations.

The objective of PDC's financial audit is the expression of an opinion (or disclaimer of an opinion) by the Contractor, based on audit procedures and the report of other auditors, if any, concerning whether the basic financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the PDC as of June 30 of the year being audited, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

PDC's financial audit will also meet the objectives of the Minimum Standards for Audits of Oregon Municipal Corporations. As required by the Oregon Minimum Standards, the Contractor will review the fiscal affairs of the Portland Development Commission. This review will include sufficient testing to determine whether PDC's financial operations have been carried out in compliance with certain provisions of laws, charter provisions, rules and regulations, contracts, and grants including provisions of certain Oregon Revised Statutes, and will report any noncompliance that comes to its attention. Contractor will determine if the accounts and records are maintained in a manner that will permit the preparation of financial statements which will fairly present the financial position and results of operations of the municipal corporation in accordance with legal provisions and in accordance with generally accepted accounting principles.

Contractor will also read Management's Discussion and Analysis and other required supplementary information included in PDC's CAFR and consider whether such information, including the manner of presentation, is materially consistent with information appearing in the basic financial statements. However, Contractor is not required to provide an opinion on Management's Discussion and Analysis.

The Contractor also will subject supplementary information to certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves.

As required by *Government Auditing Standards*, the Contractor will prepare a separate written report on its tests of compliance with applicable laws and regulations. This report will contain a statement on those items tested, and a description of all material instances of noncompliance found.

The Portland Development Commission intends to qualify its CAFR for the GFOA Certificate of Achievement for Excellence in Financial Reporting. Accordingly, the Contractor will assist PDC personnel in their efforts to prepare the CAFR so that all the qualifications for obtaining the Certificate are met.

Special procedures and testing will be required concerning award programs at PDC in accordance with OMB Circular A-133. The Contractor will also provide information gathered from such special procedures and testing of award programs managed by PDC to meet the City of Portland's federal compliance audit requirements for these awards.

As part of the annual audit, the Contractor will consider PDC's internal control structure, as required by the applicable auditing standards and OMB Circular A-133. Contractor will communicate in writing with those charged with governance, with the City Auditor and with PDC on any material weakness and/or significant deficiency in the design or operation of internal control over financial reporting and/or internal controls over federal compliance that come to its attention during the audit. In addition, the Contractor will make a report to management (Management Letter), informing the Portland Development Commission of any less serious internal control deficiencies, and recommendations that may lead to increased effectiveness and efficiency, or other matters to be brought to the attention of management.

**1.6.1.3 Fire & Police Disability & Retirement Fund and Reserve Fund (FPDR).**

FPDR has a June 30 fiscal year-end. FPDR's financial statements are prepared by the City's Accounting Division personnel in the Office of Management & Finance, using the accounting principles generally accepted in the United States of America. FPDR has two separate funds: the Fire and Police Disability and Retirement Fund and the Fire and Police Disability and Retirement Reserve Fund.

The objective of the audit is the expression of an opinion, (or disclaimer of an opinion) by the Contractor, based on audit procedures, concerning whether FPDR's basic financial statements present fairly, in all material respects, the respective financial position of the funds, and their changes in financial position for each year in conformity with the appropriate basis of accounting.

FPDR's financial audits will include the reporting to management and to those charged with governance as required by *Government Auditing Standards*, and generally accepted auditing standards.

**1.6.1.4 Hydroelectric Power Fund.**

This fund has an August 31 fiscal year-end and utilizes the Uniform System of Accounts (USofA) for electric utilities prescribed by the Federal Energy Regulatory Commission. The financial statements will be prepared by the City's Accounting Division personnel in the Office of Management & Finance. The Hydroelectric Power Fund has three funds in SAP, the City's information technology system for financial reporting. The audited financial statements as of June 30 of the three individual funds that make up the Hydroelectric Power Fund are included in the City's CAFR. Accordingly, the Contractor will have to review an interim closing at June 30 in order to include the operations of this fund in the City's CAFR, in addition to providing an audit of Hydroelectric Power Fund's separately reported financial statements, as of and for the year ending August 31.

The objective of the audit is the expression of an opinion, (or disclaimer of an opinion) by the Contractor, based on audit procedures, concerning whether Hydroelectric Power Fund's basic financial statements present fairly, in all material respects, the respective financial position of the fund, and the results of operations and cash flows for each year in conformity with the appropriate basis of accounting.

The Hydroelectric Power Fund's financial audits will include the reporting to management and to those charged with governance as required by *Government Auditing Standards*, and generally accepted auditing standards.

**1.6.1.5 Information Technology (IT) Review** - As part of the annual financial audits, the Contractor will perform an IT review to obtain an understanding of the key accounting systems and network infrastructure used to produce the Auditees' financial statements. The City has two financial reporting systems: one which produces PDC's CAFR, and one which produces the City's CAFR and the financial statements of its other reporting entities. The Contractor will make two written reports of its IT observations, one for PDC and one for the City and its other reporting entities. These written reports will include possible findings, business process improvements and any related recommendations. The City and PDC may invoke their privilege under state law to exempt such reports from public disclosure, as appropriate.

**1.6.2 The Federal Compliance Audits** cover the City's federal awards. For the same fiscal years as the financial audits, during the financial statement audits, the Contractor will conduct the federal compliance audit in accordance with the **Technical Requirements** for audits set out above.

In addition to the audit of the City's financial statements set out above, the federal compliance audit, also known as the Single Audit, has several objectives. The Contractor shall:

- determine whether the City's Schedule of Expenditures of Federal Awards (SEFA) is presented fairly in all material respects in relation to the City's CAFR taken as a whole. The City's SEFA is prepared by City's Grants Office personnel in the Office of Management & Finance and includes awards received by or passed through the Portland Development Commission;
- determine which federal assistance programs listed in the SEFA are major programs;
- obtain a sufficient understanding of internal control over, and policies and procedures used in administering, federal financial assistance programs, and then plan, test, and report on the City's internal control over major programs' compliance requirements;
- based on this understanding and these tests of internal controls, the Contractor will assess risk and determine the nature, timing, and extent of tests of compliance with requirements that, if not complied with, could have a material effect on a major federal financial assistance program;
- determine and express an opinion (or disclaim an opinion) about whether the City has complied with the requirements (laws, regulations, and the provisions of contracts or grant agreements) relating to major federal programs; and
- follow-up on prior audit findings, to assess the reasonableness of the summary schedule of prior audit findings prepared by the Auditee, and report, as a current year audit finding, when the status of any prior audit finding is materially misrepresented.

Also, in connection with the audit of the financial statements or its consideration of the internal control structure over federal financial assistance programs, if the Contractor selects a transaction for testing that is applicable to a non-major program, Contractor will also test it generally for compliance with laws and regulations.

In addition, the Contractor shall complete and sign the data collection form prepared by City Grants Office staff for OMB Circular A-133.

In recent years, the City had an increased number of major programs requiring testing under OMB Circular A-133, due to the additional American Recovery and Reinvestment Act of 2009 (ARRA) funds received. In FY 2011-12, the City anticipates having eight major programs that will require testing under OMB Circular A-133. Unless there is a new wave of federal funding, the City anticipates having five to six major programs for the Single Audit for FY 2012-13 and FY 2013-14. Therefore, this Contract provides for an audit of up to ten major programs for the FY 2011-12 Single Audit and for audits of six major programs for the Single Audit for both FY 2012-13 and FY 2013-14.

If the number of major programs for the Single Audit exceeds the ten or six provided for, the Contract will be amended to increase the Contractor's fees by \$15,000 for each additional major program. If the number of major programs in any year is less than the ten or six expected, the City will pay the Contractor the prorated amount of the Single Audit fee for the actual number of major programs audited.

**1.6.3 Adjusting Entries** - Contractor shall first discuss all proposed adjusting entries during the financial statement and federal compliance audits with appropriate Auditee project managers/bureau accounting staff. Thereafter, the Contractor shall provide copies of all proposed adjusting entries, together with copies of supporting schedules and work-papers, to the Accounting Division of the Office of Management and Finance and to the applicable Auditee project managers.

The Accounting Division of the City of Portland will distribute copies of the proposed adjusting journal entries and supporting documentation to the appropriate bureaus and Auditees for their review and

approval. The City's Accounting Division will also record the approved entries in the appropriate accounting records and ledgers.

Should any proposed adjusting entries relate to PDC, PDC's Accounting personnel in the Finance and Asset Management Division will distribute copies of the journal entries and supporting documentation to the appropriate PDC finance managers for their review and approval. PDC's Accounting personnel in the Finance and Asset Management Division will also record the approved entries in the appropriate accounting records and ledgers.

#### **1.6.4 Meetings and Scheduling**

The Contractor will attend the following meetings relating to the audits each year of the contract. To the extent possible while meeting work requirements, the City requests that the Contractor utilize low-carbon transportation options to attend contract-related meetings with the Auditees (such as public transit/rail, carpool, biking, or walking).

- Pre-audit conferences with City contract manager and Auditee project managers to be held for the first year's audits at the earliest possible date, and no later than dates set out in **Exhibit B** of this Agreement for later years. These pre-audit conferences are to discuss the provided-by-client (PBC) lists and scheduling of audit work. The audit firm will commence on the audit fieldwork at dates to be mutually agreed between the Contractor and each Auditee's project manager. Refer to **Notification of Start of Field Work** above.
- Post-audit conferences to review the various audit reports and financial statements with the Mayor and City Council; PDC's Board of Commissioners; and the City's accounting staff from the Auditees and the bureaus affected by the results of each audit. These post-audit conferences will be held no later than dates set out under City Contract Manager's Duties in **Exhibit B** of this Agreement.
- The Contractor will provide feedback to the Auditees' accounting staff on the prior year's audit schedules and suggested changes, in the post-audit meetings for each year's audit, which may be scheduled by the Auditee project managers if required.
- The Contractor will be required, upon request by the contract manager, to be present at any meetings with the City Auditor, or meetings of the City Council, PDC's Board of Commissioners, or other governing bodies when matters regarding the audit or related reports are discussed.

#### **1.6.5 Those Charged with Governance**

It is the Contractor's responsibility to determine the appropriate person(s) within the Auditees' governance structures who fulfill the role of those charged with governance, with whom to communicate as required under *Government Auditing Standards* and auditing standards generally accepted in the United States of America. "Those charged with governance" are those responsible for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. (GAS 6.47, A1.06, 2011 Revision, and AU Section 380.03 a).

In the context of the Contractor's communications and reporting of audit results under this Agreement, those charged with governance may include, but are not limited to, the following persons and bodies:

- For the City of Portland – the City Council, the City Auditor, Bureau Directors, and Office of Management and Finance staff.
- For the Portland Development Commission – the Board of Commissioners, in addition to the City Council, the elected Commissioner in Charge, the Executive Director, and the City Auditor.
- For the Fire and Police Disability and Retirement Funds – the Board of Trustees, in addition to the City Council, the Commissioner in Charge, the Fund Administrator, the City Auditor, and FPDR management.
- For the Hydroelectric Power Fund – the City Council, in addition to the Commissioner in Charge of the Bureau of Hydroelectric Power, the Administrator of the Portland Water Bureau, the Manager of the Portland Hydroelectric Project, and the City Auditor.

Those charged with governance for purposes of involvement in audit planning, reporting during the course of the engagement, and receiving verbal communications of audit results may include, but are not limited to, the City Auditor or her/his designee, and some combination of:

- For the City of Portland – City Bureau Directors, and Office of Management and Finance staff.
- For the Portland Development Commission – the Board of Commissioners, the Executive Director, and staff in the Finance and Asset Management Division.
- For the Fire and Police Disability and Retirement Funds – the Fund Administrator, and FPDR management.
- For the Hydroelectric Power Fund – the Administrator of the Portland Water Bureau, the Manager of the Portland Hydroelectric Project, and Office of Management and Finance staff.

#### **1.6.6 Communications**

As part of the audits, the Contractor will ensure that certain additional matters that are required to be communicated under generally accepted and *Government Auditing Standards* are communicated to the City Council/Governing Boards and, where appropriate, members of management. Communication should be in writing and potentially should be discussed during progress meetings. Such matters may include:

1. The Auditees' initial selection of and changes in significant accounting policies and their application;
2. Contractor's views about the process used by management in formulating particularly sensitive accounting estimates and the basis for Contractor's conclusions regarding the reasonableness of those estimates;
3. Audit adjustments that could, in Contractor's judgment, either individually or in the aggregate, have a significant effect on Auditee financial reporting processes;
4. Any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the financial statements or the Contractor's reports;
5. The Contractor's views about matters that were the subject of management's consultation with other accountants about auditing and accounting matters;
6. Major issues that were discussed with management in connection with the retention of Contractor's services, including, among other matters, any discussions regarding the application of accounting principles and auditing standards; and
7. Serious difficulties encountered in dealing with management related to conducting the audit.

Contractor will copy the elected City Auditor on these communications, by way of the contract manager.

#### **1.6.7 Scheduling**

The work for the first year's audit will be performed according to the following schedule. This schedule may change by mutual agreement between the Contractor and the Auditee project managers as a result of the pre-audit conferences in later years. However, the Contractor must assume that Auditee staff and resources will not be available during the production of the City's CAFR statements from mid-October through mid-November.

- Two to three weeks of interim financial statement audit fieldwork for the City's CAFR and one-week on site for interim audit fieldwork on PDC's CAFR (May – early June) to include preliminary planning, analytical reviews, internal control and transaction cycle testing.

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- o Two to three weeks of federal compliance audit fieldwork (August – September) depending on the Auditee's ability to prepare an interim Schedule of Expenditures of Federal Awards, and on the number of repeating major federal programs.
- o Initial major federal program identification shall be made by September 6, of each year of contract performance.
- o One week scheduled for the information systems reviews at the City and at PDC (June – August). The IT review is to be completed by the beginning of September, prior to the start of the main financial statement audit fieldwork.
- o One week of on-site audit fieldwork for FPDR's financial statements (September) with one or two days to wrap up fieldwork for FPDR later.
- o Final fieldwork for PDC's financial statement audit to begin in mid September.
- o Final fieldwork for the City's financial statement audit and the federal compliance audit to begin no later than the last week in September and one week on-site at the Auditee's offices and one week off to allow Auditee management to prepare the CAFR.
- o Final fieldwork for the audit of the Hydroelectric Power Fund's separate financial statements to begin in February.

**1.6.8 Other Services (aka Technical Assistance).** As part of the routine activities directly related to performance of the audits under this Agreement, the Contractor agrees to provide advice or assistance to the Auditees throughout each contract year, at the request of the Auditees. Such advice and assistance shall include but not be limited to the following:

1. Assistance to the City and the PDC in maintaining their Government Finance Officers Association (GFOA) Certificates of Achievement for Excellence in Financial Reporting. This assistance will include the Contractor's consideration during its CAFR reviews of the comments received by the City and PDC from the GFOA for the prior year's Certificate of Achievement.
2. Responding to Auditees' questions on accounting, reporting, or internal control as part of the audit.
3. Providing advice to the City and reporting entities on accounting matters as an ancillary part of the overall audit;
4. Providing to the City and reporting entities information that is readily available to the Contractor, such as best practices and benchmarking studies, when the City requests this or when the Contractor feels such information will be in the best interests of the City.

When providing these other services (except for the education and training below) in relation to the financial and compliance audits, the Contractor will take care not to impair its independence, as described in AICPA generally accepted auditing standards and *Government Auditing Standards*, regarding its ability to perform these audits.

#### **1.7 Required Non-Attest Services**

**1.7.1 Other Services - Training.** Providing the staff of the City and the entities to be audited with requested, continuing professional education (CPE) and training on matters within the technical expertise of the Contractor, up to six CPE credits each year that are accepted and approved by the State of Oregon Board of Accountancy.

The Contractor will track the number of CPE credits provided during each year, and the number of people provided with this CPE, and will communicate this data to the contract manager by means of the Contractor's monthly invoices. Training may be requested by one of the Auditee project managers listed in **Exhibit C**, or by the City's contract manager. The Contractor may invite City staff to professional education opportunities being hosted by the Contractor for its clientele, and/or the City Auditee project



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manager or the contract manager may elect to request continuing professional education topics specific to the City.

Whenever an Auditee project manager requests CPE/training from the Contractor, Contractor will invite the other Auditee project managers to send staff to this training, and will inform the contract manager. The person requesting this training will schedule the requested CPE at times that are convenient for people from across the City and its reporting entities whenever possible. The City's contract manager and the Auditees' project managers will make reasonable efforts to agree upon a schedule of training courses with the Contractor at the start of each contract year.

**1.7.2 Non-Audit Services.** The Contractor agrees to provide limited technical advice or assistance to the Auditees throughout each contract year, at the request of the Auditees, up to thirty-six hours in any year. Any requested advice or assistance will be of a type which the AICPA generally accepted auditing standards and *Government Auditing Standards* considers to be non-audit services. Such advice and assistance shall include but not be limited to the following:

1. Consultation and assistance as necessary and requested by the Auditees regarding adoption of appropriate accounting standards.
2. Provide Auditees with counsel and advice on reformatting financial statements to reflect any future GASB/FASB pronouncements and other applicable regulations.
3. Provide Auditees with assistance in research on accounting and financial reporting treatments when requested.

When providing non-audit services, the Contractor will take care not to impair its independence, as described in AICPA generally accepted auditing standards and *Government Auditing Standards*, regarding its ability to perform the financial statement audits or the federal compliance audit set forth in this Agreement. For non-audit services provided during the audits of the FY 2011-12 statements, the Contractor shall implement the supplemental independence safeguards and obtain the appropriate assurance from the Auditee. For non-audit services provided during later audits under this Agreement, the Contractor shall obtain the appropriate assurance from the Auditee, including the assurance that the Auditee's management assumes all management responsibilities for any non-audit services performed, and accepts responsibility for the results of the non-audit services.

The Contractor will track the hours of non-audit services provided during each year, and will communicate this data to the contract manager by means of the Contractor's monthly invoices. The contract manager will share this information with the Auditees through the audit cycle so as not to exceed the allotted hours. In the event that the Auditees exceed the allotted hours (thirty-six) in any year, the Contractor must cease to provide non-audit services unless and until an appropriately approved Contract amendment increases the hours for these services and the related compensation.

**1.8 Special Studies or Assistance**

The Contractor agrees to notify the City's contract manager when it has been asked to perform by any City agency or its component units, and intend to propose on or contract for, other work not encompassed by this Contract. Such communications shall be in writing (including by e-mail) and include the name of the requesting bureau or office and the nature and scope of the work requested.

Any special studies or assistance not encompassed by this Contract shall be negotiated separately with the requesting City agency or component unit and the Contractor in accordance with the City's Purchasing Rules for Professional, Technical and Expert Services.

However, the Contractor will take care not to impair its independence, as described in AICPA generally accepted auditing standards and *Government Auditing Standards*, regarding its ability to perform the financial statement audits or the federal compliance audit set forth in this Agreement. The Contractor must obtain the contract manager's consent in writing before undertaking such other work for any City agency or its component units.

**2. DELIVERABLES & SCHEDULE: REPORTS TO BE PROVIDED**

**2.1 Audit Report Deliverables**

Unless otherwise indicated, the reports to be provided will cover the fiscal year beginning July 1, and ending June 30 for the following years for all Auditees:

FY 2011/2012  
FY 2012/2013  
FY 2013/2014

The report for the Hydroelectric Power Fund will cover the fiscal year beginning September 1, and ending August 31.

This Agreement may be extended, at the City's discretion, to cover audits to be performed and reports to be provided for the following two additional one-year periods (with the final cost to be negotiated at the time of optional extension):

FY 2014/2015  
FY 2015/2016

**2.2 Schedule for Audit Reports**

Per **Section 10** of this contract, all Work Product, including these deliverables, will become the property of the City of Portland. Contractor agrees to provide the Auditees with the written reports in the quantities described below at the completion of the audits for each year being audited, by the dates listed below:

- a. Auditor's opinion (or disclaimer of an opinion) about whether the basic financial statements present fairly, in all material respects, the financial position of the funds at the year-end, and the changes in financial position and cash flows, where applicable, thereof for each fiscal year in conformity with the appropriate basis of accounting, for:-
  - (1) the City's CAFR (due by December 21; 1 copy as a color .pdf and **one** printer-ready copy on letterhead, double-sided, on a minimum 30% PCW recycled content paper). The City will print and assemble the CAFR, and will include the Contractor's Single Audit Report.
  - (2) PDC's CAFR, (due by November 16; only 1 color .pdf copy). The Portland Development Commission will print and assemble PDC's CAFR.
  - (3) FPDR's financial statements (due by November 30; one printer-ready copy on letterhead [double-sided, on a minimum 30% PCW recycled content paper] and 1 color .pdf of the final reports to the Auditee project manager, with a copy of the .pdf to the City's contract manager. FPDR will assemble and print their audited financial statements.
  - (4) the Hydroelectric Power Fund's financial statements (due by March 15; 1 copy as a color .pdf and up to **five** printer-ready copies on letterhead, double-sided, on a minimum 30% PCW recycled content paper to the Auditee project manager, with the .pdf copy also sent to the City's contract manager). The City Accounting Division will print and assemble the Hydroelectric Power Fund's audited financial statements, including the footnotes.

Where applicable, to meet the Oregon Minimum Standards, Contractor shall express an "in relation to" opinion (or disclaimer of an opinion) on combining and individual fund statements and schedules, and on budgetary schedules.

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- b. Preliminary determination of Single Audit major programs due by September 6.
  - c. Final determination of Single Audit major programs due by November 1.
  - d. The Single Audit reports in (1) to (3) below, (due by December 21; including management's responses to the findings and recommendations in (3); 3 color .pdf copies and **one** printer-ready copy [double-sided, on a minimum 30% PCW recycled content paper]. The City will print and assemble the Contractor's Single Audit Report whenever a hard copy is needed.
    - (1) Auditor's opinion (or disclaimer of an opinion) about whether the City's SEFA is presented fairly in all material respects in relation to the City's financial statements taken as a whole.
    - (2) Report(s) for the Single Audit on compliance with requirements (including laws, regulations, contracts and awards) that could have a direct and material effect on each major program, and on the City's internal control over compliance, in accordance with OMB Circular A-133.
    - (3) A schedule of findings and questioned costs, in accordance with OMB Circular A-133.
  - e. Submission of the electronic data collection form for OMB Circular A-133, to the Grants Office coordinator. Contractor will complete and sign the final data collection form on the Federal Audit Clearinghouse (FAC) online database by the earlier of 30 days after the auditor's report on the City's CAFR is released, or March 31 each year. When FAC sends confirmation of the auditor's certification of the City's data collection form, the Contractor will forward this confirmation to the City's contract manager.
  - f. As required by *Government Auditing Standards*, the Contractor will prepare written reports on the internal controls over financial reporting and Contractor's tests of compliance with applicable laws and regulations. The due date for these reports will be the due dates for the related, audited, financial statements in which such reports must be published. Contractor will deliver **one** printer-ready copy of each report on letterhead (double-sided, on a minimum 30% PCW recycled content paper) to the Auditee project manager, and a color .pdf to both the Auditee project manager and the City's contract manager.
    - (1) The internal control report for the City will be published by the City in the City's CAFR, which will include the Contractor's Single Audit Report.
    - (2) The internal control report relating to PDC will be published in the PDC's CAFR.
    - (3) The internal control reports relating to FPDR and the Hydroelectric Power Fund will be published in their audited financial statements.
  - g. Reports including Contractor's comments and disclosures as required by the Minimum Standards for Audits of Oregon Municipal Corporations, for the City and the Portland Development Commission. The form and content of these reports shall be in accordance with and not less than that required by the Minimum Standards for Audits of Oregon Municipal Corporations. In addition, these reports will contain Contractor's comments relating to the review of the City's and PDC's fiscal affairs and any matters that come to Contractor's attention in performing tests of the City's and PDC's compliance with certain provisions of laws, regulations, contracts and grants, including compliance with legal requirements relating to budgets, public purchasing, deposits and investments, and indebtedness.
  - h. Summary of Revenues and Expenditures and any other appropriate forms filed with the Oregon Secretary of State – Audits Division for the City's CAFR and PDC's CAFR. Contractor will copy the Contract Manager when it sends these reports to the City Accounting Division and to PDC's Finance and Asset Management Division, shortly after delivery of the audit opinion and before the due date for filing the audit report with the Secretary of State.
  - i. Reports as required by Statement on Auditing Standards No. 114 and any successor statements, to

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communicate to "those charged with governance" for both the City and Portland Development Commission. These draft reports to be delivered to the City's contract manager within one week of the audit opinion on the related CAFR. In addition to these written communications, the Contractor will present the objectives and outcome of the financial audit to City Council members either in a Council meeting or in a public work session, and to the PDC Board of Commissioners in a public Board meeting. These meeting presentations will be arranged by the City's contract manager. Final SAS No. 114 reports must be delivered to the City's Contract Manager in time to be filed for these public meetings.

- j. Reports, if necessary, as required by the applicable audit regulations and standards, on any material weakness or significant deficiency in internal control over financial reporting that are identified during an audit of the financial statements. Refer to **REPORTING ON ANY WEAKNESSES OR DEFICIENCIES** below.
- k. Management or Best Practices Letter to communicate less serious internal control deficiencies, recommendations for improvement or other matters to be brought to the attention of management of both the City and Portland Development Commission. A separate Management or Best Practices Letter for PDC should be prepared and addressed to the PDC Board of Commissioners and Audit Committee and also sent/addressed to the City of Portland. Refer to **REPORTING ON ANY WEAKNESSES OR DEFICIENCIES** below.
- l. Written reports of the information system reviews of the key accounting systems and network infrastructure at the City and at PDC used to produce the Auditees' financial statements. These reports will include the Contractor's observations, any findings, possible business process improvements and the related recommendations. This written report will contain any material weaknesses and significant deficiencies in internal controls in the information systems which are identified during the audit, so that all matters related to each review are reported together. The Contractor will provide the City's contract manager with a separate information system review report addressed to the City Auditor for both the City and Portland Development Commission. The information system review letters should be delivered by the beginning of September, prior to the start of final audit fieldwork. Each information system review letter will be delivered to the City's contract manager in .pdf format, and with one hard copy on letterhead for each addressee (double-sided, on a minimum 30% PCW recycled content paper), plus one for the contract manager. The City and PDC may invoke their privileges under Oregon Revised Statute to exempt such reports from public disclosure, as appropriate. Contractor may be required by OMB Circular A-133 to include any IT related significant deficiencies or material weaknesses in the schedule of findings and questioned costs, which is not exempt from public exposure. Contractor will make its best efforts to avoid undermining the security of the Auditees' IT systems when writing up any such findings.

The City's contract manager will be the primary point of contact for the Contractor's report distribution (except for the audit opinions for the CAFRs and financial statements, which will go directly to the Auditees' accounting managers for inclusion in the financial statements to be published). The contract manager will receive copies of all other reports and written deliverables specified in this Contract, and will advise on the addressees when questions arise, and will assist with report distribution to those charged with governance as needed.

### **3. REPORTING ON ANY WEAKNESSES OR DEFICIENCIES AND NON-COMPLIANCE IDENTIFIED DURING THE AUDITS**

#### **3.1 General**

As part of the audits, the Contractor will consider the Auditee's internal control structure, as required by auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards* and OMB Circular A-133. These standards and OMB Circular A-133 require the Contractor to obtain an understanding of the controls and assess risk as

a basis for determining the nature, timing, and extent of auditing procedures necessary for expressing its opinion on the financial statements and on compliance of major federal award programs, and on compliance with appropriate legal provisions.

The Contractor will discuss with management findings of non-compliance for the Oregon Minimum Standards report, and will advise the contract manager about the nature of the findings and Contractor's discussions with management before finalizing its findings. Contractor will communicate findings of non-compliance promptly. Contractor should share such a potential finding with Auditee management ahead of fully confirming the condition, cause and/or effect of the potential finding, with suitable warnings about the preliminary nature of its communication. The City prefers to be informed about instances of non-compliance as soon as possible.

The Contractor will inform the City Auditor, the City contract manager, and Auditees of any fraud, or illegal acts, or significant errors that come to the Contractor's attention during the course of the audits. If the Contractor finds indications of fraud, waste and illegal acts, or questioned costs, during the federal compliance audit, Contractor will submit a separate written report to the funding agency or bureau when it is required by OMB Circular A-133.

**Note:** Portland City Code requires that City (including PDC) management respond in writing to any auditor's findings and related recommendations. Therefore, City managers' responses to such findings and recommendations, on the relevant bureau letterhead, should be published along with the Contractor's letters or reports containing any findings or recommendations. If City management is late providing responses, the City's contract manager has option to (i) have Contractor's reports issued without management responses, or (ii) extend the Contractor's deadline(s) for issuance of the reports.

### **3.2 Reporting Any Significant Deficiency and/or Material Weakness**

The Contractor will discuss with Auditee management significant deficiencies and/or material weaknesses in internal controls identified during the audit, and all findings of non-compliance with legal requirements or with federal award requirement. Contractor will communicate significant deficiencies, material weaknesses and/or non-compliance promptly. Contractor should share such a potential finding with Auditee management ahead of fully confirming the condition, cause and/or effect of the potential finding, with suitable warnings about the preliminary nature of its communication. The City prefers to be informed about such significant deficiencies, material weaknesses and non-compliance as soon as possible.

Additionally, the City's contract manager must be included in all communications and/or meetings between the Contractor and the Auditees' management about possible significant deficiencies or material weaknesses identified during an audit, no matter how these significant deficiencies or material weaknesses are identified.

The Contractor will communicate in writing with those charged with governance, with the City Auditor and with the Auditees on any material weakness and/or significant deficiency in the design or operation of internal control over financial reporting and/or internal controls over federal compliance that come to its attention during the audit.

The Contractor will meet the requirements of Statement on Auditing Standards No. 115 and any successor statements by reporting any material weaknesses and significant deficiencies in both the Oregon Minimum Standards report for the City and PDC, and in the Schedule of Findings and Questioned Costs for the financial statement audit and the federal compliance audit as follows:

- The Oregon Minimum Standards report for the City's CAFR will be addressed to the City Council, and copied to the elected City Auditor.
- The Oregon Minimum Standards report for Portland Development Commission will be addressed to PDC's Board of Commissioners, the City Commissioner-in-Charge of PDC and the Executive Director, and will be copied to the elected City Auditor.
- The Schedule of Findings and Questioned Costs will be part of the Single Audit report, which

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should be addressed to the City Council, and copied to the elected City Auditor. Should any material weakness and/or significant deficiency in the design or operation of internal control over financial reporting come to the Contractor's attention during the audit of FPDR and/or the Hydroelectric Power Fund's financial statements, then the Contractor will report these in writing to those charged with governance for the respective Auditee, with a copy to the elected City Auditor.

If any material weaknesses and significant deficiencies in internal controls in the IT systems used to produce the financial statements are identified during the audit, the Contractor will include these findings in the written IT review report addressed to the City Auditor and to the relevant IT department. The Contractor will provide a separate report if any such serious IT internal control weaknesses are found for both the City and Portland Development Commission. The City will invoke its privileges under ORS 192.501 (23) to exempt such reports from public disclosure. Contractor may be required by OMB Circular A-133 to include any IT related significant deficiencies or material weaknesses in the schedule of findings and questioned costs, which is not exempt from public exposure. Contractor will make its best efforts to avoid undermining the security of the Auditees' IT systems when writing up any such findings.

### **3.3 Management Letters**

Contractor will provide management letters with other (i.e. neither significant deficiencies nor material weaknesses) observations and recommendations relating to the financial audits and the federal compliance audit each year ("Management Letter"). The Management Letter will communicate less serious internal control deficiencies, recommendations for improvement that may lead to increased effectiveness and efficiency, or other matters to be brought to the attention of management of both the City and Portland Development Commission. The Management Letter for the City should be addressed to the management of OMF and any other City bureau with a recommendation, and should be copied to the elected City Auditor.

A separate Management Letter for PDC should be prepared and addressed to the PDC Board of Commissioners and Audit Committee, and to the Executive Director and should be copied to the elected City Auditor.

The City bureau managers shall respond to audit recommendations made by the Contractor in these Management Letters, through the Commissioner In Charge, to the City Auditor, in writing within the time specified by the City Auditor. Accordingly, the Contractor shall work with the contract manager and the Auditee project managers to prepare working drafts of the Management Letters and to discuss proposed findings and recommendations with management and staff of applicable City bureaus and reporting entities.

The working draft of the Management Letter for the City will be submitted to the contract manager not later than 30 days after the date of the Contractor's report on the City's CAFR, which is due no later than December 21 each year.

The Contractor will prepare and deliver 1 copy and 1 .pdf of each of the final Management Letters, to the contract manager, not later than 60 days after the date of the Contractor's report on the City's CAFR.

The City Bureaus and managers shall provide written responses to the City Auditor, through the Commissioner In Charge, within 10 working days of receipt of a final Management Letter. The written responses will be appended to the Management Letter by the contract manager for distribution to the Auditees and the addressees of the Management Letter. In addition, the contract manager will deliver copies of the written responses to the Contractor, and will deliver copies of the Management Letter with the appended responses to members of City Council.

The Contractor shall prepare a separate Management Letter for PDC's Audit Committee and Executive Director. A copy of PDC's Management Letter will also be sent to the contract manager. The Contractor shall work with PDC's audit project manager to prepare a working draft of the Management Letter and to discuss proposed findings and recommendations with PDC management and staff.

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The working draft of the Management Letter for PDC will be submitted to the PDC audit project manager and the contract manager no later than 30 days after the date of the Contractor's report on PDC's CAFR, which is due on November 16 of each year.

The Contractor will prepare and deliver 1 copy and 1 .pdf of the final PDC Management Letter, to the PDC audit project manager and the contract manager no later than 45 days after the date of the Contractor's report on PDC's CAFR, which is due on November 16 of each year.

PDC management shall provide written responses to its Audit Committee within 30 working days of receipt of a final Management Letter. Management's written responses will be provided in a separate letter to the PDC Audit Committee, copied to the elected City Auditor and will include a copy of the Management Letter as an attachment. Both the Management Letter and management's written responses will be presented to the PDC Audit Committee for acceptance at the earliest possible Board of Commissioners meeting following receipt of the final Management Letter. A copy of the final Management Letter and written responses will be provided to the contract manager by the PDC audit project manager within 5 days of PDC Board acceptance. The contract manager may deliver copies of PDC's Management Letter with the appended written responses to members of City Council.

**4. CONTRACT AMENDMENTS RESULTING FROM CHANGES IN SCOPE, DEADLINES, AND/OR ADJUSTMENT OF COMPENSATION**

The details of the process to obtain amendments to this Agreement are contained in **Exhibit E**. Failure to follow these procedures shall preclude any extension of report delivery dates or adjustments of compensation.

**5. CONTRACTOR PERSONNEL**

The Contractor shall assign the following personnel to do the work in the capacities designated:

NAME & TITLE	ROLE ON PROJECT
Jim Lanzarotta, Partner	Overall engagement partner, governmental expert. Responsible for engagement review of City CAFR audit, City Single Audit, PDC CAFR audit, FPDR financial audit and Hydroelectric Power Fund financial audit.
Jim Thompson, Partner	Overall concurring reviewer (except for Hydroelectric Power Fund audit)
Julie Desimone, Partner	Delegated engagement reviewer of City Utility funds financial statements within the City's CAFR audit, and Hydroelectric Power Fund financial audit. Utility expert.
Laurie Tish, Partner	Concurring reviewer of Hydroelectric Power Fund's audit
Mary Case, Partner	Technical resource if needed.
Chris Kradjan, Partner	IT overall engagement review partner
Ken DeHart, Senior Manager	City CAFR In-charge Auditor
Greg Damon, Senior Manager	IT delegated engagement review, In Charge Auditor
Nancy Young, Senior Manager	PDC CAFR In-charge Auditor
Brad Smith, Senior Manager	FPDR In-charge auditor
Annamarie McNiel, Manager	Federal Compliance (Single) Audit, In Charge Auditor

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Should the Contractor wish to make any changes in the above-named senior-level audit staff, managers or partners during assignments, then these personnel must be replaced by staff, managers or partners with comparable experience and skill level, with no increase in cost to the City of Portland or the reporting entities. Such changes must be requested in writing and approved by the City.

**6. SUBCONTRACTORS - NONE.**

The Contractor does not anticipate utilizing any subcontractors for this project. In the event the Contractor chooses to utilize a subcontractor, the Contractor will obtain City approval via the contract amendment process prior to the subcontractor doing any work on this project. The City will require the same information for a subcontractor and its staff as this contract requires for the Contractor and the Contractor's personnel.

The City will enforce all diversity in workforce and Minority, Women and Emerging Small Business (M/W/ESB) subcontracting commitments submitted by the Contractor in its Proposal. For contracts valued \$100,000 or more, the Contractor shall submit a Monthly Subconsultant Payment and Utilization Report (MUR), made part of this contract by reference, reporting ALL subcontractors employed in the performance of this agreement. An electronic copy of the MUR may be obtained at: <http://www.portlandonline.com/shared/cfm/image.cfm?id=119851>.

**7. DIVERSITY REQUIREMENTS**

The City values, supports and nurtures diversity, and encourages any firm contracting with the City to do the same. The Contractor shall submit to the City an Annual Diversity in Workforce Report (ADWR), made part of this contract by reference, reporting the percentage of minority and/or female partners firmwide and the percentage of their employees that are minorities and/or female firmwide as of January 31. In addition, this report will contain two tables (one for females and one for males) of ethnicity analysis for the Contractor's employees, using the racial and ethnic categories established by the Department of Labor Office of Federal Contract Compliance Programs (OFCCP) for record-keeping and reporting required under the Executive Order 11246. The OFCCP ethnicity groups are currently Whites; Blacks; Hispanics; Asian/Pacific Islanders; and American Indians/Alaskan Natives.

The Contractor shall certify that the information contained in the ADWR is complete and accurate. Contractor shall submit the ADWR within one month of the date of the data contained within it, to the City's contract manager.

The Contractor shall continue its outreach when recruiting to ensure that all its job postings reach external agencies/organizations that represent females, minorities, veterans and persons with disabilities.

**8. COMPENSATION**

**8.1 "Not to Exceed" Amount**

Refer to **Exhibit A – Contractor's Fees and Hours for Services** for maximum compensation for each audit and detailed compensation rates and estimated hours to perform the work each year.

The maximum that the Contractor can be paid on this contract is **\$1,745,845** (hereafter the "not to exceed" amount) for three years. The "not to exceed" amount includes all payments to be made pursuant to this contract, including reimbursable expenses, if any. Nothing in this contract requires the City to pay for work that does not meet the Standard of Care or other requirements of the Contract. The actual amount to be paid Contractor may be less than the "not to exceed" amount.



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The Contractor is entitled to receive progress payments for its work pursuant to the Contract as provided in more detail below. The City will pay Contractor based on these invoices for acceptable work performed and approved until the "not to exceed" amount is reached for each audit, in each year. Thereafter, Contractor must complete work based on the Contract without additional compensation unless there is an agreed change to the scope of work.

Any estimate of the hours necessary to perform the work is not binding on the City. The Contractor remains responsible if the estimate proves to be incorrect. Exceeding the number of estimated hours of work does not impose any liability on the City for additional payment.

**PAYMENT TERMS: Net 30 Days**

**8.2 Hourly Rates**

The "Progress Billing Rate" charged to the City for progress payments shall not exceed \$155.00 per hour.

When the Contractor adjusts to specific billing rates to ensure that the billing does not exceed the Not to Exceed contract amount for each audit in each year, the final billing rates shall not exceed those set forth below:

<u>Title</u>	<u>Hourly Rate</u>
Partner/Principal	\$275
Manager	\$210
Supervisor	\$170
Senior	\$135
Junior	\$115
IT Manager	\$230
IT Supervisor	\$160
IT Senior	\$160
IT Junior	\$150

**8.3 Subcontractor Costs**

Should the Contractor hire subcontractors during the term of this Contract, then compensation for subcontractors shall be limited to the same restrictions imposed on the Contractor. The maximum markup on subcontractor services shall not exceed 0%.

**8.4 Progress Payments**

On or before the 15<sup>th</sup> of each month, the Contractor shall submit to the City's contract manager an invoice or invoices for work performed by the Contractor during the preceding month. There will be separate invoices for each of the following audits if the Contractor performs work on them during the preceding month: financial audit of the City's CAFR; Single Audit; financial audit of the Hydroelectric Power Fund; financial audit of FPDR; and financial audit of PDC's CAFR. The progress billing rate charged to the City for progress payments shall not exceed \$155.00 per hour. Towards the end of each year of the contract, Contractor and the City's contract manager may need to adjust to specific billing rates to ensure that the billing does not exceed the contract amount for each audit in that year.

The invoice shall contain the City's Contract Number and set out all items for payment including, but not limited to: progress (or other) billing rate, hours worked during the period, and tasks performed, and percentage completion for the major audit milestones. The invoice shall separate out the hours worked and amount billed for the reviews of the IT systems when applicable. The Contractor shall also attach

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photocopies of claimed reimbursable expenses, if applicable. The Project Coordinator shall stamp and approve all subcontractor invoices and note on the subcontractor invoice what they are approving as "billable" under the contract. The billing from the Contractor should clearly roll up labor and reimbursable costs for the Contractor and subcontractor – matching the subcontractor invoices. Prior to initial billing, the Contractor shall develop a billing format for approval by the City. The billing format preferred by the City's contract manager is attached as **Exhibit D** to this Agreement.

The City shall pay all amounts to which no dispute exists within 30 days of receipt of the invoice. Payment of any bill, however, does not preclude the City from later determining that an error in payment was made and from withholding the disputed sum from the next progress payment until the dispute is resolved.

The Contractor shall make full payment to its subcontractors within 10 business days following receipt of any payment made by the City to Contractor.

INDEPENDENT CONTRACTOR CERTIFICATION STATEMENT

SECTION A

CONTRACTOR CERTIFICATION I, undersigned, am authorized to act on behalf of entity designated below, hereby certify that entity has current Workers' Compensation Insurance.

Contractor Signature James C. [Signature] Date 5/17/12 Entity MOSS ADAMS, LLP

If entity does not have Workers' Compensation Insurance, City Project Manager and Contractor complete the remainder of this form.

SECTION B

ORS 670.600 Independent contractor standards. As used in various provisions of ORS Chapters 316, 656, 657, and 701, an individual or business entity that performs labor or services for remuneration shall be considered to perform the labor or services as an "independent contractor" if the standards of this section are met. The contracted work meets the following standards:

1. The individual or business entity providing the labor or services is free from direction and control over the means and manner of providing the labor or services, subject only to the right of the person for whom the labor or services are provided to specify the desired results;
2. The individual or business entity providing labor or services is responsible for obtaining all assumed business registrations or professional occupation licenses required by state law or local government ordinances for the individual or business entity to conduct the business;
3. The individual or business entity providing labor or services furnishes the tools or equipment necessary for performance of the contracted labor or services;
4. The individual or business entity providing labor or services has the authority to hire and fire employees to perform the labor or services;
5. Payment for the labor or services is made upon completion of the performance of specific portions of the project or is made on the basis of an annual or periodic retainer.

\_\_\_\_\_  
City Project Manager Signature

\_\_\_\_\_  
Date

SECTION C

Independent contractor certifies he/she meets the following standards:

1. The individual or business entity providing labor or services is registered under ORS Chapter 701, if the individual or business entity provides labor or services for which such registration is required;
2. Federal and state income tax returns in the name of the business or a business Schedule C or form Schedule F as part of the personal income tax return were filed for the previous year if the individual or business entity performed labor or services as an independent contractor in the previous year; and
3. The individual or business entity represents to the public that the labor or services are to be provided by an independently established business. Except when an individual or business entity files a Schedule F as part of the personal income tax returns and the individual or business entity performs farm labor or services that are reportable on Schedule C, an individual or business entity is considered to be engaged in an independently established business when four or more of the following circumstances exist. Contractor check four or more of the following:

- A. The labor or services are primarily carried out at a location that is separate from the residence of an individual who performs the labor or services, or are primarily carried out in a specific portion of the residence, which portion is set aside as the location of the business;
- B. Commercial advertising or business cards as is customary in operating similar businesses are purchased for the business, or the individual or business entity has a trade association membership;
- C. Telephone listing and service are used for the business that is separate from the personal residence listing and service used by an individual who performs the labor or services;
- D. Labor or services are performed only pursuant to written contracts;
- E. Labor or services are performed for two or more different persons within a period of one year; or
- F. The individual or business entity assumes financial responsibility for defective workmanship or for service not provided as evidenced by the ownership of performance bonds, warranties, errors and omission insurance or liability insurance relating to the labor or services to be provided.

\_\_\_\_\_  
Contractor Signature

\_\_\_\_\_  
Date

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**CONTRACTOR SIGNATURE:**

This contract 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 Agreement.

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

I, the undersigned, agree to perform work outlined in this contract in accordance to the STANDARD CONTRACT PROVISIONS, the terms and conditions, made part of this contract by reference, and the STATEMENT OF THE WORK made part of this contract by reference; hereby certify under penalty of perjury that I/my business am not/is not in violation of any Oregon tax laws; hereby certify that my business is certified as an Equal Employment Opportunity Affirmative Action Employer and is in compliance with the Equal Benefits Program as prescribed by Chapter 3.100 of Code of the City of Portland; and hereby certify I am an independent contractor as defined in ORS 670.600.

**Moss Adams, LLP**

BY: James C. Lanzarotta Date: 5/17/12

Name: James C. Lanzarotta, CPA

Title: Partner

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Contract No. 30002662

Contract Title: FINANCIAL & FEDERAL COMPLIANCE AUDITS

**CITY OF PORTLAND SIGNATURES:**

By: \_\_\_\_\_  
Chief Procurement Officer

Date: \_\_\_\_\_

By: LaVonne Crawford  
Elected City Auditor

Date: 5/10/12

Approved:

By: n/a  
Office of City Auditor

Date: \_\_\_\_\_

**APPROVED AS TO FORM**

Approved as to Form:

By: James H. Van Dyke  
Office of City Attorney  
CITY ATTORNEY 5/9/12

Date: 5/9/12

Financial & Federal Compliance Audit Contract EXHIBIT A

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**CONTRACTOR'S FEES & HOURS for SERVICES**  
**For the Audits of the FY 2011-12 to the FY 2013-14 Financial Statements**

Total compensation to be paid to the Contractor by the Auditees under this Agreement shall not exceed the following amounts:

<u>Audit Services Costs</u>	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>
Financial audit of the City of Portland's Comprehensive Annual Financial Report, incorporating the Portland Development Commission's CAFR as a Component Unit of the City's CAFR) and related reports	\$ 295,000	\$ 301,000	\$ 307,000
Single Audit of federal assistance grant programs, based on audit of 10 major programs in FY 2012 and 6 major programs in following years*	\$ 155,000	\$ 96,000	\$ 98,000
Review of IT systems producing the CAFR	\$ 20,000	\$ 20,400	\$ 20,800
Financial audit of the Hydroelectric Power Fund's financial statements	\$ 15,238	\$ 15,714	\$ 16,190
Financial audit of the Fire & Police Disability & Retirement Funds' financial statements	\$ 26,000	\$ 26,500	\$ 27,000
Financial audit of the Portland Development Commission's (PDC) Comprehensive Annual Financial Report, including necessary requirements to meet the City of Portland's Single Audit for grants managed by the PDC, and related reports	\$ 90,000	\$ 92,000	\$ 94,000
Review of IT systems producing PDC's CAFR	\$ 10,000	\$ 10,000	\$ 10,000
<b>Total Fees for All Services:</b>	<b>\$ 611,238</b>	<b>\$ 561,614</b>	<b>\$ 572,990</b>
<b>Total all-inclusive, Maximum* Fixed Price for All Years: \$ 1,745,842</b>			
* Additional cost for each major program in excess of 10 or 6 in the Single Audit	\$ 15,000	\$ 15,000	\$ 15,000
"Premium Rate", for potential use in some amendments, per <u>Exhibit E, 4.c.</u>	\$200/hour	\$205/hour	\$210/hour

The above Not to Exceed fees to be paid to the Contractor shall include additional time and cost that may be required by future accounting and auditing standard changes for the audits relating to each fiscal year. The contracted amounts above include compensation for "non-attest services", as set out in the Scope of Work, 1.7.1 to 1.7.2 of the contract, & the Contractor's out-of-pocket costs, such as but not limited to the cost of expected travel to the Auditees.

The "non-attest services" cover up to thirty-six hours for non-audit, technical assistance services in any year for staff of the Auditees, and up to six CPE credits of education & training in any year for the staff of the City and its reporting entities.

If the number of major programs for the Single Audit exceeds the ten or six provided for, the contract will be amended to increase the Contractor's fees by \$15,000 for each additional major program. If the number of major programs in any year is less than the ten or six expected, the City will pay Contractor the prorated amount of the Single Audit fee for the actual number of major programs audited.

Continued on the next page.

**Financial & Federal Compliance Audit Contract EXHIBIT A  
CONTRACTOR'S FEES & HOURS for SERVICES  
For the Audits of the FY 2011-12 to the FY 2013-14 Financial Statements**

<u>Estimated Audit Services Hours</u>	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>
Financial audit of the City of Portland's CAFR and related reports	1,920 Hrs	1,920 Hrs	1,920 Hrs
Single Audit, based on 10 major programs in FY 2012, and 6 major programs thereafter*	1,000 Hrs	600 Hrs	600 Hrs
Review of IT systems producing the CAFR	100 Hrs	100 Hrs	100 Hrs
Hydroelectric Power Fund's audit	100 Hrs	100 Hrs	100 Hrs
Fire & Police Disability & Retirement Funds' financial audit	175 Hrs	175 Hrs	175 Hrs
Financial audit of PDC's CAFR, and related reports	590 Hrs	590 Hrs	590 Hrs
Review of IT systems producing PDC's CAFR	60 Hrs	60 Hrs	60 Hrs
Mt. Hood Cable Regulatory Commission's financial audit	76 Hrs	76 Hrs	76 Hrs
<b>Total Hours for All Audits:</b>	<b>3,945 Hrs</b>	<b>3,545 Hrs</b>	<b>3,545 Hrs</b>
* Additional time for each major program in excess of 10 or 6 in the Single Audit	100 Hrs	100 Hrs	100 Hrs

The Contractor is entitled to receive progress payments for its work pursuant to the Contract. The "Progress Billing Rate" charged to the City for progress payments shall not exceed \$155.00 per hour. The City will make monthly progress payments to Contractor based on the invoices for acceptable work performed and approved until the "not to exceed" amount is reached for each audit, in each year. Towards the end of each year of the contract, Contractor and the City's Contract Manager may need to adjust to specific billing rates to ensure that the billing does not exceed the contract amount for each audit in that year.

**Individual Hourly Rates:**

When the Contractor adjusts to specific billing rates to ensure that the billing does not exceed the Not to Exceed contract amount for each audit in each year, the final billing rates shall not exceed those set forth below:

<u>Title</u>	<u>Hourly Rate</u>
Partner/Principal	\$275
Manager	\$210
Supervisor	\$170
Senior	\$135
Junior	\$115
IT Manager	\$230
IT Supervisor	\$160
IT Senior	\$150
IT Junior	

Financial & Federal Compliance Audit Contract EXHIBIT B

SUMMARY OF AUDITEE RESPONSIBILITIES AND REPRESENTATIONS

The Auditees (being the City of Portland, Portland Development Commission, Fire and Police Disability and Retirement Funds, and Hydroelectric Power Fund) will provide Contractor with the services and facilities listed herein. 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 this support are listed in Exhibit C to this Agreement.

GENERAL

The Auditees agree that:

1. Compliance with applicable laws, regulations, contracts, and grants is the responsibility of Auditee management. The Auditees also acknowledge their responsibility for establishing and maintaining an effective internal control structure in accordance with *Government Auditing Standards* and auditing standards generally accepted in the United States of America.
2. Auditee management is responsible for the preparation of the financial statements based on the Auditees' accounting records. In addition, Auditee management is responsible for the fair presentation of financial statements that reflect the nature and operations of the City and its reporting entities. Appropriate supervisory review procedures are necessary to provide reasonable assurance that adopted policies and prescribed procedures are adhered to and to identify errors and fraud or illegal acts that are material to the financial statements.
3. The financial statements and related notes and other disclosures are prepared to conform with accounting principles generally accepted in the United States of America (GAAP) and to comply with pronouncements of the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB), the Uniform System of Accounts for electric utilities, and/or federal and state reporting requirements, as appropriate.
4. Contractor's report on the Auditees' financial statements must be associated only with the financial statements that were the subject of Contractor's engagement. The City may make copies of the Contractor's report, but only if the entire financial statement (including related footnotes and supplemental information, as appropriate) is reproduced and distributed with the Contractor's report. The Auditees agree not to reproduce or associate Contractor's report with any other financial statements, or portions thereof, that are not the subject of this engagement.
5. Auditees agree to include Contractor's report on supplementary information in any document that contains the supplementary information and that indicates Contractor has reported on such supplementary information. Auditees are responsible to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the Auditee of the supplementary information and Contractor's report thereon. For purposes of this **Exhibit B**, audited financial statements are deemed to be readily available if a third party user can obtain the audited financial statements without any further action by Auditees. For example, financial statements on Auditees' Web sites may be considered readily available, but being available upon request is not considered readily available.
6. Auditees may make reference to the Contractor's reports in official bond offering statements and continuing disclosure filings, provided the Auditee incorporates appropriate disclaimer language noting that:
  - a) the Contractor's consent has not been requested in connection with the bond offering or continuing disclosure filing;
  - b) the Contractor has not performed, since the date of its report, any procedures on the financial statements addressed in that report; and



**Financial & Federal Compliance Audit Contract EXHIBIT B**

**SUMMARY OF AUDITEE RESPONSIBILITIES AND REPRESENTATIONS**

- c) the Contractor was not requested, and has not performed, any services in the connection with the bond offering or continuing disclosure filing, and is therefore not associated with the bond offering or continuing disclosure filing.

**AUDIT SCHEDULES AND DRAFT REPORT DELIVERY DATES**

The Contractor has based its fee and scheduled the audit and delivery of the audit reports described in the **STATEMENT OF THE WORK AND PAYMENT SCHEDULE** of the Agreement based on the timely receipt of the services, audit schedules, financial statements, and report drafts listed below from the Auditee personnel.

**Agreement of Provided-By-Client Lists.** Auditee personnel and accounting staff will provide the Contractor with a list of detailed audit schedules (the provided by client (PBC) list) for each Auditee. These PBC lists will be reviewed and developed jointly by the Contractor and the Auditees' project managers for the first year's audits at the earliest possible date, and will be incorporated in to the contract once completed. Auditee personnel and accounting staff agree to prepare and deliver the detailed audit schedules contained in the PBC list by the dates in the list each year to be mutually agreed upon by the Contractor and Auditees.

The PBC lists for subsequent years audits will be jointly developed prior to the following dates each year and will be incorporated into this Contract:

- ❖ May 15 for the City's CAFR and Single Audit PBC list for interim audit work, or no later than two weeks prior to the interim audit work dates.
- ❖ June 15 for FPDR's PBC list.
- ❖ July 15 for the City's CAFR PBC list for Fall fieldwork, September 1 for the Single Audit fall fieldwork.
- ❖ August 1 for PDC's CAFR PBC list.
- ❖ January 20 for Hydroelectric Power's PBC list.

Once the PBC list for each year for each audit is agreed upon, the Auditee project manager will send a copy of it to the City's contract manager for inclusion in the contract file. In the event changes to the PBC lists are necessary as a result of information discovered during the course of an audit, Contractor and Auditees' project managers shall amend such PBC lists as appropriate.

**Draft Financial Statement Delivery Dates.** In addition to the audit schedules, the accounting staff of the City and its reporting entities will 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 its reporting entities with the Contractor each year once the year-end closing dates are known.** Once the financial statement delivery dates for each year for each audit are agreed upon, the Auditee project manager will send the dates to the City's contract manager for inclusion in the contract file.

ENTITY/Statements, Schedules	Date Due to Contractor for FY2011-12	Responsible Accounting Staff
<b>CITY OF PORTLAND CAFR</b>		
First draft CAFR report	11/12/2012	Technical Acctg Supervisor/ Office of Mgt & Finance
MD&A	11/16/2012	City Controller/Accounting Division Office of Mgt & Finance
Final draft CAFR report	12/10/2012	Technical Acctg Supervisor/ Office of Mgt & Finance
Final MD&A	12/14/2012	City Controller/Accounting Division Office of Mgt & Finance

Financial & Federal Compliance Audit Contract EXHIBIT B

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**SUMMARY OF AUDITEE RESPONSIBILITIES AND REPRESENTATIONS**

ENTITY/Statements, Schedules	Date Due to Contractor for FY2011-12	Responsible Accounting Staff
<b>PORTLAND DEVELOPMENT COMMISSION</b>		
First draft CAFR report	10/12/2012	Accounting Supervisor/PDC
Final draft CAFR report	11/02/2012	Accounting Supervisor/PDC
<b>FIRE &amp; POLICE DISABILITY &amp; RETIREMENT FUNDS</b>		
Final draft report	10/26/2012	FPDR Financial Manager
<b>HYDROELECTRIC POWER FUND</b>		
Draft Statement of Annual Purchase Price	10/26/2012	Hydroelectric Project Mgr/ Hydroelectric Power Division, Water Bureau
Final Statement of Annual Purchase Price	12/27/2012	Hydroelectric Project Mgr, with data from PGE
Final draft financial report	02/14/2013	Technical Acctg Supervisor/ Office of Mgt & Finance
<b>CITY OF PORTLAND SINGLE AUDIT</b>		
Schedule of Federal Award Expenditures – Draft	8/31/2012	Principal Financial Analyst/Grants Division, Office of Mgt & Finance
Schedule of Federal Award Expenditures – Final	10/25/2012	Principal Financial Analyst/Grants Division, Office of Mgt & Finance

For future fiscal years covered by this contract, the Auditee will deliver the financial statements on the same day in the stated month, except that if that due date falls on a weekend or holiday, the Auditee will deliver the financial statements on the workday immediately preceding the due date.

Auditee personnel will send financial statements and, where appropriate, audit schedules and requested support to the Contractor electronically, by means of a secure Internet portal.

All the audit schedules on the PBC lists, the financial statements, and report drafts listed in **Exhibit B** of the Agreement above will be materially accurate, consistent between each other, and free of material un-reconciled differences. The Contractor will not be considered to have received the financial statements, report drafts and audit schedules until they are accurate, consistent with other related schedules and statements, and free of material un-reconciled differences. Non-receipt by the Contractor will be a change in the scope of work under this Agreement that may require a Contract amendment. Refer to **Exhibit E** of this Agreement.

**Note:** Properly approved contract amendments must be obtained for changes in scope, deadlines, and/or adjustments to compensation before the Contractor undertakes any additional hours of work or new work. Failure to follow the procedures to obtain amendments set out in **Exhibit E** of this Agreement shall preclude any extension of report delivery dates or adjustments to compensation.

**AUDITEE MANAGEMENT'S RESPONSIBILITIES**

Management of the City and its reporting entities acknowledges their responsibility for the following acts:

1. Selection and application of appropriate accounting principles;
2. Implementation of new accounting pronouncements;
3. Maintenance of adequate books and records;
4. Maintenance of accounting and administrative control over the City's revenues, obligations,

## Financial & Federal Compliance Audit Contract EXHIBIT B

### SUMMARY OF AUDITEE RESPONSIBILITIES AND REPRESENTATIONS

- expenditures, assets and liabilities;
5. Execution of transactions in accordance with management's authorization and the proper recording thereof;
  6. Preparation and fair presentation of the annual financial statements in accordance with the applicable financial reporting framework.
  7. Establishing and maintaining a system of effective internal controls over financial reporting.
  8. Compliance with applicable laws, rules, regulations, grants, contracts and federal award programs;
  9. Safeguarding of assets;
  10. Year-end closing of all books and accounts; and
  11. Physical inventory counts at or near year-end.

In addition, City management, for bureaus and Auditees, shall make available sufficient hours of staff personnel as required to meet with the Contractor and provide such information as required.

The Auditees' managers will respond in writing to the Contractor's recommendations arising from these audits, as required by City Charter.

### OTHER SERVICES TO BE PROVIDED TO THE CONTRACTOR

The following is a list of other services that various Auditee personnel agree to provide to the Contractor. The list is not intended to be all inclusive.

1. In accordance with OMB Circular A-133, City Grants Office staff will provide the Contractor with a summary schedule of prior audit findings, a corrective action plan for current year audit findings, and data collection form (Part 1) for each fiscal year, in addition to the schedule of expenditures of federal awards listed above.
2. Retrieving (and later re-filing) selected documents for verification of numbers and information by the Contractor, either electronically whenever possible, or else in hard copy.
3. Providing the Contractor with access to, and/or copies of, accurate and complete information and records related to the entity, federally-funded programs, or functions being audited, and access to government officials or other individuals as needed to conduct the audits under this Agreement.
4. Drafting, and later printing and assembling, the financial statements, supplemental schedules and related notes as indicated in the STATEMENT OF THE WORK AND PAYMENT SCHEDULE of the Agreement.
5. Receiving and distributing adjusting journal entries proposed by the Contractor, and recording those adjusting journal entries accepted by Auditee management, as indicated in the STATEMENT OF THE WORK AND PAYMENT SCHEDULE of the Agreement.

**Financial & Federal Compliance Audit Contract EXHIBIT B****SUMMARY OF AUDITEE RESPONSIBILITIES AND REPRESENTATIONS**

6. The Auditees' project managers or their designees will coordinate location(s) and schedule weekly update meetings with the Contractor when its audit team is in the field for these audits. The Auditees' project managers will invite the City's contract manager to all these update meetings.
7. Other related services such as providing access to electrical outlets, work space and meeting facilities when required and as available, at the discretion of the City, and incidental copying of documents for inclusion in Contractor workpapers.
8. Auditee project managers will provide "Read-only" access to the City's and reporting entities' financial computer systems based on an official request by the Contractor on its letterhead, which will list the personnel to be granted such access.

**MANAGEMENT REPRESENTATIONS TO CONTRACTOR**

From time to time, and especially at the conclusion of the audits, Auditee management will provide signed Representation Letters to the Contractor, as required by applicable auditing standards. The Representation Letters will acknowledge and confirm representations made by the City, including, among other things:

1. Management's responsibility for the preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America, pronouncements of the Governmental Accounting Standards Board, the Uniform System of Accounts for electric utilities, and/or federal and state reporting requirements as appropriate.
2. The availability of financial records and related data, including the completeness and availability of all minutes of the City Council meetings.
3. Management's responsibility for the Auditees' compliance with laws and regulations, the identification and disclosure to the Contractor of all laws and regulations that have a direct and material effect on the determination of financial statement amounts and to the best of their knowledge and belief, the absence of fraud involving management or those employees who have significant roles in the control structure.

The Contractor will provide the Representation Letters to the Auditees in Word format and will rely on these letters in the course of providing the City the services requested by this Contract.

Additionally, management representations will be provided as to:

4. The proper presentation of the financial reporting entity's financial statements to be audited, the inclusion of all Component Units, and the disclosure of all joint ventures and other related organizations;
5. The proper classification of funds;
6. The proper approval of reserves or designations of fund equities;
7. Compliance with laws and regulations, including budget laws or ordinances;
8. Compliance with any tax or debt limits, including any related debt covenants;
9. Representations relative to GASB-required supplementary information and other supplementary information;
10. Identification of all federal assistance programs, if applicable, and compliance with all related

**Financial & Federal Compliance Audit Contract EXHIBIT B**

**SUMMARY OF AUDITEE RESPONSIBILITIES AND REPRESENTATIONS**

grant requirements; and

11. The effect of uncorrected financial statement misstatements on the financial statements taken as a whole.

Regarding the **required supplementary information** that the designated accounting standard setter, the Governmental Accounting Standards Board, requires to accompany the basic financial statements, Auditee management will confirm in the Representation Letters they provide the Contractor:

12. Management's responsibility for the preparation of the required supplementary information and that the required supplementary information has been measured and presented in accordance with prescribed guidelines;
13. Whether the methods of measurement or presentation have changed from those used in the prior period and, if so, the reasons for such changes; and
14. Any significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information.

Regarding the **supplementary information (SI)** included in the reporting entities' financial statements, Auditee management will confirm in the Representation Letters they provide the Contractor:

15. The SI was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements,
16. The SI relates to the same period as the financial statements,
17. The SI is presented consistent with applicable accounting standards, and meets additional applicable Oregon Municipal Audit Standards requirements.

**AUDITEE REPORTING DUTIES**

The Auditee project manager will deliver copies of the audited financial statements for the Hydroelectric Power Fund to Portland General Electric. PDC's Auditee project manager will deliver copies of PDC's audited CAFR to the Tax Supervising and Conservation Commission.

The Auditees' managers will respond in writing to Contractor's recommendations arising from these audits, as required by City Charter.

City Grants Office staff will file the management response related to the federal compliance audit with the Federal Government as part of the Single Audit reporting package.

It is Auditee managements' responsibility to electronically submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and corrective action plan, as applicable) along with the Data Collection Form to the designated federal clearinghouse and, if appropriate, to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after the date of the auditors' reports or nine months after the end of the audit period.

**CITY CONTRACT MANAGER'S DUTIES**

The City has assigned a Contract Manager to oversee the Contractor's work and provide support as needed. The City's Contract Manager's duties will include:

- Receiving the Contractor's billings and processing them for payment if appropriate.

Financial & Federal Compliance Audit Contract EXHIBIT B

SUMMARY OF AUDITEE RESPONSIBILITIES AND REPRESENTATIONS

- Preparing and processing for approval any necessary amendments to the Contract, as requested by the Auditees and/or by the Contractor.
- Coordinating location(s) and scheduling pre-audit meetings each year between Contractor and those charged with governance, if requested by the Contractor or by the Auditee project manager(s).
- Coordinating location(s) and scheduling post-audit meetings each year between the Contractor and:
  - the Mayor and City Council no later than three months after the audit opinion date;
  - PDC's Board of Commissioners no later than three months after the audit opinion date;
  - the City's accounting staff from the Auditees, the bureaus affected by the results of each audit and any other major City bureau, within two and a half months after the audit opinion date;
  - As the need arises, the contract manager will schedule additional post-audit meeting(s) between the Contractor and the accounting staff and management of any bureau that has had serious difficulties during the production of the financial statements or with whose accounting has been the subject of a significant deficiency or a material weakness in internal controls. If it seems appropriate, the contract manager may invite staff from OMF's Technical Accounting to such a meeting.

**AUDITEE RESPONSIBILITIES FOR NON-ATTEST SERVICES**

Contractor's professional standards require that Contractor remain independent with respect to its audit clients, including those situations where Contractor also provides non-attest services such as those identified in Agreement's **Section 1.7**. As a result, Auditees accept the responsibilities set forth below related to this engagement:

- Make all management decisions and perform all management functions (although Contractor may provide advice, research materials, and recommendations to assist management in making decisions).
- Designate an individual with suitable skill, knowledge, and/or experience to oversee Contractor's non-attest services.
- Evaluate the adequacy and results of the non-attest services performed.
- Accept responsibility for the results of the non-attest services performed.

Auditees shall inform Contractor regarding the individual(s) designated by the Auditee to oversee each non-attest service. If any issues or concerns in this area arise during the course of our engagement, Contractor will discuss them with Auditee and with contract manager prior to continuing with the engagement.

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Financial & Federal Compliance Audit Contract EXHIBIT C

AUDITEE PROJECT MANAGERS for FY2012 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:

<u>Audit</u>	<u>Auditee Project Manager</u>	<u>Telephone</u>
CITY OF PORTLAND's CAFR	Jane Kingston City Controller Accounting Division Office of Mgt & Finance B106/R1250	503.823-4358
FEDERAL COMPLIANCE	Sheila Black-Craig Principal Financial Analyst, Grants Compliance Program Office of Mgt & Finance B106/R1250	503.823-6863
PORTLAND DEVELOPMENT COMMISSION	Faye Brown Finance and Asset Management Division Manager B129/PDC	503.823-3230
FIRE AND POLICE DISABILITY AND RETIREMENT FUND	Nancy Hartline FPDR Financial Manager B236/R450	503.823-5501
HYDROELECTRIC POWER FUND	Frank Galida Hydroelectric Project Mgr Hydroelectric Power Division Water Bureau B106/R530	503.823-7517

In addition, there will be specific agency/bureau contacts to be determined at the time of each year's audit.

<u>Audit Area</u>	<u>Agency/Bureau Contact</u>	<u>Telephone</u>
City Debt	B. Jonas Biery Debt Manager Public Finance and Treasury Division B106/R1250	503.823-4222
City Revenue	Thomas Lannom Director Revenue Bureau B122/R600	503.823-5154
Utility Team	Eric Hofeld Manager of Audits & Special Projects Water Bureau B106/R600	503.823-2797
Hydroelectric Power's Financial Statements	Samina Gillum Technical Acctg Supervisor Office of Mgt & Finance B106/R1250	503.823-4363

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Financial & Federal Compliance Audit Contract EXHIBIT C

AUDITEE PROJECT MANAGERS for FY2012 AUDITS

If necessary, these Auditee project managers and/or bureau contacts will be revised or determined at the time of each year's audit. Unless and until the City's contract manager advises the Contractor of any changes, the individuals listed above will fulfill the Auditee project manager or bureau contact function for both the FY2012 audits and all future audits under this Contract.



Financial & Federal Compliance Audit Contract EXHIBIT D  
BILLING AND PROGRESS REPORT

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Billing Period Ended Month 30, 20\_\_  
for the audit of the  
FY 201\_-201\_ Financial Statements

City of Portland Contract No.: 30002662 Invoice No.: \_\_\_\_\_  
Invoice Date: \_\_\_\_\_

There will be separate invoices for the City's CAFR audit, for the Single Audit, and for the financial audits of the Portland Development Commission (showing PDC's IT review as a separate line), the Fire and Police Disability and Retirement Funds, and the Hydroelectric Power Fund.

<u>BILLINGS TO AUDITEES:</u>	FY 1_-1_ Total Contract Hours	FY 1_-1_ Total Contract Amount*	Amount Remain- ing on Contract	Total Billing To Date	Less Amt Billed Previously	Amount Due this Billing
CAFR of the City		\$				\$
IT systems for the CAFR		\$				\$
<b>Totals</b>	<b>X,xxx</b>	<b>\$</b>				<b>\$</b>

\*"Not to Exceed" fee amount for each audit in this year. Includes allocated out-of-pocket costs.

<u>HOURS BILLED TO AUDITEES:</u>	FY 1_-1_ Total Contract Hours	FY 1_-1_ Contract Hours billed to date	Less Hours billed previously	Hours Remain- ing on Contract	Hours billed this period	Billing Rate for this Billing
CAFR of the City	Hrs	Hrs				\$155.00
IT systems for the CAFR	Hrs	Hrs				\$155.00
<b>Totals</b>	<b>Hrs</b>	<b>Hrs</b>				

<u>AUDIT MILESTONES (ESTIMATED PERCENTAGE OF COMPLETION - USING HOURS SPENT TO DATE):</u>	Planning and Interim Fieldwork	Final Field Work	Reviews of Financial Statements	Delivery of Opinion, Reports and/or Exit Meetings
Estimated percentage complete:				
CAFR of the City	%	%	%	%
IT systems for the CAFR	%	%	%	%

**AUDITOR COMMENTS AND OBSERVATIONS SINCE LAST REPORT:**

For example, the Contractor should inform the City's Contract Manager, as appropriate, when the PBC list has been agreed with the Auditee for that year's audit, and when Contractor receives all the internal control documentation, and when Contractor completes all the walk-through's of internal controls.

Financial & Federal Compliance Audit Contract - EXHIBIT E

**CONTRACT AMENDMENTS**

**TO EXTEND AUDIT SCHEDULES OR REPORT DELIVERY DATES OR ADJUST COMPENSATION**

Properly approved contract amendments must be obtained for changes in scope, deadlines, and/or adjustments to compensation before the Contractor undertakes any additional hours of work or new work. **FAILURE TO FOLLOW THESE PROCEDURES SHALL PRECLUDE ANY EXTENSIONS OF REPORT DELIVERY DATES OR ADJUSTMENTS OF COMPENSATION**

1. The Auditees and accounting staff of the City and reporting entities will make every reasonable effort to deliver to the Contractor financial statements and audit schedules that are accurate, consistent with other related schedules and statements, and free of material un-reconciled differences. Any financial statements or audit schedules that are inaccurate, inconsistent, or contain material un-reconciled differences, shall be returned to the Auditee by the Contractor for adjustment or correction, within one business day of Contractor's determination that the statements or schedules are inaccurate, inconsistent, or contain material un-reconciled differences. Contractor will make good faith efforts to schedule staff in such a way to work around temporary delays in certain audit schedules to minimize risks of delay for reports and other deliverables. Contractor will be responsible to inform Contract Manager of key dates or milestones on a weekly basis including any potential situations that could delay delivery dates. Any extension of delivery dates will require Contract Manager approval. 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 un-reconciled differences.
2. Any extension of a financial statement or audit schedule due date, either requested by an Auditee, or as evidenced by non-receipt by the Contractor, is a change in the scope of work under this Agreement that may require an amendment.
3. Any extensions of audit report delivery dates, either requested by the Contractor, or as evidenced by non-receipt of reports by the City's contract manager, is a change in the scope of work under this Agreement that requires an amendment.
4. A "Contract Amendment" (Form), as set forth at the end of this Agreement's **Exhibit E**, shall be used to request extensions of financial statement or audit schedule delivery dates, and/or audit report delivery dates and/or adjustments to Contractor's compensation as set forth below:
  - a. If the amendment and extension of an audit report due date results from the Contractor's own internal operations and scheduling, and not from the Auditees' own internal operations or actions, the Contractor, the Auditees, and City Contract Manager shall enter into negotiations regarding the appropriateness of a decrease in Contractor's compensation.
  - b. In the event the Auditees' untimely delivery of required materials results in the need for a contract amendment to extend the delivery date of required reports, as in 1 above, and such delay is not the result of the contractors own internal operations and scheduling, the delivery of the required reports will be extended by the same number of days that such delivery was delayed by the Auditees actions. If such an amendment is required, the City's Contract Manager and the Contractor will conduct negotiations relative to the appropriateness of an increase in compensation to the Contractor. Negotiations for an increase in compensation must include the verifiable Contractor's cost increases or loss of staff revenue to be considered. Contractor must make all reasonable efforts to minimize any potentially compensable under-utilization of staff. Compensation for unutilized staff time cannot exceed hours that may have been utilized through the original audit report delivery date,
  - c. Any extension due to late delivery by the Auditees of the financial statements and/or schedules, requiring the knowledge and experience of senior managers and partners of the Contractor for testing and review of the CAFR will be compensated at the "Premium Rate" of \$200 for FY2011-12, \$205 for FY 2012-13 and \$210 for FY2013-14 as

Financial & Federal Compliance Audit Contract - EXHIBIT E

CONTRACT AMENDMENTS

**appropriate.** All amendments requesting such a blended rate adjustments will require a full explanation supporting the request.

- d. It is acknowledged that contractor's proposed fee is based on receipt of a draft CAFR from auditee that is materially accurate and only requires minor changes as a result of contractor's technical review. If multiple iterations of the CAFR are necessary either because of the significance of the changes found necessary from contractor's review, or the inability of management to make the identified changes, contractor will be entitled to request a scope change. Such change will allow for 200 hours of additional time at the overall average rate inherent in the contract for that fiscal year, or according to the provisions of c above.

5. Processing amendments to the Agreement

- a. If the amendment results from late delivery by the Auditees of financial statements or audit schedules, and not from the Contractor's own internal operations and scheduling, and such a delay results in the need for an increase in Contractor's compensation, the Auditees responsible for this delay, and not the City Auditor's Office, will pay for the increase in compensation. The project manager of the Auditee responsible for this delay will co-sign the Contract Amendment form to accept this cost.
- b. A Contract Amendment form shall be prepared and signed by the Contractor and delivered to the Auditee project manager(s) and contract manager. Upon receipt of the Contract Amendment form, the contract manager will obtain the signature(s) of the Auditee project manager(s) and deliver the signed form to the City Attorney's Office, the City Auditor and Chief Procurement Officer for approval and signature.
- c. Once approved, and fully signed, the Contract Amendment form shall constitute an amendment to the Agreement. The contract manager will distribute signed/approved copies of the Amendment to the Contractors and Auditee project manager(s), and will record the signed/approved amendment to the Agreement in SAP. The Contractor will not commence the work to be done under a change of scope amendment until the Contract Amendment form has been approved, and fully signed.
- d. If a change in scope results in an increase in fees as provided for in **Section 18** of the Agreement, the contract manager will facilitate the increase in total compensation to the Contractor, including formal approval of such amendments by the City Auditor and the Chief Procurement Officer and/or City Council as appropriate. If this change relates to PDC, the contract manager will facilitate the increase with PDC management.

6. Limit on Report Due Date Extensions

THE CONTRACTOR AND AUDITEES AGREE TO EXERCISE THEIR BEST EFFORTS TO MINIMIZE THE POSSIBILITY THAT ANY AMENDMENTS UNDER THESE PROCEDURES EXTEND REPORT DELIVERY DATES BEYOND THE TIME REQUIRED TO FILE THESE REPORTS WITH APPLICABLE AGENCIES UNDER FEDERAL, STATE, OR LOCAL LAWS, CONTRACTS, OR AGREEMENTS, OR WITH THE GOVERNMENT FINANCE OFFICERS ASSOCIATION FOR PURPOSES OF OBTAINING A CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING.

7. Amendments to extend this contract.

Refer to **Section 18** of the Agreement, for amendments relating to year four and/or year five of this contract if it is extended.

Financial & Federal Compliance Audit Contract - EXHIBIT E

185332

**CONTRACT AMENDMENTS**

*[Items in RED should be deleted]*

AMENDMENT NO. \_\_\_\_\*

CONTRACT NO. 30002662

FOR

Financial & Federal Compliance Audits

Pursuant to Ordinance No. \_\_\_\_\_  
*[Reference ordinance authorizing this amendment, if applicable. If not, delete this and line above.]*

This Contract was made and entered 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.

The following are typical examples of amendments to contracts:

1. This contract is hereby extended through \_\_\_\_\* .
2. An extension of time is requested for delivery of \_\_\_\_\_ *[Indicate what needs to be extended and by how many days or until a specific date.]*
3. Additional work is necessary as described in the Scope of Work as follows *[Identify changes to the scope of work]:* (Explain fully the cause/need for the change)
4. An adjustment in the compensation is not required. OR Additional compensation is necessary and shall not exceed \$ \_\_\_\_\* . *(And show how calculated)*

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

*[Signature block must remain on same page]*

**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.

Moss Adams, LLP

By: \_\_\_\_\_ Date: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Address: \_\_\_\_\_

Telephone: \_\_\_\_\_

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**Financial & Federal Compliance Audit Contract - EXHIBIT E**

**CONTRACT AMENDMENTS**

Contract No. 30002662 Amendment/Change Order No. \_\_\_\_\_

Contract Title: Financial & Federal Compliance Audits

**CITY OF PORTLAND SIGNATURES:**

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Chief Procurement Officer

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Elected City Auditor

Approved:

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Office of City Auditor

Approved as to Form:

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Office of City Attorney

I understand and agree that should the [change(s)]/[extension of time] result in an increase in the basic contract price, such increase will be billed directly to my Bureau/Division/ Department and will be payable from my Fund/Bureau's FY 201x-201x budget appropriation.

AUDITEE PROJECT MANAGER \_\_\_\_\_





**VERIFICATION OF INSURANCE**

**ISSUED TO:** City of Portland

We, the undersigned Insurance Brokers, hereby verify that Lloyd's of London and various Insurance Companies has issued the following described insurance, which is in force as of the date thereof-

**PROFESSIONAL LIABILITY INSURANCE**

**NAME OF INSURED:** Moss Adams, LLP and others as more fully described in the Policy.

**POLICY NUMBER:** YD011310j

**PERIOD OF INSURANCE:** 12:01 a.m. July 1, 2011, 12:01 a.m. July 1, 2012

**SUM INSURED:** \$1,000,000 Each claim and;  
\$3,000,000 in the aggregate including costs, charges and expenses excess of the applicable self-insured retention for the stated policy period.

**SUBJECT TO ALL TERMS, CONDITIONS AND LIMITATIONS OF THE POLICY**

This document is furnished to you as a matter of information only and is not insurance coverage. Only the formal policy and applicable endorsements offer a comprehensive review of the coverage in place. The issuance of this document does not make the person or organization to whom it is issued an additional insured, nor does it modify in any manner the contract of insurance between the Insured and the Insurer. Any amendment, change or extension of such contract can only be effected by specific endorsement attached thereto.

Should the above described Policy be cancelled before this expiration date thereof, we will endeavor to mail 30 days written notice to the Certificate Holder named above, but failure to do so shall impose no obligation or liability of any kind upon the Insurer, its Agents or Representatives.

**Issued at Chicago, Illinois**

**Lemme Insurance Group, Inc.**

**Date: May 9, 2012**

**Per:**

APPROVED AS TO FORM  
*James H. Van Dyke*  
CITY ATTORNEY 5/9/12

*[Signature]*  
Executive Vice President

**ORDINANCE No. 185332**

\*Authorize contract with Moss Adams, LLP in the amount of \$1,745,842 for financial and federal compliance audits of the statements for the three fiscal years 2011-12 through 2013-14, and other professional services (Ordinance; Contract No. 30002662).

The City of Portland ordains:

Section 1. The Council finds:

1. State law, City Charter and Section 10a of the Power Sales Agreement with Portland General Electric Company dated April 12, 1979 require an annual audit of the financial affairs and transactions of the City of Portland, including the Portland Development Commission, the Fire & Police Disability & Retirement Funds, and the Hydroelectric Power Fund.
2. In addition, the Single Audit Act of 1984 and subsequent amendments, and the Federal Office of Management and Budget's Circular A-133 require an annual federal compliance audit, known as the Single Audit, of the City's and PDC's federal awards and federal assistance programs.
3. City Charter Section 2-505 requires the City Auditor to conduct financial audits of City government in accordance with generally accepted government auditing standards, and to appoint, coordinate and monitor the annual audit of the City's financial statements by an independent licensed public accountant.
4. City Code Section 3.05.070 authorizes the City Auditor to contract for financial audit services with an outside firm of Certified Public Accountants.
5. City Charter Section 15-104 requires the Portland Development Commission to provide for an annual comprehensive independent audit of all funds and accounts of the Commission by a qualified Certified Public Accountant or firm of such accountants selected with the approval of the City Auditor.
6. The City decided to combine the audit of the Portland Development Commission with the audit of the City of Portland and its other reporting entities starting with the audit of the financial statements for FY 2007-08.
7. The City's previous contract for the financial and federal compliance audits of the City and its reporting entities expired on May 6, 2012 after a five year period ending with the audit of the FY 2010-11 financial statements.
8. The City Auditor, with the assistance of the Procurement Services, issued RFP AUD012 in February 2012. Moss Adams, LLP was selected using the competitive process outlined under Portland City Code Chapter 5.68. There were three members of the public on the proposal evaluation committee.



9. The Selection Committee recommended, and the City Auditor agrees, that Moss Adams, LLP, Certified Public Accountants, be contracted to conduct independent financial and federal compliance audits for a three-year period beginning with the statements for fiscal year 2011-12 through 2013-14.
10. The RFP and the Contract both authorize the City to extend this contract up to two (2) additional years, upon mutual agreement and successful negotiations between the parties. In the event that the City decides to exercise the option to extend this contract, the fees for the additional year(s) will be subject to negotiation at the time of extension. City Council must approve and authorize any or all extensions for such extensions to be considered part of this contract.
11. Notwithstanding Item 10 (above), this contract may be amended from time to time and as required to meet the requirements of the contract and the Scope of Work.

NOW, THEREFORE, the Council directs:

- a. That Moss Adams, LLP, Certified Public Accountants are approved to provide financial and federal compliance audits, and other professional services, to the City and its reporting entities relating to the fiscal years 2011-12 through 2013-14.
- b. The Chief Procurement Officer and City Auditor are hereby authorized to enter into a contract with Moss Adams, LLP for audit and professional services, in a form substantially in accordance with the attached agreement.
- c. The Mayor and Auditor are hereby authorized to draw and deliver checks for payment to Moss Adam, LLP for approved and accepted work according to the contract, chargeable to the reporting entities being audited.
- d. The Chief Procurement Officer is authorized to execute any amendments to this 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 original contract amount.

Section 2. The Council declares that an emergency exists because a delay in implementing the action herein could result in delays in conducting the FY 2011-12 audits and potentially add significant costs to the City or reporting entities, in order to file the audited financial statements timely as required by State law; therefore, this ordinance shall be in full force and effect from and after its passage by the Council.

185332

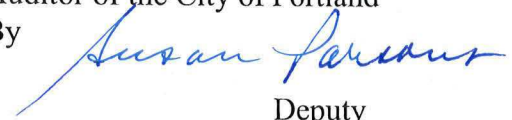
888681

Passed by the Council: MAY 16 2012

City Auditor LaVonne Griffin-Valade  
Prepared by: Fiona Earle, CIA, ACA  
Date Prepared: May 5, 2012

**LaVonne Griffin-Valade**  
Auditor of the City of Portland

By



Deputy

888081

Agenda No.  
**ORDINANCE NO. 185332**  
 Title

\*Authorize contract with Moss Adams, LLP in the amount of \$1,745,842 for financial and federal compliance audits of the statements for the three fiscal years 2011-12 through 2013-14, and other professional services (Ordinance; Contract No. 30002662).

INTRODUCED BY Commissioner/Auditor: <b>LaVonne Griffin-Valade</b>	CLERK USE: DATE FILED <u>MAY 11 2012</u>
<b>COMMISSIONER APPROVAL</b> Mayor—Finance and Administration - Adams Position 1/Utilities - Fritz Position 2/Works - Fish Position 3/Affairs - Saltzman Position 4/Safety - Leonard	LaVonne Griffin-Valade Auditor of the City of Portland  By: <u><i>[Signature]</i></u> Deputy
<b>BUREAU APPROVAL</b> Bureau: Audit Services Division Bureau Head: Drummond/Kahn Prepared by: Fiona Earle Date Prepared: 05/09/2012	<b>ACTION TAKEN:</b>
Financial Impact & Public Involvement Statement Completed <input checked="" type="checkbox"/> Amends Budget <input type="checkbox"/>	
Portland Policy Document If "Yes" requires City Policy paragraph stated in document. Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
Council Meeting Date <b>May 16, 2012</b>	
<b>City Attorney Approval:</b> required for contract, code, easement, franchise, comp plan, charter	

<b>AGENDA</b>
<b>TIME CERTAIN</b> <input type="checkbox"/> Start time: _____  Total amount of time needed: _____ (for presentation, testimony and discussion)
<b>CONSENT</b> <input type="checkbox"/>
<b>REGULAR</b> <input checked="" type="checkbox"/> Total amount of time needed: <b>10 minutes</b> (for presentation, testimony and discussion)

FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS:	
	YEAS	NAYS
1. Fritz	✓	
2. Fish	✓	
3. Saltzman	✓	
4. Leonard	✓	
Adams	✓	

**RESOLUTION NO. 6953**

**RESOLUTION TITLE:**

APPROVING THE INDEPENDENT AUDITOR AND AUDIT SCOPE, SCHEDULE AND FEES FOR THE FISCAL YEARS 2011-12, 2012-13, AND 2013-14

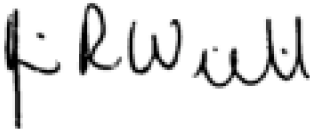
Adopted by the Portland Development Commission on June 13, 2012

PRESENT FOR VOTE	COMMISSIONERS	VOTE		
		Yea	Nay	Abstain
<input checked="" type="checkbox"/>	Acting Chair Charles Wilhoite	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Commissioner Scott Andrews	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Commissioner Aneshka Dickson	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	Commissioner John Mohlis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Commissioner Steven Straus	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Consent Agenda <input checked="" type="checkbox"/> Regular Agenda				

**CERTIFICATION**

**The undersigned hereby certifies that:**

*The attached resolution is a true and correct copy of the resolution as finally adopted at a Board Meeting of the Portland Development Commission and as duly recorded in the official minutes of the meeting.*

	<b>Date:</b>  July 3, 2012
<b>Gina Wiedrick, Recording Secretary</b>	