

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF AUTHORIZING THE) RESOLUTION NO. 02-3193
RELEASE OF A REQUEST FOR PROPOSALS)
(02-1019-AUD) FOR FINANCIAL STATEMENT) Introduced by Alexis Dow, Metro Auditor
AUDIT SERVICES)

WHEREAS, Metro Code 2.15.080 requires that the auditor shall appoint external certified public accountants to examine Metro's annual financial statements, as specified by state or local law;

WHEREAS, general economic conditions and the demand for accounting firm services have changed in recent months;

WHEREAS, the auditor has identified an opportunity to save significant contract resources for external certified public accountants to conduct the examination of Metro's annual financial statements;

WHEREAS, the auditor desires to further demonstrate public accountability through significant savings of public funds for the examination of Metro's annual financial statements;

WHEREAS, the auditor desires to reduce public expenditures for the examination of Metro's annual financial statements by requesting proposals for work performed by external certified public accountants to conduct the examination of Metro's annual financial statements; and,

WHEREAS, the auditor's appointed external certified public accountant that conducts the examination of Metro's annual financial statements charges contract fees in excess of \$50,000;

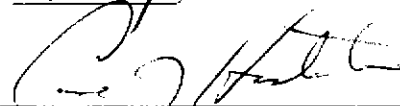
WHEREAS, Metro Code 2.04.026(b) requires Council approval of multiyear contracts in excess of \$50,000 that are not anticipated in the approved budget;

WHEREAS, the contractor will be selected by an open and competitive proposal and selection process; now therefore,

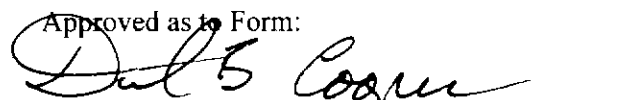
BE IT RESOLVED:

- 1) that the Metro Council authorizes the release of the RFP for financial statement audit services; and,
- 2) the Metro Council authorizes the Metro Auditor to execute a multi-year contract with the most qualified proposer for financial statement audit services.

ADOPTED by the Metro Council this 16th day of May, 2002.



Carl Hosticka, Presiding Officer

Approved as to Form:


Daniel B. Cooper, General Counsel

**REQUEST FOR PROPOSALS
FOR**



Resolution No. 02-3193

INDEPENDENT AUDIT SERVICES

For the Period June 1, 2002 – April 30, 2005

I. INTRODUCTION

The Metro Auditor is requesting proposals for independent audit services. Metro is a regional government organized under the laws of the State of Oregon and the Metro Charter. Metro is located at 600 NE Grand Avenue, Portland, OR 97232-2736.

Proposals will be due no later than 4:00pm, May 31, 2002 in the Metro Auditor's office. Details concerning the project and proposal are contained in this document.

Each proposer may schedule up to ninety (90) minutes with Metro staff to answer additional questions.

II. SERVICES REQUESTED

The Metro Auditor invites qualified independent certified public accountants to submit proposals to audit Metro's annual financial statements for the fiscal years ending June 30, 2002, 2003 and 2004. Metro is seeking proposals to enable selection of the firm best qualified to provide:

- Annual audit of the financial statements for Metro as required under generally accepted auditing standards and the Minimum Standards for Audits of Oregon Municipal Corporations
- Annual "Single Audit" covering Metro's federal awards in accordance with the U.S. Office of Management and Budget Circular A-133 and related necessary reports pertaining to Metro's internal control, compliance with applicable laws, regulations, grants and contracts, and the Schedule of Expenditures of Federal Awards
- Technical assistance to Metro personnel on various accounting and reporting questions
- The audit firm shall review Metro's method of determining Department Assessments under General Revenue Bond covenants, as required by ordinance 91-439, section 501(c) and provide a report of that review before March 1, 2004, including any recommendations for improvements.

III. PROPOSED SCOPE OF WORK

Metro is seeking proposals from qualified firms to perform the following services and to deliver the products described below. Each audit shall be made in accordance with the following standards:

- Generally Accepted Auditing Standards promulgated by the American Institute of Certified Public Accountants

- Minimum Standards for Audits of Oregon Municipal Corporations promulgated by the Secretary of State
- Standards for Audit of Governmental Organizations, Programs, Activities and Functions, published by the U.S. General Accounting Office
- OMB Circular A-133, Expenditures of Federal Awards
- State of Oregon and local laws and regulations

In addition, the audit firm will consider comments received from the GFOA Certificate of Achievement review, as appropriate. The scope of each audit will be planned to preclude the need for exceptions due to scope limitations. A formal audit plan detailing audit scope, audit risks, and accounting and auditing developments will be reviewed with the Metro Auditor.

Comprehensive Annual Financial Report (CAFR)

A report on the audit of the basic financial statements, as defined in GASB Statement 34, and independent auditor comments and disclosures required by the Minimum Standards for Audits of Oregon Municipal Corporations shall be issued by the audit firm no later than October 31.

Metro staff shall produce a complete copy of the CAFR in draft form by approximately October 20 of each year and shall submit such report to the independent audit firm for review.

The combining, individual fund and account group financial statements and schedules, as listed in the supplementary data section of the FY 2000-01 CAFR, and the Management Discussion and Analysis (MD&A) and other Required Supplementary Information (RSI) for FY 2002 and beyond are to be subject to auditing procedures "in relation to" the general purpose financial statements taken as a whole as required by Statements on Auditing Standards addressing GASB Statement 34 requirements.

Report on the Single Audit

The audit firm will issue a report on the results of a single audit of Metro's federal awards in accordance with the U.S. Office of Management and budget Circular A-133. Metro staff will provide the Schedule of Expenditures of Federal Awards.

The audit firm shall submit two preliminary drafts of the single audit report by October 15 of each year to the Metro Auditor for review and comment. The audit firm will prepare and deliver 75 copies of the final single audit report to the Metro Auditor no later than November 15 of each year.

The report on the single audit shall include:

- Independent Auditors' Report on Basic Financial Statements.
- Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

- Independent Auditors' Report on Compliance and Internal Control Over Compliance Applicable to Each Major Federal Award Program and on the Schedule of Expenditures of Federal Awards
- Schedule of Expenditures of Federal Awards
- Notes to Schedule of Expenditures of Federal Awards
- Schedule of Findings and Questioned Costs
- Prior Findings
- Other statements or reports to satisfy federal, state and local regulations or requirements.

Management Recommendations Letter

The audit firm will submit recommendations to the Metro Auditor in letter form. The letter will include any findings, observations, opinions, comments or recommendations relating to internal control; accounting systems; data processing; compliance with laws, rules and regulations; or any other matters that come to the attention of the independent auditor during the course of the audit. These recommendations will not be construed as special or additional studies. They will be limited to those usually associated with the study of internal control systems and procedures as a part of an audit of financial statements. The discussion draft shall be submitted to the Metro Auditor by October 31 of each year. Fifty copies of the final letters are required no later than November 15 of each year. The recommendations will be discussed with the Metro Auditor and other appropriate Metro officials prior to publication.

Secretary of State Summary of Revenues and Expenditures

The audit firm shall prepare the Summary of Revenues and Expenditures required by the Secretary of State for the State of Oregon and deliver the report to the Metro Auditor no later than November 15 of each year.

Additional Responsibilities and Services

Metro has been awarded the Government Finance Officer's Association Certificate of Achievement for Excellence in Financial Reporting for its FY 1992 through 2000 CAFRs. This award demonstrates that Metro's CAFR complies with generally accepted accounting principles and applicable legal requirements and is readable, efficiently organized and conforms to program standards. Metro intends to annually submit its CAFR to the GFOA Certificate program and to continue to receive the award. Metro may require minor technical assistance from the audit firm relating to presentation or disclosure issues.

Metro expects limited technical assistance from the audit firm throughout the fiscal year as a part of the overall audit contract. This assistance includes answering accounting, reporting or internal control questions directly related to the substance of this contract. Proposals shall also contain provisions for dealing with extraordinary circumstances discovered during the audit that may require an expansion of audit work beyond that which was originally planned.

In addition, the audit firm may be requested to perform special projects for Metro during the year. Because of variations in the demand for additional services, such work will be contracted for, provided and billed separately to Metro on an hourly basis.

Materials and working papers developed during the engagement will be maintained for a minimum of three (3) years from the audit report date. The audit firm will make work papers available to authorized representatives from Metro, the Oversight Federal Audit Agency and the U.S. General Accounting Office.

Proposals shall also contain provisions for dealing with extraordinary circumstances discovered during the audit that may require an expansion of audit work beyond that which was originally planned.

Audit Contracts

Contract Period — The audit contract will be for a period of three (3) years, June 1, 2002, through April 30, 2005. The successful proposer shall be required to sign Metro's standard Personal Services Agreement (Appendix A) along with the negotiated Scope of Work.

Prime Contractor Responsibilities — Metro will negotiate and contract only with the successful audit firm. The proposer shall have the responsibility to carry out the contract and shall be the only entity recognized to receive payment from Metro.

IV. QUALIFICATIONS AND EXPERIENCE

Proposers must be independent certified public accountants. In addition, proposers will complete Appendix B, Proposer's Qualifications and Representations, and submit the completed document as part of their proposals.

V. PROJECT ADMINISTRATION

Pre-audit conferences with the Metro Auditor and Metro staff will be held no later than June 30 each year to discuss audit schedules. The audit firm will commence the audit at a mutually agreeable date, although Metro's preference is for final full fieldwork to begin approximately in early to mid-September. The audit firm and the Metro Auditor and financial management shall meet periodically to discuss audit-related issues. At a minimum, monthly meetings will be held during the course of the audit fieldwork to report on the progress of the audit. Support and services provided by Metro staff are included in Appendix C.

The audit firm is expected to consult on accounting policy issues and render financial advisory services on matters related to the financial statement audit as deemed necessary. Any unusual conditions encountered during the course of the audit where services of the audit firm must be extended beyond the normal work anticipated will require written notification to the Metro Auditor prior to the commencement of work.

Post-audit conferences to review the various reports and financial statements will be held with the Metro Auditor, Chief Financial Officer, Accounting Manager and other appropriate Metro officials. Audit firm management shall be present at any meetings of the Metro Council when

matters regarding the audit or related reports are discussed. Meetings with individual councilors, commissioners or managers may also be requested.

VI. PROPOSAL INSTRUCTIONS

- A. **Submission of Proposals:** Six (6) copies of the proposal shall be furnished to Metro, addressed to:
Alexis Dow, CPA
Metro Auditor
600 NE Grand Avenue
Portland, OR 97232-2736
- B. **Deadline:** Proposals will not be considered if received after 4:00 p.m., May 31, 2002.
- C. **RFP as Basis for Proposals:** This Request for Proposals represents the most definitive statement Metro will make concerning the information upon which proposals are to be based. Any verbal information that is not addressed in this RFP will not be considered by Metro in evaluating the proposal.

All questions relating to this RFP should be addressed in writing to Metro Auditor Alexis Dow:

email: dowa@metro.dst.or.us
fax: (503) 797-1831
mail: Metro
600 NE Grand Ave.
Portland, OR 97232-2736

Any questions that, in the opinion of Metro, warrant a written reply or RFP amendment will be furnished to all parties receiving this RFP. Metro will not respond to questions received after May 24, 2002.

- D. **Information Release:** All proposers are hereby advised that Metro may solicit and secure background information based upon the information, including references, provided in response to this RFP. By submission of a proposal all proposers agree to such activity and release Metro from all claims arising from such activity.
- E. **Minority and Women-Owned Business Program:** In the event that any subcontracts are to be utilized in the performance of this agreement, the proposer's attention is directed to Metro Code provision 2.04.100.

Copies of that document are available from the Risk and Contracts Management Division, Metro, 600 NE Grand Avenue, Portland, OR 97232 or call (503) 797-1816.

VII. PROPOSAL CONTENTS

The proposal should briefly describe the ability of the consultant to perform the work requested, as outlined below. The proposal should be submitted on recyclable, double-sided recycled paper (with

post-consumer content). No waxed page dividers or non-recyclable materials should be included in the proposal.

- A. **Transmittal Letter:** Indicate who will be assigned to the project, who will be project manager, and that the proposal will be valid for ninety (90) days.
- B. **Approach/Project Work Plan:** Briefly describe how the work will be done within the given time frame and budget. Include a brief outline of the proposed work plan and schedule. Address how your audit approach/project work plan will cover the new GASB Statement 34 requirements.
- C. **Staffing/Project Manager Designation:** Identify specific personnel assigned to major project tasks, their roles in relation to the work required, percent of their time on the project, and special qualifications they may bring to the project. Include resumes of individuals proposed for this contract.

Metro intends to award this contract to a single firm to provide the services required. Proposals must identify a single person as project manager to work with Metro. The consultant must assure responsibility for any subcontractor work and shall be responsible for the day-to-day direction and internal management of the consultant effort.

- D. **Experience:** Indicate how your firm meets the experience requirements listed in Section IV of this RFP. List financial statement audits conducted over the past five years that involved local government entities of a size and with complexity comparable to Metro. For each of these audits, include the name of the customer contact person, his/her title, role on the project and telephone number. Identify persons on the proposed project team who worked on each of the other audits listed, and their respective roles.
- E. **Proposer's Qualifications and Representations:** Complete the form provided in Appendix B.
- F. **Cost/Budget:** Present the proposed cost of the project and the proposed method of compensation. List hourly rates for personnel assigned to the project. Anticipated reimbursable expenses should also be listed. Actual audit fees, including out-of-pocket expenses, have been \$81,000; \$73,800; and \$70,600 for FY 2001, 2000, and 1999, respectively.
- G. **Exceptions and Comments:** To facilitate evaluation of proposals, all responding firms will adhere to the format outlined within this RFP. Firms wishing to take exception to, or comment on, any specified criteria within this RFP are encouraged to document their concerns in this part of their proposal. Exceptions or comments should be succinct, thorough and organized.

VIII. GENERAL PROPOSAL/CONTRACT CONDITIONS

- A. **Limitation and Award:** This RFP does not commit Metro to the award of a contract, nor to pay any costs incurred in the preparation and submission of proposals in anticipation of a contract. The Metro Auditor reserves the right to waive minor irregularities, accept or reject any or all proposals received as the result of this request, negotiate with all qualified sources, or to cancel all or part of this RFP.

- B. **Billing Procedures:** Proposers are informed that the billing procedures of the selected firm are subject to the review and prior approval of Metro before reimbursement of services can occur. Contractor's invoices shall include an itemized statement of the work done during the billing period, and will not be submitted more frequently than once a month. Metro shall pay Contractor within 30 days of receipt of an approved invoice.
- C. **Validity Period and Authority:** The proposal shall be considered valid for a period of at least ninety (90) days and shall contain a statement to that effect. The proposal shall contain the name, title, address, and telephone number of an individual or individuals with authority to bind the proposer during the period in which Metro is evaluating the proposal.
- D. **Conflict of Interest.** A proposer filing a proposal thereby certifies that no officer, agent or employee of Metro or Metro has a pecuniary interest in this proposal or has participated in contract negotiations on behalf of Metro; that the proposal is made in good faith without fraud, collusion or connection of any kind with any other proposer for the same call for proposals; the proposer is competing solely in its own behalf without connection with, or obligation to, any undisclosed person or firm.

IX. EVALUATION OF PROPOSALS

- A. **Evaluation Procedure:** Proposals received that conform to the proposal instructions will be evaluated. The evaluation will take place using the evaluation criteria identified in the following section. Interviews may be requested prior to final selection of one firm.
- B. **Evaluation Criteria:** This section provides a description of the criteria that will be used in the evaluation of the proposals submitted to accomplish the work defined in the RFP.

65%	Cost
23%	Expertise and Experience
7%	Audit Approach (Work Plan)
5%	Reference Check

X. NOTICE TO ALL PROPOSERS — STANDARD AGREEMENT

The personal service agreement (included as Appendix A) is a standard agreement approved for use by the Metro Office of General Counsel. This is the contract the successful proposer will enter into with Metro; it is included for your review prior to submitting a proposal.

XI. BACKGROUND

Background information is provided in Appendix D.

Appendix A

Project _____
Contract No. _____

PERSONAL SERVICES AGREEMENT

THIS AGREEMENT is between Metro, a metropolitan service district organized under the laws of the State of Oregon and the Metro Charter, located at 600 NE Grand Avenue, Portland, OR 97232-2736, and _____ referred to herein as "Contractor," located at _____.

In exchange for the promises and other consideration set forth below, the parties agree as follows:

- 1. Duration. This personal services agreement shall be effective _____ and shall remain in effect until and including _____, unless terminated or extended as provided in this Agreement.
- 2. Scope of Work. Contractor shall provide all services and materials specified in the attached "Exhibit A — Scope of Work," which is incorporated into this Agreement by reference. All services and materials shall be provided by Contractor in accordance with the Scope of Work, in a competent and professional manner. To the extent that the Scope of Work contains additional contract provisions or waives any provision in the body of this Agreement, the Scope of Work shall control.
- 3. Payment. Metro shall pay Contractor for services performed and materials delivered in the amount(s), manner and at the time(s) specified in the Scope of Work for a maximum sum not to exceed _____ AND _____/100THS DOLLARS (\$_____).
- 4. Insurance.
 - a. Contractor shall purchase and maintain at the Contractor's expense, the following types of insurance, covering the Contractor, its employees, and agents:
 - (1) Broad form comprehensive general liability insurance covering bodily injury and property damage, with automatic coverage for premises, operations, and product liability shall be a minimum of \$1,000,000 per occurrence. The policy must be endorsed with contractual liability coverage; and
 - (2) Automobile bodily injury and property damage liability insurance coverage shall be a minimum of \$1,000,000 per occurrence.
 - b. Metro, its elected officials, departments, employees, and agents shall be named as ADDITIONAL INSUREDS. Notice of any material change or policy cancellation shall be provided to Metro 30 days prior to the change or cancellation.

c. Contractor, its subcontractors, if any, and all employers working under this Agreement that are subject employers under the Oregon Workers' Compensation Law shall comply with ORS 656.017, which requires them to provide Workers' Compensation coverage for all their subject workers. Contractor shall provide Metro with certification of Workers' Compensation insurance including employer's liability. If Contractor has no employees and will perform the work without the assistance of others, a certificate to that effect may be attached, as Exhibit B, in lieu of the certificate showing current Workers' Compensation.

d. If required by the Scope of Work, Contractor shall maintain for the duration of this Agreement professional liability insurance covering personal injury and property damage arising from errors, omissions, or malpractice. Coverage shall be in the minimum amount of \$1,000,000. Contractor shall provide to Metro a certificate of this insurance, and 30 days' advance notice of material change or cancellation.

e. Contractor shall provide Metro with a certificate of insurance complying with this article and naming Metro as an additional insured within fifteen (15) days of execution of this Contract or twenty-four (24) hours before services under this Contract commence, whichever date is earlier.

5. Indemnification. Contractor shall indemnify and hold Metro, its agents, employees and elected officials harmless from any and all claims, demands, damages, actions, losses and expenses, including attorney's fees, arising out of or in any way connected with its performance of this Agreement, or with any patent infringement or copyright claims arising out of the use of Contractor's designs or other materials by Metro and for any claims or disputes involving subcontractors.

6. Maintenance of Records. Contractor shall maintain all of its records relating to the Scope of Work on a generally recognized accounting basis and allow Metro the opportunity to inspect and/or copy such records at a convenient place during normal business hours. All required records shall be maintained by Contractor for three years after Metro makes final payment and all other pending matters are closed.

7. Ownership of Documents. All documents of any nature including, but not limited to, reports, drawings, works of art and photographs, produced by Contractor pursuant to this Agreement are the property of Metro, and it is agreed by the parties that such documents are works made for hire. Contractor hereby conveys, transfers, and grants to Metro all rights of reproduction and the copyright to all such documents.

8. Project Information. Contractor shall share all project information and fully cooperate with Metro, informing Metro of all aspects of the project including actual or potential problems or defects. Contractor shall abstain from releasing any information or project news without the prior and specific written approval of Metro.

9. Independent Contractor Status. Contractor shall be an independent contractor for all purposes and shall be entitled only to the compensation provided for in this Agreement. Under no circumstances shall Contractor be considered an employee of Metro. Contractor shall provide all tools or equipment necessary to carry out this Agreement, and shall exercise complete control in achieving the results specified in the Scope of Work. Contractor is solely responsible for its performance under this Agreement and the quality of its work; for obtaining and maintaining all licenses and certifications necessary to carry out this Agreement; for payment of any fees, taxes, royalties, or other expenses necessary to complete the work except as otherwise specified in the Scope of Work; and for meeting all other requirements of law in

carrying out this Agreement. Contractor shall identify and certify tax status and identification number through execution of IRS form W-9 prior to submitting any request for payment to Metro.

10. Right to Withhold Payments. Metro shall have the right to withhold from payments due to Contractor such sums as necessary, in Metro's sole opinion, to protect Metro against any loss, damage, or claim which may result from Contractor's performance or failure to perform under this Agreement or the failure of Contractor to make proper payment to any suppliers or subcontractors.

11. State and Federal Law Constraints. Both parties shall comply with the public contracting provisions of ORS chapter 279, and the recycling provisions of ORS 279.545 - 279.650, to the extent those provisions apply to this Agreement. All such provisions required to be included in this Agreement are incorporated herein by reference. Contractor shall comply with all applicable requirements of federal and state civil rights and rehabilitation statutes, rules and regulations including those of the Americans with Disabilities Act.

12. Situs. The situs of this Agreement is Portland, Oregon. Any litigation over this agreement shall be governed by the laws of the State of Oregon and shall be conducted in the Circuit Court of the state of Oregon for Multnomah County, or, if jurisdiction is proper, in the U.S. District Court for the District of Oregon.

13. Assignment. This Agreement is binding on each party, its successors, assigns, and legal representatives and may not, under any circumstance, be assigned or transferred by either party.

14. Termination. This Agreement may be terminated by mutual consent of the parties. In addition, Metro may terminate this Agreement by giving Contractor seven days prior written notice of intent to terminate, without waiving any claims or remedies it may have against Contractor. Termination shall not excuse payment for expenses properly incurred prior to notice of termination, but neither party shall be liable for indirect or consequential damages arising from termination under this section.

15. No Waiver of Claims. The failure to enforce any provision of this Agreement shall not constitute a waiver by Metro of that or any other provision.

16. Modification. Notwithstanding and succeeding any and all prior agreement(s) or practice(s), this Agreement constitutes the entire Agreement between the parties, and may only be expressly modified in writing(s), signed by both parties.

METRO

By _____

By _____

Title _____

Title _____

Date _____

Date _____

Appendix B

PROPOSER'S QUALIFICATIONS AND REPRESENTATIONS

The Proposer makes the following statements and representations as part of the proposal:

General Information

1. Name (firm or individual) of Proposer: _____
2. Address: _____
3. Federal Employer Identification Number: _____
4. How long have you been in business? _____
5. Are you a corporation? Yes ___ No ___
If yes, please provide the date and state of incorporation, type of corporation, and list the names of all Portland area audit stockholders.
6. Are you a partnership? Yes ___ No ___
If yes, please list names of all Portland area audit partners.
7. Number of professional audit staff employed in the Portland area office. _____
8. In the preceding five years, has the firm audited at least three different local governments? Yes ___ No ___
9. Does the firm have current experience in assisting audit clients in obtaining and/or retaining the GFOA Certificate of Achievement Yes ___ No ___
10. Does the firm have current experience in assisting audit clients in implementing the provisions of GASB Statement 34? Yes ___ No ___
11. Does the firm have current experience in the areas of bonds (tax-exempt) and the tax

impacts on local government?

Yes ___ No ___

12. Has the firm ever bid or submitted a proposal to Metro under another name?

Yes ___ No ___

If yes, please list the name(s) used.

13. Does the firm have any outstanding bids or proposals for contracts with Metro?

Yes ___ No ___

If yes, please provide the following:

Subject

Requesting Department

13. Does the firm have any current contract awards from Metro?

Yes ___ No ___

If yes, please provide the following:

Subject

Requesting Department

Amount

14. Please provide any other information you feel would help the Selection Committee evaluate your firm for this engagement.

Additional Representations

In addition to the foregoing general information, the Proposer certifies that:

15. The Proposer, if an individual, is of lawful age; is the only one interested in this proposal; and that no person, firm or corporation, other than that named, has any interest in the proposal, or in the contract proposed to be entered into.
16. The Proposer and each person signing on behalf of any Proposer certifies, and in the case of a joint proposal, each party thereto certifies as to its own organization, under penalty of perjury, that to the best of their knowledge and belief:
 - a. The prices in the proposal have been arrived at independently without collusion, consultation, communication or agreement for the purpose of restraining competition as to any matter relating to such prices with any other proposer or with any competitor;
 - b. Unless otherwise required by law, the prices which have been quoted in the proposal have not been knowingly disclosed by the Proposer prior to the proposal deadline, either directly or indirectly, to any other proposer or competitor;
 - c. No attempt has been made nor will be made by the Proposer to induce any other person, partnership or corporation to submit or not to submit a proposal for the purpose of restraining trade;
 - d. No Council member or other officer, employee, or person, whose salary is payable in whole or in part from Metro is directly or indirectly interested in the proposal, or in the services to which it relates, or in any of the profits thereof;
 - e. Said Proposer is not in arrears to Metro upon any debt or contract, and is not a defaulter, as surety or otherwise, upon any obligation to Metro, and has not been declared irresponsible, or unqualified, by any department of Metro or the State of Oregon, nor is there any proceeding pending relating to the responsibility or qualification of the Proposer to receive public contracts, except (if none, Proposer will insert "none").
 - f. Said Proposer meets the independence requirements of the American Institute of Certified Public Accountants and the Standards for Audit of Governmental Organizations, Programs, Activities and Functions, published by the U.S. General Accounting Office.
17. The Proposer has examined all parts of the RFP, including all requirements and contract terms and conditions thereof, and if its Proposal is accepted, the Proposer shall execute the proposed contract.
18. The Proposer is duly licensed to do business in the City of Portland and is licensed by the Oregon State Board of Accountancy as a Certified Public Accountant and Municipal Auditor.
19. The Proposer is and will certify to being an EEO Affirmative Action Employer.

20. The Proposer has or will provide for all persons employed to perform the services covered by the proposal, or for any other contract for service, in accordance with Oregon Revised Statutes Section 656.001 to 656.794, either as a:

- Carrier-insured employer, or as a
- Self-insured employer as provided by ORS 656.407.

The Proposer further certifies that evidence of such coverage shall be filed with Metro's Contracts Officer and maintained in effect for the duration of the contract.

21. The Proposer fully understands and submits its proposal with the specific knowledge that:

- In the event that the Proposer's proposal is accepted and receives all necessary approvals, the proposal will be incorporated into a contract containing general terms and conditions shown in Appendix A, Personal Services Contract.

The undersigned hereby certifies to the truth and accuracy of all statements, answers and data contained in this proposal and application, and hereby authorizes Metro to make any necessary examinations or inquiries in order to make a determination as to the qualifications and responsibility of the Proposer. The undersigned has examined all parts of the Request for Proposals and understands that it is completely discretionary with the Audit Services Selection Committee whether to accept, reject, or negotiate its proposal submitted pursuant thereto.

Signature of Proposer

Title

Appendix C

SUPPORT AND SERVICES PROVIDED BY METRO STAFF

Metro Accounting Division staff prepares the following work papers:

Trial Balances and Other Financial Statements

- Trial balances with prior year, budget and actual activity for each budgetary fund. Includes balance sheet and revenue and expenditure accounts.
- Client Adjusting Entries
- GAAP conversion trial balances for all proprietary funds with GAAP journal entries.
- Cash flow statements and support for each applicable fund.
- Completed draft of CAFR including all statements, schedules and note disclosures.

Cash/Investments

- Bank and Investment Reconciliations
- Outstanding Check Lists (Operation & Payroll Accounts)
- Deposits In Transit
- Restricted Investments By Fund
- Collateral Requirements Analysis

Balance Sheet Analysis - Assets

- Accounts Receivable Reconciliations
- General Fixed Assets Summary
- General Fixed Assets Combining Schedule
- Fixed Assets - All Funds
- Fixed Assets -- Disposals and Transfers
- Enterprise Fund Fixed Assets:
 - Summary of Fixed Assets
 - Summary of Additions
 - Summary of Deletions
- Depreciation Schedule
- Support for Current Year Contributed Capital and Amortization
- Accrued Interest
- Property Tax Accrual

Balance Sheet Analysis - Payables

- Accounts Payable Reconciliations
- Retainage Payable -All Funds
- Post-Closure and Liability Support
- Deposits -- Reconciliations
- Accrued Vacation Summary
- Accrued Vacation Supporting Detail
- Lease Payable Schedule
- Analysis of Capital Leases
- Solid Waste Debt Service -- Loans and Bonds Payable Footnote Support

- Arbitrage Liability Calculation
- General long-term debt account group roll forward schedules

Other

- Property Tax Revenue/Deferred Revenue Lead Schedule
- Property Tax Transactions
- Commitments Schedule (contracts)
- New Bond Issues or Refundings Detail
- GASB 31 Footnote Support
- 401(k) Deferred Compensation Fund Statements
- Response to GFOA Comments

Grants

- Grant Billings at June 30
- Schedule of Expenditures of Federal Awards
- Schedule of Closed Grants
- Schedule of Indirect Costs
- All Grant Agreements and Amendments

EDP and Other Reports

- Access to online General Ledger information in PeopleSoft
- Affirmative Action Plan
- Indirect Cost Rate Proposal
- Fiscal Year Unified Work Program
- Budget Amendments and Supplemental Budget
- Budget Hearing Notices
- Budget Documents

Metro staff will also perform the following:

- Pulling documents for verification of numbers and information
- Preparation of additional analyses not listed above as required.

Appendix D

BACKGROUND INFORMATION

Metro is the nation's only directly elected regional government. Metro's primary responsibilities include regional planning, solid waste disposal and waste reduction programs, Oregon Zoo operations, open spaces acquisition, regional park management and operation of the region's spectator facilities. Metro accomplishes the latter through the Metropolitan Exposition-Recreation Commission (MERC). The Metro Council, composed of seven councilors who represent individual districts inside Metro's jurisdiction governs Metro. The Metro Council conducts its business in weekly meetings supplemented by various committee meetings held throughout the month. Metro's Executive Officer and Auditor are elected region-wide. The Executive Officer implements the Metro Council's policies and handles Metro administration. The Metro Auditor provides financial and performance audits of Metro's programs and activities.

Metro used the following funds and account groups in fiscal year 2000 and accounts for all funds on a modified accrual basis for budgetary purposes.

Fund Type	Fund Name	Budgetary Funds	GAAP Basis
Government funds			
General	General	General	Modified Accrual
Special Revenue	Zoo	Zoo operating	Modified Accrual
		General Revenue Bond Fund - Zoo	Modified Accrual
	Regional Parks and Expo	Regional Parks and Expo	Modified Accrual
	Planning	Planning	Modified Accrual
	Spectator facilities operating	Spectator facilities	Modified Accrual
	Coliseum operating	Coliseum	Modified Accrual
	MERC administration	MERC administration	Modified Accrual
Capital Projects	Zoo capital	Zoo capital	Modified Accrual
	Open spaces	Open spaces	Modified Accrual
Debt Service	General Obligation Debt Service	General Obligation Debt Service	Modified Accrual
Proprietary funds			
Enterprise	Solid waste fund	Solid waste revenue	Accrual
	Convention Center fund	Convention Center operating	Accrual
		Convention Center project capital	Accrual
		Convention Center renewal & replacement	Accrual
Internal Service	Building management fund	Building management	Accrual
		General Revenue Bond Fund - Building management	Accrual
	Risk management fund	Risk management	Accrual
	Support services fund	Support services	Accrual
Fiduciary Funds			
Expendable Trust	Rehabilitation and enhancement	Rehabilitation and enhancement	Modified Accrual
	Smith and Bybee Lakes trust	Smith and Bybee Lakes trust	Modified Accrual
	Regional parks trust	Regional parks trust	Modified Accrual
Pension Trust	Pension trust fund	(not budgeted)	Accrual

Account Groups

General Long-term Debt Account Group
General Fixed Asset Account Group

Metro currently maintains two checking accounts: 1) accounts payable and 2) payroll (which is a "zero-balance account"). In addition, investments are made with various Oregon financial institutions (certificates of deposit, U.S. Treasury Securities, etc.) in accordance with Metro Code and state law. Metro receives dedicated property tax revenue for bonded debt service and a tax base for zoo operations from three counties (Clackamas, Multnomah, Washington) and has receivable accounts for each. Metro employs approximately 2,000 people during a fiscal year.

Metro's corporate trustee (registrar and co-paying agent) is BNY - Western Trust Company. BNY - Western Trust Company maintains separate accounts for various bond issues including but not limited to bond proceeds, debt service, reserve and rebate accounts. In addition to the above accounts, MERC maintains various checking, vault and other cash accounts used for its operations.

Other systems and procedures include:

- Metro's investment policies: set by ordinance.
- Computerized systems: include payroll, purchasing, accounts payable, accounts receivable, billing, general ledger, and financial reporting. Each includes manual tasks as well, and some are not integrated on the EDP system.
- MERC: maintains a separate accounting function that monitors its financial operations. It processes documentation and transactions through Metro's accounting section for budget and financial reporting purposes.
- Organizational chart for the Accounting Services Division is attached.

Other available reports can be obtained by calling Metro Auditor Alexis Dow at (503) 797-1891:

- Comprehensive Annual Financial Report for fiscal year ended June 30, 2001
- Reports required by the Single Audit Act
- Adopted budget for fiscal year 2002.

Metro staff provides support by preparing audit work papers on trial balances and other financial statements, cash and investments, grants, and other areas listed in Appendix C. Metro staff will also pull documents for verification of information and prepare additional analyses as required.

GASB Statement 34 and its subsequent companion statements, commonly referred to as the new reporting model standards for governmental financial reporting, will have a major impact on Metro's Comprehensive Annual Financial Report. Accounting Services Division staff have reviewed the applicable GASB statements giving them a general awareness of the overall direction of the statement. In addition, staff are working with KPMG to complete an implementation plan by early April 2002. Metro staff have begun the initial decision-making steps on fund and account structure changes to meet the requirements and will commence a more extensive work program upon completion of the implementation plan in April 2002. Metro is required to meet the requirements of this standard for the fiscal year ended June 30, 2002 and following. Anticipated challenges in implementing the standard at Metro include:

- Obtaining a current physical inventory of fixed assets. (Satisfactory records of historical cost for fixed assets and depreciation exist.)

- Developing a methodology and systems to distribute depreciation expenses to the various programs and activities.
- Determining the functions and program level detail to be reported in the Statement of Activities
- Determining the allocation of Metro's internal service funds to the appropriate funds or activities under GASB 34 requirements.

Metro staff have used resources available from other entities (City of Eugene, City of Wilsonville and GASB internet links to supplement information and knowledge on process and issues.) Metro staff intends to discuss GASB Statement 34 issues with knowledgeable personnel of the selected firm, to ensure Metro compliance with Statement requirements.

STAFF REPORT

IN CONSIDERATION OF RESOLUTION NO. 02-3193, FOR THE PURPOSE OF AUTHORIZING THE RELEASE OF A REQUEST FOR PROPOSALS (02-1019-AUD) FOR FINANCIAL STATEMENT AUDIT SERVICES

Date: May 8, 2002

Prepared by: Alexis Dow

BACKGROUND

In spring 2001 we requested proposals for financial statement audit services. The proposals we received all came from responsible and reliable CPA firms. The fees that the CPA firms estimated for financial statement audit services were relatively high. Because most quality CPA firms at that time were essentially "in the driver's seat" when they bid on and took on such work, there was not a great deal of cost-related competition among the firms. The economy was strong and quality CPA firms had about as much business as they wanted.

The American economy has changed significantly since we received proposals for that contract a year ago. Beginning with a decline in the technology sector, the overall economy experienced a general downturn that was further weakened by the events of September 11, 2001. The national economy has been hard hit and the Pacific Northwest economy, including the Portland area, has become very soft.

With a weaker economic environment, the market for financial services has changed. CPA firms that one or two years ago were in the "driver's seat" in responding to proposals for services now find themselves in less demand. The economic downturn and other changed conditions eroded the demand for CPA firms' financial services in connection with initial public offerings and merger and acquisition related work. Moreover, CPA firms' financial service consulting work has been curtailed as businesses adapt to a more stringent and austere business environment.

While CPA firms have experienced problems maintaining the demand for their services, the organizations that employ CPA firms and other contractors have looked to these contractors to essentially "share the pain" of their own economic problems and related budget reductions. Government and private sector organizations have gone back to contractors to ask for recognition of an environment that has negatively changed since the inception of various contracts.

The Metro Auditor's Office has the opportunity to save significant contract funds for external certified, public accountants to conduct the examination of Metro's annual financial statements. Moreover, the Office desires to further demonstrate public accountability through significant savings of public funds for the examination of Metro's annual financial statements and take advantage of changed economic and accounting firms-related conditions.

The Metro Auditor's Office initially began discussions to this effect with the certified public accounting firm in December 2001. At that time, the Auditor's Office submitted budget documents to the Metro Executive Officer and Council that outlined the option of obtaining a lower fee for the examination of Metro's annual financial statements. In preliminary discussions, the certified public accounting firm indicated that it is in the process of buying Arthur Andersen's Pacific Northwest practice and is very busy. It told the Metro Auditor that it would reduce its fee for Metro's financial statement services by

\$5,000. Based on our survey of qualified area CPA firms we found that the local market for financial audit services is more competitive than that, even considering implementation of GASB 34.

This effort to secure more favorable terms for the examination of Metro's annual financial statements was recently discussed with Metro Executive Officer Mike Burton, who expressed no concern over the matter. Also, a May 4, 2002, memo from Metro Chief Operating Officer Pete Sandrock expressed thanks for making the effort to get better prices from independent auditing firms.

The RFP selection criteria have been established to ensure that Metro will obtain its financial statement audit at a competitive price from a licensed municipal auditor possessing relevant experience.

ANALYSIS/INFORMATION

The anticipated reduction in the fee for the financial statement audit for the year ending June 30, 2002, is expected to be approximately \$15,000. Similar savings are anticipated in subsequent years of the contract, resulting in a \$45,000 savings over 3 years.

RECOMMENDED ACTION

The Metro Auditor recommends approval of Resolution No. 02-3193.