

BEFORE THE COUNCIL OF THE  
METROPOLITAN SERVICE DISTRICT

FOR THE PURPOSE OF AMENDING ) RESOLUTION NO. 90-1312  
A CONTRACT WITH KPMG PEAT )  
MARWICK FOR THE FY 1990-91 ) Introduced by,  
PERFORMANCE AUDIT SERVICES ) The Finance Committee

WHEREAS, The Council of the Metropolitan Service District (Metro Council) has entered into a Personal Services Contract with KPMG Peat Marwick for Performance Audit Services (Metro Contract No. 901163); and

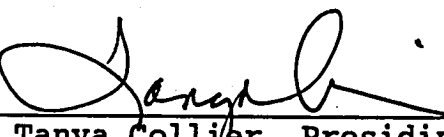
WHEREAS, The term of the Contract is from February 8, 1990 through June 30, 1992 with annual amendments being required to determine a new Scope of Work and additional contract costs; and

WHEREAS, The Finance Committee recommends that the Performance Audit for FY 1990-91 focus on the solid waste functions of the District; now, therefore,

BE IT RESOLVED,

1. That the Metro Council acting as the Contract Review Board exempts Contract Amendment No. 1 from the competitive procurement procedures of Section 2.04.053.
2. That the Metro Council approves Amendment No. 1 attached hereto to the contract with KPMG Peat Marwick for performance audit services.

ADOPTED by the Council of the Metropolitan Service District  
this 23rd day of August, 1990.

  
\_\_\_\_\_  
Tanya Collier, Presiding Officer

AMENDMENT NO. 1

ADDITIONAL SCOPE OF WORK AND CONTRACT AMOUNT

That Contract between Metropolitan Service District, hereinafter referred to as "Metro", and KPMG Peat Marwick, hereinafter referred to as "CONTRACTOR", dated February 8, 1990, for Performance Audit Services, Contract No. 901163, is hereby amended to 1) add the Scope of Work for FY 1990-91 as described in Exhibit A attached hereto; and 2) increase the maximum amount that Metro shall pay to the CONTRACTOR for services provided to EIGHTY ONE THOUSAND NINE HUNDRED SEVENTY NINE AND NO/100TH ( \$81,979.00 ) dollars.

All other terms of the Contract remain in full force and effect.

DATED this \_\_\_\_\_ day of \_\_\_\_\_.

CONTRACTOR

METROPOLITAN SERVICE DISTRICT

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

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

**Exhibit A**

**FISCAL YEAR 1990-91  
SCOPE OF WORK**

This section describes the contractor's work plan, deliverables and budget for conducting a performance audit of the solid waste function of the Metropolitan Service District (Metro).

The performance audit will be conducted in two separate phases -- A survey phase (Phase I) and an in-depth review phase (Phase II). Phase I will analyze the economy and efficiency of the Solid Waste function, identify and analyze the implementation of Council policies and programs, identify areas with potential for improvement, and lead to the development of a work plan for the in-depth audit of selected areas under Phase II. The contractor will provide recommendations for immediate improvements in areas developed under Phase I of the project.

Under Phase II, the contractor will develop the attributes of a performance audit finding -- condition, cause, criteria and effect for the areas identified under Phase I. The contractor will also develop meaningful recommendations to improve the economy and efficiency of the solid waste function and the implementation of Council policies and programs.

**WORK PLAN**

The work plan for the completion of the performance audit of Metro's Solid Waste function is set forth below.

The work plan is based on the assumption that the Council's Finance Committee will perform oversight of the performance audit function. If a different oversight arrangement is adopted by the Council, the contractor will modify the work plan accordingly.

The level of effort, distributed by professional staff level, for the tasks set forth in the contractors work plan are shown in the budget section of this scope of work.

The contractor agrees to complete the work plan within 120 days of execution of this contract.

**PHASE I - SURVEY**

**Task 1 - Conduct Start-Up Activities**

- Conduct start-up activities:
  - Conduct an entrance conference with the Metro Council's Finance Committee and staff, the Executive Officer, and Directors of the Solid Waste Department, Planning and Development Department, and Public Affairs Department to:

- Introduce the performance audit team;
- Refine the scope and study objectives; and
- Discuss project coordination procedures.
- Collect and review key documents:
  - Collect and review key documents regarding the Solid Waste function's goals and objectives, organization, management structure and staff utilization. These documents typically include
    - Mission and goals;
    - Organization charts;
    - Management information system reports; and
    - Budgetary documents.
  - Collect and review key documents relating to the programs and activities within the Solid Waste function selected for the audit, including:
    - Waste disposal facilities and projects;
    - Regional Solid Waste Reduction Program;
    - Planning and operation of major new solid waste system facilities;
    - Budget, fiscal policies, contracts, franchises, data base and information management;
    - Administration and support services, local government assistance, and public information;
    - Waste reduction promotion and education programs;
    - Operation of the Recycling Information Center;
    - Solid waste planning activities, including completion of the Regional Solid Waste Management Plan;
    - Design of long-term regional material recovery processing capabilities; and
    - Design of a system for managing household hazardous waste.

**Task 2 - Conduct Interviews with Council Staff and Departmental Management and Staff**

- Conduct interviews with management and staff from involved agencies;
  - Council Administrator and staff;
  - Solid Waste Department Director;
  - Division chiefs within the operations, Waste Reduction, Engineering and Analysis, Budget and Finance, and Administration and Support Services Divisions;
  - Planning and Development Department; and
  - Public Affairs Department.

The objectives of these interviews are to:

- Review and confirm the audit team's understanding of Metro's Solid Waste function -- its current policies, goals, practices and concerns;
  - Provide the opportunity to describe areas of concern which should be addressed in the performance audit; and
  - Provide the audit team with the necessary feedback regarding the most appropriate areas to be reviewed and evaluated in the performance audit.
- Conduct interviews with selected Solid Waste Department management and staff to identify:
    - Program responsibilities;
    - Regulatory requirements;
    - Responsibilities of management and staff;
    - Work load and work flow;
    - Use of automated and manual processing systems;
    - Distribution of work; and
    - Performance monitoring systems.

**Task 3 - Assess Potential for Economy and Efficiency Improvements**

- Evaluate results of interviews and analysis of policies, programs and activities performed by the Solid Waste function review under Task 1 and 2:
  - The key task of Phase I is the determination of the audit focus for issues to be addressed in Phase II. Following the meeting with review of key documents and interviews with management and staff (discussed in Task 1 and 2), the focus of the performance audit will be established. The audit will be focused on those areas that offer the greatest benefit to Metro management, the Council and the public. The audit team will perform some preliminary fact-finding and analysis that is required to augment the other available information.

**Task 4 - Review Phase I Observation with Council Finance Committee and Staff and Solid Waste Department Officials**

- Discuss observations and areas of concern developed in Phase I;
- Evaluate Council staff and Departmental comments and consider impact on areas of concern; and
- Prepare in writing observations developed above and recommendations for areas identified and developed as findings for immediate improvement.

**Task 5 - Prepare Work Plan for Phase II**

- Summarize in writing the results of the performance audit conducted under Phase I;
- Prepare a work plan in writing on the issues recommended for development in greater depth under Phase II. The work plan will include the following:
  - Status of information gathered under Phase I;
  - Elements of a finding -- condition, cause, criteria, effect-needing further development; and
  - Consideration of the views of responsible management officials.

- Review the proposed work plan for Phase II with the Metro Council Finance Committee:
  - Adjust the work plan as necessary to reflect the results of the Finance Committee Review.

## **PHASE II - DETAILED REVIEW**

### **Task 6 - Perform In-Depth Study**

- Develop the findings on the Solid Waste Functional areas identified under Phase I:
  - Focus on developing the finding attributes not fully developed under Phase I;
  - Develop practical and cost-effective recommendations for Solid Waste function improvements, such as:
    - Needed changes to existing policies and procedures;
    - Needed policies and procedures where none exist;
    - Realignment of organizational and program responsibilities to improve economy and efficiency and to improve delivery of services; and
    - Adjustment to current funding levels.

### **Task 7 - Prepare the Audit Report**

- Prepare and review draft report:
  - Prepare the draft report. The draft report will summarize the following:
    - Scope of work performed;
    - Methodology for conducting study;
    - Major findings in each of the areas reviewed;
    - Conclusions of study identifying strengths and weaknesses within the organization and management structure; and
    - Recommendations to improve Solid Waste function performance.

- Review the draft report with the Council staff and the Solid Waste Department Director and key Department staff. The purpose of the meeting is to:
  - Present the results of the study;
  - Provide an opportunity for additional explanation and clarification regarding the results of the study;
  - Discuss the appropriateness and feasibility of KPMG Peat Marwick's recommendations.
- Review the draft report with the Metro Council Finance Committee. The purpose of the review is to:
  - Present the results of the study; and
  - Clarify any questions raised by the Committee.

#### **Finalize the Report**

- Make any necessary changes in the draft report based upon the review and comments by the Solid Waste Department Director and the Finance Committee; and
- Present the final written report to the Metro Council.

#### **Metro Contract Manager**

- The Council Administrator shall serve as contract manager for this contract. The contractor agrees to provide periodic status reports to the contract manager and Finance Committee as mutually agreed to by the contractor and contract manager.

#### **DELIVERABLES**

Based on the scope of work for fiscal years 1990-91, contractor will provide at least 25 copies of the following deliverables:

- Task 4 - Report, including recommendations on issues developed under Phase I;
- Task 5 - Recommended work plan for issues to be developed under Phase II; and



- Task 7 - Overall report or reports, on findings, conclusions and recommendations developed in Phase II, the detailed audit.

Depending on the results of the work performed, additional deliverables may be provided as a result of the fiscal year 1990-91 performance audit.

**BUDGET**

The proposed cost to accomplish the fiscal year 1990-91 scope of work are as follows:

	<u>Hours</u>	<u>Hourly Rate</u>	<u>Professional Fees</u>
Principal/Partner			
Robert T. O'Neill	40	\$145	\$ 5,800
Joseph F. Hoffman			
Senior Manager			
Harold J. D'Ambrogia	75	125	9,375
Susan Clement			
Solid Waste Technical Specialists	100	125	12,500
Consultant/Audit Senior			
Jeff Myers	100	70	7,000
Staff Auditors	<u>40</u>	40	<u>1,600</u>
Total hours and fees	<u>355</u>		<u>36,275</u>
Expenses:			
Travel and per diem			5,500
Report preparation and production			<u>800</u>
Total expenses			<u>6,300</u>
Total project costs			\$ <u>42,575</u>

The rates shown are for the fiscal year 1990-91 work. The rates include a less than five percent increase over the fiscal year 1989-90 contractor's billing rates for professional staff.

Contractor agrees that Mr. Robert T. O'Neill and Mr. Harold J. D'Ambrogia will serve as Principal and Senior Manager, respectively, for the term of this contract unless Metro agrees to change the person(s) so designated.

FINANCE COMMITTEE REPORT

CONSIDERATION OF RESOLUTION NO. 90-1312, AMENDING THE  
CONTRACT WITH KPMG PEAT MARWICK FOR THE FY 1990-91  
PERFORMANCE AUDIT

Date: August 17, 1990

Presented by: Councilor Van Bergen

COMMITTEE RECOMMENDATION: At the August 16, 1990, meeting the Committee voted unanimously to recommend Council adoption of Resolution No. 90-1312. Voting in favor were Councilors Collier, Devlin, Gardner, Van Bergen and Wyers.

COMMITTEE DISCUSSION/ISSUES: Don Carlson, Council Administrator, presented the Resolution. He indicated that the Resolution does two things: 1) it exempts the amendment from the competitive bid requirements of the Metro Code, and 2) it approves the amendment which adopts a new scope of work and extends the amount of the contract by \$42,575 to enable payment for the services received. Mr. Bob O'Neill, a principal with KPMG Peat Marwick, discussed the new scope of work. He indicated that the Finance Committee had determined that the Solid Waste function of the District would be the focus of this year's performance audit. The scope of work sets out the work plan for auditing the Solid Waste function. This year's audit will follow last year's format in that it will be split into two phases. Phase I will be a survey of the Solid Waste function to determine the areas for a more in depth audit. A Phase I report will be presented to the Finance Committee which will include preliminary findings and recommendations for the Phase II audit. Based on the decision of the Finance Committee, the auditors will proceed to Phase II. Phase II will be a more in depth audit of the Solid Waste programs or activities which will culminate with a final audit report.

Committee discussion focused on the need to coordinate the audit process with the Solid Waste Committee and the need to look at specific programs such as waste reduction, Solid Waste planning and the closure of St. Johns.

DEC:aeb  
Attachment

A:RES-1312.RPT