

BEFORE THE CONTRACT REVIEW BOARD
OF THE METROPOLITAN SERVICE DISTRICT

FOR THE PURPOSE OF AMENDING A)	RESOLUTION NO. 91-1495
CONTRACT WITH KPMG PEAT MARWICK)	
FOR THE FY 1991-92 PERFORMANCE)	Introduced by Presiding
AUDIT SERVICES)	Officer Tanya Collier

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

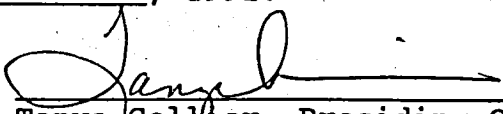
WHEREAS, The term of the Contract is from February 8, 1990 through June 30, 1992 with annual amendments being required to determine a new Scope of Work and additional contract costs; and

WHEREAS, The Governmental Affairs Committee recommends that the Performance Audit for FY 1990-91 focus on the business practices of the Metropolitan Exposition-Recreation Commission; now, therefore,

BE IT RESOLVED,

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

ADOPTED by the Council of the Metropolitan Service District
this 12th day of September, 1991.


Tanya Collier, Presiding Officer

AMENDMENT NO. 2

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 1991-92 as described in Exhibit A attached hereto; and 2) increase the maximum amount that Metro shall pay to the CONTRACTOR for services provided to One Hundred Forty Three Thousand One Hundred Seventy Nine and No/100th (\$143,179.00) dollars.

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

DATED this _____ day of _____.

CONTRACTOR

METROPOLITAN SERVICE DISTRICT

By: _____

By: _____

—



METRO

2000 S.W. First Avenue
Portland, OR 97201-5398
503/221-1646

Memorandum

DATE: August 27, 1991
TO: Metro Council
FROM: Tanya Collier, Presiding Officer
RE: FY 1991-92 Performance Audit

Please find attached a copy of Resolution No. 91-1495 which amends the contract with KPMG Peat Marwick to undertake this years performance audit. This is the third year of a three year contract with KPMG Peat Marwick for these services. In the past two years the Council has received performance audits on the District's Finance and Administration and the Solid Waste functions. As indicated in the attached resolution this years proposal is to do an audit of the Metro ER Commission function. The subject matter of the audit is based on a recommendation from KPMG Peat Marwick (see Attachment 1, letter dated June 27, 1991) and discussions with the Chairs of the Governmental Affairs and the Regional Facilities Committees.

I have referred Resolution No. 91-1495 to the Governmental Affairs Committee and have been informed it will be scheduled for hearing and action at the Committee's September 5 meeting. Assuming it is recommended out of Committee on that date it is my intent to place it on the Council's September 12 meeting agenda. The audit will start during the week of September 16-20 and should be finished early in 1992.

cc: Rena Cusma, Executive Officer
Ted Runstein, Metro ER Commission Chair
Lee Fehrenkamp, Metro ER Commission General Manager
Bob O'Neill, KPMG Peat Marwick

PerAud.ERC

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Sacramento, CA 95833 2936

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June 27, 1991

Mr. Donald E. Carlson
Council Administrator
Metropolitan Service District
2000 S.W. First Avenue
Portland, Oregon 97201-5398

Dear Mr. ^{Don} Carlson:

Enclosed is a description and justification of two potential areas we are suggesting for consideration of the METRO Council for a performance audit.

We believe that the proposed performance audit of the METRO/MERC relations and MERC's business practices has the potential of greater benefit to the Council members; however, we feel that either review would provide useful information to the Council in carrying out its oversight responsibility.

Per our recent telephone conversation, you stated that you would discuss these proposals with Council members, and let us know their reaction. Of course, we would be interested in discussing any other areas of METRO's activities that Council members would suggest for a performance audit.

Very truly yours,

KPMG Peat Marwick



Robert T. O'Neill, Principal

Enclosure

SUGGESTED AREAS FOR PERFORMANCE AUDIT

AT PORTLAND METROPOLITAN SERVICE DISTRICT (METRO)

Metropolitan Exposition Recreation Commission (MERC)

KPMG Peat Marwick believes that now, about a year and one half after the transfer of MERC activities to METRO, sufficient time has transpired for a performance audit of MERC's business practices. Because of the significant costs associated with the operation of MERC facilities and the expenses and revenues involved in events, shows, performances, etc., at the MERC facilities that a performance audit of MERC's business operations would be desirable. We also believe that based on our review of the support services provided by METRO's Finance and Administration Department to other METRO organizational units, the support service relationship between METRO and MERC should be reviewed.

■ Review of MERC's Business Practices

MERC operates several recreational facilities:

- Coliseum;
- Oregon Convention Center;
- Civic Stadium; and
- Performing Arts Center.

Operation of these facilities includes:

- Maintenance of MERC facilities (including use of in-house or contract maintenance and janitorial personnel, adequacy of routine maintenance scheduling, emergency maintenance and repair, renovation and upgrading of heating, ventilation, and air conditioning equipment);
- Procurement of goods and services;
- Staffing of facilities for events (including security, ticket takers, cleanup crews, lighting, ushers, etc.);
- Negotiation of fees with exhibitors, sponsors, and promoters for use of MERC facilities;
- Administrative support staffing; and
- Controls over event revenues and even settlement procedures.

Since MERC is an autonomous operation, MERC's business practices for the management of its facilities and operations has not had the same level of Council oversight as has other METRO organizations.

■ Review of the METRO/MERC Relationship

In January 1990, METRO became responsible for the activities of MERC. Based on our review of the METRO Finance and Administration activities, which was underway during the period of the METRO/MERC merger, there were several indications that there had been ongoing discussions between METRO and MERC, attempting to work out the roles and responsibilities of the two organizations, especially in the area of support services. This appears to be a continuing issue and was discussed several times in the recent Benson & McLaughlin centralization/decentralization review.

MERC activities can be characterized as being related to the entertainment business. Perhaps with the exception of the Washington Park Zoo (which is discussed in the following section), MERC's activities are generally different than METRO's other functions. We believe that the focus of our proposed study should be to determine and evaluate the extent to which MERC's entertainment function affects the extent of administrative and management support that would be appropriate for METRO to provide to MERC.

We believe that sufficient time has elapsed since the METRO/MERC merger, that an objective performance audit of the METRO/MERC relationship would provide both the METRO Council and the MERC Commission with information on areas where the relationship is working, and most importantly, identify, evaluate, and make recommendations on areas where this relationship needs to change in order to realize and enhance the benefits of the merger.

We suggest that we conduct a survey of MERC activities, including the areas listed above, and other MERC activities that may be identified during the course of the survey. The survey would be performed as Phase I effort, and would include input from METRO Council, METRO executive officials, MERC Commission, MERC management, and METRO support staff on areas that should be evaluated during Phase I. After summarization and review of the results of the Phase I study with METRO Council, issues would be identified for in-depth study in Phase II of the review. The results of Phase II would be a report on findings and recommendations to the METRO Council.

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Washington Park Zoo

If the Council does not choose to do an audit of the MERC functions, we propose that a performance audit of the business practices of the Washington Park Zoo be undertaken.

While the METRO Council has had long-term oversight of the activities of the Zoo (as compared to the relatively short-term oversight of the activities of MERC), the Zoo does carry out many of the same business activities as MERC. For example, the Zoo has activities involving:

- Staffing of the various Zoo functions, including janitorial, concessions, ticket takers, maintenance, safety, etc.;
- Construction of new exhibit facilities;
- Procurement of goods and services;
- Facilities maintenance, including scheduling of routine maintenance, emergency maintenance, renovation, etc.; and
- Cash management and controls, including review of accounting for gate receipts, concessionaire receipts, rides, etc.

As outlined for the proposed performance audit of MERC, we suggest that we conduct a survey of the Zoo's activities and business practices, including the areas listed above and other Zoo activities that may be identified during the course of the survey. The survey would be our Phase I effort, and would include input from METRO Council, METRO Executive officials, METRO support staff, and Zoo staff on areas that should be evaluated during the Phase I effort. After summarization and review of the results of the Phase I survey with METRO Council, issues would be identified for in-depth study in Phase II of the review. The results of Phase II would be a report on findings and recommendation to the METRO Council.

**FISCAL YEAR 1991-92
SCOPE OF WORK**

This section describes the contractor's work plan, deliverables and budget for conducting a performance audit of the business practices of the Metropolitan Exposition Recreation Commission (MERC) and (2) the relationship between MERC and 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 MERC's business activities and the effectiveness of the administrative support relationships between MERC and Metro, 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 MERC's activities and the implementation of Council policies and programs.

WORK PLAN

The work plan for the completion of the performance audit of MERC's activities is set forth below.

The work plan is based on the assumption that the Council's Governmental Affairs and Regional Facilities Committees will perform oversight of this performance audit. The Governmental Affairs Committee is responsible for overseeing procedural aspects of the audit and the Regional Facilities Committee is responsible for reviewing the substantive aspects of the audit. 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 contractor's work plan are shown in the budget section of this scope of work.

The contractor agrees to complete the work plan within 150 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 Presiding Officer, the Regional Facilities Committee and Council staff, the Executive Officer, MERC Commission members, MERC management officials, and Metro support staff officials to:
 - Introduce the performance audit team
 - Refine the scope and study objectives
 - Discuss project coordination procedures
- Collect and review key documents:
 - Collect and review key documents regarding MERC's goals and objectives, organization, management structure and staff utilization. These documents typically include
 - Mission and goals
 - Organization charts
 - Management information system reports
 - Budgetary documents
 - Collect and review key documents relating to the programs and activities within MERC selected for the audit, including:
 - Maintenance of MERC facilities (including use of in-house or contract maintenance and janitorial personnel, adequacy of routine maintenance scheduling, emergency maintenance and repair, renovation and upgrading of heating, ventilation and air conditioning equipment
 - Procurement of goods and services
 - Staffing of facilities for events (including security, ticket takers, cleanup crews, lighting, ushers, etc.)
 - Negotiation of fees with exhibitors, sponsors, and promoters for use of MERC facilities
 - Administrative support staffing
 - Controls over event revenues and event settlement procedures

Task 2 - Conduct Interviews with Metro Council Staff and Departmental Management and Staff and with MERC Management and Staff

- Conduct interviews with management and staff from involved agencies;
 - Council Administrator and staff
 - MERC management officials and staff
 - Metro Managers within the Finance and Management Information, Personnel and Regional Facilities Departments

The objectives of these interviews are to:

- Review and confirm the audit team's understanding of MERC's functions and activities and Metro support of these functions and activities -- its current policies, goals, practices and concerns
 - Provide the opportunity to describe areas of concern which should be addressed in the performance audit
 - 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 Metro and MERC 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
 - 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 Metro and MERC function and activity 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 and MERC 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 Regional Facilities Committee and Staff and Metro and MERC Officials

- Discuss observations and areas of concern developed in Phase I
- Evaluate Council staff, Metro and MERC officials comments and consider impact on areas of concern
- Review 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
 - Consideration of the views of responsible management officials
- Review the proposed work plan for Phase II with the Metro Council Regional Facilities Committee:
 - Adjust the work plan as necessary to reflect the results of the Regional Facilities Committee Review

PHASE II - DETAILED REVIEW

Task 6 - Perform In-Depth Study

- Develop the findings on MERC's functions and activities areas identified under Phase I:
 - Focus on developing the finding attributes not fully developed under Phase I

- Develop practical and cost-effective recommendations for improvements in the economy and effectiveness of MERC's functions and activities and Metro support of these activities, 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
 - 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
 - Recommendations to improve MERC and Metro performance
- Review the draft report with the Council staff and Metro and MERC management and key 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 Regional Facilities Committee. The purpose of the review is to:
 - Present the results of the study
 - 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 Metro and MERC management and the Regional Facilities Committee
- 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 Regional Facilities and Governmental Affairs Committees 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 5 - Phase I report and recommended work plan for issues to be developed under Phase II
- Task 7 - Draft and final report 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 1991-92 performance audit.

BUDGET

The proposed cost to accomplish the fiscal year 1991-92 scope of work are as follows:

Professional	Hourly		
	<u>Hours</u>	<u>Rate</u>	<u>Fees</u>
Principal/Partner			
Robert T. O'Neill	40	\$155	\$ 6,200
Joseph F. Hoffman			
Senior Manager			
Harold J. D'Ambrogia	192	130	24,960
Manager	72	110	7,920
Senior Consultant	64	90	5,760
Consultant	56	75	4,200
Staff Auditors	<u>40</u>	45	<u>1,800</u>
Total hours and fees	<u>464</u>		<u>50,840</u>
Expenses:			
Transportation and per diem			9,360
Report preparation and production			<u>1,000</u>
Total expenses			<u>10,360</u>
Total project costs*			\$ <u>61,200</u>

* A not-to-exceed amount. The estimated total project cost will be determined prior to Phase II of the performance audit.

The rates shown are for the fiscal year 1991-92 work. The rates include a less than five percent increase over the fiscal year 1990-91 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.

GOVERNMENTAL AFFAIRS COMMITTEE REPORT

RESOLUTION NO. 91-1495, AMENDING A CONTRACT WITH KPMG PEAT MARWICK FOR THE FY 1991-92 PERFORMANCE AUDIT SERVICES

Date: September 6, 1991

Presented by: Councilor DeJardin

COMMITTEE RECOMMENDATION: At its September 5, 1991 meeting the Governmental Affairs Committee voted 5-0 to recommend Contract Review Board adoption of Resolution No. 91-1495.

COMMITTEE DISCUSSION/ISSUES: Hal D'Ambrogia, Senior Manger for KPMG Peat Marwick, presented the staff report. He gave the background to the performance audit contract, saying that FY 91-92 was the third year of Metro's three-year contract with KPMG Peat Marwick for performance audit services. Prior year audits had covered the Finance & Administration Department and the Solid Waste Department. For this year, they had been asked to suggest areas for audit, and they had recommended review of MERC's business practices. They based this recommendation on review of other documents, such as the Benson & McLaughlin Centralization - Decentralization Study, and on their experience with Metro. The audit of MERC's business practices will attempt to determine whether MERC's operations are being conducted effectively and efficiently, and will determine whether integration of Metro and MERC recordkeeping functions have been effectively accomplished.

Councilor Knowles asked what we could expect from the audit. Mr. D'Ambrogia replied that it will address MERC's business practices, such as staffing levels and contracting policies, to determine where there is potential for increased efficiency and economy. Councilor Knowles asked what standards they use to guide their evaluation. Mr. D'Ambrogia said they use the standards of the organization itself - MERC in this case. If no adopted standards exist, they will rely on generally accepted business practices and on the audit firm's experience with similar operations. Councilor Knowles asked whether this would be repetitive of the Benson & McLaughlin study. Mr. D'Ambrogia said he expected it to build on that study.

Councilor Knowles said that the argument could be made that KPMG Peat Marwick doesn't have the proper background to assess MERC operations, and asked why they felt qualified to do this study. Mr. D'Ambrogia replied that the firm has extensive experience with performance audits, including staffing issues and financial reporting. In addition, they have done an audit of the business practices of the Sacramento Convention Center.

Councilor Knowles said that at least one MERC Commissioner was concerned about the amount of staff time the study would take, because MERC's management staff already has extraordinary demands on its time due to the Trail Blazer arena proposal and the work of the Regional Facilities Public Policy Advisory Committee. He

asked how much staff time the study would take. Mr. D'Ambrogia said that they would conduct initial interviews, analyze data, and do another round of interviews to determine whether staff had additional information or perspectives to add. He said these interviews would be done at the convenience of the MERC staff.

Councilor DeJardin said he wanted to draw upon the MERC model to develop future commissions, as they may become necessary. He asked whether this study would deal with the connection and communication links between Metro and MERC. Mr. D'Ambrogia replied that this connection will be part of their study, and added that the integration of budget processes and documents had already been raised as an issue for their review. Councilor DeJardin asked if they will be dealing with the Executive Officer, the Council and Council staff in addition to MERC commissioners and staff; Mr. D'Ambrogia said they will be.

Chair Devlin called on MERC General Manager Lee Fehrenkamp, asking if he wished to testify. Mr. Fehrenkamp asked whether the committee had communicated with MERC Commissioners. Chair Devlin said he had heard from Commissioner Kawamoto, who raised the question of staff's time. Councilor Knowles said he had discussed the matter with all the Commissioners except Commissioners Runstein and Scott.



METRO

Memorandum

2000 S.W. First Avenue
Portland, OR 97201-5398
503/221-1646

DATE: August 27, 1991
TO: Metro Council
FROM: Tanya Collier, Presiding Officer
RE: FY 1991-92 Performance Audit

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cc: Rena Cusma, Executive Officer
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PerAud.ERC

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Sacramento, CA 95833 2936

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June 27, 1991

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AT PORTLAND METROPOLITAN SERVICE DISTRICT (METRO)

Metropolitan Exposition Recreation Commission (MERC)

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AUDIT SERVICES)	Officer Tanya Collier

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DATED this _____ day of _____.

CONTRACTOR

METROPOLITAN SERVICE DISTRICT

By: _____

By: _____

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**FISCAL YEAR 1991-92
SCOPE OF WORK**

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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 MERC's activities and the implementation of Council policies and programs.

WORK PLAN

The work plan for the completion of the performance audit of MERC's activities is set forth below.

The work plan is based on the assumption that the Council's Governmental Affairs and Regional Facilities Committees will perform oversight of this performance audit. The Governmental Affairs Committee is responsible for overseeing procedural aspects of the audit and the Regional Facilities Committee is responsible for reviewing the substantive aspects of the audit. 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 contractor's work plan are shown in the budget section of this scope of work.

The contractor agrees to complete the work plan within 150 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 Presiding Officer, the Regional Facilities Committee and Council staff, the Executive Officer, MERC Commission members, MERC management officials, and Metro support staff officials to:
 - Introduce the performance audit team
 - Refine the scope and study objectives
 - Discuss project coordination procedures
- Collect and review key documents:
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 - Mission and goals
 - Organization charts
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 - Budgetary documents
 - Collect and review key documents relating to the programs and activities within MERC selected for the audit, including:
 - Maintenance of MERC facilities (including use of in-house or contract maintenance and janitorial personnel, adequacy of routine maintenance scheduling, emergency maintenance and repair, renovation and upgrading of heating, ventilation and air conditioning equipment
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 - Controls over event revenues and event settlement procedures

Task 2 - Conduct Interviews with Metro Council Staff and Departmental Management and Staff and with MERC Management and Staff

- Conduct interviews with management and staff from involved agencies;
 - Council Administrator and staff
 - MERC management officials and staff
 - Metro Managers within the Finance and Management Information, Personnel and Regional Facilities Departments

The objectives of these interviews are to:

- Review and confirm the audit team's understanding of MERC's functions and activities and Metro support of these functions and activities -- its current policies, goals, practices and concerns
 - Provide the opportunity to describe areas of concern which should be addressed in the performance audit
 - 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 Metro and MERC 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
 - 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 Metro and MERC function and activity 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 and MERC 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 Regional Facilities Committee and Staff and Metro and MERC Officials

- Discuss observations and areas of concern developed in Phase I
- Evaluate Council staff, Metro and MERC officials comments and consider impact on areas of concern
- Review 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
 - Consideration of the views of responsible management officials
- Review the proposed work plan for Phase II with the Metro Council Regional Facilities Committee:
 - Adjust the work plan as necessary to reflect the results of the Regional Facilities Committee Review

PHASE II - DETAILED REVIEW

Task 6 - Perform In-Depth Study

- Develop the findings on MERC's functions and activities areas identified under Phase I:
 - Focus on developing the finding attributes not fully developed under Phase I

- Develop practical and cost-effective recommendations for improvements in the economy and effectiveness of MERC's functions and activities and Metro support of these activities, 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
 - 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
 - Recommendations to improve MERC and Metro performance
- Review the draft report with the Council staff and Metro and MERC management and key 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 Regional Facilities Committee. The purpose of the review is to:
 - Present the results of the study
 - 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 Metro and MERC management and the Regional Facilities Committee
- 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 Regional Facilities and Governmental Affairs Committees 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 5 - Phase I report and recommended work plan for issues to be developed under Phase II
- Task 7 - Draft and final report 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 1991-92 performance audit.

BUDGET

The proposed cost to accomplish the fiscal year 1991-92 scope of work are as follows:

Professional	Hourly		
	<u>Hours</u>	<u>Rate</u>	<u>Fees</u>
Principal/Partner			
Robert T. O'Neill	40	\$155	\$ 6,200
Joseph F. Hoffman			
Senior Manager			
Harold J. D'Ambrogia	192	130	24,960
Manager	72	110	7,920
Senior Consultant	64	90	5,760
Consultant	56	75	4,200
Staff Auditors	<u>40</u>	45	<u>1,800</u>
Total hours and fees	<u>464</u>		<u>50,840</u>
Expenses:			
Transportation and per diem			9,360
Report preparation and production			<u>1,000</u>
Total expenses			<u>10,360</u>
Total project costs*			\$ <u>61,200</u>

* A not-to-exceed amount. The estimated total project cost will be determined prior to Phase II of the performance audit.

The rates shown are for the fiscal year 1991-92 work. The rates include a less than five percent increase over the fiscal year 1990-91 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.



METRO

2000 S.W. First Avenue
Portland, OR 97201-5398
503/221-1646

Memorandum

DATE: August 27, 1991
TO: Metro Council
FROM: Tanya Collier, Presiding Officer
RE: FY 1991-92 Performance Audit

Please find attached a copy of Resolution No. 91-1495 which amends the contract with KPMG Peat Marwick to undertake this years performance audit. This is the third year of a three year contract with KPMG Peat Marwick for these services. In the past two years the Council has received performance audits on the District's Finance and Administration and the Solid Waste functions. As indicated in the attached resolution this years proposal is to do an audit of the Metro ER Commission function. The subject matter of the audit is based on a recommendation from KPMG Peat Marwick (see Attachment 1, letter dated June 27, 1991) and discussions with the Chairs of the Governmental Affairs and the Regional Facilities Committees.

I have referred Resolution No. 91-1495 to the Governmental Affairs Committee and have been informed it will be scheduled for hearing and action at the Committee's September 5 meeting. Assuming it is recommended out of Committee on that date it is my intent to place it on the Council's September 12 meeting agenda. The audit will start during the week of September 16-20 and should be finished early in 1992.

cc: Rena Cusma, Executive Officer
Ted Runstein, Metro ER Commission Chair
Lee Fehrenkamp, Metro ER Commission General Manager
Bob O'Neill, KPMG Peat Marwick

PerAud.ERC

2495 Natomas Park Drive
Sacramento, CA 95833 2936

Telephone 916 925 6000

Telefax 916 641 3199

June 27, 1991

Mr. Donald E. Carlson
Council Administrator
Metropolitan Service District
2000 S.W. First Avenue
Portland, Oregon 97201-5398

Dear Mr. ^{Don} Carlson:

Enclosed is a description and justification of two potential areas we are suggesting for consideration of the METRO Council for a performance audit.

We believe that the proposed performance audit of the METRO/MERC relations and MERC's business practices has the potential of greater benefit to the Council members; however, we feel that either review would provide useful information to the Council in carrying out its oversight responsibility.

Per our recent telephone conversation, you stated that you would discuss these proposals with Council members, and let us know their reaction. Of course, we would be interested in discussing any other areas of METRO's activities that Council members would suggest for a performance audit.

Very truly yours,

KPMG Peat Marwick



Robert T. O'Neill, Principal

Enclosure

SUGGESTED AREAS FOR PERFORMANCE AUDIT

AT PORTLAND METROPOLITAN SERVICE DISTRICT (METRO)

Metropolitan Exposition Recreation Commission (MERC)

KPMG Peat Marwick believes that now, about a year and one half after the transfer of MERC activities to METRO, sufficient time has transpired for a performance audit of MERC's business practices. Because of the significant costs associated with the operation of MERC facilities and the expenses and revenues involved in events, shows, performances, etc., at the MERC facilities that a performance audit of MERC's business operations would be desirable. We also believe that based on our review of the support services provided by METRO's Finance and Administration Department to other METRO organizational units, the support service relationship between METRO and MERC should be reviewed.

■ Review of MERC's Business Practices

MERC operates several recreational facilities:

- Coliseum;
- Oregon Convention Center;
- Civic Stadium; and
- Performing Arts Center.

Operation of these facilities includes:

- Maintenance of MERC facilities (including use of in-house or contract maintenance and janitorial personnel, adequacy of routine maintenance scheduling, emergency maintenance and repair, renovation and upgrading of heating, ventilation, and air conditioning equipment);
- Procurement of goods and services;
- Staffing of facilities for events (including security, ticket takers, cleanup crews, lighting, ushers, etc.);
- Negotiation of fees with exhibitors, sponsors, and promoters for use of MERC facilities;
- Administrative support staffing; and
- Controls over event revenues and even settlement procedures.

Since MERC is an autonomous operation, MERC's business practices for the management of its facilities and operations has not had the same level of Council oversight as has other METRO organizations.

■ Review of the METRO/MERC Relationship

In January 1990, METRO became responsible for the activities of MERC. Based on our review of the METRO Finance and Administration activities, which was underway during the period of the METRO/MERC merger, there were several indications that there had been ongoing discussions between METRO and MERC, attempting to work out the roles and responsibilities of the two organizations, especially in the area of support services. This appears to be a continuing issue and was discussed several times in the recent Benson & McLaughlin centralization/decentralization review.

MERC activities can be characterized as being related to the entertainment business. Perhaps with the exception of the Washington Park Zoo (which is discussed in the following section), MERC's activities are generally different than METRO's other functions. We believe that the focus of our proposed study should be to determine and evaluate the extent to which MERC's entertainment function affects the extent of administrative and management support that would be appropriate for METRO to provide to MERC.

We believe that sufficient time has elapsed since the METRO/MERC merger, that an objective performance audit of the METRO/MERC relationship would provide both the METRO Council and the MERC Commission with information on areas where the relationship is working, and most importantly, identify, evaluate, and make recommendations on areas where this relationship needs to change in order to realize and enhance the benefits of the merger.

We suggest that we conduct a survey of MERC activities, including the areas listed above, and other MERC activities that may be identified during the course of the survey. The survey would be performed as Phase I effort, and would include input from METRO Council, METRO executive officials, MERC Commission, MERC management, and METRO support staff on areas that should be evaluated during Phase I. After summarization and review of the results of the Phase I study with METRO Council, issues would be identified for in-depth study in Phase II of the review. The results of Phase II would be a report on findings and recommendations to the METRO Council.

- - - - -

Washington Park Zoo

If the Council does not choose to do an audit of the MERC functions, we propose that a performance audit of the business practices of the Washington Park Zoo be undertaken.

While the METRO Council has had long-term oversight of the activities of the Zoo (as compared to the relatively short-term oversight of the activities of MERC), the Zoo does carry out many of the same business activities as MERC. For example, the Zoo has activities involving:

- Staffing of the various Zoo functions, including janitorial, concessions, ticket takers, maintenance, safety, etc.;
- Construction of new exhibit facilities;
- Procurement of goods and services;
- Facilities maintenance, including scheduling of routine maintenance, emergency maintenance, renovation, etc.; and
- Cash management and controls, including review of accounting for gate receipts, concessionaire receipts, rides, etc.

As outlined for the proposed performance audit of MERC, we suggest that we conduct a survey of the Zoo's activities and business practices, including the areas listed above and other Zoo activities that may be identified during the course of the survey. The survey would be our Phase I effort, and would include input from METRO Council, METRO Executive officials, METRO support staff, and Zoo staff on areas that should be evaluated during the Phase I effort. After summarization and review of the results of the Phase I survey with METRO Council, issues would be identified for in-depth study in Phase II of the review. The results of Phase II would be a report on findings and recommendation to the METRO Council.

BEFORE THE CONTRACT REVIEW BOARD
OF THE METROPOLITAN SERVICE DISTRICT

FOR THE PURPOSE OF AMENDING A)	RESOLUTION NO. 91-1495
CONTRACT WITH KPMG PEAT MARWICK)	
FOR THE FY 1991-92 PERFORMANCE)	Introduced by Presiding
AUDIT SERVICES)	Officer Tanya Collier

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 Governmental Affairs Committee recommends that the Performance Audit for FY 1990-91 focus on the business practices of the Metropolitan Exposition-Recreation Commission; now, therefore,

BE IT RESOLVED,

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

ADOPTED by the Council of the Metropolitan Service District this _____ day of _____, 1991.

Tanya Collier, Presiding Officer

AMENDMENT NO. 2

· 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 1991-92 as described in Exhibit A attached hereto; and 2) increase the maximum amount that Metro shall pay to the CONTRACTOR for services provided to One Hundred Forty Three Thousand One Hundred Seventy Nine and No/100th (\$143,179.00) dollars.

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

DATED this _____ day of _____.

CONTRACTOR

METROPOLITAN SERVICE DISTRICT

By: _____

By: _____

—

**FISCAL YEAR 1991-92
SCOPE OF WORK**

This section describes the contractor's work plan, deliverables and budget for conducting a performance audit of the business practices of the Metropolitan Exposition Recreation Commission (MERC) and (2) the relationship between MERC and the Metropolitan Service District (Metro).

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PHASE II - DETAILED REVIEW

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