

BEFORE THE COUNCIL OF THE
METROPOLITAN SERVICE DISTRICT

FOR THE PURPOSE OF APPROVING A) RESOLUTION NO. 92-1653
REQUEST FOR PROPOSAL DOCUMENT)
FOR PERFORMANCE AUDIT SERVICES) Introduced by the Council
Finance Committee

WHEREAS, The Metro Council developed a Performance Auditing Plan in Fiscal Year 1988-89; and

WHEREAS, The Council has had a performance audit program in place for the three fiscal years 1989-90 through 1991-92, and received performance audits of the Finance and Administration Department, Metro's Solid Waste Function, and the Business Practices of the Metropolitan Exposition-Recreation Commission; and

WHEREAS, The Council in FY 1989-90 entered into a three-year contract for the performance audit program, which contract expired on June 30, 1992; and

WHEREAS, The Council wishes to continue the performance audit program for another three-year period; and

WHEREAS, Metro's 1992-93 Adopted Budget contains \$60,000 in the Council Department's budget for performance audit services; and

WHEREAS, Section 2.04.033(b) of the Metro Code requires Council approval of a Request for Proposals (RFP) for certain classes of contracts, including multi-year contracts designated as "A" contracts; and

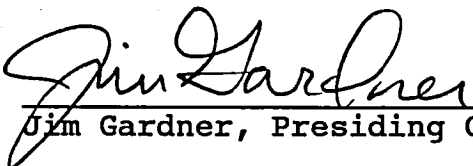
WHEREAS, The proposed performance audit contract is a multi-year "A" contract, and therefore requires Council approval of the RFP; and

WHEREAS, The proposal document has been filed with the
Council Clerk, now, therefore,

BE IT RESOLVED,

That the Council of the Metropolitan Service District
approves the Request for Proposals for Performance Audit Services
attached as Exhibit A hereto and authorizes that it be released
for response by vendors or proposers.

ADOPTED by the Council of the Metropolitan Service District
this 23rd day of July, 1992.



Jim Gardner, Presiding Officer

FINANCE COMMITTEE REPORT

RESOLUTION NO. 92-1653, APPROVING A REQUEST FOR PROPOSAL DOCUMENT FOR PERFORMANCE AUDIT SERVICES

Date: July 20, 1992

Presented By: Councilor Van Bergen

COMMITTEE RECOMMENDATION: At it's July 16, 1992 meeting the Committee voted unanimously to introduce Resolution No. 92-1653 and recommend Council approval. All Committee members were present and voting.

COMMITTEE DISCUSSION/ISSUES: Don Carlson, Council Administrator, presented the Staff Report. He pointed out the purpose of the resolution is to start the procurement process for the acquisition of performance audit services for the next three years. The Metro Code prohibits personal service contracts from extending longer than three years. The current contract with KPMG Peat Marwick is no longer valid for these purposes. Mr. Carlson presented a memo dated July 16, 1992 which proposed changes to the draft resolution and RFP included in the Committee's Agenda Packet. The memo is attached to this Committee Report as Attachment 1.

The Committee accepted the recommendations of Council Staff in introducing and recommending approval of Resolution No. 92-1653.

DRAFT

BEFORE THE COUNCIL OF THE METROPOLITAN SERVICE DISTRICT

FOR THE PURPOSE OF APPROVING A) RESOLUTION NO. 92-1653
REQUEST FOR PROPOSAL DOCUMENT FOR)
PERFORMANCE AUDIT SERVICES) Introduced by the
) Finance Committee

WHEREAS, The Metro Council developed a Performance Auditing Plan in Fiscal Year 1988-89; and

WHEREAS, The Council has had a performance audit program in place for the three fiscal years 1989-90 through 1991-92, and received performance audits of the Finance and Administration Department, Metro's Solid Waste Function, and the Business Practices of the Metropolitan Exposition-Recreation Commission; and

WHEREAS, The Council in FY 1989-90 entered into a three-year contract for the performance audit program, which contract expired on June 30, 1992; and

WHEREAS, The Council wishes to continue the performance audit program for another three-year period; and

WHEREAS, Metro's 1992-93 Adopted Budget contains \$60,000 in the Council Department's budget for performance audit services; and

WHEREAS, Section 2.04.033(b) of the Metro Code requires Council approval of a Request for Proposals (RFP) for certain classes of contracts, including multi-year contracts designated as "A" contracts; and

WHEREAS, Section 2.04.033(b) further provides that at the time of Council approval of the RFP documents, the Council may waive the requirement of Council approval of the final contract; and

WHEREAS, The proposed performance audit contract is a multi-year "A" contract, and therefore requires Council approval of the RFP; and

WHEREAS, The proposal document has been filed with the Council Clerk; now, therefore,

BE IT RESOLVED,

1. That the Council of the Metropolitan Service District approves the Request for Proposals for Performance Audit Services attached as Exhibit A hereto and authorizes that it be released for response by vendors or proposers.

2. That the Council hereby waives the requirement of Council approval of the final contract for Performance Audit Services and authorizes the Council Administrator to execute the contract upon completion of the prescribed selection process described in Exhibit A, provided that the cost for the FY 1992-93 audit does not exceed the budgeted amount of \$60,000.

ADOPTED by the Council of the Metropolitan Service District this _____ day of _____, 1992.

Jim Gardner, Presiding Officer

METROPOLITAN SERVICE DISTRICT
REQUEST FOR PROPOSALS
FOR
PERFORMANCE AUDIT SERVICES

I. INTRODUCTION

The Council of the Metropolitan Service District is requesting proposals to acquire performance audit services for a three year period, from approximately September 1, 1992 through June 30, 1995. Proposals will be due on _____, 1992 at 5:00 p.m. in the Metro Council office at 2000 S.W First Avenue, Portland, Oregon 97201-5398. Details concerning the project and proposal are contained in this document.

II. BACKGROUND OF THE PROJECT

The Metropolitan Service District has been in existence in its current form for over 12 years. The District is responsible for providing the "metropolitan aspect" of public services or functions in the Portland metropolitan area. The District's boundary covers the urban or urbanizing portions of Clackamas, Multnomah and Washington counties. Population figures from the 1990 census showed just over 1,050,000 people reside within the District's boundary. Currently the District is responsible for: the development and operation of the Zoo; the planning, development and operation of the solid waste disposal system; the operation of the Oregon Convention Center and management of regional arts and spectator facilities owned by the City of Portland; transportation planning and various local government assistance programs; and adoption and management of the metropolitan Urban Growth Boundary.

The District is governed by a 12-member Council with members being directly elected from Council districts of approximately equal population. In January, 1993, pursuant to state law, the Council will increase to 13 members. The Council is responsible for 1) development and approval of policy direction for the District (enactment of ordinances, resolutions, and adoption of the fiscal year budget and approval of periodic budget adjustments); and 2) policy oversight of the Administration to assure that adopted policies and programs of the District are implemented efficiently and effectively.

The District is administered by an Executive Officer directly elected from the District at large. The Executive Officer is responsible for administering the affairs of the District and in doing so carrying out the policies and programs adopted by the Council. The Executive Officer is responsible for submitting a proposed budget to the Council and may present plans and proposed policies for Council

consideration and approval.

The Council has had a performance audit program in effect since January 1990, for the three fiscal years 1989-90 through 1991-92. This program was established pursuant to a Performance Audit Plan prepared by a consulting firm in 1989, which the Council adopted by approval of Resolution No. 89-1030. (A copy of the Performance Audit Plan is included as Attachment A.)

The Council included \$60,000 in its 1992-93 Adopted Budget to conduct a performance audit. It is anticipated that one audit will be performed each year of the three-year engagement, subject to the annual appropriation of funds for the audit program.

III. SCOPE OF WORK

Complete one performance audit in each of the three fiscal years of the contract, FY 1992-93 through 1994-95. The subject of each year's audit will be determined early in the fiscal year, following consultation among Councilors, Council Department staff, and the performance auditor. Each performance audit will be divided into three phases, as follows:

Phase One

Conduct a survey of functions relevant to the subject of the audit, to identify issues for in-depth analysis in Phase Two, make recommendations for immediate improvements that may have been identified in the survey phase, and develop a work plan to audit in greater depth all or any combination of the functions surveyed in Phase One.

Phase Two

1. Conduct the performance audit(s) on the functions recommended in Phase One, making sure to:
 - a. Ascertain the policy basis for providing these functions
 - b. Ascertain how effectively these functions are being provided.
 - c. Ascertain how efficiently these functions are being provided.
2. Make recommendations for improving the delivery of the functions studied. Those recommendations should include, as applicable:

- a. Changes to existing policies and procedures or introduction of new policies and procedures to improve the efficiency and effectiveness of such functions;
- b. Development of standard performance measures or indicators to assist in future evaluation of performance;
- c. Any organizational changes to improve the efficiency and effectiveness of such functions;
- d. Funding levels for providing these functions in an efficient and cost effective manner; and
- e. Any other factors which should be taken into consideration.

Phase Three

Six months following presentation of the completed audit to the Council or appropriate standing committee of the Council, perform a review to determine how the recommendations are being implemented.

IV. PROPOSAL INSTRUCTIONS

The following section defines the format and content required for the consultants' proposals and the basis upon which the proposals will be evaluated.

A. Proposal Submission

Seven (7) copies of the consultant's proposal must be provided. Proposals shall be directed to the attention of:

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

B. Format and Content

The format required for the proposal is:

- Letter of Transmittal
- Part I Proposed Scope of Work
- Part II Project Staffing
- Part III Qualifications and Approach for Future Projects
- Part IV Budget/Cost Proposal

Each part should be clearly identified for easy reference.

1. Letter of Transmittal .

The Letter of Transmittal should contain a brief summary of key points of the proposal and must include the following:

- Identification of firm(s) involved and designation of prime consultant, if more than one firm is involved.
- A statement that the proposal will remain in effect for ninety (90) days after receipt by Metro.

2. Part I - Scope of Work

The consultant should describe the proposed approach and indicate tasks/activities required to accomplish the Scope of Work. The work plan should be clearly separated into the components outlined in the Scope of Work (see Section III, above).

3. Part II - Project Staffing

Each staff member to be assigned to the project in FY 1992-93 must be identified. Relevant experience must be presented for each staff member with particular emphasis on the following:

- Role and responsibility proposed for this project and an estimate of time commitment for the individual.
- Experience in management and accomplishment of performance audits, particularly in a public sector setting.

Proposals must indicate a single person as project manager to work with Council staff for the FY 1992-93 Project. A list of references should be provided for the Project Manager.

Changes in the staff assigned to the project in future years may be permitted upon prior approval of the Council Administrator.

4. Part III - Qualifications and Approach for Future Projects

The consultant should describe the approach for undertaking future Performance Audit Projects during the duration of the engagement. The consultant should describe the principal person responsible for managing the contract for the duration of the engagement (three years). The Consultant should list all relevant prior performance audit projects including references. The consultant should address the depth and experience of the company to undertake performance audits on a variety of functions for which the District is responsible. (See potential list of Performance Audit Projects in Attachment A - "Report on Performance Auditing Plan for the Metropolitan Service District Council.")

5. Part IV - Budget/Cost Proposals

The consultant should summarize all expected deliverables and services and provide a proposed cost to accomplish the FY 1992-93 Scope of Work. The cost proposal detail should indicate personnel (hourly rate of pay for each person scheduled), travel/per diem, clerical and miscellaneous costs.

C. Evaluation

All proposals will be evaluated based on the following criteria:

	<u>Percent</u>
- Effectiveness of work plan in meeting RFP Scope of Work	40
- Experience of proposed staff for the FY 1992-93 Project and future projects	40
- References	20

D. RFP and Pre-proposal Conference as Basis for Proposals

This RFP and information presented at a pre-proposal conference will be the most definitive statements Metro will make concerning information upon which proposals are to be based. The pre-proposal conference will be held on (date and time to be determined). ATTENDANCE AT THE PRE-PROPOSAL CONFERENCE IS MANDATORY FOR CONSIDERATION OF ANY PROPOSAL. Following the pre-proposal conference, Metro will not answer any questions concerning the RFP.

E. General Proposal/Contract Conditions

1. Limitations of Award

This RFP does not commit Metro to the award of a contract, or to pay any costs incurred in the preparation and submission of proposals in anticipation of a contract. Metro reserves the right to accept or reject any or all proposals received as the result of this request, to negotiate with all qualified sources, or to cancel all or part of this RFP.

2. Contract Type

Metro intends to award a Personal Services Agreement with the selected firm or person for this project. A copy of the standard contract form which the successful consultant will be required to execute is attached.

3. Billing Procedures

Proposers are informed that the billing procedures of the selected firm or person are subject to the review and prior approval of Metro before reimbursement for services can occur. A monthly billing, accompanied by a progress report, will be prepared for review and approval.

4. 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 any company or firm contracted during the period in which Metro is evaluating the proposal.

5. Completion Date

It is anticipated that Council staff and Councilors selected by the Presiding Officer shall determine the subject area(s) for the initial performance audit no later than October 1, 1992, in consultation with the consultant. The initial performance audit shall be completed including printing report(s) for submission to the Council by April 15, 1993. Following successful completion of the initial performance audit, the

Council staff and Councilors selected by the Presiding Officer shall develop work plans and cost proposals in consultation with the consultant for the subsequent performance audit(s).



METRO

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

Memorandum

Date: July 16, 1992
To: Finance Committee
From: Donald E. Carlson, Council Administrator *DEC*
Re: Proposed Changes to Draft Resolution No. 92-1653

The Agenda Packet contains a Draft resolution brought to the Committee by Council Staff for your consideration to introduce and recommend Council approval. Attached please find a revised Draft Resolution No. 92-1653 that we are recommending for your approval. The proposed changes include 1) removal of the provisions which waive subsequent Council contract approval requirements and 2) substantial revisions to the RFP document (Exhibit A).

In regard to the contract approval issue Council Staff believes that this matter is of sufficient importance to the Council that following completion of the evaluation and selection process, a recommendation (through a proposed contract) should be brought to the entire Council for its approval. The purpose of this contract is to acquire performance audit services for the Council for the next three years.

Major changes proposed for the RFP include 1) a revision of the Scope of Work Section to remove the three phase description and simply state that the consultant shall be required to perform one performance audit in each of three years; 2) various clarifying instructions in the Proposal Instructions Section to assist proposers in submitting proposals and understand how the proposal will be evaluated; and 3) the addition of Information Release language and DBE/MBE language in the General Proposal/Contract Conditions Section.

The proposed Revised RFP has been review by both the General Counsel and the Contract Officer. Changes suggested by these persons have been incorporated in the Revised RFP.

A tentative general schedule for this procurement process is as follows:

DATE	EVENT
Monday July 27, 1992	Release of the RFP
Monday August 17, 1992	Submission Deadline

Week of August 24--28

Selection and Interview
Process

September 3, 1992

Finance Committee
Consideration of Contract

September 10, 1992

Council Consideration
of Contract

The proposed Selection Committee for this procurement is Jim Gardner, Presiding Officer; George Van Bergen, Finance Committee Chair; Don Carlson, Council Administrator; Dick Engstrom, Deputy Executive Officer; and Dick Tracy, City of Portland Auditor's Office.

cc: Dick Engstrom

Res 92-1653 memo

BEFORE THE COUNCIL OF THE
METROPOLITAN SERVICE DISTRICT

FOR THE PURPOSE OF APPROVING A) RESOLUTION NO. 92-1653
REQUEST FOR PROPOSAL DOCUMENT FOR)
PERFORMANCE AUDIT SERVICES) Introduced by the
) Finance Committee

WHEREAS, The Metro Council developed a Performance Auditing Plan in Fiscal Year 1988-89; and

WHEREAS, The Council has had a performance audit program in place for the three fiscal years 1989-90 through 1991-92, and received performance audits of the Finance and Administration Department, Metro's Solid Waste Function, and the Business Practices of the Metropolitan Exposition-Recreation Commission; and

WHEREAS, The Council in FY 1989-90 entered into a three-year contract for the performance audit program, which contract expired on June 30, 1992; and

WHEREAS, The Council wishes to continue the performance audit program for another three-year period; and

WHEREAS, Metro's 1992-93 Adopted Budget contains \$60,000 in the Council Department's budget for performance audit services; and

WHEREAS, Section 2.04.033(b) of the Metro Code requires Council approval of a Request for Proposals (RFP) for certain classes of contracts, including multi-year contracts designated as "A" contracts; and

~~(WHEREAS, Section 2.04.033(b) further provides that at the time of Council approval of the RFP documents, the Council may waive the requirement of Council approval of the final contract; and)~~

WHEREAS, The proposed performance audit contract is a multi-year "A" contract, and therefore requires Council approval of the RFP; and

WHEREAS, The proposal document has been filed with the Council Clerk; now, therefore,

BE IT RESOLVED,

(1) That the Council of the Metropolitan Service District approves the Request for Proposals for Performance Audit Services attached as Exhibit A hereto and authorizes that it be released for response by vendors or proposers.

~~(2) That the Council hereby waives the requirement of Council approval of the final contract for Performance Audit Services and authorizes the Council Administrator to execute the contract upon completion of the prescribed selection process described in Exhibit A, provided that the cost for the FY 1992-93 audit does not exceed the budgeted amount of \$60,000.)~~

ADOPTED by the Council of the Metropolitan Service District
this _____ day of _____, 1992.

Jim Gardner, Presiding Officer



METRO

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

Memorandum

ATTACHMENT 1

(Fin. Comm. Rpt/Res 92-1653)

Date: July 16, 1992
To: Finance Committee
From: Donald E. Carlson, Council Administrator *DEC*
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Major changes proposed for the RFP include 1) a revision of the Scope of Work Section to remove the three phase description and simply state that the consultant shall be required to perform one performance audit in each of three years; 2) various clarifying instructions in the Proposal Instructions Section to assist proposers in submitting proposals and understand how the proposal will be evaluated; and 3) the addition of Information Release language and DBE/MBE language in the General Proposal/Contract Conditions Section.

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Selection and Interview
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September 3, 1992

Finance Committee
Consideration of Contract

September 10, 1992

Council Consideration
of Contract

The proposed Selection Committee for this procurement is Jim Gardner, Presiding Officer; George Van Bergen, Finance Committee Chair; Don Carlson, Council Administrator; Dick Engstrom, Deputy Executive Officer; and Dick Tracy, City of Portland Auditor's Office.

cc: Dick Engstrom

Res 92-1653 memo

DRAFT

BEFORE THE COUNCIL OF THE
METROPOLITAN SERVICE DISTRICT

FOR THE PURPOSE OF APPROVING A)	RESOLUTION NO. 92-1653
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WHEREAS, The proposed performance audit contract is a multi-year "A" contract, and therefore requires Council approval of the RFP; and

WHEREAS, The proposal document has been filed with the Council Clerk; now, therefore,

BE IT RESOLVED,

(1.) That the Council of the Metropolitan Service District approves the Request for Proposals for Performance Audit Services attached as Exhibit A hereto and authorizes that it be released for response by vendors or proposers.

~~(2.---That the Council hereby waives the requirement of Council approval of the final contract for Performance Audit Services and authorizes the Council Administrator to execute the contract upon completion of the prescribed selection process described in Exhibit A, provided that the cost for the FY 1992-93 audit does not exceed the budgeted amount of \$60,000.--)~~

ADOPTED by the Council of the Metropolitan Service District
this _____ day of _____, 1992.

Jim Gardner, Presiding Officer

REVISED EXHIBIT A

METROPOLITAN SERVICE DISTRICT REQUEST FOR PROPOSALS FOR PERFORMANCE AUDIT SERVICES

I. INTRODUCTION

The Council of the Metropolitan Service District is requesting proposals to acquire performance audit services for a three year period, from approximately September 1, 1992 through June 30, 1995. Proposals will be due on _____, 1992 at 5:00 p.m. PDT in the Metro Council office at 2000 S.W First Avenue, Portland, Oregon 97201-5398. Details concerning the project and proposal are contained in this document.

II. BACKGROUND OF THE PROJECT

The Metropolitan Service District has been in existence in its current form for over 12 years. The District is responsible for providing the "metropolitan aspect" of public services or functions in the Portland metropolitan area. The District's boundary covers the urban or urbanizing portions of Clackamas, Multnomah and Washington counties. Population figures from the 1990 census showed just over 1,050,000 people reside within the District's boundary. Currently the District is responsible for: the development and operation of the Zoo; the planning, development and operation of the solid waste disposal system; the operation of the Oregon Convention Center and management of regional arts and spectator facilities owned by the City of Portland; urban growth management planning; transportation planning and various local government assistance programs; and adoption and management of the metropolitan Urban Growth Boundary.

The District is governed by a 12-member Council with members being directly elected from Council districts of approximately equal population. In January, 1993, pursuant to state law, the Council will increase to 13 members. The Council is responsible for 1) development and approval of policy direction for the District (enactment of ordinances, resolutions, and adoption of the fiscal year budget and approval of periodic budget adjustments); and 2) policy oversight of the Administration to assure that adopted policies and programs of the District are implemented efficiently and effectively.

The District is administered by an Executive Officer directly elected from the District at large. The Executive Officer is responsible for administering the affairs of the District and in doing so carrying out the policies and programs adopted by the Council. The Executive Officer is responsible for submitting a proposed budget to the Council and may present plans and proposed policies for Council consideration and approval.

The Council has had a performance audit program in effect since January 1990, for the three fiscal years 1989-90 through 1991-92. This program was established pursuant to a Performance Audit Plan prepared by a consulting firm in 1989, which the Council adopted by approval of Resolution No. 89-1030. (A copy of the Performance Audit Plan is included as Attachment A.)

The Council included \$60,000 in its 1992-93 Adopted Budget to conduct a performance audit. It is anticipated that one audit will be performed each year of the three-year engagement, subject to the annual appropriation of funds for the audit program.

III. SCOPE OF WORK

Conduct one performance audit each fiscal year on any of the functions, departments or programs of the District. In carrying out this task the auditor shall:

- a. Make presentations to the Metro Council and Council Committee as needed, and
- b. Provide written copies of the performance audit as specified in the specific contract scope of work.

The subject of each year's performance audit will be determined early in each fiscal year following consultation among Councilors, Council Staff and the performance auditor. Work of the performance auditor will be coordinated through the Council Administrator or his/her designee.

IV. PROPOSAL INSTRUCTIONS

The following section defines the deadline, format and content required for the consultants' proposals and the basis upon which the proposals will be evaluated.

A. Deadline and Submission of Proposals

Seven (7) copies of the consultant's proposal must be provided. The proposals shall be directed to the attention of:

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

Proposals will not be considered after 5:00 p.m. PDT _____ (day)
_____, _____ (date), 1992. Postmarks are not acceptable.

B. Basis for Proposals

This RFP represents the most definitive statement Metro will make concerning the information upon which proposals are to be based. Any verbal information which is not contained in this RFP will not be considered by Metro in evaluating the proposals. All questions relating to this RFP must be submitted in writing to Donald E. Carlson, Council Administrator. Any questions which in the opinion of Metro warrant a written reply or RFP amendment will be furnished to all parties receiving a copy of this RFP. Metro will not respond to questions received after _____ (day) _____ (date) _____, 1992.

C. Format and Content

The format required for the proposal is:

- Letter of Transmittal
- Part I Approach to Conducting a Performance Audit
- Part II Project Staffing
- Part III Qualifications and Experience
- Part IV Cost Proposal

Each part should be clearly identified for easy reference.

1. Letter of Transmittal

The Letter of Transmittal should contain a brief summary of the key points of the proposal and must include the following:

- ▶ Identification of firm(s) involved and designation of the prime consultant, if more than one firm is involved.
- ▶ A statement that the proposal will remain in effect for ninety (90) days after receipt by Metro.

2. Part I - Approach to Conducting a Performance Audit

The consultant should describe the proposed approach including 1) tasks/activities required to accomplish a successful performance audit; 2) approach to dealing with policy makers and program/administrative personnel; 3) standards to be met; and 4) other items of relevance to this section.

3. Part II - Project Staffing

The consultant should identify each individual who will be primarily assigned to this engagement. Relevant experience must be presented for each primary staff member with particular emphasis on the following:

- ▶ Role and responsibility proposed for this engagement and a statement as to their availability.

- ▶ Experience in the conduct of performance audits, particularly in a public sector setting.

The proposal must indicate a single person as project manager who will work with Council Staff for the duration of the engagement. A list of references should be provided for each primary staff person. Changes in the primary staff assigned to the project in future years may be permitted upon prior approval of the Council Administrator.

The proposal should include additional professional and technical resources available to be used on performance audits on a variety of functions for which the District is responsible. Include a description of qualifications and experience for any person so identified.

4. Part III - Qualifications and Experience

The consultant should describe the company's qualifications to provide performance audit services for the Metro Council. List and briefly describe all relevant performance audit projects completed or underway including references.

As part of the firm's listing of experience and professional credentials, consultant should provide information on past minority and women-owned business subcontracting relationships and a copy of the firm's own Affirmative Action Plan.

5. Part IV - Cost Proposal

The consultant should identify expected deliverables and services for a standard performance audit. The proposal should include a proposed fee schedule for the primary persons assigned to the engagement (hourly rate of pay), as well as all other costs such as travel/per diem, clerical and miscellaneous costs.

D. Evaluation Process

All proposals will be evaluated based on the following factors and rating scale:

	<u>Percent</u>
▶ Effectiveness of approach to conducting a performance audit	30
▶ Quality of proposed staff	30
▶ Qualifications and experience in conducting performance audits	30
▶ Cost Proposal	10

The decision shall be made based upon an initial review of all written materials and a subsequent interview of finalists.

E. General Proposal/Contract Conditions

1. Information Release

All consultants are hereby advised and through submission of a proposal agree and release Metro to solicit and secure background information based upon the information including references provided in response to this RFP. Fully descriptive and complete information should therefore be provided to assist in this process and ensure the appropriate impact.

2. Limitations of Award

This RFP does not commit Metro to the award of a contract, or to pay any costs incurred in the preparation and submission of proposals in anticipation of a contract. Metro reserves the right to accept or reject any or all proposals received as the result of this request, to negotiate with all qualified sources, or to cancel all or part of this RFP.

3. Contract Type

Metro intends to award a Personal Services Agreement with the selected firm or individual. A copy of the standard contract form approved by Metro General Counsel is attached. Any proposed changes in the language, construction or requirements of the document must be raised and resolved as a part of this RFP process. All consultants are therefore advised to review, clearly document, and include a response to this document in their proposal.

4. Billing Procedures

Proposers are informed that the billing procedures of the selected firm or person are subject to the review and prior approval of Metro before reimbursement for services can occur. A monthly billing, accompanied by a progress report, will be prepared for review and approval.

5. 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 any company or firm contracted during the period in which Metro is evaluating the proposal.

6. Completion Date

It is anticipated that Council Staff and Councilors selected by the Presiding Officer shall determine the subject area(s) for the initial performance audit no later than October 1, 1992, in consultation with the consultant. The initial performance audit shall be completed including printing report(s) for submission to the Council by March 15, 1993. Following successful completion of the initial performance audit, the Council Staff and Councilors selected by the Presiding Officer shall develop work plans and cost proposals in consultation with the consultant for the subsequent performance audit(s).

7. Disadvantaged, Minority and Women-Owned Business Program

In the event that any subcontracts are to be utilized in the performance of this agreement, the consultant's attention is directed to Section 2.04.160 of the Metro Code and an October, 1991 letter from Metro's Deputy Executive Officer which strongly encourages good faith efforts to utilize Disadvantaged, Minority and Women Owned Business Enterprises and subcontractors and suppliers.

All questions concerning Metro's DBE/WBE Program should be addressed to Rich Wiley, Procurement Officer at (503) 221-1646, Ext. 536.

REVISED EXHIBIT A

METROPOLITAN SERVICE DISTRICT REQUEST FOR PROPOSALS FOR PERFORMANCE AUDIT SERVICES

I. INTRODUCTION

The Council of the Metropolitan Service District is requesting proposals to acquire performance audit services for a three year period, from approximately September 1, 1992 through June 30, 1995. Proposals will be due on _____, 1992 at 5:00 p.m. PDT in the Metro Council office at 2000 S.W First Avenue, Portland, Oregon 97201-5398. Details concerning the project and proposal are contained in this document.

II. BACKGROUND OF THE PROJECT

The Metropolitan Service District has been in existence in its current form for over 12 years. The District is responsible for providing the "metropolitan aspect" of public services or functions in the Portland metropolitan area. The District's boundary covers the urban or urbanizing portions of Clackamas, Multnomah and Washington counties. Population figures from the 1990 census showed just over 1,050,000 people reside within the District's boundary. Currently the District is responsible for: the development and operation of the Zoo; the planning, development and operation of the solid waste disposal system; the operation of the Oregon Convention Center and management of regional arts and spectator facilities owned by the City of Portland; urban growth management planning; transportation planning and various local government assistance programs; and adoption and management of the metropolitan Urban Growth Boundary.

The District is governed by a 12-member Council with members being directly elected from Council districts of approximately equal population. In January, 1993, pursuant to state law, the Council will increase to 13 members. The Council is responsible for 1) development and approval of policy direction for the District (enactment of ordinances, resolutions, and adoption of the fiscal year budget and approval of periodic budget adjustments); and 2) policy oversight of the Administration to assure that adopted policies and programs of the District are implemented efficiently and effectively.

The District is administered by an Executive Officer directly elected from the District at large. The Executive Officer is responsible for administering the affairs of the District and in doing so carrying out the policies and programs adopted by the Council. The Executive Officer is responsible for submitting a proposed budget to the Council and may present plans and proposed policies for Council consideration and approval.

The Council has had a performance audit program in effect since January 1990, for the three fiscal years 1989-90 through 1991-92. This program was established pursuant to a Performance Audit Plan prepared by a consulting firm in 1989, which the Council adopted by approval of Resolution No. 89-1030. (A copy of the Performance Audit Plan is included as Attachment A.)

The Council included \$60,000 in its 1992-93 Adopted Budget to conduct a performance audit. It is anticipated that one audit will be performed each year of the three-year engagement, subject to the annual appropriation of funds for the audit program.

III. SCOPE OF WORK

Conduct one performance audit each fiscal year on any of the functions, departments or programs of the District. In carrying out this task the auditor shall:

- a. Make presentations to the Metro Council and Council Committee as needed, and
- b. Provide written copies of the performance audit as specified in the specific contract scope of work.

The subject of each year's performance audit will be determined early in each fiscal year following consultation among Councilors, Council Staff and the performance auditor. Work of the performance auditor will be coordinated through the Council Administrator or his/her designee.

IV. PROPOSAL INSTRUCTIONS.

The following section defines the deadline, format and content required for the consultants' proposals and the basis upon which the proposals will be evaluated.

A. Deadline and Submission of Proposals

Seven (7) copies of the consultant's proposal must be provided. The proposals shall be directed to the attention of:

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

Proposals will not be considered after 5:00 p.m. PDT _____ (day)
_____, _____ (date), 1992. Postmarks are not acceptable.

B. Basis for Proposals

This RFP represents the most definitive statement Metro will make concerning the information upon which proposals are to be based. Any verbal information which is not contained in this RFP will not be considered by Metro in evaluating the proposals. All questions relating to this RFP must be submitted in writing to Donald E. Carlson, Council Administrator. Any questions which in the opinion of Metro warrant a written reply or RFP amendment will be furnished to all parties receiving a copy of this RFP. Metro will not respond to questions received after _____ (day) _____, _____ (date) _____, 1992.

C. Format and Content

The format required for the proposal is:

- Letter of Transmittal
- Part I Approach to Conducting a Performance Audit
- Part II Project Staffing
- Part III Qualifications and Experience
- Part IV Cost Proposal

Each part should be clearly identified for easy reference.

1. Letter of Transmittal

The Letter of Transmittal should contain a brief summary of the key points of the proposal and must include the following:

- ▶ Identification of firm(s) involved and designation of the prime consultant, if more than one firm is involved.
- ▶ A statement that the proposal will remain in effect for ninety (90) days after receipt by Metro.

2. Part I - Approach to Conducting a Performance Audit

The consultant should describe the proposed approach including 1) tasks/activities required to accomplish a successful performance audit; 2) approach to dealing with policy makers and program/administrative personnel; 3) standards to be met; and 4) other items of relevance to this section.

3. Part II - Project Staffing

The consultant should identify each individual who will be primarily assigned to this engagement. Relevant experience must be presented for each primary staff member with particular emphasis on the following:

- ▶ Role and responsibility proposed for this engagement and a statement as to their availability.

- ▶ Experience in the conduct of performance audits, particularly in a public sector setting.

The proposal must indicate a single person as project manager who will work with Council Staff for the duration of the engagement. A list of references should be provided for each primary staff person. Changes in the primary staff assigned to the project in future years may be permitted upon prior approval of the Council Administrator.

The proposal should include additional professional and technical resources available to be used on performance audits on a variety of functions for which the District is responsible. Include a description of qualifications and experience for any person so identified.

4. Part III - Qualifications and Experience

The consultant should describe the company's qualifications to provide performance audit services for the Metro Council. List and briefly describe all relevant performance audit projects completed or underway including references.

As part of the firm's listing of experience and professional credentials, consultant should provide information on past minority and women-owned business subcontracting relationships and a copy of the firm's own Affirmative Action Plan.

5. Part IV - Cost Proposal

The consultant should identify expected deliverables and services for a standard performance audit. The proposal should include a proposed fee schedule for the primary persons assigned to the engagement (hourly rate of pay), as well as all other costs such as travel/per diem, clerical and miscellaneous costs.

D. Evaluation Process

All proposals will be evaluated based on the following factors and rating scale:

	<u>Percent</u>
▶ Effectiveness of approach to conducting a performance audit	30
▶ Quality of proposed staff	30
▶ Qualifications and experience in conducting performance audits	30
▶ Cost Proposal	10

The decision shall be made based upon an initial review of all written materials and a subsequent interview of finalists.

E. General Proposal/Contract Conditions

1. Information Release

All consultants are hereby advised and through submission of a proposal agree and release Metro to solicit and secure background information based upon the information including references provided in response to this RFP. Fully descriptive and complete information should therefore be provided to assist in this process and ensure the appropriate impact.

2. Limitations of Award

This RFP does not commit Metro to the award of a contract, or to pay any costs incurred in the preparation and submission of proposals in anticipation of a contract. Metro reserves the right to accept or reject any or all proposals received as the result of this request, to negotiate with all qualified sources, or to cancel all or part of this RFP.

3. Contract Type

Metro intends to award a Personal Services Agreement with the selected firm or individual. A copy of the standard contract form approved by Metro General Counsel is attached. Any proposed changes in the language, construction or requirements of the document must be raised and resolved as a part of this RFP process. All consultants are therefore advised to review, clearly document, and include a response to this document in their proposal.

4. Billing Procedures

Proposers are informed that the billing procedures of the selected firm or person are subject to the review and prior approval of Metro before reimbursement for services can occur. A monthly billing, accompanied by a progress report, will be prepared for review and approval.

5. 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 any company or firm contracted during the period in which Metro is evaluating the proposal.

6. Completion Date

It is anticipated that Council Staff and Councilors selected by the Presiding Officer shall determine the subject area(s) for the initial performance audit no later than October 1, 1992, in consultation with the consultant. The initial performance audit shall be completed including printing report(s) for submission to the Council by March 15, 1993. Following successful completion of the initial performance audit, the Council Staff and Councilors selected by the Presiding Officer shall develop work plans and cost proposals in consultation with the consultant for the subsequent performance audit(s).

7. Disadvantaged, Minority and Women-Owned Business Program

In the event that any subcontracts are to be utilized in the performance of this agreement, the consultant's attention is directed to Section 2.04.160 of the Metro Code and an October, 1991 letter from Metro's Deputy Executive Officer which strongly encourages good faith efforts to utilize Disadvantaged, Minority and Women Owned Business Enterprises and subcontractors and suppliers.

All questions concerning Metro's DBE/WBE Program should be addressed to Rich Wiley, Procurement Officer at (503) 221-1646, Ext. 536.



METRO

2000 SW First Avenue
Portland, OR 97201-5398
(503) 221-1646
Fax 241-7417

October 22, 1991

Dear Potential Bidder/Proposer:

For the past ten years, the Metropolitan Service District has had a special contracting program to encourage participation in metro contracts by businesses owned by minorities including women. This program has been applied to both federally funded and locally funded projects.

We have now been advised by our General Counsel that the Metro Code provisions relating to participation by minority-owned businesses in locally funded contracts are unconstitutional.

Therefore, I must reluctantly advise you that until the Metro Council acts to correct this defect and/or adopts a new program, I cannot and will not act in probable violation of the law and attempt to enforce the present Metro DBE and WBE Program requirements on locally funded projects.

The economy of the Metro region is comprised of a multitude of emerging and small businesses which mirror the racial diversity within our boundaries. They're our customers and clients. They pay taxes. They hire the local work force. They determine the health of the local economy. Supporting those businesses should not be viewed as just a requirement. Supporting those businesses should be viewed as good business!

I, therefore encourage you to set the legal question aside and voluntarily follow good faith efforts to utilize Disadvantaged, Minority and Women Owned Business Enterprises as your subcontractors and suppliers.

Please consider these issues carefully. Talk to your legal counsel. Reflect upon the larger issue. If you have questions, please contact Rich Wiley at Metro 221-1646 x 116.

Respectfully,



Richard D. Engstrom
Deputy Executive Officer

above. This process shall be repeated until a bidder or proposer is determined to meet the provisions of this section or until Metro determines that the remaining bids are not acceptable because of amount of bid or otherwise.

(g) The Liaison Officer, at his or her discretion, may waive minor irregularities in a bidder's or proposer's compliance with the requirements of this section provided, however, that the bid or proposal substantially complies with public bidding requirements as required by applicable law.

(Ordinance No. 83-165, Sec. 12; amended by Ordinance No. 86-197, Sec. 1; all previous Ordinances repealed by Ordinance No. 87-216, Sec. 1; amended by Ordinance No. 87-231, Sec. 1)

2.04.160 Determination of Good Faith Efforts:

(a) Bidders or Proposers on USDOT-assisted contracts to which DBE goals apply must, to be eligible for contract award, comply with the applicable contract goal or show that good faith efforts have been made to comply with the goal. Good faith efforts should include at least the following standards established in the amendment to 49 CFR §23.45(h), Appendix A, dated Monday, April 27, 1981. A showing of good faith efforts must include written evidence of at least the following:

- (1) Attendance at any presolicitation or prebid meetings that were scheduled by Metro to inform disadvantaged and women business enterprises of contracting and subcontracting or material supply opportunities available on the project;
- (2) Advertisement in trade association, general circulation, minority and trade-oriented, women-focus publications, if any and through a minority-owned newspaper or minority-owned trade publication concerning the sub-contracting or material supply opportunities at least 10 days before bids or proposals are due.
- (3) Written notification to a reasonable number but no less than five (5) DBE firms that their interest in the contract is solicited. Such efforts should include the segmenting of work to be subcontracted to the extent consistent with the size and capability of DBE firms in order to provide reasonable subcontracting opportunities. Each bidder should send solicitation letters inviting quotes or proposals from DBE firms, segmenting portions of the work and specifically describing, as accurately as possible, the portions of the work for which quotes or proposals are solicited from

DBE firms and encouraging inquiries for further details. Letters that are general and do not describe specifically the portions of work for which quotes or proposals are desired are discouraged, as such letters generally do not bring responses. It is expected that such letters will be sent in a timely manner so as to allow DBE sufficient opportunity to develop quotes or proposals for the work described.

- (4) Evidence of follow-up to initial solicitations of interest, including the following:
 - (A) The names, addresses, telephone numbers of all DBE contacted;
 - (B) A description of the information provided to DBE firms regarding the plans and specifications for portions of the work to be performed; and
 - (C) A statement of the reasons for non-utilization of DBE firms, if needed to meet the goal.
- (5) Negotiation in good faith with DBE firms. The bidder shall not, without justifiable reason, reject as unsatisfactory bids prepared by any DBE firms;
- (6) Where applicable, the bidder must provide advice and assistance to interested DBE firms in obtaining bonding, lines of credit or insurance required by Metro or the bidder;
- (7) Overall, the bidder's efforts to obtain DBE participation must be reasonably expected to produce a level of participation sufficient to meet Metro's goals; and
- (8) The bidder must use the services of minority community organizations, minority contractor groups, local, state and federal minority business assistance offices and other organizations identified by the Executive Department's Advocate for Minority and Women Business that provide assistance in the recruitment and placement of DBEs and WBEs.

(b) Bidders or proposers on locally-funded contracts to which DBE/WBE goals apply shall achieve the applicable contract goal or demonstrate that they have made good faith efforts to achieve the

goals. Good faith efforts shall include written documentation of at least the following actions by bidders:

- (1) Attendance at any presolicitation or prebid meetings that were scheduled by Metro to inform DBEs and WBEs of contracting and subcontracting or material supply opportunities available on the project;

Documentation required: Signature of representative of bidder or proposer on prebid meeting attendance sheet.

- (2) Identifying and selecting specific economically feasible units of the project to be performed by DBEs or WBEs to increase the likelihood of participation by such enterprises;

Minimum documentation required: At least the documentation required under subsection (4) below.

- (3) Advertising in, at a minimum, a newspaper of general circulation, and trade association, minority and trade oriented, women-focused publications, if any, concerning the subcontracting or material supply opportunities on the project at least ten (10) days before bids or proposals are due;

Documentation required: copies of ads published.

- (4) Providing written notice soliciting sub-bids/proposals to not less than five (5) DBEs or WBEs for each subcontracting or material supply work item selected pursuant to (2) above not less than ten (10) days before bids/proposals are due.

If there are less than five certified DBEs/WBEs listed for that work or supply specialty then the solicitation must be mailed to at least the number of DBEs/WBEs listed for that specialty. The solicitation shall include a description of the work for which subcontract bids/proposals are requested and complete information on bid/proposal deadlines along with details regarding where project specifications may be reviewed.

Documentation required: Copies of all solicitation letters sent to DBE/WBE along with a written statement from the bidder/proposer that all the letters were sent by regular or certified mail not less than 10 days before bids/proposals were due.

- (5) Making, not later than five days before bids/proposals are due, follow-up phone calls to all DBEs/WBEs who have not responded to the solicitation letters to determine if they would be submitting bids and/or to encourage them to do so.

Minimum documentation required: Log showing a) dates and times of follow-up calls along with names of individuals contacted and individuals placing the calls; and b) results attained from each DBE/WBE to whom a solicitation letter was sent (e.g., bid submitted, declined, no response). In instances where DBE/WBE bids were rejected, the dollar amount of the bid rejected from the DBE/WBE must be indicated along with the reason for rejection and the dollar amount of the bid which was accepted for that subcontract or material supply item.

- (6) Using the services of minority community organizations, minority contractor groups, local, state and federal minority business assistance offices and other organizations identified by the Executive Department's Advocate for Minority and Women Business that provide assistance in the recruitment and placement of DBEs and WBEs; where applicable, advising and assisting DBEs and WBEs in obtaining lines of credit or insurance required by Metro or the bidder/proposer; and, otherwise, making efforts to encourage participation by DBEs and WBEs which could reasonably be expected to produce a level of participation sufficient to meet the goals.

Minimum documentation required: Letter from bidder/proposer indicating all special efforts made to facilitate attainment of contract goals, the dates such actions were taken and results realized.

- (7) Notwithstanding any other provision of this section, bidders and proposers on locally-funded contracts to which DBE/WBE goals apply need not accept the bid of a DBE or WBE on any particular subcontract or material supply item if the bidder/proposer demonstrates that none of the DBEs or WBEs submitting bids were the lowest responsible, responsive and qualified bidders/proposers on that particular subcontract item and that the subcontract item was awarded to the lowest responsible, responsive bidder/proposer.

Metro reserves the right to require additional written documentation of good faith efforts and bidders and proposers shall comply with all such requirements by Metro. It shall be a rebuttable presumption that a bidder or proposer has made a good faith effort to comply with the contract goals if the bidder has performed and submits written documentation of all of the above actions. It shall be a rebuttable presumption that the bidder has not made a good faith effort if the bidder has not performed or has not submitted documentation of all of the above actions.

(Ordinance No. 83-165, Sec. 13; amended by Ordinance No. 84-181, Sec. 6 and Ordinance No. 86-197, Sec. 1; all previous Ordinances repealed by Ordinance No. 87-216, Sec. 1; amended by Ordinance No. 87-231, Sec. 1; and Ordinance No. 88-252, Sec. 1)

2.04.165 Replacement of DBE or WBE Subcontractors: Prime contractors shall not replace a DBE/WBE subcontractor with another subcontractor, either before contract award or during contract performance, without prior Metro approval. Prime contractors who replace a DBE or WBE subcontractor shall replace such DBE/WBE subcontractor with another certified DBE/WBE subcontractor or make good faith efforts as described in the preceding section to do so.

(Ordinance No. 83-165, Sec. 14; amended by Ordinance No. 86-197, Sec. 1; all previous Ordinances repealed by Ordinance No. 87-216, Sec. 1; amended by Ordinance No. 87-231, Sec. 1)

2.04.170 Records and Reports:

(a) Metro shall develop and maintain a recordkeeping system to identify and assess DBE and WBE contract awards, prime contractors' progress in achieving goals and affirmative action efforts. Specifically, the following records will be maintained:

- (1) Awards to DBEs and WBEs by number, percentage and dollar amount.
- (2) A description of the types of contracts awarded.
- (3) The extent to which goals were exceeded or not met and reasons therefor.

(b) All DBE and WBE records will be separately maintained. Required DBE and WBE information will be provided to federal agencies and administrators on request.

(c) The Liaison Officer shall prepare reports, at least semiannually, on DBE and WBE participation to include the following:

Project _____
Contract No. _____

PERSONAL SERVICES AGREEMENT

THIS AGREEMENT is between the METROPOLITAN SERVICE DISTRICT, a municipal corporation organized under ORS Chapter 268, referred to herein as "Metro," located at 2000 S.W. First Avenue, Portland, OR 97201-5398, 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 maximum sum of _____ AND _____/100THS DOLLARS (\$ _____), in the manner and at the time specified in the Scope of Work.
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 personal injury and property damage, with automatic coverage for premises, operations, and product liability. The policy must be endorsed with contractual liability coverage; and
 - (2) Automobile bodily injury and property damage liability insurance.
 - b. Insurance coverage shall be a minimum of \$500,000 per occurrence, \$250,000 per person, and \$50,000 property damage. If coverage is written with an annual aggregate limit, the aggregate limit shall not be less than \$1,000,000.

c. 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.

d. Contractor, its subcontractors, if any, and all employers working under this Agreement are subject employers under the Oregon Workers' Compensation Law and 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.

e. 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 \$500,000. Contractor shall provide to Metro a certificate of this insurance, and 30 days' advance notice of material change or cancellation.

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, with any patent infringement 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. 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.

13. Termination. This Agreement may be terminated by mutual consent of the parties. In addition, Metro may terminate this Agreement by giving Contractor five 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.

14. 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.

15. Modification. This Agreement is the entire agreement between the parties, and may only be modified in writing, signed by both parties.

CONTRACTOR

METROPOLITAN SERVICE DISTRICT

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

REPORT ON
PERFORMANCE AUDITING PLAN
FOR THE
METROPOLITAN SERVICE DISTRICT COUNCIL

DECEMBER 1988

TABLE OF CONTENTS

	<u>Page</u>
- EXECUTIVE SUMMARY	1
- INTRODUCTION	2
- BACKGROUND.	2
- WORK PERFORMED.	3
- PERFORMANCE AUDITING.	3
- ORGANIZING A PERFORMANCE AUDIT CAPABILITY . . .	5
Auditing Standards	5
Professional Staff	6
Audit Oversight	7
Prioritizing Reviews	8
Administrative Guidelines.	9
Funding	9
- INFORMATION SYSTEMS	10
- IMPEDIMENTS TO SUCCESSFUL PERFORMANCE AUDITING. .	11
- SPECIFIC PERFORMANCE AUDITS	12

APPENDIX I - POTENTIAL PERFORMANCE AUDIT AREAS

EXECUTIVE SUMMARY

Talbot & Korvola has completed its overall review of Metro operations and has developed a plan for the agency to initiate a performance auditing program.

We do not see any major impediments to a successful performance auditing function provided our recommendations are adopted and acted on by the Council.

Our primary recommendations are that Metro:

1. Adopt the U.S. General Accounting Office's Government Auditing Standards, as its guide for performance auditing work;
2. Contract for the professional services to perform this function for at least the first two years, and provide for continuing contract service if appropriate;
3. Budget \$80,000 to \$100,000 for each of the first two years for the performance audit function.
4. Establish a risk analysis system based on nine key criteria to identify areas for performance reviews; and
5. Assign the audit oversight responsibility to the Council's Internal Affairs Committee.

Our rationale leading to these recommendations is included in the body of our report.

Appendix I contains a listing of potential audit areas for Metro to consider for specific reviews. We recommend that Metro schedule performance audits in the first year of at least two of the following areas:

1. Contracting
2. General Fund/Cost allocations
3. Metro Policies and Procedures
4. Solid Waste Revenues

We have also developed a Performance Audit Guide that contains a mission statement, standards, and operating procedures to be followed for Metro's performance audit function. This Guide is provided as a separate document.

INTRODUCTION

The Metropolitan Service District (Metro) Council entered into a professional services agreement with Talbot & Korvola, CPA's, on September 26, 1988 for the primary purpose of developing a performance auditing plan for Metro. The work includes identifying any potential impediments to successful performance auditing, and making recommendations to overcome any perceived problems.

The contractor's report and performance auditing guide was to include criteria for prioritizing work, standards to be followed, options for staffing the function, suggested budget level, and recommendations for specific performance audits.

BACKGROUND

Metro was formed by the Oregon Legislature in 1977, and approved by the voters in 1978 as a directly-elected regional government. The purpose was to avoid duplication of public services and to increase the accountability of regional government officials to the public through the election process.

Metro is governed by 12 elected Councilors and by an elected Executive Officer. Metro serves the urban areas of Multnomah, Washington and Clackamas Counties. This region represents nearly one million people from 24 cities in the three counties.

Metro is responsible by statute for coordination of region-wide issues in the Portland Metropolitan Area. Services are provided in solid waste disposal management, transportation planning, technical services to local governments, operation of the Washington Park Zoo, and construction and operation of the Oregon Convention Center.

Metro's adopted budget for 1988-89 includes funds for the following primary activities (not including transfers, contingencies, and unappropriated balances):

<u>Operations</u>	<u>Millions</u>
Planning and Transportation	\$1.8
Metro ER Commission	1.8
General Support Services	4.0
Convention Center	5.9
Zoo	7.1
Solid Waste	13.3
<u>Capital</u>	
Convention Center	\$34.9
Zoo	3.7
Solid Waste	3.5

WORK PERFORMED

To accomplish our objective, we performed the following:

1. Obtained an overview of the entire Metro operation. We interviewed individual Councilors, the Council Administrator and his staff, and the Executive Officer. We reviewed (a) Metro's enabling legislation, (b) the organizational structures and related operating and procedural manuals, (c) the Council's implementing legislation and resolutions, (d) current budgets, and (e) internal and external reports on Metro activities, including financial reports by Metro's external auditors.
2. Obtained a basic understanding of Executive Office operations. We (a) conducted in-depth interviews with the Executive Officer and her staff, all department managers and other key officials, and (b) reviewed pertinent data and records for all functions.
3. Obtained and evaluated accounting and other information systems and resulting reports.
4. Obtained and considered the views of elected auditors for the City of Portland and Multnomah and Washington Counties. We also reviewed the financial and management letter reports of Metro's independent financial auditors.
5. Met with Senator Glen Otto and members of the task force team evaluating Metro responsibilities and authorities.

PERFORMANCE AUDITING

We believe a fundamental understanding of performance auditing is important if Metro is to successfully implement our recommendations. Our report is based on this premise.

Performance auditing is a structured review of a program, organization, operation or function to evaluate and report on whether operating objectives are being achieved and whether resources (allocated for this purpose) are being used economically and efficiently.

Performance auditing essentially consists of two types of audits:

- Economy and efficiency audits are performed primarily to identify methods to improve procedures, usually at cost savings. This includes determining whether an organization's resources (i.e., funds, property, and personnel) are adequately controlled and used in an efficient, and economical manner.
- Program results audits are performed to evaluate whether desired results or benefits of an organization's programs

and activities are being achieved in accordance with applicable legislation, policy, or regulations. The audit also determines whether management has considered alternatives that might provide the same results at a lower cost.

Performance audits often lead to recommendations designed to improve program success and effectiveness. Most reviews produce measurable cost savings, increases in revenues, or other identifiable improvements. Performance auditing is not a substitute for management judgment, but rather is a management tool to assist in making decisions to improve operations. It differs from financial auditing which is directed towards forming an opinion on an organization's financial statements.

ORGANIZING A PERFORMANCE AUDIT CAPABILITY

Performance auditing can provide an opportunity to save money, increase efficiency, and improve the quality of products and the delivery of services. However, proper planning and thoughtful decisions need to be made during the organization of a performance auditing function to ensure the time and resources devoted will produce positive results.

There are six major prerequisites which Metro must consider in establishing a performance audit capability:

1. Establishing and adhering to appropriate auditing standards;
2. Obtaining the highest level of professional staff, whether in-house or through contracts;
3. Establishing an appropriate organizational structure to oversee the auditing function and assure that recommendations are acted on;
4. Establishing and following a system for prioritizing review efforts to obtain the most value for money spent;
5. Setting up appropriate administrative guidelines to assure an orderly process; and
6. Authorizing appropriate funding to perform reviews on a continuing basis;

We will address each of these areas separately as they relate to Metro.

1. Audit Standards

It is important to adopt standards to be followed with respect to planning the work, performing the audits, documenting performance, and reporting results. Standards will assist in establishing order and discipline in the conduct of the work.

The United States General Accounting Office (GAO) has been the entity most responsible for development of performance auditing in the public sector. In 1972 the GAO published a landmark guide, Standards for Audit of Governmental Organizations, Programs, Activities and Functions, subsequently known as the "Yellow Book". The standards, which were revised and reissued in 1981 and again in 1988, have helped shape much of the evolution of performance auditing.

We recommend that Metro adopt GAO's 1988 revised "Yellow Book", which is now titled Government Auditing Standards, as its guide for performance auditing work. In addition to updating the general audit standards, the revision includes separate chapters on "Field Work Standards for Performance Audits" and "Reporting Standards for Performance Audits" which cover all the essential elements for this type of audit.

2. Professional Staff - In-House or Contract

The GAO first general standard includes the requirement that:

"The staff assigned to conduct the audit should collectively possess adequate professional proficiency for the tasks required."

The standards place responsibility on the audit organization to ensure that the staff can do the work. There are basic requirements for continuing education and training (80 hours every two years) to ensure the auditors keep current on audit developments.

There are other requirements for speciality areas such as computer knowledge, statistical sampling, engineering knowledge, etc. These qualifications apply to the knowledge and skills of the audit organization as a whole, and not necessarily to one individual.

When starting a new audit function, the question arises as to whether to establish an internal capability, contract with an independent firm, or pursue a combined approach. No single answer is right for all organizations. Each approach has its advantages.

Some advantages of internal capability include:

- Ability to shift assignments and priorities
- Organizational acceptance - i.e., that it will become a normal part of doing business
- Ability to mold working relationships
- Better knowledge of company operation over time.

Some advantages of contracting include:

- An experienced work force
- A greater range of expertise
- Staffing flexibility to assure timely project completion.
- Outside perception of true independence.

We recommend that Metro begin its performance auditing program by contracting for the services, rather than performing them in-house, for the following principal reasons:

- a. Independent contract auditors would provide a more objective, independent view. Nearly all of the Metro Councilors and Executive staff concurred in the importance of this factor to counter some of the outside criticism Metro has received.
- b. Size of staff. Our observations and experience with other similar size entities suggests that an effective internal audit organization would require a minimum of five professionals in order to cover the basic areas of competence necessary to meet the general standards for qualification of auditors. One person, acting alone, is seldom able to function effectively. Building an effective audit staff can be time consuming and expensive.
- c. Salary levels. A top professional performance audit manager will probably require a salary level of \$50,000 to \$60,000 annually. This level may be out of line with the salaries paid other Metro managers.

For continuity, we suggest the initial contract be established for a two-year period, with three one year options to follow at Metro's discretion. This will provide for the initial continuity which is important to start the program, and will allow Metro to re-evaluate this option after two years and decide the most appropriate way to proceed. Once funding is established and a performance audit contractor selected the reviews would be assigned as specific tasks. Detailed work plans and estimated budgets would be required before tasks were initiated by the Contractor.

3. Audit Oversight

An appropriate organization must be responsible for the performance auditing function. Audit oversight is important to assure the function is independent and can provide an objective analysis of Metro's programs and functions. It is also important to have the authority to assure that appropriate areas are selected for audit, that the function is properly funded and supported, and that audit recommendations are acted on in a timely manner.

In the case of Metro, the Council has general guidance, budgeting, and oversight responsibilities. Conversely, responsibility for administration and execution of the various programs falls directly within the purview of the Executive Officer. We believe Metro can best be served if the Council and the Executive Officer jointly participate in deciding areas to be examined, following preestablished criteria. However, final responsibility for audit selection as well as other oversight functions must devolve to the Metro Council.

In view of Metro's organization and structure, we recommend that the oversight responsibility rest with the Council's Internal Affairs Committee. This committee is currently comprised of the chairperson's of each of the council's various standing committees. It would therefore assure a full council viewpoint without requiring the difficult task of involving all council members in detailed discussions. A permanent staff person should be designated as audit coordinator to be responsible for preparing requests for proposals and assisting the Audit Committee in:

- Selecting the best qualified firm for contract award;
- Monitoring the contract to assure quality and timeliness of work; and
- Updating the risk analysis data and coordinating selection of areas for performance reviews.

4. Prioritizing Reviews

Approaching performance audit projects will likely be a new experience for those at Metro who will have the audit oversight responsibility. Most organizations can identify an abundance of possible performance audit subjects. The difficulty is not in identifying potential areas, but in sorting them out and deciding which ones are likely to yield the most useful results.

A well-rounded performance audit function will identify and weigh a variety of factors in establishing a balance of program, efficiency, and effectiveness reviews.

We recommend that Metro establish a risk analysis system to identify potential audit areas, based on the following criteria:

1. Suspected or potential fraud, waste, or abuse
2. Potential for cost savings
3. Potential for increased revenues
4. High risks of Metro liability
5. Size of program in terms of FTE and dollars
6. Number and size of outside contracts
7. Public interest in the operation
8. Financing from Federal or State grants
9. Financing from internally developed rates.

We suggest that the highest ranking areas be identified in a tentative audit plan for the next two-year period. This tentative audit schedule should be circulated to all Council members, the Executive Officer, and all department managers for their suggestions, comments, and concerns before the Internal Affairs Committee makes a final decision.

The risk analysis data should be updated and approved at least annually.

5. Administrative Guidelines

Guidelines are important so that all persons involved know the process and procedures that will be followed when conducting a performance audit. For example, who is to receive reports, when they are to be released, and who will deal with the media should the reports become public, are all important considerations.

One very important administrative matter is that all managers should be advised that they will have an opportunity to review and comment on draft reports before they are finalized.

The Audit Guide we developed as part of this review has the most important guidelines included.

6. Funding

This essential element is a product of top management commitment. Funds are always in short supply. However, the benefits resulting from a series of coordinated performance audit reviews, each building on the success of its predecessor, far exceed the results from sporadic, under-funded studies.

On an overall basis, successful performance auditing traditionally more than pays it's own way. A good program will have identifiable cost savings, increases in revenues, or other measurable benefits that exceed audit costs anywhere from a 4 to 1 to a 10 to 1 ratio.

The primary funding consideration for Metro is to establish an appropriate level to adequately establish the program with a long range view of increasing overall effectiveness.

The following information on other performance audit programs will be helpful to Metro in determining an appropriate funding level for this function:

- A. The Portland City Auditor has a staff of 10 professional auditors who work essentially all of their time on performance audits. Their 1988 budget is \$533,000, and they cover programs totaling about \$325 million annually.

Since this program started in 1984, they have prepared 36 audit reports identifying over \$8 million in potential savings and increased revenues. Each major review involves an average of 1500 hours, and requires about six months to complete.

The Chief Auditor is paid a salary of about \$52,000 plus extensive fringe benefits.

- B. The Multnomah County Auditor has a staff of 5 professional auditors who work 80 percent of their time on economy and efficiency, and program results audits. They also perform some work by contract.

The County's current budget is \$340,000 exclusive of fringe benefits which normally run at about 35 percent. They cover county programs with a total budget of about \$230 million.

The County identified savings of about \$750,000 in its last annual report on this subject which was issued in 1982.

In view of the size and diversity of Metro's programs, we recommend an initial minimum funding level of \$80,000 to \$100,000 annually. This would provide funds to make two major reviews a year, with some additional survey work, or time to respond to special requests.

INFORMATION SYSTEMS

Metro's financial accounting systems provide a significant amount of information, captured at sufficient detail to analyze costs. Deficiencies in the accounting system relative to timing and efficiency are being addressed in the Central Financial Management System currently under development. This fully automated system is scheduled for final implementation in mid-summer 1989.

We have not reviewed the planned system in depth and do not offer opinions on the computer system or implementation process. However, we have reviewed the proposed chart of accounts and the basic account number structure which is the primary building block of the system. Assuming the system is implemented on schedule and the detailed code structure is followed at the department level, the new system will provide sufficient information for performance audit analysis.

There will undoubtedly be a time period in 1989 where information systems overlap within certain departments. Currently there are instances where departments maintain their own fiscal information as backup to assure accuracy and timeliness. Although such activity appears redundant, (and may be eliminated after implementation of the Central Financial Management System) it will provide additional sources of information to assist in performance auditing cost analyses.

The organizational changes which have occurred in the past few years may make analysis complex. Comparability from period to period will be difficult to obtain. However, because substantial historical data exists, we do not believe a performance audit function will be impeded by a lack of consistent quantifiable information.

IMPEDIMENTS TO SUCCESSFUL PERFORMANCE AUDITING PROGRAM

We reviewed what we consider the seven basic ingredients required for a successful performance auditing program at Metro with the Council members, the Executive Officer, and other key staff. Brief comments on each of these points follow (several items are covered in other parts of this report).

1. A realistic understanding of what can be achieved. Our discussions with the individual Councilors and other Metro representatives at all levels revealed a refreshing understanding of the potential benefits to be gained through a performance audit activity.
2. Top management commitment. The discussions indicated that management will fully support a performance auditing program. Both the Metro Council and the Executive Officer appear fully committed to a performance auditing function.
3. Appropriate process and structure to oversee the performance audit function and implement recommendations. Such a structure and process can be readily implemented at Metro. This requisite is addressed in another part of this report.
4. Qualified professional audit staff. We have addressed this need in another portion of our report. It was interesting to note that almost all the Metro officials believed this function should not be performed by in-house staff.
5. Confidence of internal management. We were greatly encouraged by the support and confidence exhibited by all levels of management. In such a positive environment, there are strong reasons for optimism.
6. Appropriate funding to assure a high-level continuing review function. This area is covered in detail on page 9 of this report. The Council has the authority to commit the necessary funds to start this program.
7. Adequate accounting and information systems. This area is also discussed separately on page 10 of this report. We believe the accounting and information systems provide the basic data needed to begin analysis of specific programs or functions.

Conclusion

Based on our recommendations relative to staff, organization structure, and funding, we do not believe there are any major impediments to prevent Metro from implementing a successful performance auditing program. It is very important to start the program in the proper direction and build the confidence of all managers into accepting it as a basic part of Metro's management process.

SPECIFIC PERFORMANCE AUDITS

We recommend that Metro adopt a performance audit program to include reviews of organizational program areas as well as functional areas so that each activity receives some independent assessment over a period of time.

Typically organizational reviews start with a general survey of the programs carried out by that organization, to identify target areas for detailed examination. Then, specific detailed reviews are scheduled in accordance with overall priorities.

Functional areas usually are performed through a detailed examination since it has already been identified as a target area.

Our overview of Metro activities, and our risk assessment analysis based on criteria discussed on page seven of this report, identified several areas which we believe are appropriate for performance reviews at Metro. A brief description of these areas and the reasons for our selection are included as Appendix I.

We suggest that Metro provide resource capability to perform at least two major reviews a year, with additional time available to perform survey work and to respond to any specific concerns or problems that may arise during the year.

For the first year, we recommend that performance audit be performed in at least two of the following areas:

1. Contracting
2. General Fund/Cost allocation
3. Metro Policies and Procedures
4. Solid Waste Revenues

These areas and other potential performance audits are described in more detail in Appendix I.

APPENDIX I - POTENTIAL PERFORMANCE AUDIT AREAS

Our survey of Metro activities to determine potential areas for performance audits was based generally on the risk analysis system criteria shown on page 7 of this report. Where appropriate, we have mentioned the criteria in our area description.

The areas we have identified and the reasons for these choices are summarized as below. The first 7 issues are priority items which should be addressed first.

1. Contracting. The 88-89 approved budget shows Metro has 431 contracts that total about \$60 million.

The dollar amount of this program and the general nature of contracting indicate this is a high risk area for potential fraud, waste, or abuse. It also carries a high risk for Metro liability and, because of the number of people involved in the process, it represents a strong candidate for potential cost savings.

The specific area to be considered for a performance audit include:

- Organization, e.g., centralization vs. decentralization
- Policies and procedures (including issues between Council and Executive)
- Administration
- Audit
- Privatization issues

2. General Fund/Cost Allocation. The general fund totals about \$4 million which is used to finance council operations and Metro's central office functions. Funds are allocated from the zoo, solid waste, convention center, and other internal sources.

There are internal concerns about the fairness of the allocation process, and questions with respect to value received for funds contributed. The allocation of overhead may adversely impact discussions about possible merging of additional functions.

A performance audit could analyze the current allocation process, evaluate other funding options and provide an independent report which should alleviate concerns.

3. Metro Policies and Procedures

We noted differences in perceived policy and operating authority between the Council and the Executive Officer. There appears to be some differences as to the policy prerogative of the council and what executing authorities should be left to the Executive.

Some policies have evolved over time and are not easily found in authoritative form, leading to varying interpretation and

potential miscommunication. This means that a large and rapidly growing Metro organization is not supported by a highly structured, easily communicated set of ground rules. Considering the number of people impact by the administration of policy, it is not surprising to find some differences in this area.

The absence of a highly visible policy structure at Metro could lead to conflicts and redundancies which are inefficient, at best, and likely counterproductive. Addressing this issue would impact the total organization, from the council to the lowest departmental level.

A performance audit could be made in this area to (1) review in depth the authority and responsibility of each body as intended in the underlying legislation, (2) identify policies and determine how they are implemented, (3) identify the existence, cause, and effect of any factors which cause breakdowns in communication between the two entities, and (4) make recommendations as necessary to resolve any difficulties.

4. Solid Waste Revenues. This program generates over \$30 million annually from disposal and user fees, transfer charges, and a variety of other sources.

The dollar size of this program and the fact that most of the revenues are generated from internally developed rates where there is a high level of public interest makes this a high candidate for a performance review. A review would include:

- Evaluation of basis of setting rates, e.g., to carry out program objectives, recover costs, etc.
- Procedures to set rates for different operations
- Collection of revenues
- Audit procedures.

5. Survey of Solid Waste Program. This function has 39 FTE with an annual operating budget of about \$15 million exclusive of transfer and contingencies, and unappropriated balances. A significant amount of the work is performed by contract -- solid waste has about 75 active contracts including a \$366 million contract recently awarded for the Gilliam County landfill site, and will soon award a substantial contract for transfer of waste to that site.

A high percentage of the officials and staff interviewed believed that "Solid Waste has some problems" but were not specific as to where and why.

The FTE and operating dollars, the number and size of outside contracts along with the public interest suggest a high potential for cost savings through a performance audit. Since the program is so large, an audit survey should be undertaken first to evaluate overall operations, and to pinpoint specific target areas for detailed examination where it appears efficiencies are possible.

6. Zoo Revenues. The 88-89 budget shows that the Zoo will take in about \$11.6 million in revenues through taxes and internal operations which includes admissions, concessions, and railroad fees. The rates charged for internal operations are evaluated and changed annually.

In view of the large amount of revenues, of which about half are generated from internally developed rates which impact zoo visitors, a performance review could be made to:

- Identify the basis for the "50-50" policy of taxes versus internal generated revenues;
- Evaluate basis for setting rates in each internal area, i.e., recovery of costs or other objectives;
- Evaluate collection procedures;
- Determine whether appropriate audits are performed of concession and other revenue contracts.

7. Planning Fund. This fund receives about \$3 million of revenues annually from a variety of sources including Federal and State grants, dues and assessments, and several other sources. These funds are used to finance the Transportation, and Planning and Development functions.

The heads of these two organizations are responsible for generating these funds, and for setting the rates to charge for services.

The variety of revenue sources including Federal and State grants, and the amount of internally generated rates suggest a performance audit to include such areas as:

- Evaluation of policy for funding these functions;
- Review of sources of revenues;
- Evaluation of internally generated rates;
- Analysis of procedures to assure Metro is receiving all appropriate funds;
- Overview of Directors financial responsibilities versus program responsibilities.

8. Public Relations. Public Affairs is responsible for conducting Metro's communications program to inform the public of Metro's activities and services. It has a budget of about \$1.1 million with 14 FTE. As a practical matter, their work primarily involves activities supporting the solid waste program.

Other Metro organizations, namely the Zoo and the Convention Center, have their own marketing and public relations functions which includes staff and contracts with private organizations for additional support.

A performance review of this service could be performed to determine whether this split of functions results in duplications or inefficiencies.

9. Survey of Zoo Operations. The Zoo's 157 FTE represents the largest staff function within Metro. The 88-89 operating budget totals about \$11.6 million. The Zoo has a substantial number of operating contracts that total over \$1 million annually, in addition to construction contracts that will total about \$3.7 million for 1988-89.

The size of this program in dollars and FTE, and the number of outside contracts, together with the high level of public interest, indicate that a survey could be undertaken to evaluate overall operations. Any areas identified as potential for cost savings or other efficiencies should be targeted for specific detailed examination reviews.

10. Data Processing. The Department of Finance and Administration provides the central support for Metro's data processing functions. It is in the process of installing a revised accounting system and making other changes to increase their capabilities. It appears that other departments have a certain amount of their own data processing capabilities.

Data processing in general is a costly operation which should be looked at periodically through a performance review to provide management with an independent assessment of that function. One important consideration is whether possible duplication and inefficiencies exist because of decentralization or other problems. The use of outside contractors versus in-house staff and the basis for those determinations should also be reviewed.

11. Planning. The Planning and Development Department has certain responsibilities for regional land development and solid waste management planning, as well as for providing assistance to local governments. It appears that other departments have their own planning staffs. For example, three planning positions were recently moved from Solid Waste to Planning and Development, but several planning positions still remain in Solid Waste.

A performance review could be made to determine Metro's total planning responsibilities, and to identify where the functions are being carried out. Possible inefficiencies may exist if there is significant decentralization.

12. Purchasing. Purchasing is another area that is subject to potential fraud and inefficiencies if tight control procedures do not exist. Our brief review indicated that this function is also very decentralized.

A survey could be made of this area to obtain more information about the policies and control procedures to determine whether a detailed examination would be appropriate.

13. Cash Collection Procedures. The Zoo and Solid Waste programs generate and collect a significant amount of cash for admissions, concession operations, garbage collections fees, etc.

It appears that each department determines it's own policies and procedures for collecting and safeguarding cash receipts. Metro's external financial auditors have indicated some potential problems in this area, in their last two management letters.

This area may be adequately addressed by management in view of the financial auditors report, but it is the type of area where an independent performance audit function could take a quick look to assure appropriate follow-up action is taken.