

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF AUTHORIZING)
THE AUDITOR TO RELEASE A REQUEST)
FOR PROPOSALS AND EXECUTE A)
CONTRACT FOR INDEPENDENT AUDIT)
SERVICES)

RESOLUTION NO. 98-2605

Introduced by
Alexis Dow, CPA,
Metro Auditor

WHEREAS, State ORS provision 297.465 requires an annual independent audit of Metro's financial statements; and

WHEREAS, Contract No. 904174 with KPMG Peat Marwick, independent Certified Public Accountants, previously utilized for such services, will expire on March 31, 1998; and

WHEREAS, Metro Code Section 2.04.026 requires Council approval prior to issuance of a Request for Proposals (RFP) and the execution of a contract for more than one fiscal year which would have a significant impact on Metro; and

WHEREAS, Metro Code Section 2.04.054 requires competitive proposals for personal services contracts; now, therefore,

BE IT RESOLVED,

That the Metro Council hereby authorizes the Metro Auditor to release a Request for Proposals (RFP) for Independent Audit Services in a form substantially similar to the attached Exhibit A. The Metro Council authorizes the Metro Auditor to execute a contract with the most advantageous proposer.

ADOPTED by the Metro Council this 12th day of FEBRUARY, 1998.



Jon Kvistad, Presiding Officer

REQUEST FOR PROPOSALS

FOR

INDEPENDENT AUDIT SERVICES

For the Period April 1, 1998 - March 31, 2001

I. INTRODUCTION

The Metro Auditor is requesting proposals for independent audit services. Metro is a regional government organized under the laws of the State of Oregon and the 1992 Metro Charter. Metro is located at 600 NE Grand Avenue, Portland, OR 97232-2736. Proposals will be due no later than 5:00 p.m., March 13, 1998 in Metro's business offices. Details concerning the project and proposal are contained in this document.

A pre-proposal conference will be held at 2:00 p.m. on Friday, February 27, 1998, in Room 601, 600 NE Grand Avenue, Portland, Oregon. Metro staff will be available to answer questions regarding the accounting system, work papers to be prepared by Metro staff, the year-end closing timetable and the bid process. Attendance at this conference is voluntary, however, *please notify the Auditor at 797-1891 if you plan to attend.* In addition to the pre-proposal conference, each proposer may schedule up to ninety (90) minutes with Metro staff to answer additional questions.

II. SERVICES REQUESTED

The Metro Auditor invites qualified independent certified public accountants to submit proposals to examine Metro's annual financial statements for the fiscal years ending June 30, 1998, 1999 and 2000. Metro is seeking proposals to enable selection of the firm best qualified to provide:

- Annual examination of the financial statements for Metro as required under generally accepted auditing standards and the Minimum Standards for Audits of Oregon Municipal Corporations
- Annual "Single Audit" covering Metro's federal awards in accordance with the U.S. Office of Management and Budget Circular A-133 and related necessary reports pertaining to Metro's internal control, compliance with applicable laws, regulations, grants and contracts, and the Schedule of Expenditures of Federal Awards
- Technical assistance to Metro personnel on various accounting and reporting questions
- The audit firm shall review Metro's method of determining Department Assessments under General Revenue Bond covenants, as required by ordinance 91-439, section 501(c) and provide a report of that review before March 1, 2001, including any recommendations for improvements.

III. PROPOSED SCOPE OF WORK

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

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

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

Comprehensive Annual Financial Report (CAFR)

A report on the examination of the combined financial statements and related notes thereto, and independent auditor comments and disclosures required by the Minimum Standards for Audits of Oregon Municipal Corporations, shall be issued by the audit firm no later than October 31. Metro staff shall produce a complete copy of the CAFR in draft form by approximately October 20 of each year and shall submit such report to the independent audit firm for review. The combining, individual fund and account group financial statements and schedules, as listed in the supplementary data section of the FY 1996-97 CAFR, are to be examined "in relation to" the general purpose financial statements.

Report on the Single Audit

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

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

The report on the single audit shall include:

- Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance with Government Auditing Standards
- Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133
- Schedule of Expenditures of Federal Awards
- Notes to Schedule of Expenditures of Federal Awards
- Schedule of Findings and Questioned Costs
- Summary Schedule of Prior Audit Findings
- Other statements or reports to satisfy federal, state and local regulations or requirements

Management Recommendations Letter

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

Secretary of State Summary of Revenues and Expenditures

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

Additional Responsibilities and Services

Metro has been awarded the Government Finance Officer's Association Certificate of Achievement for Excellence in Financial Reporting for its FY 1992 through 1996 CAFRs. This award demonstrates that Metro's CAFR complies with generally accepted accounting

principles and applicable legal requirements and is readable, efficiently organized and conforms to program standards. Metro intends to annually submit its CAFR to the GFOA Certificate program and to continue to receive the award. Metro may require minor technical assistance from the audit firm relating to presentation or disclosures issues.

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

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

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

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

Audit Contracts

Contract Period — The audit contract will be for a period of three (3) years, May 1, 1998, through April 30, 2001. The successful proposer shall be required to sign Metro's standard Personal Services Agreement (Appendix A) along with the negotiated Scope of Work.

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

IV. QUALIFICATIONS AND EXPERIENCE

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

V. PROJECT ADMINISTRATION

Pre-audit conferences with the Metro Auditor and Metro staff will be held no later than May 15 each year to discuss audit schedules. The audit firm will commence the audit at a mutually agreeable date, although Metro's preference is for final full field work to begin approximately in early to mid-September. The audit firm and the Metro Auditor and financial management shall meet periodically to discuss audit-related issues. At a minimum, monthly meetings will be held during the course of the audit engagement to report on the progress of the audit. The audit firm is expected to consult on accounting policy issues and render financial advisory services as deemed necessary. Support and services provided by Metro staff are included in Appendix C. Any unusual conditions encountered during the course of the examination where services of the audit firm must be extended beyond the normal work anticipated will require written notification to the Metro Auditor prior to the commencement of work.

Post-audit conferences to review the various reports and financial statements will be held with the Metro Auditor, Chief Financial Officer, Accounting Manager and other appropriate Metro officials. Audit firm management shall be present at any meetings of the Metro Council and MERC when matters regarding the audit or related reports are discussed. Meetings with individual councilors, commissioners or managers may also be requested.

VI. PROPOSAL INSTRUCTIONS

- A. **Submission of Proposals:** Six (6) copies of the proposal shall be furnished to Metro, addressed to:

Alexis Dow, CPA
Metro Auditor
600 NE Grand Avenue
Portland, OR 97232-2736

- B. **Deadline:** Proposals will not be considered if received after 5:00 p.m., March 13, 1998.
- C. **RFP as Basis for Proposals:** This Request for Proposals represents the most definitive statement Metro will make concerning the information upon which proposals are to be based. Any verbal information which is not addressed in this RFP will not be considered by Metro in evaluating the proposal.

All questions relating to this RFP should be addressed either at the pre-proposal conference or in writing to Metro Auditor Alexis Dow:

email: dowa@metro.dst.or.us

fax: 797-1831

mail: Metro

600 NE Grand Ave.

Portland, OR 97232-2736

Any questions, which in the opinion of Metro, warrant a written reply or RFP amendment will be furnished to all parties receiving this RFP. Metro will not respond to questions received after March 6, 1998.

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

Copies of that document are available from the Risk and Contracts Management Division, Metro, 600 NE Grand Avenue, Portland, OR 97232 or call (503) 797-1717.

VII. PROPOSAL CONTENTS

The proposal should describe the ability of the consultant to perform the work requested, as outlined below. The proposal should be submitted on recyclable, double-sided recycled paper (with post-consumer content). No waxed page dividers or non-recyclable materials should be included in the proposal.

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

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

- D. **Experience:** Indicate how your firm meets the experience requirements listed in section IV. of this RFP. List projects conducted over the past five years which involved services similar to the services required here. For each of these other projects, include the name of the customer contact person, his/her title, role on the project, and telephone number. Identify persons on the proposed project team who worked on each of the other projects listed, and their respective roles.
- E. **Cost/Budget:** Present the proposed cost of the project and the proposed method of compensation. List hourly rates for personnel assigned to the project. Anticipated reimbursable expenses should also be listed. Metro has established budget not to exceed \$261,000 for this project.
- F. **Proposer's Qualifications and Representations:** Complete the form provided in Appendix B.
- G. **Exceptions and Comments:** To facilitate evaluation of proposals, all responding firms will adhere to the format outlined within this RFP. Firms wishing to take exception to, or comment on, any specified criteria within this RFP are encouraged to document their concerns in this part of their proposal. Exceptions or comments should be succinct, thorough and organized.

VIII. GENERAL PROPOSAL/CONTRACT CONDITIONS

- A. **Limitation and Award:** This RFP does not commit Metro to the award of a contract, nor to pay any costs incurred in the preparation and submission of proposals in anticipation of a contract. The Metro Auditor reserves the right to waive minor irregularities, accept or reject any or all proposals received as the result of this request, negotiate with all qualified sources, or to cancel all or part of this RFP.
- B. **Billing Procedures:** Proposers are informed that billings are subject to the review and prior approval of Metro before reimbursement of services can occur. Contractor's invoices shall include an itemized statement of the work done during the billing period, and will not be submitted more frequently than once a month. Metro shall pay Contractor within 30 days of receipt of an approved invoice.

- C. **Validity Period and Authority:** The proposal shall be considered valid for a period of at least ninety (90) days and shall contain a statement to that effect. The proposal shall contain the name, title, address, and telephone number of an individual or individuals with authority to bind any company contacted during the period in which Metro is evaluating the proposal.
- D. **Conflict of Interest.** A proposer filing a proposal thereby certifies that no officer, agent, or employee of Metro has a pecuniary interest in this proposal; that the proposal is made in good faith without fraud, collusion, or connection of any kind with any other proposer for the same call for proposals; the proposer is competing solely in its own behalf without connection with, or obligation to, any undisclosed person or firm.

IX. EVALUATION OF PROPOSALS

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

40%	Expertise and Experience
25%	Audit Approach (Work Plan)
25%	Cost
10%	Reference Check

X. NOTICE TO ALL PROPOSERS — STANDARD AGREEMENT

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

XI. BACKGROUND

Background information is provided in Appendix D.

Appendix A

Project _____
Contract No. _____

PERSONAL SERVICES AGREEMENT

THIS AGREEMENT is between Metro, a metropolitan service district organized under the laws of the State of Oregon and the 1992 Metro Charter, located at 600 N.E. Grand Avenue, Portland, OR 97232-2736, and _____, referred to herein as "Contractor," located at _____.

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

1. Duration. This personal services agreement shall be effective _____ and shall remain in effect until and including _____, unless terminated or extended as provided in this Agreement.

2. Scope of Work. Contractor shall provide all services and materials specified in the attached "Exhibit A -- Scope of Work," which is incorporated into this Agreement by reference. All services and materials shall be provided by Contractor in accordance with the Scope of Work, in a competent and professional manner. To the extent that the Scope of Work contains additional contract provisions or waives any provision in the body of this Agreement, the Scope of Work shall control.

3. Payment. Metro shall pay Contractor for services performed and materials delivered in the amount(s), manner and at the time(s) specified in the Scope of Work for a maximum sum not to exceed _____ AND _____/100THS DOLLARS (\$_____).

4. Insurance.

a. Contractor shall purchase and maintain at the Contractor's expense, the following types of insurance, covering the Contractor, its employees, and agents:

(1) Broad form comprehensive general liability insurance covering bodily injury and property damage, with automatic coverage for premises, operations, and product liability. 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. 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 that are subject employers under the Oregon Workers' Compensation Law shall comply with ORS 656.017, which requires them to provide Workers' Compensation coverage for all their subject workers. Contractor shall provide Metro with certification of Workers' Compensation insurance including employer's liability. If Contractor has no employees and will perform the work without the assistance of others, a certificate to that effect may be attached, as Exhibit B, in lieu of the certificate showing current Workers' Compensation.

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.

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

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

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

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

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

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

payment of any fees, taxes, royalties, or other expenses necessary to complete the work except as otherwise specified in the Scope of Work; and for meeting all other requirements of law in carrying out this Agreement. Contractor shall identify and certify tax status and identification number through execution of IRS form W-9 prior to submitting any request for payment to Metro.

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

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

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

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

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

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

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

_____	METRO
By: _____	By _____
Title: _____	Title: _____
Date: _____	Date: _____

Appendix B

PROPOSER'S QUALIFICATIONS AND REPRESENTATIONS

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

General Information

1. Name (firm or individual) of Proposer. _____
2. Address. _____
3. Federal Employer Identification Number. _____
4. How long have you been in business? _____
5. Are you a corporation? Yes ___ No ___

If yes, please provide the date and state of incorporation, type of corporation, and list the names of all Portland area audit stockholders.
6. Are you a partnership? Yes ___ No ___

If yes, please list names of all Portland area audit partners.
7. Number of professional audit staff employed in the Portland area office. _____
8. In the preceding five years, has the firm audited at least three different local governments serving populations of 30,000 or more with at least one of these being a special district? Yes ___ No ___
9. Does the firm have current experience in assisting audit clients in obtaining and/or retaining the GFOA Certificate of Achievement Yes ___ No ___
10. Does the firm have current experience in the areas of bonds (tax-exempt) and the tax impacts on local government? Yes ___ No ___

11. Has the firm ever bid or submitted a proposal to Metro under another name? Yes ___ No ___

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

12. Does the firm have any outstanding bids or proposals for contracts with Metro? Yes ___ No ___

If yes, please provide the following:

Subject

Requesting Department

13. Does the firm have any current contract awards from Metro? Yes ___ No ___

If yes, please provide the following:

Subject

Requesting Department

Amount

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

ADDITIONAL REPRESENTATIONS

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

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

18. The Proposer is duly licensed to do business in the City of Portland and is licensed by the Oregon State Board of Accountancy as a Certified Public Accountant and Municipal Auditor.
19. The Proposer is and will certify to being an EEO Affirmative Action Employer.
20. The Proposer has or will provide for all persons employed to perform the services covered by the proposal, or for any other contract for service, in accordance with Oregon Revised Statutes Section 656.001 to 656.794, either as a:
 - Carrier-insured employer, or as a
 - Self-insured employer as provided by ORS 656.407.

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

21. The Proposer fully understands and submits its proposal with the specific knowledge that:
 - The selected proposal must be approved by the Metro Council.
 - In the event that the Proposer's proposal is accepted and receives all necessary approvals, the proposal will be incorporated into a contract containing general terms and conditions shown in Appendix A, Personal Services Contract.

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

Signature of Proposer

Title

Appendix C

SUPPORT AND SERVICES PROVIDED BY METRO STAFF

The following work papers are prepared by Metro Accounting Division staff:

AUDIT WORK PAPERS

Trial Balances and Other Financial Statements

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

Cash/Investments

- Bank Reconciliations
- Outstanding Check Lists (Operation & Payroll Accounts)
- Deposits In Transit
- Cash Transfers Schedule (June 25 -- July 5)
- Restricted Investments By Fund
- Collateral Requirements Analysis
- Trust Account Lead And Detail Schedules - Convention Center, Debt Service And Solid Waste Revenue Funds

Balance Sheet Analysis - Assets

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

Balance Sheet Analysis - Payables

- A/P Lead Schedule
- Retainage Payable -All funds
- Post-Closure and Liability Support

- Deposits -- Enterprise Fund
- Accounts Payable -- Payroll Lead Schedule
- Accrued Vacation Summary
- Accrued Vacation Supporting Detail
- Lease Payable Schedule
- Analysis of Capital Leases
- Solid Waste Debt Service -- Loans and Bonds Payable Footnote Support
- Arbitrage liability calculation
- General long-term debt account group rollforward schedules

Other

- Property Tax Revenue/Deferred Revenue Lead Schedule
- Property Tax Transactions
- Interfund Transfers -- Lead Schedule
- Due to/due from schedule
- Interest Revenue Reasonableness Test
- Fee Revenue/Tonnage Reconciliation
- Schedule of Tonnage by Facility
- Non-Metro Facility User Fee Revenue
- Metro Sites Revenue Analysis
- Commitments Schedule (contracts)
- New bond issues or refundings detail
- GASB 30 footnote support
- Pension trust fund statements and schedules
- Response to GFOA comments

Grants

Summary Schedule -- Grant Activity and End A/R Balance

- Grant Billings at June 30
- Schedule of Expenditures of Federal Awards
- Schedule of Closed Grants
- Schedule of Indirect Costs
- All grant agreements and amendments

EDP and Other Reports

- June 30 General Ledger
- Affirmative Action Plan
- Indirect Cost Rate Proposal
- Fiscal Year Unified Work Program
- Budget Amendments and Supplemental Budget
- Budget Hearing Notices
- Budget documents

Metro staff will also perform the following:

- Pulling Documents for verification of numbers and information
- Performing physical inventory counts of Zoo concession items.
- Preparation of additional analyses not listed above as required.

Appendix D

BACKGROUND INFORMATION

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

Metro is in the process of changing financial data processing systems. The following modules have been implemented in the PeopleSoft system: general ledger, accounts payable and purchasing. The implementation schedule for remaining modules is:

Accounts receivable	July 1, 1998
Payroll	Fourth quarter FY 1998
Project costing & asset management	Late FY 1999
Budget	undetermined

Metro currently maintains two checking accounts: 1) accounts payable and 2) payroll (which is a "zero-balance account"). In addition, investments are made with various Oregon financial institutions (certificates of deposit, U.S. Treasury Securities, etc.) in accordance with Metro Code and state law. Metro receives dedicated property tax revenue for bonded debt service and a tax base for zoo operations from three counties — Multnomah, Washington and Clackamas — and has receivable accounts for each. Metro employs approximately 1200 people during a fiscal year.

Funds and account groups used by Metro in fiscal year 1998 are summarized below. Please note that, for budgetary purposes, accounting for all funds is done on a modified accrual basis.

Fund Type	Fund Name	Budgetary Funds	GAAP Basis
Government funds			
General fund	General	General	Modified Accrual
Special Revenue Funds	Zoo	Zoo operating	Modified Accrual
		General Revenue Bond Fund — Zoo	Modified Accrual
	Regional Parks and Expo	Regional Parks and Expo	Modified Accrual
	Planning	Planning	Modified Accrual
	Spectator facilities operating	Spectator facilities	Modified Accrual
	Coliseum operating	Coliseum	Modified Accrual
	MERC administration	MERC administration	Modified Accrual
Capital Projects Funds	Zoo capital	Zoo capital	Modified Accrual
	Open spaces	Open spaces	Modified Accrual
Debt Service Fund	General Obligation Debt Service	General Obligation Debt Service	Modified Accrual

Fund Type	Fund Name	Budgetary Funds	GAAP Basis
Proprietary funds			
Enterprise Funds	Solid waste fund	Solid waste revenue	Accrual
	Convention Center fund	Convention Center operating	Accrual
		Convention Center project capital	Accrual
Convention Center renewal & replacement		Accrual	
Internal Service Funds	Building management fund	Building management	Accrual
		General Revenue Bond Fund - Building management	Accrual
	Risk management fund	Risk management	Accrual
	Support services fund	Support services	Accrual
Fiduciary Funds			
Expendable Trust Funds	Rehabilitation and enhancement	Rehabilitation and enhancement	Modified Accrual
	Smith and Bybee Lakes trust	Smith and Bybee Lakes trust	Modified Accrual
	Regional parks trust	Regional parks trust	Modified Accrual
Pension Trust Fund	Pension trust fund	(not budgeted)	Accrual
Account Groups			
General Long-term Debt Account Group			
General Fixed Asset Account Group			

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

Other systems and procedures include:

- Metro's investment policies: set by ordinance.
- Computerized systems: include payroll, accounts payable, accounts receivable, general ledger, and financial reporting. Each includes manual tasks as well, and some are not integrated on the EDP system.
- MERC: maintains a separate accounting role which monitors its financial operations. It processes documentation and transactions through Metro's accounting section for budget purposes.
- Organizational chart: for the Accounting Services Division is included on page XXXI of the Comprehensive Annual Financial Report for fiscal year ended June 30, 1997 (enclosed).

Other available reports include:

- Reports required by the Single Audit Act
- Adopted budget for fiscal year 1998

These reports can be obtained at the pre-proposal conference February 27, 1998, or by calling Metro Auditor Alexis Dow at (503) 797-1891.

Support provided by Metro staff includes audit work papers on trial balances and other financial statements, cash and investments, balance sheet analyses, grants, and other areas listed in Appendix C. Metro staff will also pull documents for verification of information, perform physical inventory counts of Zoo concession items, and prepare additional analyses as required.

Government Affairs Committee Report

Resolution 98-2605, authorizing the auditor to release a request for proposals and execute a contract for independent audit services.

Action Taken: Recommended for Council approval, by a vote of 3-0.

Existing Law: Oregon law requires an annual independent audit of Metro's financial statements. Metro Code requires competitive proposals for personal services contracts. Council must approve the issuance of a Request for Proposals (RFP) and the execution of a contract with a duration of more than one year that has a significant impact on Metro.

Background: Metro's three-year contract with KPMG Peat Marwick for auditing services expires March 31, 1998. A new contract is needed for Independent Audit Services for the fiscal years ending June 30, 1998, 1999 and 2000.

Budget Impact: The RFP includes a cost requirement "not to exceed \$261,000." This is a 10% increase over the cost ceiling in the RFP of three years ago. The auditor anticipates bids to come in well below this ceiling.

The 1997-98 budget includes \$15,000 to cover the financial auditing costs incurred from April 1 through June 30, 1998. The audit for 1997 is complete. This \$15,000 would be for the new auditor to come in and set up an audit plan, etc.

Questions:

- If the fiscal year doesn't end until June 30, and the books are not closed until August, is it necessary to contract with an auditor for \$15,000 for the three months prior to the end of the fiscal year? Would it be more cost-effective to begin the contract on July 1?
- If the auditor is the same as in the previous contract (KMPG Peat Marwick), as it has been for many years, is there some cost savings involved because an audit plan already exists and the staff is already familiar with Metro operations?

The auditor's office has requested \$75,000 for this contract for the 1998-99 budget. This is three percent over last year's contract costs. The auditor anticipates a budget request of \$171,000 for the following two years -- a 14% increase over the 1998-99 allocation -- for a total contract amount of \$261,000.

Question:

- Recognizing that the \$261,000 is an estimate, is it higher than necessary, such that it will encourage unnecessarily high bids?

STAFF REPORT

IN CONSIDERATION OF RESOLUTION 98-2605 FOR THE PURPOSE OF AUTHORIZING THE RELEASE OF A REQUEST FOR PROPOSALS FOR INDEPENDENT AUDIT SERVICES

Date: January 22, 1998

Presented by: Alexis Dow

PROPOSED ACTION

Adoption of Resolution No. 98-2605 would authorize the Office of the Auditor to release a Request for Proposals for Independent Audit Services covering examinations of Metro's financial statements for fiscal years ended June 30, 1998, 1999 and 2000.

FACTUAL BACKGROUND AND ANALYSIS

State ORS provision 297.465 requires an annual independent audit of Metro's financial statements. The contract with KPMG Peat Marwick for audit services will expire on March 31, 1998.

The Metro Code Chapter 2.04 regarding Metro contract procedures specifies at section 2.04.054 that competitive proposals be solicited at least once every three years with exceptions allowed. The current three-year contract is expiring and it is time to solicit competitive proposals for independent audit services.

BUDGET IMPACT

Audit fees for a particular fiscal year audit cross two fiscal years. There remain funds in the fiscal year 1997-98 budget to cover the estimated \$15,000 cost of work to be performed under the new contract. The amount currently under consideration for audit fees in the fiscal year 1998-99 budget process is \$75,000. It is estimated that an additional \$171,000 will be needed for the remaining fiscal years for a total budget of \$261,000.

AUDITOR RECOMMENDATION

The Metro Auditor recommends approval of Resolution No. 98-2605.