

MEETING NOTIFICATION

March 16, 2020

6:30 p.m.

Open Signal

**2766 NE Martin Luther King Jr Blvd,
Portland, OR 97212**

AGENDA

- Roll Call
(Commission Participation: One or more members of the Commission may attend and participate by electronic means. The public will be afforded an opportunity to listen to the participation at the meeting site.)
- Agenda Review
- Disclosures
- Public Comment (non-agenda items)

CONSENT AGENDA – NO DISCUSSION

All items listed below may be enacted by one motion and approved as consent agenda items. Any item may be removed from the consent agenda and considered separately if a member of the Commission so requests.

*C1. January 27, 2020 Meeting Minutes

*C2. February 22, 2020 Retreat Minutes

REGULAR AGENDA

- | | |
|--|--------|
| *R1. Authorize Moss Adams for MHCRC FY2019-20 Fund Audit | 10 min |
| *R2. CBG Communications Contract Amendment | 10 min |
| R3. Comcast Annual Activities Presentation | 10 min |
| R4. Open Signal Annual Activity Report | 10 min |
- Staff Activity Reports and Updates
 - Public Policy/Legislative/FCC
 - FY20-21 Budget Process
 - Community Needs Ascertainment
 - Comcast's I-Net End Fund Report
 - Other
 - Committee Reports
 - Finance Committee

- TechSmart Grant Committee
- Open Signal Board Appointee
- MetroEast Board Appointee

- New Business:

Meeting Schedule:

April – Recess

May 18 – MetroEast

June 15 – Open Signal

July/August – Recess

September 21 – MetroEast

October 19 – Open Signal

November – Recess

December 21 – MetroEast

- Franchisee Activity Report
 - Frontier
 - Comcast
 - CenturyLink
- PEG Provider Activity Report
 - Open Signal
 - MetroEast Community Media
- Public Comment
- Adjourn

*Denotes possible action item

Please notify the MHCRC no less than five (5) business days prior to our event for ADA accommodations at 503-823-5385, by the City of Portland's TTY at 503-823-6868, or by the Oregon Relay Service at 1-800-735-2900.

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MT. HOOD CABLE REGULATORY COMMISSION
MetroEast Community Media, 829 NE 8th St Gresham, OR 97030
January 27, 2020 Meeting Minutes -- DRAFT

SUMMARY MINUTES

Call to Order: 6:30 pm

- Roll Call

Commissioners present: Leif Hansen, Carol Studenmund, Jeff Dennerline, Norm Thomas, Jacquenette McIntire, Scott Harden.

Commissioners absent: None.

Staff: Julie Omelchuck, Program Manager; Rebecca Gibbons, Program Coordinator, Cinthia Diaz Calvo, Admin Specialist, Elisabeth Perez, Interim Director.

- Agenda Review: No changes.
- Disclosures: Studenmund said she will abstain from any discussion or action on the Portland Public Schools grant preapplication due to a potential conflict of interest. LNS Captioning, a company owned by Studenmund, has a contract with Portland Public Schools for captioning meetings and this function is implicated in the preapplication. Therefore, the grant project as proposed could potentially result in a benefit to her company.

Dennerline had a meeting with MetroEast Community Media concerning its design of mobile education vehicles.

- Public Comment: None.
- CONSENT AGENDA

C1. December 16, 2020 Meeting Minutes

MOTION: Harden moved to approve the Consent Agenda. Thomas seconded.

VOTE: 6-0

REGULAR AGENDA

R1. Community Technology Grant Cycle - Preliminary Funding Decision

Gibbons provided an overview of the Commission's process. Based on staff's preliminary review for baseline eligibility criteria, 14 of 16 preapplications moved forward for Commission consideration. Gibbons handed out a compiled list of Commissioners' reviews. She said Commission action today will decide which preapplications move forward and does not

guarantee funding for the applicants. Staff will note Commissioners' issues and areas for clarifications for each preapplication and those will be addressed in the final grant application and contract, which will then be considered by the Commission at a later meeting.

Hansen said the Commission allocated \$800,000 in the budget. He noted that the handout indicated seven preapplications had a Commissioner consensus to move forward.

Commissioners agreed that many of the preapplications lacked detailed, objective evaluation plans and directed staff to work with applicants invited to complete a final application to clearly identify project outcomes and develop evaluation plans that assess progress towards achieving those outcomes for the project's beneficiaries.

Commissioners commented that it was easier to evaluate a project's need and potential benefit when the applicant explained use of Open Signal/MetroEast resources and why the applicant organization was ready to pursue owning its own equipment. Thomas said that the community media centers are there to help build skill and expertise within the nonprofit community to go out on their own. Thomas said that after a point, it makes sense for nonprofits who have been trained to want to have direct access to their own equipment.

In response to a question from Studenmund about the MetroEast Mobile Education Vehicle preapplication budget, Gibbons confirmed that the contractual expense line item for "interns and contractors" was not grant fundable as a capital expense. Gibbons said, if selected to move forward, staff would work with the applicant to include these expenses in the project budget match commitment.

MOTION: Thomas moved to approve the following preapplications for development of final applications and contracts: MetroEast Community Media - Mobile Education Vehicle; MetroEast - Reynolds High School; NW Documentary; Outside the Frame; Portland Community College; Resolutions Northwest; and Roots and Beats Project. Studenmund seconded.

VOTE: 6-0

Referring to the handout, Hansen opened discussion on the next grouping of preapplications that received support from five Commissioners. Studenmund said the preapplication from Portland Public Schools TVS did not have six Commissioner votes because she declined to review and weigh in on the application due to the potential conflict of interest mentioned under Disclosures.

Hansen said considering Studenmund's abstention, the preapplication had unanimous support from the remaining Commissioners.

MOTION: Dennerline moved to approve the Portland Public Schools TVS preapplication. Harden seconded.

VOTE: 5-0 (Studenmund abstained)

Hansen opened discussion on the ChickTech preapplication.

Dennerline said that in his review of the preapplication he questioned whether the applicant would have the capacity and expertise to fully prepare the target beneficiaries for careers in video production given the small amount of grant equipment requested (\$18,985). Hansen said he supported the preapplication in part because the grant ask was so small. Hansen the project could have great impact, despite the small ask, on getting the target population engaged in tech careers. Several Commissioners suggested that the applicant look into developing opportunities for the project participants to engage with a wider distribution network to ensure the participants gain experience in real-world video project environments, such as live broadcasting.

MOTION: Thomas moved to approve the ChickTech preapplication. Studenmund seconded.
VOTE: 6-0

Hansen opened discussion on the Open Signal preapplication.

Harden said he supported this preapplication moving on in the grant process. He said he liked that the project proposes working with incarcerated youth, that the project is partnering with other MHCRC grantees, such as Outside the Frame, and the preapplication included a strong evaluation plan.

Commissioners engaged in a brief discussion of the proposed uses of extended reality (XR) technology that this preapplication proposes. Dennerline and Hansen weighed in that this type of technology is appropriate and expressed the importance of providing training opportunities on innovative technology for underserved populations.

MOTION: Studenmund moved to approve the Open Signal preapplication. Dennerline seconded.
VOTE: 6-0

Hansen opened discussion on the North Northeast Business Association preapplication.

McIntire said she supported this preapplication moving on in the granting process because she believes the applicant clearly described the link between the beneficiaries of the project and the public benefit area selected (improving community involvement). She said the applicant presented strong partner collaborations as well.

MOTION: McIntire moved to approve the North Northeast Business Association preapplication. Harden seconded.
VOTE: 6-0

Hansen opened discussion on the Slavic Community Center preapplication.

McIntire, Studenmund, and Hansen all supported the preapplication moving forward in the granting process. Studenmund said the preapplication budget did not include funds for video subtitle and language translation and said the evaluation plan was weak.

In response to comments from Harden and Dennerline, Gibbons confirmed that the Slavic Community Center is a past MHCRC grantee that successfully completed its previous grant project. Gibbons said the prior grant helped establish a studio at the center and programming was produced for the community media channels. Gibbons said because this is a returning grantee, the applicant perhaps was relying too heavily on Commissioner's remembering the past grant, therefore left out some important details.

MOTION: Dennerline moved to approve the Slavic Community Center preapplication. Harden seconded.

VOTE: 6-0

Hansen opened discussion on the CETI preapplication.

Commissioners agreed that the preapplication was vague and presented lofty goals that were hard to follow and lacked specifics (i.e. clearly defining and quantifying the project beneficiaries, detailing quantifiable evaluation metrics).

Harden pointed out that a focus of the preapplication is 2020 Census engagement, but by the time the grant was awarded, if it moved forward, the Census would be nearly over.

Commissioners agreed that this applicant might benefit from utilizing Open Signal/MetroEast equipment in the short term.

MOTION: Studenmund moved to approve the CETI preapplication. Thomas seconded.

In response to a question from McIntire, Hansen said the established guidelines for the grant program do not allow the Commission to partially fund a project.

VOTE: Yes: McIntire, Harden, Studenmund; No: Thomas, Dennerline, Hansen. 3-3 Motion failed.

Hansen opened discussion on the Luke-Dorf, Inc. preapplication.

Harden said he liked that that project proposes partnering with the Keys, Beats and Bars program, another of the MHCRC's grantees.

Hansen said the preapplication lacked clear project outcomes and evaluation plan and has a limited number of proposed beneficiaries (80 young adults over 2 years).

McIntire said she supports the preapplication moving forward and said the applicant seems to have designed a project that will reach young adults who have endured a lot in their young lives. While the project is fairly simple and limited, she said this could be the engagement the youth need to move on into adulthood.

Hansen said that if the preapplication moves forward that staff should work with the applicant to more clearly define the project outcomes, the content that will be produced and aired via Open Signal/MetroEast, and to develop a more robust evaluation plan.

MOTION: Thomas moved to approve the Luke-Dorf, Inc. preapplication. Harden seconded.

VOTE: 6-0

R2. MHCRC Planning Retreat Goals

Hansen noted the proposed planning retreat goals contained in the meeting packet and said they were ambitious but a good starting place for the retreat discussion.

MOTION: Studenmund moved to adopt the following goals for the upcoming MHCRC planning retreat:

- Refresh on the Commission's current and upcoming projects, including a primer on cable franchise renewal.
- Review cable franchise fee and PEG/I-Net fee revenue trends.
- Explore possible futures for the Commission and identify proactive steps.
- Provide an opportunity for Commissioners and staff to get to know each other and strengthen working relationships.
- Revisit the Commission's operating agreements and meeting protocols.

Dennerline seconded.

VOTE: 6-0

R3. Media Centers Annual Activity Reports

Tomi Douglas, CEO of MetroEast Community Media, noted the CEO leadership transition over the summer and thanked John Lugton for serving as interim CEO. MetroEast highlights for 2019 included: Hiring a Digital Equity and Inclusion manager; Welcome to Computers and Rockwood DIY programs' success; internship program growth and increase partnership with Mount Hood Community College due to closure of its broadcasting program; creation of Producer's CornerSwiithboard project with Open Signal; audio booth and podcast classes moved to MetroEast; Studio A remodel; receipt of three Emmy nominations and one student Emmy nomination; several regional and national Alliance Hometown awards.

In response to a question from Thomas, Douglas said MetroEast's partnerships have been shared with the Jurisdictions, but MetroEast will consider sharing awards and other accomplishments going forward.

Hansen suggested that Commissioners could assist in transmitting that information as well.

In response to a question from Dennerline about MetroEast facility capacity for increase number of productions, Douglas said there's capacity and MetroEast's current strategic planning process will drive its staffing and facility's plan over the next couple years.

Omelchuck confirmed that Open Signal was not able to attend and will present its Annual Activity Report during the next meeting.

Staff Activity Reports and Updates

- Public Policy/Legislative/FCC: Perez mentioned that Chair Hansen submitted letters on behalf of the MHCRC encouraging them to support the Protecting Community Television Act. Oregon Senators Merkley and Wyden, and Representative Blumenauer have co-signed the bills. Regarding the FCC Cable Order, following the outcome of the petition to stay with the FCC, our legal coalition submitted a motion to stay the order during litigation to the 9th Circuit court. We are awaiting a ruling from the Court. Oral argument in the Appeal of the FCC Order is scheduled for February 10. The case is estimated to reach a final decision in late 2020/early 2021. Regarding the Cable Service Change Notification, there is a national coalition that may provide a statement and we are yet to decide whether OCT will join the coalition or provide a statement of their own. About the True Fees Act of 2019, the Act requires cable television providers to include the total costs of service in their advertised price and provides additional customer protections including a 24-hour window following notice of a rate increase for customers to cancel their service contract without a penalty.

Studenmund asked if this act will become law, to which Perez responded that it was her understanding that it will become law.

- FY20-21 Budget Process: Perez reported that the MHCRC received its special appropriation amount for FY20-21 from the City of Portland: \$333,365, which is about \$8,500 more than the current year, based on general inflationary factor of approximately 2.8%.
- Community Needs Ascertainment: Omelchuck handed out a post card for outreach for participation in the qualitative survey. She said Commissioners will receive an email with information to support the outreach and requested Commissioners' assistance in engaging their elected officials. Sector and stakeholder focus groups took place Jan. 21-23 with CBG, including all jurisdictions' staff, except Portland. The next group of sector and stakeholder focus groups will take place in February
- Annual Complaint Report: Omelchuck referred to the complaint report contained in the meeting packet, noting that the number of complaints recorded by staff was lower than the previous year due to staff transitions. She explained that the office was not as rigorous as it has been in the past in ensuring complaints were addressed and recorded. One OCT key performance measure will include the tracking of the time it takes to resolve a complaint both internal and the resolution by the cable company. OCT will also improve the complaint intake form and process.
- Other: OCT office is moving on February 21 so staff will have limited availability that day. The new Grant Compliance Analyst Rana DeBey is starting February 13 and she

will attend the MHCRC retreat. The Portland City Council is scheduled to appoint two new MHCRC members on February 6.

Committee Reports

- Finance Committee: None.
- TechSmart Grant Committee: None.
- PCM Board Appointee: None.
- MetroEast Board Appointee: None.

New Business; Commissioner Open Comment: None.
Hansen noted the MHCRC planning retreat on February 22.

Franchisee Activity Report

- Comcast: Tim Goodman, Senior Director of Governmental Regulatory Affairs at Comcast, noted the following community investments by Comcast: Distributing toiletry kits with the City/County joint office on homelessness; partnership with OMSI on Internet Essentials program for low-income people; Leadership award scholarships for high school seniors come out in March; Comcast Cares week is in April.
- Frontier: None.
- Century Link: None.

PEG Provider Activity Report

- Open Signal: None.
- MetroEast Community Media: Tomi Douglas, CEO of MetroEast, noted the current work on strategic planning with a target date for a final plan to share in April.
- Public Comment: None.
- Adjourn: 8:27 pm

Respectfully submitted by:
Cinthia Diaz Calvo, Administrative Specialist

MT. HOOD CABLE REGULATORY COMMISSION
McMenamins Kennedy School, Portland OR
February 22, 2020, Planning Retreat Minutes -- DRAFT

SUMMARY MINUTES

Call to Order: 9:00 AM

Roll Call

Commissioners Present: Leif Hansen (Chair), Carol Studenmund, Jeff Dennerline, Norm Thomas, Jacquenette McIntire, Scott Harden, Kory Murphy, Richard Roche

Staff Present: Elisabeth Perez, Julie Omelchuck, Rebecca Gibbons, Bea Coulter, Rana DeBey

Other: Paula Manley, Facilitator

Retreat Goals

- Refresh on the Commission's current and upcoming projects, including a primer on cable franchise renewal.
- Review cable franchise fee and PEG/I-Net fee revenue trends.
- Explore possible futures for the Commission and identify proactive steps.
- Provide an opportunity for Commissioners and staff to get to know each other and strengthen working relationships.
- Revisit the Commission's operating agreements and meeting protocols.

Year in Review: Accomplishments and Challenges

Commissioners identified and discussed accomplishments and challenges over the past year, which included, among others, the FCC In-Kind Order, Community Technology Needs Ascertainment launch, staff capacity and new employees, move out of the Revenue Division, community technology and TechSmart grants, Frontier franchise extension and ownership transfer, and clean FY18-19 MHCRC Fund Audit.

Project and Program Overviews

Perez highlighted the MHCRC project roadmap, contained in the retreat packet, of MHCRC projects through FY21-22, which was developed by Commissioners and staff in 2018 to map out primary projects through the end of the current Comcast franchise term.

Omelchuck reviewed the Community Technology Needs Ascertainment study overview (Your Voice, Our Communications Technology 2020) contained in the retreat packet and described the work that's been accomplished to date. The study will deepen our understanding of barriers in

media and digital technology access and adoption, especially for people of color, people with disabilities, and seniors. Study results will inform cable services franchise renewal negotiations, as well as the next stage of the Portland, Multnomah County and Multnomah County Library Digital Equity Action Plan, and Portland's Broadband Strategic Plan. The final report will be available in June 2020.

Perez reviewed the draft Comcast Franchise Renewal timeline contained in the retreat packet. Commissioners and staff discussed ways to gain knowledge about franchise renewal negotiations and possible Commissioner roles in the process.

Revenue Forecast

Hansen reviewed the cable franchise fee and PEG/I-Net fee financial projection charts included in the retreat packet, which project a continuing downward trend through 2023 due to cable companies' cable TV revenues declining. Omelchuck handed out and reviewed charts containing high level budget projections and analysis through FY23-24 for the MHCRC administrative and capital fund compliance budgets.

Commissioners discussed potential budget scenarios that use the MHCRC Fund interest and compliance program carryover to sustain adequate staffing and oversight of programs. The MHCRC Finance Committee will consider these further as it develops the FY20-21 budget.

Future Planning

Commissioners and staff discussed key developments in the communications technology and policy landscape, and how the Commission provides value, both currently and historically, to the MHCRC jurisdictions and communities.

Commissioners and staff worked in teams and as a group to explore a variety of possible future scenarios for the Commission, considering franchise renewals, public benefits and community impact, public policy, and federal regulations.

Priorities for FY20-21

Commissioners identified key priorities for the next fiscal year, including:

- Fulfilling IGA commitments, including consumer protections and cable company compliance;
- Complete the Community Technology Needs Ascertainment and move forward with Comcast franchise renewal;
- Communicate with the Jurisdictions to ensure alignment and shared expectations;
- Support and assist MHCRC stakeholders to prepare for future changes in cable franchises;
- Wrap up the TechSmart grant initiative, including evaluation and disseminating learnings; and

- Create a message framework so that Commissioners feel informed to discuss issues and opportunities with their jurisdictions.

Adjourn: 5:00pm

Respectfully submitted by:
Cinthia Diaz Calvo, Administrative Specialist
Julie S. Omelchuck, Program Manager

STAFF REPORT AGENDA ITEM #R1

For Commission Meeting: March 16, 2020

“Authorize Moss Adams for MHCRC FY2019-20 Fund Audit”

Recommendation

Staff recommends, in consultation with Finance Committee Chair Thomas, that the MHCRC authorize Moss Adams, to perform the MHCRC FY2019-20 Fund Audit in accordance with the Moss Adams contract extension with the City of Portland.

Background

The MHCRC is required to obtain an annual audit of its financial statements, as a "municipal corporation." (Governing statutes: <http://www.leg.state.or.us/ors/297.html> ; specifically, ORS 297.405 Sub 5 Sub F, 297.415, 297.425 and 297.465)

The MHCRC has authorized Moss Adams to perform its annual audit since FY2012-13 through the City of Portland contract. Moss Adams has gained knowledge and understanding of the MHCRC and component unit (MetroEast) finances over these years making it cost effective for the MHCRC to continue to retain Moss Adams audit services.

The City of Portland contracted with Moss Adams through a competitive RFP process. The contract includes the MHCRC Fund audits for fiscal years 2016-17, 2017-18, and 2018-19. For fiscal years 2019-20 and 2020-21, the City contract contains options to extend audit services for two one-year periods. The City of Portland has chosen to extend the contract for FY2019-20 period.

Prepared by: Elisabeth Perez
March 11, 2020

**CITY OF PORTLAND
AGREEMENT FOR PROFESSIONAL, TECHNICAL, OR EXPERT SERVICES**

CONTRACT NUMBER 30005847

**TITLE OF WORK PROJECT
Financial & Federal Compliance Audits FY2017+**

This Contract is between the City of Portland ("City,") acting by and through the elected City Auditor, and Moss Adams, LLP, hereafter called "Consultant". The City's Contract Manager for this Contract is Fiona Howell Earle, ACA, CIA, Principal Management Auditor.

Effective Date and Duration

This Contract shall become effective on May 16, 2017 (or on the date at which every party has signed this Contract, whichever is later). This Contract shall expire, unless otherwise terminated or extended, May 15, 2020. The City shall have sole discretion to extend this Contract for two (2) additional one-year periods subject to the Consultant's agreement. The total Contract period shall not exceed five (5) years. The City will assess whether to continue the Contract at each anniversary date, or after completion of each year's audits.

Consideration

- (a) The maximum Consideration that the City agrees to pay Consultant to perform all services identified in the Statement of Work under this Contract is **\$2,976,059** (hereinafter the 'not-to-exceed' amount). This not-to-exceed amount would be for the total possible contract term of the initial three years and the two potential extensions. Appropriating for this not-to-exceed amount does not commit the City to exercise either or both of the extension periods. For accomplishment of the work for initial three (3) years' annual audits, the City agrees to pay up to **\$1,756,221**. In the event the parties exercise the extension periods, the City would pay no more than **\$603,880** for the first extension period and no more than **\$615,958** for the second extension period. Nothing in this Contract requires the City to pay for work that does not meet the Standard of Care or other requirement of the Contract.
- (b) Interim payments shall be made to Consultant according to the schedule identified in the STATEMENT OF THE WORK AND PAYMENT SCHEDULE.

Definitions

The entities for whom the services are to be provided under this Contract are the City, which is the primary government, and its four reporting entities. The City and these reporting entities are individually and collectively hereafter called "Auditees":

Portland Development Commission (PDC)
Fire and Police Disability and Retirement Funds (FPDR)
Hydroelectric Power Fund

Mt. Hood Cable Regulatory Commission - In the event this Contract is extended for up to two (2) additional one-year increments, the Mt. Hood Board or its delegate representative(s) may request the continued inclusion of Mt. Hood's financial statements audit in such an extension.

The terms "Contract" and "Agreement" are used interchangeably.

"Basic financial statements" means the documents defined as financial statements by the statements of the Governmental Accounting Standards Board (GASB).

"Breach (data breach, information breach)" means the unauthorized movement or disclosure of sensitive information to any party, internal or external to the City, that is not authorized to have or see the information.

"City Confidential Information" means any information, in any form or media, including verbal discussions, whether or not marked or identified by the City, which is reasonably described by one or more of the following categories of information: (1) financial, statistical, personnel, human resources data or Personally Identifiable Information as described in the Oregon Consumer Identity Theft Protection Act of 2007; (2) business plans, negotiations, or strategies; (3) unannounced pending or future products, services, designs, projects or internal public relations information; (4) trade secrets, as such term is defined by ORS 192.501(2) and the Uniform Trade Secrets Act ORS 646.461 to 646.475; (5) Exempt per ORS 192.501 and/or ORS 192.502 (6) attorney/client privileged communications, (7) exempt per federal laws (including but not limited to Copyright, HIPPA) and (8) information relating to or embodied by designs, plans, configurations, specifications, programs, or systems developed for the benefit of the City including without limitation, data and information systems, any software code and related materials licensed or provided to the City by third parties; processes; applications; codes, modifications and enhancements thereto; and any work products produced for the City.

“Confidential Information” means any information that is disclosed in written, graphic, verbal, or machine-recognizable form, and is marked, designated, labeled or identified at the time of disclosure as being confidential or its equivalent; or if the information is in verbal form, it is identified as confidential or proprietary at the time of disclosure and is confirmed in writing within thirty (30) days of the disclosure. Confidential Information does not include any information that: is or becomes publicly known through no wrongful or negligent act of the receiving party; is already known to the receiving party without restriction when it is disclosed; is, or subsequently becomes, rightfully and without breach of this Contract or any other agreement between the Parties or of any applicable protective or similar order, in the receiving party’s possession without any obligation restricting disclosure; is independently developed by the receiving party without breach of this Contract; or is explicitly approved for release by written authorization of the disclosing party. All usage of the term “Confidential Information” in this Contract shall be deemed to include the qualifications set forth in Paragraph 34.

CONSULTANT DATA AND CERTIFICATION

Name (print full legal name): Moss Adams, LLP

Address: 975 Oak Street, Suite 500, Eugene, OR, 97401

Employer Identification Number (EIN): 91-0189318

[INDEPENDENT CONSULTANTS: DO NOT PROVIDE SOCIAL SECURITY NUMBER (SSN) – LEAVE BLANK IF NO EIN]

City of Portland Business Tax Registration Number: 111095

Citizenship: Nonresident alien Yes No
Business Designation (check one): Individual Sole Proprietorship Partnership Corporation
 Limited Liability Co (LLC) Estate/Trust Public Service Corp. Government/Nonprofit

Payment information will be reported to the IRS under the name and taxpayer I.D. number provided above. Information must be provided prior to Contract approval.

TERMS AND CONDITIONS

1. Standard of Care

Consultant shall perform all services under this Contract using that care, skill, and diligence that would ordinarily be used by similar professionals in this community in similar circumstances. Consultant will re-perform any services not meeting this standard without additional compensation.

2. Effect of Expiration

Passage of the Contract expiration date shall not extinguish, prejudice, or limit either party's right to enforce this Contract with respect to any default or defect in performance that has not been corrected.

3. Order of Precedence

This Contract consists of these Terms and Conditions, the Statement of Work and Payment Schedule, and any exhibits that are attached. Any apparent or alleged conflict between these items will be resolved by using the following order of precedence:

a) these Terms and Conditions; b) Statement of Work and Payment Schedule; and c) approved, written Contract amendments, if any; and d) any exhibits attached to the Contract.

4. Early Termination of Contract

- (a) The City may terminate this Contract for convenience at any time for any reason deemed appropriate in its sole discretion. Termination is effective immediately upon notice of termination given by the City.
- (b) Either party may terminate this Contract in the event of a material breach by the other party that is not cured. Before termination is permitted, the party seeking termination shall give the other party written notice of the breach, its intent to terminate, and fifteen (15) calendar days to cure the breach. If the breach is not cured within 15 days, the party seeking termination may terminate immediately by giving written notice that the Contract is terminated.
- (c) Notwithstanding paragraph 4(b), the City may terminate this Contract immediately by written notice to Consultant upon denial, suspension, revocation or non-renewal of any license, permit or certificate that Consultant must hold to provide services under this Contract.
- (d) Consultant may terminate this Contract for cause related to any City actions that impede Consultant’s ability to perform, according to applicable auditing standards, services under this Agreement upon thirty (30) days advance notice to the City, and after allowing City an opportunity to dispute or correct the impeding actions as provided by (b) above.

5. Remedies and Payment on Early Termination

- (a) If the City terminates pursuant to 4(a) above, the City shall pay the Consultant for work performed in accordance with the Contract prior to the termination date. No other costs or loss of anticipated profits shall be paid.
- (b) If the City terminates pursuant to 4(b) above, the City is entitled all remedies available at law or equity. In addition, Consultant shall pay the City all damages, costs, and sums incurred by the City as a result of the breach.
- (c) If the Consultant justifiably terminates the Contract pursuant to Paragraph 4(b), the Consultant’s only remedy is payment for work prior to the termination. No other costs or loss of anticipated profits shall be paid.
- (d) If the City’s termination under Paragraph 4(b) was wrongful, the termination shall be automatically converted to one for convenience and the Consultant shall be paid as if the Contract was terminated under Paragraph 4(a).
- (e) In the event of early termination the Consultant's Work Product (defined below) created before the date of termination becomes property of the City.

6. Assignment

Consultant shall not subcontract, assign, or transfer any of the work scheduled under this Agreement, without the prior written consent of the City. Notwithstanding City approval of a subconsultant, the Consultant shall remain obligated for full performance hereunder, and the City shall incur no obligation other than its obligations to the Consultant hereunder. The Consultant agrees that if subconsultants are employed in the performance of this Agreement, the Consultant and its subconsultants are subject to the requirements and sanctions of ORS Chapter 656, Workers’ Compensation.

7. Compliance with Applicable Law

Consultant shall comply with all applicable federal, state, and local laws and regulations. Consultant agrees it currently is in compliance with all tax laws. Consultant shall comply with Title VI of the Civil Rights Act of 1964 and its corresponding regulations.

8. Indemnification for Property Damage and Personal Injury

Consultant shall indemnify, defend, and hold harmless the City, its officers, agents, and employees, from all claims, losses, damages, and costs (including reasonable attorney fees) for personal injury and property damage arising out of the intentional or negligent acts or omissions of the Consultant, its Subconsultants, suppliers, employees or agents in the performance of its services. Nothing in this paragraph requires the Consultant or its insurer to indemnify the City for claims of personal injury or property damage caused by the negligence of the City. This duty shall survive the expiration or termination of this Contract.

9. Insurance

Consultant shall obtain and maintain in full force at Consultant expense, throughout the duration of the Contract and any warranty or extension periods, the required insurance identified below. The City reserves the right to require additional insurance coverage as required by statutory or legal changes to the maximum liability that may be imposed on Oregon cities during the term of the Contract.

- (a) Workers' compensation insurance as required by ORS Chapter 656 and as it may be amended. Unless exempt under ORS Chapter 656, the Consultant and all subconsultants shall maintain coverage for all subject workers.

Required and attached // Proof of exemption (i.e., completion of Workers’ Compensation Insurance Statement)

- (b) General commercial liability (CGL) insurance covering bodily injury, personal injury, property damage, including coverage for independent consultant’s protection (required if any work will be subContracted), premises/operations, Contractual liability, products and completed operations, in per occurrence limit of not less than \$1,000,000, and aggregate limit of not less than \$2,000,000.

Required and attached // Waived by Bureau Director or designee // Reduce by Bureau Director or designee

- (c) Automobile liability insurance with coverage of not less than \$1,000,000 each accident, and an umbrella or excess liability coverage of \$2,000,000. The insurance shall include coverage for any auto or all scheduled, hired and non-owned auto. This coverage may be combined with the commercial general liability insurance policy. If the Consultant owns automobiles in the future, Consultant shall change its automobile liability insurance coverage to include owned autos.

Required and attached // Waived by Bureau Director or designee // Reduce by Bureau Director or designee

- (d) Professional Liability and/or Errors & Omissions insurance to cover damages caused by negligent acts, errors or omissions related to the professional services, and performance of duties and responsibilities of the Consultant under this Contract in an amount with a combined single limit of not less than \$1,000,000 per occurrence and aggregate of \$3,000,000 for all claims per occurrence. In lieu of an occurrence based policy, Consultant may have claims-made policy in an amount not less than \$1,000,000 per claim and \$3,000,000 annual aggregate, if the Consultant provides continuous coverage for a duration of three (3) years following the termination or expiration of the Contract.

Required and attached // Waived by Bureau Director or designee // Reduce by Bureau Director or designee

Continuous Coverage; Notice of Cancellation: The Consultant agrees to maintain continuous, uninterrupted coverage for the duration of the Contract. There shall be no termination, cancellation, material change, potential exhaustion of aggregate limits or

non-renewal of coverage without thirty (30) calendar days written notice from Consultant to the City. If the insurance is canceled or terminated prior to completion of the Contract, Consultant shall immediately notify the City and provide a new policy with the same terms. Any failure to comply with this clause shall constitute a material breach of Contract and shall be grounds for immediate termination of this Contract.

Additional Insured: The liability insurance coverages, except Professional Liability, Errors and Omissions, or Workers' Compensation, shall be without prejudice to coverage otherwise existing, and shall name the City of Portland and its bureaus/divisions, officers, agents and employees as Additional Insureds, with respect to the Consultant's activities to be performed, or products or services to be provided. Coverage shall be primary and non-contributory with any other insurance and self-insurance. Notwithstanding the naming of additional insureds, the insurance shall protect each additional insured in the same manner as though a separate policy had been issued to each, but nothing herein shall operate to increase the insurer's liability as set forth elsewhere in the policy beyond the amount or amounts for which the insurer would have been liable if only one person or interest had been named as insured.

Certificate(s) of Insurance: Consultant shall provide proof of insurance through acceptable certificate(s) of insurance, including additional insured endorsement form(s) and all other relevant endorsements, to the City prior to the award of the Contract if required by the procurement documents (e.g., request for proposal), or at execution of Contract and prior to any commencement of work or delivery of goods or services under the Contract. The Certificate(s) will specify all of the parties who are endorsed on the policy as Additional Insureds (or Loss Payees). Insurance coverages required under this Contract shall be obtained from insurance companies acceptable to the City of Portland. The Consultant shall pay for all deductibles and premium. The City reserves the right to require, at any time, complete, certified copies of required insurance policies (except declarations page as to the Professional Liability policy), including endorsements evidencing the coverage the required.

Subconsultant(s): Consultant shall provide evidence that any subconsultant, if any, performing work or providing goods or service under the Contract has the same types and amounts of coverages as required herein or that the subconsultant is included under Consultant's policy.

10. Ownership of Work Product

All Work Product produced by the Consultant under this Contract is the exclusive property of the City. "Work Product" is defined as final reports or other completed deliverables created under this contract and delivered to City, excluding any Consultant Material (defined below) contained or embodied therein. The Consultant and the City intend that such Work Product shall be deemed "work made for hire" of which the City shall be deemed the author. If for any reason a Work Product is deemed not to be a "work made for hire," the Consultant hereby irrevocably assigns and transfers to the City all right, title and interest in such work product, whether arising from copyright, patent, trademark, trade secret, or any other state or federal intellectual property law or doctrines. Consultant shall obtain such interests and execute all documents necessary to fully vest such rights in the City. Consultant waives all rights relating to Work Product, including any rights arising under 17 USC 106A, or any other rights of authorship, identification or approval, restriction or limitation on use or subsequent modifications. If the Consultant is an architect, the Work Product is the property of the Consultant-Architect, and by execution of this Contract, the Consultant-Architect grants the City an exclusive and irrevocable license to use that Work Product.

Notwithstanding the above, all pre-existing trademarks, services marks, patents, copyrights, trade secrets, and other proprietary rights of Consultant are and will remain the exclusive property of Consultant.

Moreover, Consultant shall own its working papers and any engagement documentation and accounting-related general skills, know-how, expertise, ideas, concepts, methods, techniques, processes, software, materials or other intellectual property, or information not provided by the City, which may have been discovered, created, received, developed or derived by Consultant either prior to or as a result of providing services under the Contract (collectively, "Consultant Materials"). The City shall have a non-exclusive, non-transferable license to use Consultant Materials for its own internal use and only for the purposes for which they were delivered. Notwithstanding anything to the contrary in this Contract, Consultant and its personnel are free to use and employ their general skills, know how, and expertise, and to use, disclose, and employ any generalized ideas, concepts, know-how, methods, techniques, or skills gained or learned during the course of this Contract so long as they acquire and apply such information without any unauthorized use or disclosure of confidential or proprietary information of City. All such records and Work Product shall be promptly provided as required under the provisions of Paragraph 22.

11. EEO Certification

The Consultant must be certified prior to Contract execution, as Equal Employment Opportunity Affirmative Action Employers as prescribed by Chapter 5.33.076 of the Code of the City of Portland.

12. Equal Benefits

Consultant must certify prior to Contract execution, that they provide benefits to their employees with spouses as prescribed by Chapter 5.33.077 of the Code of the City of Portland.

13. Successors in Interest

The provisions of this Contract shall be binding upon and shall inure to the benefit of the parties hereto, and their respective successors and approved assigns.

14. Severability

The parties agree that if any term or provision of this Contract is declared by a court of competent jurisdiction to be illegal or in conflict with any law, the validity of the remaining terms and provisions shall not be affected, and the rights and obligations of the parties shall be construed and enforced as if the Contract did not contain the particular term or provision held to be invalid.

15. Waiver

The failure of the City to enforce any provision of this Contract shall not constitute a waiver by the City of that or any other provision.

16. Errors

The Consultant shall promptly perform such additional services as may be necessary to correct errors in the services required by this Contract without undue delays and without additional cost.

17. Governing Law/Venue

The provisions of this Contract shall be interpreted, construed and enforced in accordance with, and governed by, the laws of the State of Oregon without reference to its conflict of laws provisions that might otherwise require the application of the law of any other jurisdiction. Any action or suits involving any question arising under this Contract must be brought in the appropriate court in Multnomah County Oregon.

18. Amendments

All changes to this Contract, including changes to the scope of work and Contract amount, must be made by written amendment and approved by the Chief Procurement Officer and Consultant to be valid. Any amendment that increases the original Contract amount by more than 25% must be approved by the City Council to be valid.

19. Business Tax Registration

The Consultant shall obtain a City of Portland business tax registration number as required by PCC 7.02 prior to beginning work under this Contract.

20. Prohibited Conduct

The Consultant shall not hire any City employee who evaluated the proposals or authorized the award of this Contract for two years after the date the Contract was authorized without the express written permission of the City and provided the hiring is permitted by state law.

21. Payment to Vendors and Subconsultants

The Consultant shall timely pay all subconsultants and suppliers providing services or goods for this Contract.

22. Access to Records

(a) Records Retention. The Consultant shall maintain all records relating to this Contract for six (6) years after final payment. Consistent with the appropriate auditing standards, the City Auditor's Office (excluding any City management) or its designees may examine, audit and copy the Consultant's books, documents, papers, and records relating to this Contract at any time during this period upon reasonable notice. Copies of these records shall be made available upon request. Payment for the reasonable cost of requested copies shall be made by the City. Consultant also shall make available for inspection, at any time within six years from the date of final payment, all work papers, documents or other materials produced by the Consultant in connection with this Agreement, to authorized representatives of bona fide "peer review" firms, the City's cognizant federal audit agency, an authorized successor consultant (upon execution of appropriate authorization and access letters), and the State of Oregon, Secretary of State, Division of Audits.

(b) Compensation for Access to Records

(i) For access to records produced under Paragraph 22 (a), in addition to reasonable copying charges, the Consultant may charge the City its actual expenses based on its standard hourly rates then in effect for services provided to the City under this subsection, up to a maximum of 16 hours. Such services are contemplated to include the gathering of such records. Consultant shall use the lowest salaried or hourly personnel available and qualified for the tasks of gathering records. However, services provided to government agencies, or to another professional accounting or peer review firm in connection with a peer review of Consultant's work, shall be provided as deemed necessary and at no cost to the City.

(ii) For access to records, under Paragraph 4 where the City has breached this Agreement, the Consultant may charge the City or a successor consultant its standard hourly rates up to a maximum of 16 hours at their then current rates for applicable personnel for copying and review of required documents.

(iii) For early termination under Paragraph 4 where the Consultant has breached the Agreement, access to and/or copies of records will be provided to the City or the City's designated successor consultant at no cost to either the City or a successor consultant.

23. Audits

(a) The City may conduct financial and performance audits of the billings and services specified in this Contract and during the six (6) year period established by paragraph 22 (a). The City's Procurement Services staff at the direction of the Chief Procurement Officer may examine, audit and copy the Consultant's billing and service records relating to this Contract at any time during the term of the Contract and for six (6) years after final payment, upon reasonable notice. Audits will be

conducted in accordance with generally accepted auditing standards as promulgated in Government Auditing Standards by the Comptroller General of the United States Government Accountability Office.

- (b) If an audit discloses that payments to the Consultant exceed the amount to which the Consultant was entitled, the Consultant shall repay the amount of the excess to the City.

24. Electronic Signatures

The City and Consultant may conduct this transaction, including any Contract amendments, by electronic means, including the use of electronic signatures.

25. Merger Clause

This Contract encompasses the entire agreement of the parties, and supersedes all previous understandings and agreements between the parties, whether verbal or written.

26. Dispute Resolution/Work Regardless of Disputes

The parties shall participate in mediation to resolve disputes before conducting litigation. The mediation shall occur at a reasonable time after the conclusion of the Contract with a mediator jointly selected by the parties. Notwithstanding any dispute under this Contract, the Consultant shall continue to perform its work pending resolution of a dispute, and the City shall make payments as required by the Contract for undisputed portions of the work. In the event of litigation no attorney fees are recoverable. No different dispute resolution paragraph(s) in this Contract or any attachment hereto shall supersede or take precedence over this provision.

27. Progress Reports: Applicable / Not Applicable

If applicable, the Consultant shall provide monthly progress reports to the City's Contract Manager as described in the Statement of the Work and Payment Schedule.

28. Consultant's Personnel: Applicable / Not Applicable

If applicable, the Consultant shall assign the senior personnel listed in the Statement of the Work and Payment Schedule for the work required by the Contract and absent a reasonable cause, shall not change personnel without the prior written consent of the City, which shall not be unreasonably withheld.

29. Subconsultants

The Consultant shall use the subconsultants identified in its proposals. The Consultant shall not change subconsultant's assignments without the prior written consent of the Chief Procurement Officer. The City will enforce all social equity contracting and Disadvantaged, Minority, Women and Emerging Small Business (D/M/W/ESB) subcontracting commitments submitted by the Consultant in its proposals. Failure to use the identified D/M/W/ESB subconsultants without prior written consent is a material breach of Contract.

For Contract valued \$50,000 or more, the Consultant shall submit a Monthly Subconsultant Payment and Utilization Report (MUR), made part of this Contract by reference, reporting ALL subconsultants employed in the performance of this agreement. An electronic copy of the MUR may be obtained by contacting the PTE Contract Compliance Specialist.

30. Third Party Beneficiaries

There are no third party beneficiaries to this Contract. Enforcement of this Contract is reserved to the parties.

31. Conflict of Interest

Consultant hereby certifies that, if applicable, its Contract proposal is made in good faith without fraud, collusion or connection of any kind with any other proposer of the same request for proposals or other City procurement solicitation(s), that the Consultant as a proposer has competed solely on its own behalf without connection or obligation to, any undisclosed person or firm. Consultant certifies that it is not a City official/employee or a business with which a City official/employee is associated, and that to the best of its knowledge, Consultant, its employee(s), its officer(s) or its director(s) is not a City official/employee or a relative of any City official/employee who: i) has responsibility in making decisions or ability to influence decision-making on the Contract or project to which this Contract pertains; ii) has or will participate in evaluation or management of the Contract; or iii) has or will have financial benefits in the Contract. Consultant understands that should it elect to employ any former City official/employee during the term of the Contract then that the former City official/Consultant employee must comply with applicable government ethics and conflicts of interest provisions in ORS Chapter 244, including but not limited to ORS 244.040(5) and ORS 244.047, and the City's Charter, Codes and administrative rules, including lobbying prohibitions under Portland City Code Section 2.12.080.

32. Respectful Workplace Behavior

The City of Portland is committed to a respectful work environment, free of harassment, discrimination and retaliation and other inappropriate conduct. Every individual has a right to work in a professional atmosphere where all individuals are treated with respect and dignity. The City's HR Rule 2.02 covers all employees with the City of Portland as well as consultants, vendors or consultants who provide services to the City of Portland. By signing this Contract/Agreement, the Consultant indicates compliance with all terms and conditions contained in this Contract including HR 2.02.

33. Public Records Act and Release of Information

If the Consultant reviews documents that are exempt from disclosure under the Oregon Public Records Act, the Consultant shall not disclose such records to any third party without written City approval. In the event of an external quality control review ("peer review") of the firm, conducted in accordance with auditing standards, the Consultant shall not disclose records to the reviewing

party unless the reviewing party agrees to or is otherwise bound by nondisclosure of exempt City records. Consultant shall be fully liable for any unauthorized disclosure and shall defend and indemnify the City for any and all claims, losses, damages, and costs (including reasonable attorney fees) resulting from such disclosure.

34. Confidentiality

Consultant shall treat as confidential any City Confidential Information that has been made known or available to Consultant or that Consultant has received, learned, heard or observed; or to which Consultant has had access. Consultant shall use City Confidential Information exclusively for the City's benefit and in furtherance of the Products and/or Services provided by Consultant. Except as may be expressly authorized in writing by the City, in no event shall Consultant publish, use, discuss or cause or permit to be disclosed to any other person such City Confidential Information. Consultant shall (1) limit disclosure of the City Confidential Information to those directors, officers, employees, service providers, consultants, subconsultants, and agents of Consultant who need to know the City Confidential Information in connection with the City Audits (2) exercise reasonable care with respect to the City Confidential Information, at least to the same degree of care as Consultant employs with respect to protecting its own proprietary and confidential information, and (3) destroy automatically after seven years, all materials containing City Confidential Information, in whatever form, that are in Consultant's possession or custody or under its control. Consultant shall provide City with documentary evidence that it has a system for automatic destruction of its electronic records and that this system is operational. Consultant is expressly restricted from and shall not use Confidential intellectual property of the City without the City's prior written consent. Notwithstanding the foregoing, or anything in this Contract to the contrary, Consultant may retain Confidential Information to the extent incorporated into its working papers supporting its professional services. Consultant shall maintain confidentiality of such information until the working papers are destroyed.

35. Security

Consultant shall provide prompt notification to the City's Information Security Manager and the City's Contract Manager of any online security breach that affects City systems. Consultant shall provide notification to the City's Contract Manager of any incident relating to System integrity such as a computer virus which impacts the services or results in the unauthorized disclosure of City's Confidential Information.

Moss Adams' controls are based on ISO 27000 Series as defined in SOC2 Type 1 report.

List of the Exhibits that will be attached to and made part of this Contract:

- Exhibit A – Consultant's Fees & Hours for Services.
 - Exhibit B – Financial Statement Delivery Dates
 - Exhibit C – Auditee Project Managers
 - Exhibit D – Accounting Systems and Transaction Cycles Documentation
 - Exhibit E – Work Performed by the City and Others
 - Exhibit F – Reporting on Any Weaknesses or Deficiencies
 - Exhibit G – Contract Amendments
 - Exhibit H – Billing Format Preferred
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**STATEMENT OF THE WORK
AND PAYMENT SCHEDULE**

1. SCOPE OF WORK

Moss Adams LLP (“Consultant”) shall perform all of the professional services listed in **Sections 1.2 through 1.8** below, to the City of Portland (“City”) and its reporting entities, for at least three years, beginning with the audits relating to fiscal year (FY) 2016-17. At each anniversary date, or after completion of each year’s audits, the City will assess whether to continue the Contract for the following year at the City Auditor’s sole discretion.

1.1 Technical Requirements –

The Consultant will perform the audits in accordance with the following standards as appropriate to each audit:

- Government Auditing Standards relating to financial statement audits, issued by the Comptroller General of the United States, (except for the Mt. Hood’s financial audit).
- Auditing standards generally accepted in the United States of America issued by the Auditing Standards Board of the American Institute of Certified Public Accountants (AICPA).
- Single Audit Act Amendments of 1996 (and any subsequent amendments), and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and/or the Uniform Grant Guidance for the federal compliance audits as appropriate. The Single Audit must also be performed in accordance with Government Auditing Standards.
- Minimum Standards for Audits of Oregon Municipal Corporations for the City’s, PDC’s, and Mt. Hood’s financial audits.

In addition, the appropriate personnel of the Consultant will be licensed as a municipal auditor by the Oregon Board of Accountancy for the duration of this Contract.

1.2 Required Services: Financial Statement Audits of the City of Portland and its reporting entities, except for the Hydroelectric Power Fund, for FY 2016-17 through FY 2018-19, and possibly through FY 2020-21 if the City exercises its option to extend the Contract. The Hydroelectric Power Fund will only require a separate financial audit for FY 2016-17.

The **objective** of these **financial audits** is the expression of an opinion (or disclaimer of an opinion) by the Consultant directed at the fairness of presentation in all material respects of the basic financial statements for each fiscal year in conformity with the appropriate basis of accounting.

The City of Portland and its reporting entities, except for the Hydroelectric Power Fund, share a June 30th year end.

i. City of Portland.

- ◆ The City’s Comprehensive Annual Financial Report (CAFR) is prepared by City’s Accounting Division personnel in the Bureau of Revenue and Financial Services, using the accounting principles generally accepted in the United States of America and the pronouncements of the Governmental Accounting Standards Board (GASB).
- ◆ The City’s CAFR includes the audited financial data for its reporting entities: PDC, FPDR, Hydroelectric Power Fund and Mt. Hood Cable Regulatory Commission.
- ◆ As required by the Oregon Minimum Standards, the Consultant will review the fiscal affairs of the City.
- ◆ Consultant will assist City personnel in efforts to prepare their CAFR so that it meets all the qualification to obtain the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting.
- ◆ Consultant will use the result of testing transactions for the City’s financial audit, where the selected transactions are federally funded, to satisfy the testing requirements for the Single Audit in **Section 1.4** of this Agreement.

- ii. **Portland Development Commission.**
- ◆ PDC's CAFR is prepared by PDC's Accounting personnel in the Finance and Business Operations Department, using the accounting principles generally accepted in the United States of America and the GASB pronouncements.
 - ◆ Role in the City's CAFR – PDC is a discretely presented component unit, shown in the government-wide statements.
 - ◆ Consultant will assist PDC personnel in efforts to prepare their CAFR so that it meets all the qualification to obtain the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting.
 - ◆ Consultant will use the result of testing transactions for PDC's financial audit, where the selected transactions are federally funded, to satisfy the testing requirements for the Single Audit in **Section 1.4** of this Agreement.
- iii. **Fire & Police Disability & Retirement Fund and Reserve Fund.**
- ◆ The statements of plan net position and changes in plan net position are prepared by the City's Accounting Division personnel in the Office of Management & Finance. The rest of the financial statements are prepared by the Bureau of Fire & Police Disability & Retirement. All the financial statements are prepared using the accounting principles generally accepted in the United States of America and the GASB pronouncements.
 - ◆ Role in the City's CAFR – FPDR is a blended component unit. FPDR has two pension trust funds in the City's fiduciary funds.
 - ◆ FPDR has an actuarial valuation prepared in even years. The liability is then rolled forward either one or two years for reporting in FPDR's financial statements and the City CAFR. The FY 2016-17 financial statements will use the actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, which will become available in August 2017.
- iv. **Hydroelectric Power Fund.**
- ◆ The financial statements are prepared by the City's Accounting Division personnel in the Bureau of Revenue & Financial Services, using the Uniform System of Accounts for electric utilities prescribed by the Federal Energy Regulatory Commission (FERC).
 - ◆ Role in the City's CAFR – the three individual funds that make up the Hydroelectric Power Fund are included in the City's CAFR as enterprise funds through June 30th. All excess profits from the Hydroelectric Power Project after costs are met go to the City's General Fund.
 - ◆ An interim "close" to the Hydro accounts is necessary because Hydro's year end will be August 31, 2017. The City intends to change Hydro's year end to match the City's June 30th year end for reporting periods after August 31, 2017.
 - ◆ FY 2016-17 is the last year and the only year under this Contract for which the Hydroelectric Power Fund reporting entity will require a separate financial audit. No further separate financial statement audits will be needed when the City's power sales agreement with Portland General Electric expires on August 31, 2017.
- v. **Mt. Hood Cable Regulatory Commission.**
- ◆ The financial statements are prepared by the City's Accounting Division personnel in the Bureau of Revenue & Financial Services, using the accounting principles generally accepted in the United States of America, from the records kept in the City's SAP financial system.
 - ◆ If the City exercises its option to extend this Agreement beyond the three annual audits of the statements for FY 2016-17 through FY 2018-19, the Mt. Hood Board or its delegate representative(s) may or may not request the continued inclusion of Mt. Hood's financial statements audit in such an extension.
 - ◆ Role in the City's CAFR – Mt. Hood is a blended component unit. It's single fund, the General Fund, is presented as a non-major fiduciary fund.
 - ◆ Other – Mt. Hood has no employees and entered an administrative agreement with the City of Portland in 1998 to obtain various administrative services from the City. Mt. Hood has no separate bank account.
 - ◆ Component Units - Mt. Hood has two discretely presented Component Units whose financial statements are currently audited by other certified public accountants, not by the Consultant. These Component Units are both non-profit organizations with a June 30th financial year end: MetroEast Community Media and Open Signal (formally called Portland Community Media).

Refer also to **Section 2 AUDIT REQUIREMENTS** for further details about the required audit services, and to **Section 3 SCHEDULE of AUDIT WORK** for timing of the services, and **Section 4 DELIVERABLES AND DUE DATES** for a detailed list of the audit opinions and reports, and their due dates.

1.3 Required Services: IT Reviews and Recommendation Letters

As part of the annual financial audits, the Consultant will perform an IT review and testing to obtain an understanding of the key accounting systems and network infrastructure which produce the Auditees' financial statements. The City has two financial reporting systems: one which produces PDC's CAFR and one which produces the City's CAFR and the financial statements of its other reporting entities. This IT review is an essential part of the financial audit planning. There will be one such IT review at the City and another one at PDC.

The Consultant will make separate written reports of its observations from its reviews and testing of key accounting systems and network infrastructure at the City and at PDC. These written reports will include possible findings, business process improvements and any related recommendations. The City and PDC may invoke their privilege under state law to exempt such reports from public disclosure, as appropriate.

Refer to **Exhibit D** to this Contract "**Accounting Systems and Transaction Cycles Documentation**" for the major accounting systems used by the City and its reporting entities, and the main subsidiary systems which interface or import data into the major accounting systems. Consultant will review its IT risk assessment plans with Contract Manager. Consultant will specify which of the major accounting systems and the subsidiary systems it has reviewed and/or tested in its written reports. At a minimum, the Consultant will review SAP, including HCM, and Cayenta and the network infrastructure at the City and PDC's Microsoft Dynamics AX, Portfol and network infrastructure.

1.4 Required Services: Federal Compliance Audits, also known as the Single Audit

As required by the Single Audit Act Amendments of 1996 (and any subsequent amendments), the Consultant will audit the expenditure of federal awards by the City and PDC, during the same fiscal years as the financial audits, and the compliance of these expenditures with the terms of the funding federal grant's requirements. The Single Audit for FY 2016-17 and the following years may require the successful Consultant to test the expenditure of federal awards for compliance with two sets of requirements because some of the City's federal awards span many years. These compliance requirements come from the Office of Management and Budgets (OMB) Circular A-133 for awards received up to December 16, 2014, and from the new Uniform Grant Guidance (UGG) for awards received after that date.

The City's Schedule of Expenditures of Federal Awards (SEFA) is prepared by City's Grants Management Division personnel in the Office of Management and Finance and includes awards received by or passed through the Portland Development Commission. At the end of the Single Audit, the Consultant will provide its opinion and reports for the Single Audit package in pdf format. The City's Grants Management Division Coordinator shall assist the Consultant on getting management responses to any Single Audit findings to be included in the completed package. The City is solely responsible for preparing the summary of prior audit findings and the City's corrective action plan.

In addition to the audit of the City's financial statements set out in **Section 1.2** above, the federal compliance audit **has several objectives**. The Consultant shall:

- determine whether the City's SEFA is presented fairly in all material respects in relation to the City's CAFR taken as a whole.
- determine which federal programs are major programs.
- obtain a sufficient understanding of internal control over federal programs and then plan, test and report on the internal control over major programs' compliance requirements.
- determine and express an opinion (or disclaim an opinion) about whether the City has complied with the requirements (federal statutes, regulations, and terms and conditions and conditions of its federal awards applicable to its federal programs) relating to major federal programs.

- follow-up on prior audit findings, to assess the reasonableness of the summary schedule of prior audit findings prepared by the Auditee, and report, as a current year audit finding, when the status of any prior audit finding is materially misrepresented.

Special procedures and testing will be required concerning federal award programs at PDC. The Consultant will also provide information gathered from such special procedures and testing of award programs managed by PDC to meet the City's federal compliance audit requirements for these awards.

If the Consultant selects a transaction for testing that is applicable to a non-major program, Consultant will also test it generally for compliance with laws and regulators to satisfy the testing requirements for the City's and/or PDC's financial audit in **Section 1.2** of this Agreement.

This Contract provides for the audit of up to six major programs for the Single Audit each year. If the number of major programs for the Single Audit exceeds the six provided for, the Contract will be amended to increase the compensation, and if there are less than six major programs in any year the compensation will be reduced. City will pay the Consultant the prorated amount of the Single Audit fee for the actual number of major programs audited each year.

1.5 **Required Services: "Management Recommendation" Letters**

Consultant shall produce and submit three separate Management Recommendation letters annually to the City Auditor and the respective management of the City, PDC and Mt. Hood. The letters shall 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 Consultant during the course of the audit.

Any such matters relating to the Single Audit, and the financial audits of FPDR and the Hydroelectric Power Fund will be included in the Management Recommendation letter for the City. There will be separate Management Recommendation letters for PDC and Mt. Hood. The three Management Recommendation letters will also include information about new accounting standards, auditing standards and regulations applicable to future years.

The letters will present recommendations to promote "best practices" or to increase efficiency and effectiveness of the Auditee's practices in these matters, and to report other matters that should be brought to management's attention. The letters report to management less serious internal control deficiencies, but they will not be used to report any significant deficiencies or material weaknesses that come to the attention of the independent auditor. The Consultant will report any significant deficiencies or material weaknesses separately, as required by Government Auditing Standards and the relevant legislation.

Management recommendations will not be construed as special or additional studies. They should result from procedures associated with the study of internal control systems and procedures and the audit of the financial statements.

Refer to **Exhibit F Reporting on Any Weaknesses or Deficiencies** to this Contract for further details about delivery of the Management Recommendation Letters.

1.6 **Required Services: Other Services – Technical Assistance**

As part of the routine activities directly related to performance of the audits under this Agreement, the Consultant will provide advice or assistance to the Auditees throughout each Contract year, at the request of the Auditees. Such advice and assistance shall include but not be limited to the following:

1. Assistance to the City and the PDC in maintaining their Government Finance Officers Association (GFOA) Certificates of Achievement for Excellence in Financial Reporting. This assistance will include the Consultant's consideration during their CAFR reviews of the comments received by the City and PDC from the GFOA for the prior year's Certificate of Achievement.

2. Responding to Auditees' questions on accounting, reporting or internal control as part of the audit.
3. Providing advice to the City and reporting entities on accounting matters as an ancillary part of the overall audit.
4. Providing to the City and reporting entities information that is readily available to the Consultant, such as best practices, when the Auditee requests this or when the Consultant feels such information will be in the best interests of the Auditee. This readily available information will include any benchmarking studies used by the Consultant during the audits' analytical review procedures, or in reporting audit results to illustrate any audit findings or best practices recommendations.

These "Other Services" will be provided without additional compensation because they are part of the Contracted audits. However, if the City or its reporting entities were to ask the Consultant for some special benchmarking study, that would fall outside this Agreement.

When providing these "Other Services", the Consultant will take care not to impair their independence, as described in Government Auditing Standards.

1.7 **Required Services: Training**

Consultant shall provide the staff of the City and its reporting entities with requested, education and training on matters within the technical expertise of the Consultant, **up to six Continuing Professional Education (CPE) credits each year**, that are accepted and approved by the Oregon Board of Accountancy.

The Consultant will track the number of CPE credits provided during each year, and the number of people provided with this CPE, and will communicate this data to the City's Contract Manager by email within two weeks of each training date. Training may be requested by one of the Auditee project managers listed in **Exhibit C**, or by the City's Contract Manager. The required six hour training requirement may also be met by Moss Adams webcasts provided by the Firm during the year on subjects applicable to the City.

Whenever an Auditee project manager requests in-person CPE/training under this Agreement, Consultant will invite the other Auditee project managers to send staff to this training, and will inform the Contract Manager. The person requesting this training will schedule the requested CPE at times that are convenient for people from across the City and its reporting entities whenever possible. The City's Contract Manager and the Auditees' project managers will make reasonable efforts to agree upon a schedule of training courses with the Consultant at the start of each Contract year.

1.8 **Required Services: Non-Audit Services**

The Consultant shall provide limited technical advice or assistance throughout each Contract year, at the request of the Auditees' project managers listed in **Exhibit C to this Contract**. **If requested, the Consultant will provide such non-audit services, up to eight hours in any year to Mt. Hood plus up to thirty-six hours in any year to the City and its other reporting entities combined.**

Any requested advice or assistance will be of a type which the Government Auditing Standards considers to be non-audit services. Such advice and assistance shall include but not be limited to the following:

1. Consultation and assistance as necessary and requested by the Auditees about their adoption of appropriate accounting standards.
2. Provide Auditees with counsel and advice on reformatting financial statements to reflect any future GASB/FASB pronouncements and other applicable regulations.
3. Provide Auditees with assistance in research on accounting and financial reporting treatments when requested.

When providing non-audit services, the Consultant will take care not to impair its independence, as described in in AICPA Code of Professional Conduct and Government Auditing Standards, regarding its ability to perform the financial statement audits or the federal compliance audit included in this Contract. The City and its reporting entities shall provide the Consultant with the appropriate assurance that the Auditee's management assumes all management responsibilities for any non-audit services performed, and accepts responsibility for the results of the non-audit services. It will be the Consultant's responsibility to obtain these appropriate assurances.

The Consultant will track the hours of non-audit services provided during each year, and will communicate this data to the contract manager by means of the monthly invoices. The contract manager will share this information with the Auditees through the audit cycle so they do not exceed the allotted hours. In the event that the Auditees exceed the allotted hours (eight for Mt. Hood and thirty-six for the other Auditees) in any year, the Consultant must cease to provide non-audit services unless and until an appropriately approved Contract amendment increases the hours for these services and the related compensation.

1.9 Special Studies or Assistance

The Consultant shall notify the City's contract manager when it is asked to perform by any City agency or its component units, and it intends to propose on or contract for, other work not encompassed by this Agreement. Such notifications shall be in writing (including by e-mail) and include the name of the requesting bureau or office and the nature, and scope of the work requested, and the RFP number if applicable.

The Consultant must obtain the City Auditor's contract manager's consent in writing before undertaking such other work for any City agency or its component units.

Any special studies or assistance not encompassed by this Agreement shall be negotiated separately by the Consultant with the requesting City agency or component unit in accordance with the City's Purchasing Rules for Professional, Technical and Expert Services.

The Consultant will take care not to impair its independence, as described in AICPA generally accepted auditing standards and Government Auditing Standards, regarding its ability to perform the financial statement audits or the federal compliance audit of this Agreement.

2 AUDIT REQUIREMENTS

2.1 Limitations of the Auditing Process

The Consultant is responsible for planning and performing the audits to obtain reasonable assurance that the Auditees' financial statements and audited materials are free of material misstatements, whether caused by errors or fraud, and to exercise additional professional skepticism in considering the risk of fraud, and to perform additional inquiries of management and others regarding fraud. The Auditees and their management shall remain responsible for the preparation of their respective financial statements and the design and implementation of programs and internal controls to discourage or prevent fraudulent activities.

Similarly, in performing the audits, the Consultant will be aware of the possibility that illegal acts or noncompliance may have occurred. However, it is recognized that the audits provide no assurance that illegal acts or noncompliance that have a direct and material effect on the determination of financial statement amounts will be detected and only reasonable assurance that noncompliance having a direct and material effect on each major federal program will be detected. The Consultant will report possible fraud or illegal acts or noncompliance that come to its attention and examine instances identified as reportable under the professional standards to determine what has occurred. The Consultant will inform the City Auditor, the City's contract manager, and Auditees of any fraud, or illegal acts, or any significant errors, that come to the Consultant's attention during the course of the audits.

2.2 Test Compliance with Laws and Regulations

As part of obtaining reasonable assurance, for the Oregon Minimum Standards report, and the Government Auditing Standards report, about whether the financial statements are free of material misstatement, the Consultant will perform tests of the Auditees' compliance with certain provisions of applicable laws, regulations, contracts, and grants. However, except for major federal financial assistance programs which are part of the Single Audit, the Consultant's objective is not to provide opinions on the overall compliance with such provisions. Furthermore, the Auditees are responsible for identifying and ensuring that the Auditees comply with applicable laws and regulations. The Consultant will examine possible noncompliance with the provisions of laws, regulations, contracts or grant agreements that come to its attention to determine what has occurred.

2.3 Use of Secure Internet Portal

For the financial audits, IT reviews and the federal compliance audit, the Consultant must gather the financial statements, audit schedules and requested supporting documents electronically, by means of a secure internet portal which the Consultant must provide and maintain. Consultant will give the City's contract manager read-only access to this portal to review the progress of delivery of audit schedules and draft financial statements by the Auditees.

2.4 Provided-By-Client Lists of Audit Schedules

Refer to **Exhibit E, Section 2.1** to this Agreement for the Consultant's role in the joint development with the Auditees' project managers for each Auditee of provided-by-client (PBC) list, along with the due dates for the PBC lists.

2.5 Supplementary Information and Required Supplementary Information

The Consultant will also read Management's Discussion and Analysis and any other required supplementary information included in the financial statements and consider whether such information, including the manner of presentation, is materially consistent with information appearing in the basic financial statements. However, Consultant is not required to provide an opinion on required supplementary information.

Where required by the Oregon Minimum Audit Standards, the Consultant also will subject any supplementary information to audit and provide an 'in relation to' opinion on it, and perform certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves. At a minimum, Consultant will read any supplementary information not required to be audited to determine there are no significant errors, omissions, or misleading information that would require modification to the auditor's opinion.

2.6 Other Audit Requirements

The Consultant shall perform tasks required by auditing standards, which may include as appropriate the Auditee and audit area but are not limited to the following:

- a. Assess the risks of material misstatement of the financial statements and risks for the Single Audit.
- b. Review and consider internal controls relevant to the Auditee's preparation and fair presentation of the financial statements, to assess the adequacy of design and effectiveness of implementation of said controls. See **Exhibit D for Transaction Cycles Documentation** provided by City of Portland and its reporting entities.
- c. Test the details of a sample of transactions and balances.
- d. Perform analytical reviews.
- e. Perform onsite fieldwork at the City and its reporting entities.

- f. Obtain third-party confirmation of account balances on a given date, which may pre-date the fiscal year end.
- g. Determine whether an audited entity has taken appropriate corrective action to address findings and recommendations from previous audits.
- h. Review of the final financial statements.

2.7 Discuss and Document Adjusting Entries

The Consultant shall first discuss all proposed adjusting entries during the financial statement and federal compliance audits with appropriate Auditee project managers/bureau accounting staff. After that discussion, the Consultant shall provide copies of all proposed adjusting entries, together with copies of supporting schedules and work-papers, to the Accounting Division of the Bureau of Revenue & Financial Services and to the applicable Auditee project managers. Refer to **Exhibit C** of this Contract for the Auditee project managers from each of the audited entities for the first year's audits.

The Accounting Division of the Bureau of Revenue & Financial Services will distribute copies of the proposed adjusting journal entries and supporting documentation to the appropriate bureaus and Auditees for their review and approval. The City's Accounting Division will also record the approved entries in the appropriate accounting records and ledgers.

Should any proposed adjusting entries relate to Mt. Hood, Mt. Hood's audit project manager will review the proposed adjusting journal entries and supporting documentation, and will approve these adjusting entries as appropriate. The City's Accounting Division will record the approved entries for Mt. Hood in the appropriate accounting records and ledgers.

Should any proposed adjusting entries relate to PDC, PDC's Accounting personnel in the Finance and Business Operations Department will distribute copies of the journal entries and supporting documentation to the appropriate PDC finance managers for their review and approval. PDC's Accounting personnel in the Finance and Business Operations Department will also record the approved entries in the appropriate accounting records and ledgers.

2.8 Gather Management Responses

Portland City Code requires that City (including PDC) management respond in writing to any auditor's findings and related recommendations. Therefore, any letters or reports from the Consultant produced under this Agreement, which contain any findings or recommendations should be published on Consultant's letterhead along with City managers' responses to such findings and recommendations, on the relevant bureau letterhead.

The Consultant will communicate any findings and recommendations arising from their audit services to the appropriate Auditee managers, and will gather managements' written responses to the findings and recommendations with the assistance of the City's contract manager and the relevant Auditee project manager(s). Managements responses will be published with the related auditor reports whenever possible on the relevant bureau letterhead.

2.9 Conduct and Attend Meetings

The Consultant will attend the following meetings relating to the audits each year of the contract. To the extent possible while meeting work requirements, the City requests the Consultant to use low-carbon transportation options to attend contract-related meetings with the Auditees (such as public transit/rail, carpool, biking, or walking).

- The planning phase of the audit engagement for the first year may commence upon Notification to Proceed by the City's Contract Manger. Refer to **Section 3.2** of this Agreement. In subsequent years, planning will commence no later than one month before the timing of interim fieldwork dates.

- Pre-audit conferences with City Contract Manger and Auditee project managers to discuss the provided-by-client (PBC) lists and scheduling of audit work. The Consultant shall schedule pre-audit conferences for the first year's audits at the earliest possible date and shall invite the Contract Manager. The dates for pre-audit conferences for later years will be a date mutually agreed to by Auditee project managers and Consultant which for the City's CAFR audit will be no later than May 1st. The audit firm will commence on the audit fieldwork at dates to be mutually agreed between the Consultant and each Auditee's project manager and will inform the City's Contract Manger of the fieldwork dates.
- During-audit update meetings. The Consultant will meet with the Auditee's accounting managers and the City's Contract Manger at the end of each week of on-site fieldwork to give an update on audit work and any late PBC audit schedules or requested data. The Consultant will schedule these meetings with the assistance of the Auditee project leads, and of the City's Contract Manger if appropriate.
- Post-audit conferences to review the various audit reports and financial statements with the accounting staff and managers from the Auditees and the bureaus affected by the results of each audit. The City's Contract Manger will schedule these post-audit conferences in coordination with the Auditees' project managers to be held no later than deadlines set out in **Exhibit E, Section 6 Contract Management** of this Agreement.
- The Consultant will schedule debrief meetings in which it will provide feedback to the Auditees' accounting staff on the prior year's audit schedules and suggest changes to improve the audit process. This feedback is best done soon after the completion of the audit, so the Consultant will arrange to do this with the Auditee project managers, and invite the City's Contract Manger, in conjunction with the other post-audit meetings for each year's audit.
- Post-audit conferences to present the objectives and outcome of the financial statements and the written communications required by AU-C 260, to the Mayor and City Council; PDC's Board of Commissioners; to Mt. Hood's Finance Committee and to the full Mt. Hood Board of Commissioners, and other Auditee governing bodies. These presentations will take place in public meetings and may be preceded by the related Auditee managers presenting the financial statements. The City's Contract Manger will schedule these post-audit conferences in coordination with the Auditees' project managers to be held no later than deadlines set out in **Exhibit E, Section 6 Contract Management** of this Agreement.
- In addition, the Consultant will be required, upon request, to be present at any meetings with the City Auditor, or meetings of the City Council, PDC's Board of Commissioners, or other governing bodies when matters regarding the audit or related reports are discussed.

2.10 Those Charged with Governance

It is the Consultant's responsibility to determine the appropriate person(s) within the Auditees' governance structures who fulfill the role of those charged with governance, with whom to communicate as required under Government Auditing Standards and auditing standards generally accepted in the United States of America. "Those charged with governance" are those responsible for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. (GAS 6.47, A1.06, 2011 Revision, and AU-C 260.06).

In the context of the Consultant's communications and reporting of audit results under this Agreement, those charged with governance may include, but are not limited to, the following persons and bodies:

- For the City of Portland – the City Council, the City Auditor, Bureau Directors, and Office of Management and Finance staff.
- For the Portland Development Commission – the Audit Committee of the Board of Commissioners, in addition to the City Council, the elected Commissioner in Charge, the Executive Director, and the City Auditor.
- For the Fire and Police Disability and Retirement Funds – the Board of Trustees, in addition to the City Council, the Commissioner in Charge, the Fund Administrator, the City Auditor, and FPDR management.

- For the Hydroelectric Power Fund – the City Council, in addition to the Commissioner in Charge of the Bureau of Hydroelectric Power, the Administrator of the Portland Water Bureau, the Manager of the Portland Hydroelectric Project, and the City Auditor.
- For Mt. Hood Cable Regulatory Commission, the Governing Board and the Financial Committee in addition to Mt. Hood’s Director.

2.11 Prepare Electronic Filings

The Consultant will complete and sign the “Oregon Audits Division Summary of Revenues and Expenditures” forms for the City’s CAFR, PDC’s CAFR and Mt. Hood Cable Regulatory Commission at the end the annual financial audit. The Consultant will send this form electronically to the respective Auditee project managers, and the Auditee’s financial staff will file the required audited financial statements with the State of Oregon.

In addition, at the end of each year’s Single Audit, the City shall prepare and complete the data collection form and the rest of the Single Audit entry to the Federal Audit Clearinghouse online database. The City Grants Office will review and obtain the Consultant’s portion of the form, and certify the entire submission after management has uploaded it to the Federal Clearinghouse. Then the Consultant will certify it online with the Federal Audit Clearinghouse. City may request assistance from Consultant to prepare and upload required information to the Federal Clearinghouse website.

3 SCHEDULE of AUDIT WORK

3.1 Commencement of Work

Consultant agrees that work to be done pursuant to this Agreement will not commence until after:

- (a) The Consultant has obtained and provided to the City’s contract manager acceptable certificate(s) of the insurance required by this Contract;
- (b) The City’s contract manager issues the Notice to Proceed; and
- (c) The later of (i) the date this Agreement is signed by the Consultant and approved by the City Attorney’s office and City Council, or (ii) the effective date of this Agreement, as set out on the first page.

3.2 Notification of Start of Fieldwork

For purposes of establishing the day each year that field work will begin, the Consultant agrees to provide written notification of the date(s) to both the City’s contract manager and the Auditee project managers. This notification can be made by email to the contacts listed in **Exhibit C and in Exhibit E, Section 6, Contract Management**.

3.3 Schedule of Audit Work

Unless directed otherwise by the City or reporting entities, the Consultant will perform the work for the first year’s audit according to the following schedule:

- Two to three weeks of interim financial statement audit fieldwork for the City’s CAFR and one week on site for interim audit fieldwork on PDC’s CAFR (late May – early June) to include preliminary planning, analytical reviews, internal control and transaction cycle testing.
- One week scheduled for the information systems reviews at the City and at PDC (June – August). The IT review is to be completed prior to the start of the main financial statement audit fieldwork.
- One week of on-site audit fieldwork for Mt. Hood’s financial statements, possibly between September and October.
- One week of on-site audit fieldwork for FPDR’s financial statements (September) with one or two days to wrap up fieldwork for FPDR later.
- Final fieldwork for PDC’s financial statement audit in the last week of August and the first week of September.

- Final fieldwork for the City's financial statement audit to begin no later than the first week in September and one week on-site at the Auditee's offices and one week off-site to allow Auditee management to prepare the CAFR, or otherwise as agreed upon during planning.
- A sufficient number of days/weeks of federal compliance audit fieldwork as needed to audit the identified major federal programs, no later than (October). Consultant shall schedule consecutive days/weeks for staff assigned to the Single Audit for fieldwork according to agreed-upon dates as long as the requested information from Auditee is provided and ready for audit.
- Final fieldwork for the audit of the Hydroelectric Power Fund's separate financial statements to begin in January 2018.

The scheduling of the audit work to be performed may change as a result of the pre-audit conferences in later years of this Agreement.

4 DELIVERABLES AND DUE DATES

Deliverables shall be considered those tangible resulting work products that are to be delivered to the City such as reports, draft documents, data, interim findings, drawings, schematics, training, meeting presentations, final drawings, and reports. The Consultant is encouraged to provide any deliverables in accordance with the City's Sustainable Paper Use Policy or in electronic format. When the Consultant provides hard copies of the deliverables as listed below, they should be on letterhead, printed double-sided, on a minimum 30% post-consumer waste (PCW) recycled content paper.

The Consultant must provide a copy of all deliverables to the City's contract manager at the time it delivers them to the Auditee project managers. The contract manager will advise on the addressees of the deliverable reports when questions arise, and will assist the Consultant with report distribution.

Deliverables and related deadlines for this project for the audits relating to FY 2016 -17 shall be as listed below, by end of day unless otherwise stated. The same deliverables will be repeated for each year being audited under the terms of this Agreement, with the exception of the Hydroelectric Power Fund, which will not require separate, audited financial statements after the year ending August 31, 2017.

For future fiscal years, covered by this Contract, the Consultant will deliver its opinion and/or reports on the same day in the stated month, except that if any due date falls on a weekend or holiday, the Consultant will deliver its opinion and/or reports on the workday immediately preceding the due date, unless stated otherwise in the list below.

- a. **August 11, 2017** - Preliminary determination of **Single Audit** major programs due to be sent electronically to the Auditee project manager and copied to the City's contract manager.
- b. **August 21, 2017** - report of PDC's information system reviews, and
- c. **September 1, 2017** - report of the City's information system reviews
 - Consultant will provide separate written reports of its review and testing of key accounting systems (at least SAP, including HCM, and Cayenta) and network infrastructure at the City and at PDC (at least Microsoft Dynamics AX and Portfol) which produce the Auditees' financial statements.
 - These reports will include the Consultant's observations, any findings, possible business process improvements and the related recommendations. Each written report will contain any material weaknesses and significant deficiencies in internal controls in the information systems which are identified during the audit, so that all matters related to each review are reported together.
 - The Consultant will provide the City's contract manager with a separate information system review report addressed to the City Auditor for both the City and Portland Development Commission.
 - The information system review letters should be delivered prior to the start of final audit fieldwork.
 - Each information system review letter will be delivered to the City's contract manager in portable document format (pdf), and with one hard copy on letterhead for each addressee, plus one for the contract manager.

- The final delivery details may be subject to negotiation with the successful Consultant. The City and PDC may invoke their privileges under Oregon Revised Statute to exempt such reports from public disclosure, as appropriate.
- d. **October 4, 2017** – Confirmation of **Single Audit** major programs due to be sent electronically to the Auditee project manager and copied to the City’s contract manager.
- e. **Review comments on the draft financial statements** will be returned to the relevant Auditee project manager by these dates:
- **October 5, 2017** for **PDC’s CAFR**
 - **October 6, 2017** for **City’s CAFR** (being two weeks after Consultant’s receipt of draft CAFR), pre Engagement Partner review.
 - **October 13, 2017** for City’s CAFR (including Engagement Partner review)
 - **October 18, 2017** for **FPDR’s financial statements**.
- f. **October 25, 2017 - PDC’s CAFR financial audit opinion**; the Government Auditing Standards report; reports required by the Oregon Minimum Standards; and the appropriate Summary of Revenues and Expenditures form to be filed with the Oregon Secretary of State – Audits Division. (Only 1 pdf copy of each document.) PDC will assemble and prints its CAFR, including the auditor’s opinion and reports.
- g. Where applicable, to meet the Oregon Minimum Standards, the Consultant shall express an “in relation to” opinion on combining and individual fund statements and schedules and on budgetary schedules. The deadline for these “in relation to” opinions will be the same as the due dates for the related financial audit opinions listed in this Agreement.
- h. **October 27, 2017 - FPDR’s financial statements audit opinion**; and the Government Auditing Standards report. (1 printer-ready copy of each on letterhead and 1 color pdf of the final reports to the Auditee project manager, with a copy of the pdf to the City’s contract manager.) FPDR will assemble and print their audited financial statements, including the auditor’s opinion and report.
- i. **November 1, 2017 – draft communication to “those charged with governance”** for the **Portland Development Commission** as required by AU-C 260 and any successor statements. This communication shall be in writing and potentially should be discussed at the during-audit update meetings/communications. This draft communication shall be delivered **within one week of the related audit opinion**.
- j. **November 1, 2017, by noon - the City’s CAFR financial audit opinion**; the Government Auditing Standards report; reports required by the Oregon Minimum Standards; and the appropriate Summary of Revenues and Expenditures form to be filed with the Oregon Secretary of State – Audits Division. (1 copy of each document as pdf, no hard copies.) The City will assemble and print the CAFR, including the auditor’s opinion and reports.

The City’s Government Auditing Standards report on compliance and internal controls, will be delivered with the audit opinion on the City’s CAFR, for publication in the same. The City’s CAFR will be published separately, earlier than the Single Audit reporting package.

The Consultant will provide a duplicate copy of the City’s Government Auditing Standards report for publication in the Single Audit reporting package.

- k. **by noon on November 1, 2017 - the City’s Schedule of Findings and Recommendations**, if applicable. (1 copy as pdf, no hard copy.) Any control deficiency or compliance findings noted in the City’s CAFR audit will be reported by the Consultant in this Schedule of Findings and Recommendations, for publication in the CAFR. Any such Schedule of Findings and Recommendations will in addition make up **Part II of the Schedule of Findings and Questioned Cost** required for the Single Audit from the successful Consultant.
- l. **November 8, 2017 – draft communication to “those charged with governance”** for the **City** as required by AU-C 260 and any successor statements. This communication shall be in writing and potentially should be discussed at the during-audit update meetings/communications. This draft communication shall be delivered **within one week of the related audit opinion**.

- m. **November 15, 2017 - Single Audit** reports in accordance with OMB Circular A-133 and the UGG; one pdf of each deliverable required, listed in following bullets, in the format required for the City to upload to the Federal Audit Clearinghouse (FAC). OMB requires documents to be uploaded to the FAC to be text-searchable, unlocked, and unencrypted pdf files. The Single Audit reporting package must include these deliverables:
- Auditor’s opinion about whether the City’s SEFA is presented fairly in all material respects in relation to the City’s CAFR taken as a whole;
 - Report on compliance with requirements (including federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs and awards) that could have a direct and material effect on each major program, and on the City’s internal control over compliance;
 - A schedule of findings and questioned costs, as applicable, with the Auditee’s management responses to the findings and recommendations, provided management provides recommendations in time for Consultant to meet the noted deadline. If management is not able to provide responses timely, Consultant will make reference to a separately issued management action plan to address the findings.
 - **Note** - City and/or PDC management responses to any findings in the schedule of findings and questioned costs, as required by OMB Circular A-133 and UGG, must be included in the Single Audit report package filed with the federal government.
 - Findings on the financial statements included in the Schedule of Findings and Recommendations included in the financial statements will be duplicated in applicable section of the Schedule of Findings and Questioned Costs provided by Consultant for the single audit reporting package.
 - Duplicate copy of the Government Auditing Standards report published in the City’s CAFR on the internal controls over financial reporting and their tests of compliance with applicable laws and regulation (reference **Section 4, Item j.** above).
 - Consultant shall assist Auditee with preparation of the Single Audit Reporting Packet if requested by Auditee.
- n. **November 22, 2017 – final communication to “those charged with governance”** for the **Portland Development Commission** as required by AU-C 260 and any successor statements. Final written communication should be delivered within one month of the related audit opinion; **it must be delivered in time for filing the documents for the public meeting of the PDC Board in December following the fiscal year being audited.** Consultant shall send a copy to the elected City Auditor by means of the City’s Contract Manager.
- o. **December 1, 2017 – final communication to “those charged with governance”** for the **City** as required by AU-C 260 and any successor statements. Final written communication should be delivered within one month of the related audit opinion; **it must be delivered in time for filing the documents for the public meeting of the Council in December or January following the fiscal year being audited.** Consultant shall send a copy to the elected City Auditor by means of the City’s Contract Manager.
- p. Completion of the Auditor section of the **Single Audit electronic data collection form** for OMB Circular A-133 and UGG, to the City’s Grants Management Division Coordinator. City Management will submit the City-completed and signed the final data collection form on to the Federal Audit Clearinghouse online database, **by the earlier of 30 days after the Consultant’s Single Audit reports and March 31 in the following year.** Then the Consultant will certify the City’s data collection form online in the FAC’s database in time to allow the City to meet this Single Audit filing deadline. When the FAC sends confirmation of the auditor’s certification of the City’s data collection form, the Consultant will forward this confirmation to the City’s Contract manager and the Auditee’s project manager for the Single Audit.

- q. **December 12, 2017 - Mt. Hood's financial statements audit opinion** (or disclaimer of an opinion); reports required by the Oregon Minimum Standards; and the appropriate Summary of Revenues and Expenditures form to be filed with the Oregon Secretary of State – Audits Division. (1 copy as a color pdf on letterhead, to Mt. Hood's Audit Project Manager. The Consultant will also send the pdf to the City's Contract Manager and to the City Controller. The City's Accounting Division of BRFS will print and assemble Mt. Hood's audited financial statements, including the disclosure notes and the auditor's opinion and report.)
- r. **December 12, 2017 - communication to "those charged with governance" for Mt. Hood Cable Regulatory Commission** as required by AU-C 260 and any successor statements. Final written communication should be delivered **on the same day as Mt. Hood's audit opinion; it must be delivered in time for filing the documents for the public meeting of the Commission in December following the fiscal year being audited.** The draft of this communication shall be delivered **as soon as possible**, to the Auditee project manager, with a copy sent to the City's contract manager.
- s. **January 26, 2018 - the Hydroelectric Power Fund's financial statements audit opinion** (or disclaimer of an opinion and the Government Auditing Standards report. (1 copy as a color pdf and ten printer-ready hard copies on letterhead, one of which must be unbound, sent to the Auditee project manager, with the pdf copy also sent to the City's contract manager). The City's Accounting Division of BRFS will print and assemble Hydroelectric Power's audited financial statements, including the footnotes/disclosure notes and the auditor's opinion and report.
- t. Reports, if necessary, as required by the applicable audit regulations and standards, on any material weakness or significant deficiency in internal control over financial reporting that are identified during an audit of the financial statements. Refer to **EXHIBIT F** to this Contract, **Reporting on Any Weaknesses or Deficiencies and Non-Compliance Identified During the Audits.**
- u. **Management Recommendation or Best Practices Letter** to communicate less serious internal control deficiencies, recommendations for improvement or other matters to be brought to the attention of management of each of the City, Portland Development Commission, and Mt. Hood Cable Regulatory Commission. A separate Management or Best Practices Letter for PDC should be prepared and addressed to the PDC Board of Commissioners and Audit Committee and also sent/addressed to the City of Portland. Refer to **EXHIBIT F** to this Contract, **Reporting on Any Weaknesses or Deficiencies and Non-Compliance Identified During the Audits.**
- i. Working draft Management Letter, also known as the Best Practices Letter, for the City and PDC due no later than 30 days after the date of the audit opinion on the related CAFR.
 - ii. Final Management Letter for PDC due no later than 45 days after the date of the audit opinion on PDC's CAFR.
 - iii. Final Management Letter for the City due no later than 60 days after the date of the audit opinion on the City's CAFR.
 - iv. **Working draft Management Letter for MHCRC due no later than 30 days after the date of the audit opinion on MHCRC's financial statements.**
 - v. **MHCRC's Final Management Letter due no later than 60 days after the date of the audit opinion.**
- v. Submit a **Weekly Progress Report** by email to the City contract manager **by Tuesday of the following week** starting with commencement of audit planning through receipt of final deliverable for each audit year. This Weekly Progress Report may copy information given in the weekly update meetings during on-site fieldwork, but it is intended to give the City contract manager a picture of what work has been done to date on each of the audits, and of any problems the Consultant has obtaining financial statements and/or audit schedules from the Auditees, and any proposed or actual changes to the scheduled audit fieldwork and/or delivery dates.
- w. Training – the Consultant will provide the training to give 6 CPE **credits each year**, prior to **May 15th** each year of this Contract. Consultant will email the City's contract manager with the number of CPE credits provided during each year, and the number of people receiving this CPE **within two weeks of each training date.**

- x. Provide any requested Non-Audit Services (per **Section 1.8**) in writing to the Auditee, including by email, with a copy of the final advice, assistance or information to the City's contract manager, within the reasonable timeframe requested by the Auditee project manager.

The City's contract manager will be the point of contact for the Consultant's report distribution (except for the audit opinions/reports which go directly to the Auditees' project managers listed above, on which the contract manager shall be copied).

All deliverables and resulting work products from this Contract will become the property of the City of Portland. As such, the successful Consultant and any subconsultants grant the City the right to copy and distribute (in any and all media and formats) project deliverables for regulatory, project certification/recognition, program development, public education, and/or for any purposes at the sole discretion of the City of Portland.

5 CONSULTANT PERSONNEL

Senior Personnel

Following **Paragraph 28** in TERMS AND CONDITIONS of the Agreement, the Consultant shall assign the following senior personnel to do the work in the capacities designated:

Name	City CAFR			IT		PDC CAFR			FPDR FS			HYDRO FS			MHCRC			Single Audit		
	ER	CR	IC	ER	IC	ER	CR	IC	ER	CR	IC	ER	CR	IC	ER	CR	IC	ER	CR	IC
Jim Lanzarotta, partner, GOV specialist	x					x			x			x			x			x		
Laurie Tish, partner, GOV specialist		x					x			x			x			x			x	
Julie Desimone, partner, Utilities specialist	x											x								
Brad Smith, partner, GOV specialist						x			x											
Chris Kradjan, partner, IT specialist				x																
Erica Forhan, partner, Single Audit specialist																			x	
Ken DeHart, Sr Mgr, GOV Specialist			x														x			
Keith Simovic, Sr Mgr, GOV specialist			x					x			x			x						
Ashley Osten, Sr Mgr, GOV and Single Audit Specialist																				x
Greg Damon, Sr Mgr, IT and SAP specialist					x															

Abbreviations:

ER = Engagement Reviewers - responsible for supervising engagement in-charges, technical reviews of Auditee financial statements, and the provision of our services according to Consultant and applicable Professional Standards.

CR = Concurring Reviewers - responsible for the review and approval of the audit plan during the interim phase of the audit, and a second technical review of the financial statements and Consultant audit documentation under Consultant's quality control policies to assist in ensuring the audit is performed in accordance with Consultant and Professional Standards.

IC = In-Charge - responsible for supervision of Consultant staff, communications with Auditee Project Managers and Consultant Partners on status of the engagement deliverables and Auditee PBCs, and scheduling Consultant staff as necessary to meet agreed upon deadlines.

FS = Financial Statements.

In addition, Jim Lanzarotta, partner, will serve as the overall engagement partner, ultimately responsible for meeting Consultant deadlines for all deliverables and communicating audit results to Auditees as provided for in this Contract.

Ken DeHart and Keith Simovic will serve as the Consultant's co-In-Charges on the City's CAFR audit. Keith will serve as the main point of contact for communications with City Contract Manager and the Auditees' project managers on project status, and coordination of information requests

Should the Consultant wish to make any changes in the above-named senior-level audit staff, managers or partners during assignments, then these personnel must be replaced by staff, managers or partners with a comparable experience and skill level, with no increase in cost to the City of Portland or the reporting entities. Such changes must be requested in writing and approved by the City's Contract Manager.

Junior Personnel

"Junior" personnel under this Agreement are the Consultant's "staff" and "senior" levels. Consultant's audit teams will include senior and staff level personnel to conduct testing, interviews, tick-and-tie financial statements and audit schedules back to evidence, obtain third party confirmation, perform walk-throughs and other audit procedures.

The Consultant's junior staff for the FY 2017 audits shall include: Brad Jones (Senior), Stephanie Walchuck (Senior), Kelly Purdy (Senior), Janel Stanek (Senior), Lara Hartle (Staff), Rhiannon Wood (Senior), Harvey Wang (Staff), Malea Anderson, Cole Bertoch (Staff), Billy Brice (Staff), Mitch Hemington (Staff) and Lindsey Jacobson (Senior). Consultant shall assign these junior staff to the audits under this Contract with which they already have experience, unless the Consultant needs to deploy them to other audits under this Contract to provide the required services efficiently and/or timely.

Junior personnel in CPA firms often move between clients to gain a range of experience, especially from year to year. Absent a reasonable cause, Consultant will not change the senior and staff personnel it assigns to the various audit teams during the audit after the start of each year's audit. Consultant shall assign junior staff so that at least half of the team working on each of the audits under this Contract has more than one year of experience in municipal auditing and governmental accounting or the Single Audit. Consultant will train the incoming junior personnel about the City and its reporting entities' audit, processes and background. The Auditees' managers and staff will not train Consultant's junior staff about their audit.

6 SUBCONSULTANTS - NONE

The Consultant does not anticipate utilizing any subConsultants for this project. In the event the Consultant chooses to utilize a subConsultant, the Consultant will obtain City approval via the Contract amendment process prior to the subConsultant doing any work on this project. The City will require the same information for a subConsultant and its staff as this Contract requires for the Consultant and the Consultant's personnel.

The City will enforce all social equity Contracting and Disadvantaged, Minority, Women and Emerging Small Business (D/M/W/ESB) subContracting commitments submitted by the Consultant in any future proposal to use subConsultants. For Contracts valued \$50,000 or more, the Consultant shall submit a Monthly Subconsultant Payment and Utilization Report (MUR), made part of this Contract by reference, reporting ALL subconsultants employed in the performance of this agreement. If applicable, Consultant shall submit a MUR by the 15th of each month with its invoice. A copy of the Subconsultant Change Request Form can be found on Procurement Services' website under Contractor Resources.

7 COMPENSATION

"Not to Exceed" Amount

Refer to **Exhibit A – Consultant's Fees and Hours for Services** for maximum compensation for each audit and detailed compensation rates and estimated hours to perform the work each year.

The maximum that the Consultant can be paid on this Contract is **\$2,976,059** (hereafter the "not to exceed" amount) for all services identified in the Statement of Work under this Contract. This not-to-exceed amount would be for the total possible contract term of the initial three years and the two potential extensions. For accomplishment of the work for initial three (3) years' annual audits, the City agrees to pay up to **\$1,756,221**. The "not to exceed" amount includes all payments to be made pursuant to this Contract, including reimbursable expenses, if any. Nothing in this Contract requires the City to pay for work that does not meet the Standard of Care or other requirements of the Contract. The City reserves the right to extend this Contract upon mutual agreement by the City and the Consultant for up to two (2) additional years in one-year increments. In the event this Contract is extended, the City agrees to pay Consultant a sum not to exceed **\$603,880** for the first extension period (for the fourth year of audits), and a sum not to exceed

\$615,958 for the second extension period (for the fifth year of audits). The actual amount to be paid Consultant may be less than the “not to exceed” amount.

At the time of optional extension, for each additional year the City will negotiate any adjustments to the fees included in the proposals for audits relating that year to adjust for any industry-specific salary inflationary rate increases which vary from the inflationary rates built into the Consultant’s proposal.

The Consultant is entitled to receive progress payments for its work pursuant to the Contract as provided in more detail below. The City will pay Consultant based on these invoices for acceptable work performed and approved until the “not to exceed” amount is reached for each audit for each year based on Consultant’s rate per hour by experience level times hours actually worked. Thereafter, Consultant must complete work based on the Contract without additional compensation unless there is an agreed change to the scope of work.

Any estimate of the hours necessary to perform the work is not binding on the City. The Consultant remains responsible if the estimate proves to be incorrect. Exceeding the number of estimated hours of work does not impose any liability on the City for additional payment.

If work is completed before the “not to exceed” amount is reached, the Consultant’s compensation will be based on the Consultant’s bills submitted for acceptable work performed and approved, including bills for the final month of audit work and/or audit reporting.

PAYMENT TERMS: Net 30 Days

Hourly Rates

The billing rates shall not exceed those set forth below for the audits relating to FY 2016-17:

ROLE ON PROJECT	FY 2016-17 Rate/Hr	FY 2017-18 Rate/Hr	FY 2018-19 Rate/Hr	FY 2019-20 Rate/Hr	FY 2020-21 Rate/Hr
<u>Partner</u>	\$425	\$434	\$443	\$452	\$461
<u>Senior Manager</u>	\$335	\$342	\$349	\$356	\$363
<u>Manager</u>	\$230	\$235	\$240	\$245	\$250
<u>Senior</u>	\$200	\$204	\$208	\$212	\$216
<u>Staff</u>	\$160	\$163	\$166	\$169	\$172
<u>IT Manager</u>	\$340	\$347	\$354	\$361	\$368
<u>IT Staff</u>	\$200	\$204	\$208	\$212	\$216

The same hourly billing rate shall apply each year to all the audits for which work is done under for the audit of that year. For example, there is no difference in the billing rates used on the City’s CAFR and on the PDC’s CAFR audits for any given year.

Subconsultant Costs - NONE

Compensation for subconsultants shall be limited to the same restrictions imposed on the Consultant. The maximum markup on subconsultant services shall not exceed 0%.

Progress Payments

On or before the 15th of each month, the Consultant shall submit to the City’s Contract Manager an invoice or invoices for work performed by the Consultant during the preceding month. There will be separate invoices for each of the following audits if the Consultant performs work on them during the preceding month: financial audit of the City’s CAFR; Single Audit; financial audit of the Hydroelectric Power Fund; financial audit of the Fire & Police Disability & Retirement Funds; financial audit of Portland Development Commission’s CAFR, and financial audit of Mt. Hood Cable Regulatory Commission.

The invoice shall contain the City's Contract Number and set out all items for payment including, but not limited to: the name of the individual, labor category, direct labor rate, hours worked during the period, and percentage completion for the major audit milestones, and tasks performed. The invoice shall separate out the hours worked and amount billed for the reviews of the IT systems when applicable. The Consultant shall also attach photocopies of claimed reimbursable expenses, if applicable. The Consultant shall stamp and approve all subconsultant invoices and note on the subconsultant invoice what they are approving as "billable" under the Contract. The billing from the prime should clearly roll up labor and reimbursable costs for the prime and subconsultants – matching the subconsultant invoices. Prior to initial billing, the Consultant shall develop a billing format for approval by the City. The billing format preferred by the City's Contract manager is attached as **Exhibit H** to this Agreement.

The City shall pay all amounts to which no dispute exists within 30 days of receipt of the invoice. Payment of any bill, however, does not preclude the City from later determining that an error in payment was made and from withholding the disputed sum from the next progress payment until the dispute is resolved.

The Consultant shall make full payment to its subconsultants within 10 business days following receipt of any payment made by the City to Consultant.

ACH Payments

It is the City's policy to pay its Consultant invoices via electronic funds transfers through the automated clearing house (ACH) network. To initiate payment of invoices, Consultants shall execute the City's standard ACH Vendor Payment Authorization Agreement.

Upon verification of the data provided, the Payment Authorization Agreement will authorize the City to deposit payment for services rendered directly into Consultant accounts with financial institutions. All payments shall be in United States currency.

8. DIVERSITY REQUIREMENTS

The City values, supports and nurtures diversity, and encourages any firm contracting with the City to do the same. The Consultant shall submit to the City an Annual Diversity in Workforce Report (ADWR), made part of this Contract by reference, reporting the percentage of minority and/or female partners firmwide and the percentage of their employees that are minorities and/or female firmwide **as of January 31**. In addition, this report will contain two tables (one for females and one for males) of ethnicity analysis for the Consultant's employees, using the racial and ethnic categories established by the Department of Labor Office of Federal Contract Compliance Programs (OFCCP) for record-keeping and reporting required under the Executive Order 11246. The OFCCP ethnicity groups are currently Whites; Blacks; Hispanics; Asian/Pacific Islanders; and American Indians/Alaskan Natives.

The Consultant shall certify that the information contained in the ADWR is complete and accurate. Consultant shall submit the ADWR **within one month of the date of the data contained within it**, to the City's contract manager.

The Consultant shall continue its outreach when recruiting to ensure that all its job postings reach external agencies/organizations that represent females, minorities, veterans and persons with disabilities.

WORKERS' COMPENSATION INSURANCE STATEMENT

IF YOUR FIRM HAS CURRENT WORKERS' COMPENSATION INSURANCE, CONSULTANT MUST SIGN HERE:

I, undersigned, am authorized to act on behalf of entity designated below, and I hereby certify that this entity has current Workers' Compensation Insurance.

Consultant Signature: [Signature] Date: 4/25/17 Entity: Moss Adams, LLP

IF YOUR FIRM DOES NOT HAVE CURRENT WORKERS' COMPENSATION INSURANCE, CONSULTANT MUST COMPLETE THE FOLLOWING INDEPENDENT CONSULTANT CERTIFICATION STATEMENT:

As an independent Consultant, I certify that I meet the following standards:

- 1. The individual or business entity providing labor or services is registered under ORS Chapter 701, if the individual or business entity provides labor or services for which such registration is required;
2. Federal and state income tax returns in the name of the business or a business Schedule C or form Schedule F as part of the personal income tax return were filed for the previous year if the individual or business entity performed labor or services as an independent Consultant in the previous year; and
3. The individual or business entity represents to the public that the labor or services are to be provided by an independently established business. Except when an individual or business entity files a Schedule F as part of the personal income tax returns and the individual or business entity performs farm labor or services that are reportable on Schedule C, an individual or business entity is considered to be engaged in an independently established business when four or more of the following circumstances exist. Consultant: check four or more of the following:
A. The labor or services are primarily carried out at a location that is separate from the residence of an individual who performs the labor or services, or are primarily carried out in a specific portion of the residence, which portion is set aside as the location of the business;
B. Commercial advertising or business cards as is customary in operating similar businesses are purchased for the business, or the individual or business entity has a trade association membership;
C. Telephone listing and service are used for the business that is separate from the personal residence listing and service used by an individual who performs the labor or services;
D. Labor or services are performed only pursuant to written Contracts;
E. Labor or services are performed for two or more different persons within a period of one year; or
F. The individual or business entity assumes financial responsibility for defective workmanship or for service not provided as evidenced by the ownership of performance bonds, warranties, errors and omission insurance or liability insurance relating to the labor or services to be provided.

Consultant Signature _____ Date _____

FOR CITY USE ONLY

PROJECT MANAGER-COMplete ONLY IF CONSULTANT DOES NOT HAVE WORKER'S COMPENSATION INSURANCE
ORS 670.600 Independent Consultant standards. As used in various provisions of ORS Chapters 316, 656, 657, and 701, an individual or business entity that performs labor or services for remuneration shall be considered to perform the labor or services as an "independent consultant" if the standards of this section are met. The Contracted work meets the following standards:

- 1. The individual or business entity providing the labor or services is free from direction and control over the means and manner of providing the labor or services, subject only to the right of the person for whom the labor or services are provided to specify the desired results;
2. The individual or business entity providing labor or services is responsible for obtaining all assumed business registrations or professional occupation licenses required by state law or local government ordinances for the individual or business entity to conduct the business;
3. The individual or business entity providing labor or services furnishes the tools or equipment necessary for performance of the Contracted labor or services;
4. The individual or business entity providing labor or services has the authority to hire and fire employees to perform the labor or services;
5. Payment for the labor or services is made upon completion of the performance of specific portions of the project or is made on the basis of an annual or periodic retainer.

City Project Manager Signature _____ Date _____

CONSULTANT SIGNATURE:

This Contract may be signed in two (2) or more counterparts, each of which shall be deemed an original, and which, when taken together, shall constitute one and the same Agreement.

The parties agree the City and Consultant may conduct this transaction, including any Contract amendments, by electronic means, including the use of electronic signatures.

I, the undersigned, agree to perform work outlined in this Contract in accordance to the STANDARD CONTRACT PROVISIONS, the terms and conditions, made part of this Contract by reference, and the STATEMENT OF THE WORK made part of this Contract by reference; hereby certify under penalty of perjury that I/my business am not/is not in violation of any Oregon tax laws; hereby certify that my business is certified as an Equal Employment Opportunity Affirmative Action Employer and is in compliance with the Equal Benefits Program as prescribed by Chapters 5.33.076 and 5.33.077 of Code of the City of Portland; and hereby certify I am an independent consultant as defined in ORS 670.600.

Moss Adams, LLP

BY:



Date:

4/25/17

Name:

JAMES C. LANZAROTTA

Title:

PARTNER

CONTRACT NUMBER: 30005847

CONTRACT TITLE: Financial & Federal Compliance Audits FY2017+

CITY OF PORTLAND SIGNATURES:

By: Christine Moody
Chief Procurement Officer

Date: 5/12/17

By: Maryskel Cobello
Elected City Auditor

Date: 5/11/2017

Approved:

By: N/A
Office of City Auditor

Date: _____

Approved as to Form: **APPROVED AS TO FORM**

By: [Signature]
Office of City Attorney

Date: 4/25/17

CITY ATTORNEY

**Financial & Federal Compliance Audits FY2017+, Contract 30005847 – EXHIBIT A
CONSULTANT’S FEES and HOURS for SERVICES**

For the Audits of the 2016-17 to the 2018-19 Financial Statements

Total compensation to be paid to the Consultant by the Auditees under this Agreement shall not exceed the following amounts:

<u>Audit Services Costs</u>	<u>FY 2016-17</u>	<u>FY 2017-18</u>	<u>FY 2018-19</u>
Financial audit of the City of Portland’s Comprehensive Annual Financial Report, incorporating the Portland Development Commission’s CAFR as a Component Unit of the City’s CAFR) and related reports	\$ 301,000	\$ 307,020	\$ 313,161
Single Audit of federal assistance grant programs, based on audit of 6 major programs each year*	\$ 96,100	\$ 98,022	\$ 99,983
Review of IT systems producing City CAFR	\$ 18,000	\$ 18,360	\$ 18,727
Financial audit of the Hydroelectric Power Fund’s financial statements	\$ 14,700	N/A	N/A
Financial audit of the Fire & Police Disability & Retirement Funds’ financial statements	\$ 27,700	\$ 28,254	\$ 28,819
Financial audit of the Portland Development Commission’s (PDC) Comprehensive Annual Financial Report, including necessary requirements to meet the City of Portland’s Single Audit for grants managed by the PDC, and related reports	\$ 100,300	\$ 102,306	\$ 104,352
Review of IT systems producing PDC’s CAFR	\$ 12,800	\$ 13,056	\$ 13,317
Financial audit of the Mt. Hood Cable Regulatory Commission’s financial statements	\$ 13,150	\$ 13,413	\$ 13,681
Total Fees for All Services:	\$ 583,750	\$ 580,431	\$ 592,040
Total all-inclusive, Maximum* Fixed Price for All 3 Years:	\$ 1,756,221		
* Additional cost for each major program in excess of 6 for the Single Audit	\$ 16,000	\$ 16,320	\$ 16,646

The fees to be paid to the Consultant shall include additional time and cost that may be required by future accounting and auditing standard changes for the audits relating to each fiscal year for final standards, exposure drafts and preliminary views issued through February 15, 2017. The amounts above include the Management Recommendation Letters, “other services” of technical assistance and education and training for City and reporting entities staff, and the limited non-audit services, as set out in **Sections 1.5, 1.6, 1.7, and 1.8 of the Contract**. The fee amounts for each audit cover the Consultant’s out-of-pocket costs, such as but not limited to the cost of expected travel to the Auditees.

* If the number of major programs for the Single Audit exceeds the six provided for, the Contract will be amended to increase the compensation. If there are less than six major programs in any year the compensation will be reduced and the “not to exceed” amount for the Single Audit fee will be prorated down for that year for the actual number of major programs audited.

**Financial & Federal Compliance Audits FY2017+, Contract 30005847 – EXHIBIT A
CONSULTANT’S FEES and HOURS for SERVICES continued**

For the Audits of the 2019-20 and the 2020-21 Financial Statements

Total compensation to be paid to the Consultant by the Auditees under this Agreement shall not exceed the following amounts:

<u>Audit Services Costs</u>	<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>Five Year Total</u>
Financial audit of the City of Portland’s Comprehensive Annual Financial Report, incorporating the Portland Development Commission’s CAFR as a Component Unit of the City’s CAFR) and related reports	\$ 319,424	\$ 325,812	\$ 1,566,417
Single Audit of federal assistance grant programs, based on audit of 6 major programs each year*	\$ 101,982	\$ 104,022	\$ 500,109
Review of IT systems producing City CAFR	\$ 19,102	\$ 19,484	\$ 93,673
Financial audit of the Hydroelectric Power Fund’s financial statements	N/A	N/A	\$ 14,700
Financial audit of the Fire & Police Disability & Retirement Funds’ financial statements	\$ 29,395	\$ 29,983	\$ 144,151
Financial audit of the Portland Development Commission’s (PDC) Comprehensive Annual Financial Report, including necessary requirements to meet the City of Portland’s Single Audit for grants managed by the PDC, and related reports	\$ 106,439	\$ 108,568	\$ 521,965
Review of IT systems producing PDC’s CAFR	\$ 13,583	\$ 13,855	\$ 66,611
Financial audit of the Mt. Hood Cable Regulatory Commission’s financial statements	\$ 13,955	\$ 14,234	\$ 68,433
Total Fees for All Services:	\$ 603,880	\$ 615,958	\$ 2,976,059
Total all-inclusive, Maximum* Fixed Price for All 5 Years:	\$ 2,976,059		
* Additional cost for each major program in excess of 6 for the Single Audit	\$ 16,180	\$ 17,319	

The City Auditor may decide to extend this Contract for one or both of the audits for FY 2019-20 and FY 2020-21. The fees set out above for work relating to the audits of FY 2019-20 and FY 2020-21 cover and include the costs included in the fees for the first three years of this Contract, FYs 2016-17 through 2018-19. If the Contract is extended, the City will negotiate any adjustments to the fees for the extension year(s) for any industry-specific salary inflationary rate increases that vary from the inflationary rates built into the FY 2019-20 and FY 2010-01 fees given above. In addition, the Mt. Hood Board or its delegate representative(s) may or may not request the continued inclusion of Mt. Hood’s financial statements audit in such an extension.

* If the number of major programs for the Single Audit exceeds the six provided for, the Contract will be amended to increase the compensation. If there are less than six major programs in any year the compensation will be reduced and the “not to exceed” amount for the Single Audit fee will be prorated down for that year for the actual number of major programs audited.

**Financial & Federal Compliance Audits FY2017+, Contract 30005847 – EXHIBIT A
CONSULTANT’S FEES and HOURS for SERVICES continued**

For the Audits of the 2016-17 to the 2018-19 Financial Statements

<u>Total Expected Audit Services Hours</u>	<u>FY 2016-17</u>	<u>FY 2017-18</u>	<u>FY 2018-19</u>
Financial audit of the City of Portland’s CAFR and related reports	1,490 Hrs	1,490 Hrs	1,490 Hrs
Single Audit, based on 6 major programs*	480 Hrs	480 Hrs	480 Hrs
Review of IT systems producing the CAFR	84 Hrs	84 Hrs	84 Hrs
Hydroelectric Power Fund’s audit	76 Hrs	N/A	N/A
Mt. Hood Cable Regulatory Commission’s financial audit	74 Hrs	74 Hrs	74 Hrs
Financial audit of PDC’s CAFR, and related reports	525 Hrs	525 Hrs	525 Hrs
Review of IT systems producing PDC’s CAFR	60 Hrs	60 Hrs	60 Hrs
Fire & Police Disability & Retirement Funds’ financial audit	105 Hrs	105 Hrs	105 Hrs
Total Hours for All Audits:	2,894 Hrs	2,818 Hrs	2,818 Hrs
* Additional time for each major program in excess of 6 in the Single Audit	80 Hrs	80 Hrs	80 Hrs

**Financial & Federal Compliance Audits FY2017+, Contract 30005847 – EXHIBIT A
CONSULTANT’S FEES and HOURS for SERVICES continued**

For the Audits of the 2019-20 and the 2020-21 Financial Statements

<u>Total Expected Audit Services Hours</u>	<u>FY 2019-20</u>	<u>FY 2020-21</u>
Financial audit of the City of Portland’s CAFR and related reports	1,490 Hrs	1,490 Hrs
Single Audit, based on 6 major programs*	480 Hrs	480 Hrs
Review of IT systems producing the CAFR	84 Hrs	84 Hrs
Mt. Hood Cable Regulatory Commission’s financial audit	74 Hrs	74 Hrs
Financial audit of PDC’s CAFR, and related reports	525 Hrs	525 Hrs
Review of IT systems producing PDC’s CAFR	60 Hrs	60 Hrs
Fire & Police Disability & Retirement Funds’ financial audit	105 Hrs	105 Hrs
Total Hours for All Audits:	2,818 Hrs	2,818 Hrs
* Additional time for each major program in excess of 6 in the Single Audit	80 Hrs	80 Hrs

**Financial & Federal Compliance Audits FY2017+, Contract 30005847 – EXHIBIT B
FINANCIAL STATEMENT DELIVERY DATES**

In addition to the Audit Schedules, the accounting staff of the City and its reporting entities will prepare and deliver the financial statements and report drafts to the Consultant by the dates listed below.

For future fiscal years covered by this Contract, the Auditee will deliver the financial statements on the same day in the stated month, except that if that due date falls on a weekend or holiday, the Auditee will deliver the financial statements on the workday immediately preceding the due date.

ENTITY/Statements, Schedules	Date Due to Consultant for FY2016- 17	Responsible Accounting Staff
CITY OF PORTLAND CAFR		
First draft CAFR, excluding PDC amounts. Containing a preliminary disclosure note on FPDR's pension.	9/22/2017	Technical Acctg Supervisor, Bureau of Revenue & Financial Services (BRFS)
Draft MD&A and CAFR pages with PDC amounts.	09/29/2017	City Controller, BRFS
Final draft CAFR	10/20/2017	Technical Acctg Supervisor, BRFS
Final MD&A	10/23/2017	City Controller, BRFS
CITY OF PORTLAND SINGLE AUDIT		
Schedule of Federal Award Expenditures – Draft	7/28/2017	Principal Financial Analyst/Grants Division, BRFS
Summary Schedule of Prior Audit Findings (if applicable)	09/05/2017	Principal Financial Analyst/Grants Division, BRFS
Schedule of Federal Award Expenditures – Formatted	09/27/2017	Principal Financial Analyst/Grants Division, BRFS
Data Collection Form	11/30/2017 (Note 1)	Principal Financial Analyst/Grants Division, BRFS
Corrective Action Plan	12/6/2017 (Note 2)	Principal Financial Analyst/Grants Division, BRFS
PORTLAND DEVELOPMENT COMMISSION (PDC)		
First draft CAFR	09/26/2017	Accounting Manager/PDC
Final draft CAFR	10/11/2017	Accounting Manager/PDC
FIRE & POLICE DISABILITY AND RETIREMENT FUNDS		
Final draft financial statements	9/29/17	FPDR Financial Manager
HYDROELECTRIC POWER FUND		
Draft Statement of Annual Purchase Price	10/19/2017	Hydroelectric Project Mgr/ Hydroelectric Power Division, Water Bureau
Final Statement of Annual Purchase Price	12/29/2017	Hydroelectric Project Mgr, with data from PGE
Final draft financial statements	01/05/2018	Technical Acctg Supervisor, BRFS
MT. HOOD CABLE REGULATORY COMMISSION		
Budgetary Trial Balance numbers, Accounting Period 12	8/28/2017	Technical Acctg Supervisor, BRFS
Component units' audited financial statements	10/10/2017	Director, Mt. Hood
Budgetary & GAAP Trial Balance numbers, Accounting Period 13	11/07/2017 (Note 3)	Technical Acctg Supervisor, BRFS
Completed draft financial statements, including GAAP Basis & Budgetary Basis Statements	11/07/2017 (Note 3)	Technical Acctg Supervisor, BRFS

**Financial & Federal Compliance Audits FY2017+, Contract 30005847 – EXHIBIT B
FINANCIAL STATEMENT DELIVERY DATES continued**

Note 1 – City will prepare Data Collection Form from the audited Schedule of Awards of Federal Expenditures, submit it to the Federal Clearinghouse, and provide to the Consultant by this date. Consultant needs time to review this data before the deadline for Auditor's certification of it online, which is the earlier of 30 days after the Consultant's Single Audit reports and March 31 in the following year.

Note 2 – three weeks after City's receipt of Schedule of Findings and Questioned Costs in written form or three weeks after issuance of Single Audit reports if later.

Note 3 – Mt. Hood's draft financial statements, and the budgetary and GAAP trial balance for accounting period 13 will be sent to the Consultant and to Mt. Hood's Finance Committee on November 21, 2017. The Finance Committee will meet to approve the draft financial statements by the end of the first week in December 2017

All the audit schedules on the PBC lists, the financial statements, and report drafts listed above will be materially accurate, consistent between each other, and free of material un-reconciled differences in order for the Auditee to be considered to have delivered them to the Consultant. Lack of timely delivery by the Auditee to the Consultant will be a change in the scope of work that may require an amendment to the resulting Contract for audit services.

Auditee personnel will send financial statements and, where appropriate, audit schedules and requested support to the Consultant electronically, by means of the Consultant's secure Internet portal.

**Financial & Federal Compliance Audits FY2017+, Contract 30005847 – EXHIBIT C
AUDITEE PROJECT MANAGERS FOR FY2017 AUDITS**

The Auditees' project managers or their designees will be the primary point of contact for the Consultant to obtain audit evidence. The Auditees' project managers assigned to provide the Consultant with support for each audit are identified below. The City through its Contract Manager will provide Consultant with written notice, by letter or electronic mail, documenting appropriate successor project managers or additional designees from time to time.

Audit	Auditee Project Manager	Telephone
CITY OF PORTLAND's CAFR	Michelle Kirby City Controller Accounting Division Bureau of Revenue & Financial Services michelle.kirby@portlandoregon.gov	(503) 823-4358
FEDERAL COMPLIANCE	Sheila Craig Principal Financial Analyst, Grants Compliance Program Bureau of Revenue & Financial Services sheila.craig@portlandoregon.gov	(503) 823-6863
PORTLAND DEVELOPMENT COMMISSION	Faye Brown Chief Financial Officer brownf@pdc.us	(503) 823-3230
FIRE & POLICE DISABILITY & RETIREMENT FUND	Stacy Jones FPDR Financial Manager stacy.jones@portlandoregon.gov	(503) 823-2609
HYDROELECTRIC POWER FUND	Glenn Pratt Hydroelectric Project Mgr Hydroelectric Power Division Water Bureau glenn.pratt@portlandoregon.gov	(503) 823-6107
MT. HOOD CABLE REGULATORY COMMISSION	Ann Goldenberg Staff Director, Mt. Hood and Manager, Office for Community Technology Ann.Goldenberg@portlandoregon.gov	(503) 823-5414

**Financial & Federal Compliance Audits FY2017+ Contract 30005847– EXHIBIT C
AUDITEE PROJECT MANAGERS FOR FY2017 AUDITS continued**

In addition, there will be the following specific agency/bureau contacts:

<u>Audit Area</u>	<u>Agency/Bureau Contact</u>	<u>Telephone</u>
City CAFR's Audit Schedules, Hydroelectric Power's Financial Statements, And Mt. Hood's Financial Statements	Ron Vaught Technical Accounting Supervisor Bureau of Revenue & Financial Services Ronald.Vaught@portlandoregon.gov	(503) 823-2790
City Debt	Eric Johansen Debt Manager Public Finance and Treasury Division, Bureau of Revenue & Financial Services Eric.Johansen@portlandoregon.gov	(503) 823-4222
City Revenue	Thomas Lannom Director, Revenue Division Bureau of Revenue & Financial Services Thomas.Lannom@portlandoregon.gov	(503) 823-5154
Utility Team	Remani Mathew Business Operations Manager Water Bureau Remani.Mathew@portlandoregon.gov	(503) 823-7634

Financial & Federal Compliance Audits FY2017+, Contract 30005847 – EXHIBIT D ACCOUNTING SYSTEMS and TRANSACTION CYCLES DOCUMENTATION

The City of Portland, FPDR, the Hydroelectric Power Fund, and Mt. Hood Cable Regulatory Commission use an enterprise resource platform, SAP. All aspects of accounting transactions are contained in the SAP system, including Accounts Payable, Accounts Receivable, General Ledger, Grants, and Payroll. However, some transactions are interfaced into SAP from subsidiary systems, including: Aliquant for third-party vendors, Maximo for inventory, BLIS for business license taxes, Cayenta for utility billing, and Housing Development Software for loans receivable. FPDR makes all payments to members from its benefits database (a custom SQL database) and records these payments in SAP by journal entry; other payments are made through SAP. Development services uses TRACS software from CSDC Systems, Inc. to handle permits and records these revenues in SAP by journal entry.

The City's CAFR is produced by CaseWare, using the trial balance imported from SAP.

The Portland Development Commission uses an Enterprise Software System, Microsoft Dynamics AX. All aspects of accounting transactions are contained in the Microsoft Dynamics AX. System, including Accounts Payable, Accounts Receivable, General Ledger, Purchasing, and Payroll. In addition, PDC uses Portfol to track financial assistance transactions (grants and loans made by PDC) in greater detail than it imports to the Microsoft Dynamics AX System.

Transaction Cycles Documentation

The management of the City of Portland and its reporting entities will provide documentation to the financial auditors of the systems of effective internal controls over financial reporting. This documentation will relate to the internal controls, and the automated systems, found in the following transaction cycles:

The City of Portland

- Budget
- Cash and Investments
- Capital Assets
- Debt
- Financial Close
- Grants
- Hydroelectric Power
- Interfund Due To / Due From
- Payroll
- Procurement – Accounts Payable
- Revenue – Accounts Receivable
- Revenue – Bureau of Development Services
- Revenue – Fire and Rescue Bureau
- Revenue – Office for Community Technology
- Revenue – Parks and Recreation
- Revenue – Portland Bureau of Transportation

Financial & Federal Compliance Audits FY2017+, Contract 30005847 – EXHIBIT D
ACCOUNTING SYSTEMS and TRANSACTION CYCLES DOCUMENTATION
continued
Provided by City of Portland, Oregon and Reporting Entities

The City of Portland continued

- Revenue – Portland Housing Bureau
- Revenue – Revenue Division (Arts Tax, Business Taxes)
- Revenue – Water and Sewage and Stormwater Utility Fees
- Risk Management (Some Insurance Services and Workers' Compensation)
- Single Audit (procurement controls in accordance and in compliance with federal requirements)

Portland Development Commission

- Accounts payable
- Accounts receivable
- Capital assets
- Cash
- Charges for services revenue
- Due to/From PDC funds
- Due to/From City of Portland
- Financial close
- Grants/IGAs
- Loans receivable
- Payroll
- Property held for sale
- Risk management
- Tax increment debt proceeds (in lieu of tax increment) revenue
- Transfers

Financial & Federal Compliance Audits FY2017+, Contract 30005847 – EXHIBIT E WORK PERFORMED BY THE CITY AND OTHERS

The Auditees (being the City of Portland, Portland Development Commission, Fire and Police Disability and Retirement Funds, Hydroelectric Power Fund, and Mt. Hood Cable Regulatory Commission) will provide Consultant with the services, documents, representations and facilities listed in this Exhibit.

The Auditees' project managers or their designees will be the primary point of contact for the Consultant to obtain audit evidence. The Auditees' project managers assigned to provide this support from each of the audited entities and/or major audit areas for the first year's audits are listed in **Exhibit C** to this Agreement.

1. GENERAL

The City agrees that:

- 1.1. Consultant's report on the Auditees' financial statements must be associated only with the financial statements that were the subject of Consultant's engagement. The City and its reporting entities may make copies of the Consultant's report, but only if the entire financial statement (including related footnotes and supplemental information, as appropriate) is reproduced and distributed with the Consultant's report. The Auditees agree not to reproduce or associate Consultant's report with any other financial statements, or portions thereof, that are not the subject of this engagement.
- 1.2. Auditees agree to include Consultant's report on supplementary information in any document that contains the supplementary information and that indicates Consultant's has reported on such supplementary information. Auditees are responsible to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the Auditee of the supplementary information and Consultant's report thereon. For purposes of this **Exhibit E**, audited financial statements are deemed to be readily available if a third party user can obtain the audited financial statements without any further action by Auditees. For example, financial statements on Auditees' Web sites may be considered readily available, but being available upon request is not considered readily available.
- 1.3. Auditees may make reference to the Consultant's reports in official bond offering statements and continuing disclosure filings, provided the Auditee incorporates appropriate disclaimer language noting that:
 - a) the Consultant's consent has not been requested in connection with the bond offering or continuing disclosure filing;
 - b) the Consultant has not performed, since the date of its report, any procedures on the financial statements addressed in that report; and
 - c) the Consultant was not requested, and has not performed, any services in the connection with the bond offering or continuing disclosure filing, and is therefore not associated with the bond offering or continuing disclosure filing.

2. AUDITEE MANAGEMENT'S RESPONSIBILITIES

Management of the City and its reporting entities acknowledges their responsibility for the following acts:

- 2.1 Compliance with applicable laws, rules, regulations, contracts, and grants and federal award programs.

- 2.2 Establishing and maintaining an effective internal control structure in accordance with Government Auditing Standards and auditing standards generally accepted in the United States of America. This responsibility includes:
 - 2.2.1 Maintaining accounting and administrative controls over the City's revenues, obligations, expenditures, assets and liabilities;
 - 2.2.2 Safeguarding of assets;
 - 2.2.3 Maintaining adequate books and records;
 - 2.2.4 Executing transactions as authorized by management's authorization and the proper recording of the same;
 - 2.2.5 Year-end closing of all books and accounts timely and accurately; and
 - 2.2.6 Counting physical inventory at or near year-end.
- 2.3 Preparing the financial statements based on the Auditees' accounting records. In addition, Auditee management is responsible for the fair presentation of financial statements that reflect the nature and operations of the City and its reporting entities. Appropriate supervisory review procedures are necessary to provide reasonable assurance that adopted policies and prescribed procedures are adhered to and to identify errors and fraud or illegal acts that are material to the financial statements.
- 2.4 The financial statements and related notes and other disclosures are prepared to conform with accounting principles generally accepted in the United States of America (GAAP) and to comply with pronouncements of the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB), the Uniform System of Accounts for electric utilities, and/or federal and state reporting requirements, as appropriate to each Auditee.

The City's and its reporting entities' management will:

- 2.5 City Grants Management Division staff will provide the Consultant with a summary schedule of prior audit findings, a corrective action plan for current year audit findings, and the data collection form (Part 1).
- 2.6 Retrieve (and later re-file) selected documents for verification of numbers and information by the Consultant, either electronically whenever possible, or else in hard copy.
- 2.7 The Auditees' project managers and staff will coordinate location(s) and schedule weekly update meetings with the Consultant when their audit team is in the field for these audits. The Auditees' project managers will invite the City's contract manager to all these update meetings.
- 2.8 Receive and distribute adjusting journal entries proposed by the Consultant, and recording those adjusting journal entries accepted by Auditee management, as indicated in **Section 2.7** of the **STATEMENT OF THE WORK AND PAYMENT SCHEDULE** of the Agreement.
- 2.9 The Auditees' managers shall respond in writing to the Consultant's recommendations arising from these audits, as required by City Charter.
- 2.10 City Grants Management Division staff will file the management response also known as the Corrective Action Plan related to the federal compliance audit with the Federal Government as part of the Single Audit reporting package.

3. AUDIT SCHEDULES AND DRAFT REPORT DELIVERY DATES

The Consultant has based its fees set out in **Exhibit A** to this Agreement and scheduled the audits and delivery of the audit reports described in the **STATEMENT OF THE WORK AND PAYMENT SCHEDULE** of the Agreement based on the timely receipt of the services, audit schedules, financial statements, and report drafts listed below from the Auditee personnel.

2.1 Provided-By-Client Lists of Audit Schedules

The City refers to the documents that it will provide to its financial auditors for each year's audits as "audit schedules". The details of each audit schedule's name and the date by which the Auditee personnel and accounting staff must send it to the financial auditor, are contained in a provided-by-client (PBC) list.

The contents and due dates of the PBC list will be developed jointly by the Consultant and the Auditees' project managers for each Auditee as follows:

- 1) The Consultant will send its proposed PBC list to the Auditee project manager for each Auditee, briefly stating the reason each document on the list is necessary to the audit, e.g. to audit Assets or to support disclosure note on Pensions or to prepare "(insert as needed)".
- 2) The Auditee project manager will request changes to the PBC list to:
 - a. reflect changes in the Auditee's practices
 - b. suggest a better source of the required data, or
 - c. adjust the due dates to accommodate employees' needs or IT system processing dates.
- 3) The Consultant will revise its PBC list to incorporate the Auditee's changes it can accept, and re-send it to the Auditee project manager.

Each Auditee's project manager will send a copy of the PBC list to the City's contract manager, to be incorporated in to the Contract each year, after they have agreed upon the due dates with the Consultant.

In the event changes to the PBC lists are necessary as a result of information discovered during the course of an audit, Consultant and Auditees' project managers shall amend such PBC lists as appropriate, and the Auditees' project manager will send the revised PBC list to the City's contract manager.

The PBC lists for the first year's audits will be agreed upon at the earliest date feasible and **by October 19, 2017 for the Hydroelectric Power's audit**. The PBC lists for subsequent years' audits will be jointly developed prior to the following dates each year:

- **May 1** for the PBC lists for the City's CAFR for interim audit work, or no later than two weeks prior to the interim audit work date.
- **June 15** for FPDR's PBC list.
- **July 14** for the PBC lists for the City's CAFR and Mt. Hood Cable Regulatory Commission's financial statements for final fieldwork.
- **August 1** for PDC's CAFR PBC list.
- **September 1** for "auditor's test selection" for the Single Audit fieldwork.

The City's and its reporting entities' management will:

- Provide documentation to the financial auditors of the systems of effective internal controls over financial reporting for the **Accounting Systems and Transaction Cycles** listed in **Exhibit D** to this Agreement.
- Give the Consultant access to, and/or copies of, accurate and complete information and records related to the entity, federally-funded programs, or functions being audited, and access to government officials or other individuals as needed to conduct the audits required by this Agreement.
- Make available sufficient hours of staff personnel as is required to meet with the Consultant and provide such information as required.

2.2 Draft Financial Statement Delivery Dates

In addition to the Audit Schedules, the accounting staff of the City and its reporting entities shall prepare and deliver the financial statements and report drafts to the Consultant by the dates listed in **Exhibit B** Financial Statement Delivery Dates. Once the financial statement delivery dates for each year for each audit are agreed upon, the Auditee project manager will send the dates to the City’s contract manager for incorporation into the Contract.

The City and its reporting entities’ management will:

- Select and apply appropriate accounting principles for their organization, and will implement new accounting pronouncements.
- Prepare and fairly present the annual financial statements for their organization, in accordance with the applicable financial reporting framework.

Financial Statements:	Prepared by:
City of Portland CAFR	Accounting Division, Bureau of Revenue & Financial Services (BRFS)
Schedule of Expenditures of Federal Awards	Grants Division, BRFS
PDC’s CAFR	PDC Accounting
FPDR’s Financial Statements	FPDR and Accounting Division, Bureau of Revenue & Financial Services (BRFS)
Hydroelectric Power’s Financial Statements	Accounting Division, Bureau of Revenue & Financial Services (BRFS)
Mt. Hood’s Financial Statements	Accounting Division, Bureau of Revenue & Financial Services (BRFS)

- Assemble and print or electronically publish the audited financial statements, supplemental schedules and related notes as indicated in the **SCOPE OF WORK, Section 1.2, items i through v.** of the Agreement, together with the related auditor’s report(s).

2.3 Provision of Timely, Accurate Audit Schedules and Financial Statements

For future fiscal years covered by this Contract, the Auditee will deliver the financial statements on the same day in the stated month, except that if that due date falls on a weekend or holiday, the Auditee will deliver the financial statements on the workday immediately preceding the due date.

The final delivery date for the Consultant’s audit opinions and reports depends upon the Auditees’ punctual delivery of the audit reports and financial statements. The Consultant will not be considered to have received the financial statements, report drafts and audit schedules until they are accurate, consistent with other related schedules and statements, and free of material un-reconciled differences.

Lack of timely delivery by the Auditee to the Consultant will be a change in the scope of work that may require an amendment to the resulting Contract for audit services. Refer to **Exhibit G Contract Amendments** of this Agreement.

Auditee personnel will send financial statements and, where appropriate, audit schedules and requested support to the Consultant electronically, by means of the Consultant’s secure Internet portal.

Note: Properly approved Contract amendments must be obtained for changes in scope, deadlines, and/or adjustments to compensation before the Consultant undertakes any additional hours of work or new work. Failure to follow the procedures to obtain amendments set out in **Exhibit G** of this Agreement shall preclude any extension of report delivery dates or adjustments to compensation.

4. ACTUARIES REPORTS

The City's contracted actuaries will calculate the net pension liability for the Fire & Police Disability & Retirement Fund and prepare associated tables for the Required Supplementary Information sections of the FPDR audit document and the City CAFR. In addition, the City uses contracted actuaries to assist with the City's reporting of other liabilities, including Other Post Employment Benefit and Workers Compensation claim liabilities.

5. CITY FACILITIES

The City will provide the Consultant with working and meeting facilities when required and as available, at the discretion of the City. These facilities will include access to electrical outlets and "Read-only" access to the City's and the reporting entities' internal IT systems.

Access to the City's electrical outlets and its internal IT systems will not be granted until the Consultant completes the forms required to get security clearance from the City's Bureau of Technology Services and from PDC's IT Department. Consultant may need to submit an official request on its letterhead, by email, which will list the personnel to be granted such access and the identification of the laptops the Consultant wishes to connect to the City's IT systems.

Refer to **Sections 34. Confidentiality** and **35. Security** in this Agreement's **TERMS AND CONDITIONS**.

6. CONTRACT MANAGEMENT

The City Auditor's Audit Services Division manages the audit Contract for the City and has assigned a Contract manager to oversee the Consultant's work and provide support as needed.

Contract Manager: Fiona Howell Earle, ACA, CIA,
Principal Management Auditor
Audit Services Division
1221 S.W. Fourth Avenue, Rm 310
Portland, OR. 97204
Tel. (503) 823-3539
Email: Fiona.Earle@portlandoregon.gov

Select Auditee project managers from each of the audited entities and/or major audit areas are assigned to interact with the Consultant on a day-to-day basis and to provide audit evidence. A list of the Auditee project managers for the first year's audits is provided in **Exhibit C** to this Agreement.

The City's Contract Manager will:

- Receive the successful Consultant's billings and process them for payment if appropriate, after consulting with the Auditee project managers.
- Prepare and process for approval any necessary amendments to this Contract, as requested by the Auditees and process for approval any necessary amendment requested by the Consultant.
- Coordinate location(s) and schedule pre-audit meetings each year between Consultant and those charged with governance, if requested by the Consultant or by the Auditee project manager(s).
- Coordinate location(s) and schedule post-audit meetings each year between the Consultant and:
 - ❖ the Mayor and City Council no later than three months after the audit opinion date;
 - ❖ PDC's Board of Commissioners no later than three months after the audit opinion date;
 - ❖ the City's accounting staff from the Auditees and the bureaus affected by the results of each audit within 2 months after the audit opinion date.

7. MANAGEMENT REPRESENTATIONS

From time to time, and especially at the conclusion of the audits, Auditee management will sign, and return to the Consultant, Representation Letters as required by applicable auditing standards. These Representation Letters will cover the elements required by the Consultant's professional auditing standards, and will acknowledge and confirm representations made by the City and its reporting entities' management, during the audit including, among other things:

- 7.1. Management's responsibility for the preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America, pronouncements of the Governmental Accounting Standards Board, the Uniform System of Accounts for electric utilities, and/or federal and state reporting requirements as appropriate.
- 7.2. The availability of financial records and related data, including the completeness and availability of all minutes of the City Council meetings.
- 7.3. Management's responsibility for the Auditees' compliance with laws and regulations, the identification and disclosure to the Consultant of all laws and regulations that have a direct and material effect on the determination of financial statement amounts and to the best of their knowledge and belief, the absence of fraud involving management or those employees who have significant roles in the control structure.

The Consultant will provide the Representation Letters to the Auditees in Word format and will rely on these letters in the course of providing the City the services requested by this Contract.

Additionally, management will provide representations as to:

- 7.4. The proper presentation of the financial reporting entity's financial statements to be audited, the inclusion of all Component Units, and the disclosure of all joint ventures and other related organizations;
- 7.5. The proper classification of funds;
- 7.6. The proper approval of reserves or designations of fund equities;
- 7.7. Compliance with laws and regulations, including budget laws or ordinances;
- 7.8. Compliance with any tax or debt limits, including any related debt covenants;
- 7.9. Identification of all federal assistance programs, if applicable, and compliance with all related grant requirements; and
- 7.10. The effect of uncorrected financial statement misstatements on the financial statements taken as a whole.

Regarding the **required supplementary information** that the designated accounting standard setter, the Governmental Accounting Standards Board, requires to accompany the basic financial statements, Auditee management will confirm in the Representation Letters they provide the Consultant:

- 7.11. Management's responsibility for the preparation of the required supplementary information and that the required supplementary information has been measured and presented in accordance with prescribed guidelines;
- 7.12. Whether the methods of measurement or presentation have changed from those used in the prior period and, if so, the reasons for such changes; and

- 7.13. Any significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information.

Regarding the **supplementary information (SI)** included in the reporting entities' financial statements, Auditee management will confirm in the Representation Letters they provide the Consultant:

- 7.14. The SI was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements,
- 7.15. The SI relates to the same period as the financial statements,
- 7.16. The SI is presented consistent with applicable accounting standards, and meets additional applicable Oregon Municipal Audit Standards requirements.

8. AUDITEE REPORTING DUTIES

The Auditee project manager will deliver copies of the audited financial statements for the Hydroelectric Power Fund to Portland General Electric. PDC's Auditee project manager will deliver copies of PDC's audited CAFR to the Tax Supervising and Conservation Commission.

The Auditees' managers will respond in writing to Consultant's recommendations arising from these audits, as required by City Charter.

City Grants Office staff will file the management response related to the federal compliance audit with the Federal Government as part of the Single Audit reporting package.

It is Auditee managements' responsibility to electronically submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and corrective action plan, as applicable) along with the Data Collection Form to the designated federal clearinghouse and, if appropriate, to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after the date of the auditors' reports or nine months after the end of the audit period.

9. AUDITEE RESPONSIBILITIES FOR NON-AUDIT SERVICES

Consultant's professional standards require that Consultant remain independent with respect to its audit clients, including those situations where Consultant also provides non-audit services such as those identified in Agreement's **Section 1.8**. As a result, Auditees accept the management responsibilities related to this engagement as set forth in the Consultant's professional auditing standards and as listed below:

- Make all management decisions and perform all management functions (although Consultant may provide advice, research materials, and recommendations to assist management in making decisions).
- Oversee the service by designating an individual, preferably within senior management, who possesses skill, knowledge, and/or experience to oversee Consultant's non-audit services. The individual is not required to possess the expertise to perform or reperform the services.
- Evaluate the adequacy and results of the non-audit services performed.
- Accept responsibility for the results of the non-audit services performed.

Auditees shall inform Consultant regarding the individual(s) designated by the Auditee to oversee each non-audit service. If any issues or concerns in this area arise during the course of our engagement, Consultant will discuss them with Auditee and with contract manager prior to continuing with the engagement.

Financial & Federal Compliance Audits FY2017+, Contract 30005847 – EXHIBIT F REPORTING ON ANY WEAKNESSES OR DEFICIENCIES

Reporting on Any Weaknesses or Deficiencies and Non-Compliance Identified During the Audits.

F.1 General

As part of the audits, the Consultant will consider the Auditee's internal control structure, as required by auditing standards generally accepted in the United States of America and the standards for financial audits contained in Government Auditing Standards, and by OMB Circular A-133 and the Uniform Grant Guidance (UGG). These standards require the Consultant to obtain an understanding of the controls and assess risk as a basis for determining the nature, timing, and extent of auditing procedures necessary for expressing its opinion on the financial statements. The federal regulations also require the Consultant to report on the internal controls over financial reporting and on the Auditee's compliance with appropriate legal provisions, and to report on internal control over compliance for each major federal award program.

The Consultant will discuss with management findings of non-compliance for the Oregon Minimum Standards report, and will advise the contract manager about the nature of the findings and Consultant's discussions with management before finalizing its findings. Consultant should share such a potential finding with Auditee management ahead of fully confirming the condition, cause and/or effect of the potential finding, with suitable warnings about the preliminary nature of its communication.

The Consultant will inform the City Auditor, the City contract manager, and Auditees of any fraud, or illegal acts, or significant errors that come to the Consultant's attention during the course of the audits. If the Consultant finds indications of fraud, waste and illegal acts, or questioned costs, during the federal compliance audit, Consultant will submit a separate written report to the funding agency or federal bureau when it is required by the Single Audit.

Note: Portland City Code requires that City (including PDC) management respond in writing to any auditor's findings and related recommendations. Therefore, the Consultant should gather and publish City managers' responses on the relevant bureau letterhead to any audit findings and recommendations, along with the published Consultant's letters or reports containing the findings or recommendations. The City's contract manager will assist the Consultant to obtain management's responses. If City management is late providing written responses, the City's contract manager has option to:

- (i) have Consultant's reports issued without management responses, or
- (ii) extend the Consultant's deadline(s) for issuance of the reports, except that the deadline cannot be later than the due date for filing the Single Audit reporting package with the federal government.

F.2 Reporting Any Significant Deficiency and/or Material Weakness

The Consultant will communicate any potential findings to Contract Manager no matter the eventual conclusion as to the severity of the issue, The Consultant will discuss with Auditee management significant deficiencies and/or material weaknesses in internal controls identified during the audit, and all findings of non-compliance with legal requirements or with federal award requirement required to be reported under applicable professional standards. Consultant will communicate significant deficiencies, material weaknesses and/or material non-compliance promptly. Consultant should share such a potential finding with Auditee management ahead of fully confirming the condition, cause and/or effect of the potential finding, with suitable warnings about the preliminary nature of its communication. The City prefers to be informed about such significant deficiencies, material weaknesses and non-compliance as soon as possible.

Additionally, the City's contract manager must be included in all communications and/or meetings between the Consultant and the Auditees' management about possible significant deficiencies or material weaknesses identified during an audit, no matter how these significant deficiencies or material weaknesses are identified.

The Consultant will communicate in writing with those charged with governance, with the City Auditor and with the Auditees on any material weakness and/or significant deficiency in the design or operation of internal control over financial reporting and/or internal controls over federal compliance that come to its attention during the audit.

The Consultant will meet the requirements of AU-C 265 and any successor statements by reporting any material weaknesses and significant deficiencies in both the Oregon Minimum Standards report for the City and PDC, and in the Schedule of Findings and Questioned Costs for the financial statement audit and the federal compliance audit as follows:

- The Oregon Minimum Standards report for the City's CAFR will be addressed to the City Council, and copied to the elected City Auditor.
- The Oregon Minimum Standards report for Portland Development Commission will be addressed to PDC's Board of Commissioners, the City Commissioner-in-Charge of PDC and the Executive Director, and will be copied to the elected City Auditor.
- The Schedule of Findings and Questioned Costs will be part of the Single Audit report, which should be addressed to the City Council, and copied to the elected City Auditor.

Should any material weakness and/or significant deficiency in the design or operation of internal control over financial reporting come to the Consultant's attention during the audit of FPDR and/or the Hydroelectric Power Fund's financial statements, then the Consultant will report these in writing to those charged with governance for the respective Auditee, with a copy to the elected City Auditor.

If any material weaknesses and significant deficiencies in internal controls in the IT systems used to produce the financial statements are identified during the audit, the Consultant will include these findings in the written IT review report addressed to the City Auditor and to the relevant IT department. The Consultant will provide a separate report if any such serious IT internal control weaknesses are found for both the City and Portland Development Commission. The City will invoke its privileges under ORS 192.501 (23) to exempt such reports from public disclosure. Consultant may be required by OMB Circular A-133 or UGG to include any IT related significant deficiencies or material weaknesses in the schedule of findings and questioned costs, which is not exempt from public exposure. Consultant will make its best efforts to avoid undermining the security of the Auditees' IT systems when writing up any such findings.

F.3 Management Recommendation Letters

Consultant will provide management letters with other (i.e. neither significant deficiencies nor material weaknesses) observations and recommendations relating to the financial audits and the federal compliance audit each year ("Management Recommendation Letter"). The Management Recommendation Letter will communicate less serious internal control deficiencies, recommendations for improvement that may lead to increased effectiveness and efficiency, or other matters to be brought to the attention of management.

Three such Management Recommendation Letters should be issued each year of this Contract, one each for the City, Portland Development Commission and Mt. Hood Cable Development Commission.

The Management Recommendation Letter for the City:

- should be addressed to the management of OMF and any other City bureau with a recommendation, and should be copied to the elected City Auditor.
- Consultant shall work with the contract manager and the Auditee project managers to prepare working draft of the Management Recommendation Letter and to discuss

proposed findings and recommendations with management and staff of applicable City bureaus and reporting entities.

- the working draft will be submitted to the contract manager not later than 30 days after the date of the Consultant's report on the City's CAFR.
- Consultant will prepare and deliver 1 hard copy and 1 pdf of the final Management Recommendation Letter, to the contract manager, not later than 60 days after the date of the Consultant's report on the City's CAFR.

The City bureaus (including PDC's) managers shall respond to audit recommendations made by the Consultant in these Letters, through the Commissioner In Charge, to the City Auditor and Consultant, in writing within the time specified by the City Auditor. Accordingly, the Consultant shall work with the contract manager and the Auditee project managers to prepare working drafts of the Management Recommendation Letters and to discuss proposed findings and recommendations with management and staff of applicable City bureaus and reporting entities.

The written responses will be appended to the Management Recommendation Letter by the contract manager for distribution to the Auditees and the addressees of the Management Recommendation Letter. In addition, the contract manager will deliver copies of the written responses to the Consultant, and will deliver copies of the Management Recommendation Letter with the appended responses to members of City Council.

The Management Recommendation Letter for the Portland Development Commission:

- should be addressed to the PDC Board of Commissioners and Audit Committee, and to the Executive Director and should be copied to the elected City Auditor through the City's contract manager.
- Consultant shall work with PDC's audit project manager to prepare a working draft of the Management Recommendation Letter and to discuss proposed findings and recommendations with PDC management and staff.
- the working draft will be submitted to the PDC audit project manager and the contract manager no later than 30 days after the date of the Consultant's report on PDC's CAFR.
- Consultant will prepare and deliver 1 hard copy and 1 pdf of the final PDC Management Recommendation Letter, to the PDC audit project manager and the contract manager no later than 45 days after the date of the Consultant's report on PDC's CAFR.

PDC management shall provide written responses to its Audit Committee within 30 working days of receipt of a final Management Recommendation Letter. Management's written responses will be provided in a separate letter to the PDC Audit Committee, copied to the elected City Auditor and will include a copy of the Management Recommendation Letter as an attachment. Both the Management Recommendation Letter and management's written responses will be presented to the PDC Audit Committee for acceptance at the earliest possible Board of Commissioners meeting following receipt of the final Letter. A copy of the final Management Recommendation Letter and written responses will be provided to the Contract manager by the PDC audit project manager within 5 days of PDC Board acceptance.

The contract manager may deliver copies of PDC's Management Letter with the appended written responses to members of City Council.

The Management Recommendation Letter for the Mt. Hood Cable Regulatory Commission:

- the working draft will be submitted to Mt. Hood's Audit Project Manager, with a copy to the City's contract manager, not later than 30 days after the date of the Consultant's report on Mt. Hood's financial statements each year.
- Consultant shall work with Mt. Hood's audit project manager, and the management of the Accounting Division of BRFs and, if necessary, the City's contract manager to prepare a working draft of the Management Recommendation Letter and to discuss

proposed findings and recommendations with Mt. Hood and BRFS management and staff. The Accounting Division of BRFS prepares Mt. Hood's financial statements and the Revenue Division of BRFS provides staff for Mt. Hood's activities.

- The Consultant will prepare and deliver 1 hard copy and 1 pdf of the final Management Recommendation Letter each year, to Mt. Hood's audit project manager, with copies to the City's contract manager and the City Controller, and the Revenue Division Director, not later than 60 days after the date of the Consultant's audit opinion on Mt. Hood's financial statements.

Mt. Hood's Director and BRFS senior accounting management, as well as the Revenue Division Director, shall provide Consultant with written responses to any audit recommendations that are applicable to them, within 10 working days of receipt of a final Management Recommendation Letter. These management responses should be addressed to the Consultant. Mt. Hood and OMF's management, and the Director of the Revenue Bureau as applicable, will also send a copy of their response(s) to the City's contract manager.

For future fiscal years, covered by this RFP, the Consultant will deliver the three Management Recommendation Letters and the Auditees management will deliver their written responses on the same day in the stated month, except that if any due date falls on a weekend or holiday, that deliverable will be due by the workday immediately preceding the due date.

Financial & Federal Compliance Audits FY2017+, Contract 30005847 – EXHIBIT G CONTRACT AMENDMENTS

TO EXTEND DUE DATES FOR AUDIT SCHEDULES OR REPORTS OR ADJUST COMPENSATION

Properly approved contract amendments must be obtained for changes in scope, deadlines, and/or adjustments to compensation before the Consultant undertakes any additional hours of work or new work. **FAILURE TO FOLLOW THESE PROCEDURES SHALL PRECLUDE ANY EXTENSIONS OF REPORT DELIVERY DATES OR ADJUSTMENTS OF COMPENSATION**

1. The City's and its reporting entities' financial statements and audit schedules will not be considered to be delivered by the Auditee or received by the Consultant until they are accurate, consistent with other related schedules and statements, and free of material un-reconciled differences.
2. Any extensions of Consultant's deliverables' due dates, either requested **by the Consultant**, or as evidenced by non-receipt of reports by the City's Contract Manager, is a change in the scope of work under this Agreement that requires an amendment.
3. Any extension of a financial statement or audit schedule due date, either requested **by an Auditee**, or as evidenced by non-receipt by the Consultant, is a change in the scope of work under this Agreement that may require an amendment.
4. The Auditees and accounting staff of the City and reporting entities will make every reasonable effort to deliver to the Consultant financial statements and audit schedules that are accurate, consistent with other related schedules and statements, and free of material un-reconciled differences.
5. The Consultant will return to the Auditee for adjustment or correction any financial statements or audit schedules that are inaccurate, inconsistent, or contain material un-reconciled differences, **within one business day** of Consultant's determination that the statements or schedules are inaccurate, inconsistent, or contain material un-reconciled differences.
6. Consultant will make good faith efforts to schedule staff in such a way to work around temporary delays in receipt of certain audit schedules, to minimize risks of delay for reports and other deliverables. It will be Consultant's responsibility to inform Contract Manager of key dates or milestones on a weekly basis including any potential situations that could delay delivery dates.
7. Any extension of delivery dates will require Contract Manager approval.
8. A "Contract Amendment" (Form), as set forth at the end of this **Exhibit G**, shall be used to request extensions of financial statement or audit schedule delivery dates, and/or audit report delivery dates and/or adjustments to Consultant's compensation as set forth below:
 - a. If the amendment and extension of an audit report due date results from the Consultant's own internal operations and scheduling, and not from the Auditees' own internal operations or actions, the Consultant, the Auditees, and City Contract Manager shall enter into negotiations regarding the appropriateness of a decrease in Consultant's compensation
 - b. In the event the Auditees' untimely delivery of required documents results in the need for a contract amendment to extend the delivery date of required reports, and such delay is not the result of the Consultant's own internal operations and scheduling, **the delivery of the required audit reports will be extended by the same number of days that such delivery was delayed by the Auditees actions**. If such an amendment is required, the City's Contract Manager and the Consultant will conduct negotiations relative to the appropriateness of an

increase in compensation to the Consultant. Negotiations for an increase in compensation must include the verifiable Consultant's cost increases or loss of staff revenue to be considered. Consultant must make all reasonable efforts to minimize any potentially compensable under-utilization of staff. Compensation for unutilized staff time cannot exceed hours that may have been utilized through the original audit report delivery date.

- c. It is acknowledged that the successful Consultant's fee is based on receipt of a draft CAFR from the Auditee that is materially accurate and only requires minor changes as a result of Consultant's technical review. If multiple iterations of the CAFR are necessary either because of the significance of the changes found necessary from Consultant's review, or the inability of management to make the identified changes, Consultant will be entitled to request a scope change. Such change will allow for **up to 100 hours** of additional time **at the overall average hourly rate** inherent in the Contract for that fiscal year (calculated as the total fee not-to-exceed divided by total hours for that audit).

9. Processing amendments to the Contract

- a. If the amendment results from late delivery by the Auditees of financial statements or audit schedules, and not from the Consultant's own internal operations and scheduling, and such a delay results in the need for an increase in Consultant's compensation, the Auditees responsible for this delay, and not the City Auditor's Office, will pay for the increase in compensation. The project manager of the Auditee responsible for this delay will co-sign the Contract Amendment form to accept this cost.
- b. A Contract Amendment form shall be prepared and signed by the Consultant and delivered to the Auditee project manager(s) and Contract Manager. Upon receipt of the Contract Amendment form, the Contract Manager will obtain the signature(s) of the Auditee project manager(s) and deliver the signed form to the City Attorney's Office, the City Auditor and Chief Procurement Officer for approval and signature.
- c. Once approved, and fully signed, the Contract Amendment form shall constitute an amendment to the Agreement. The Contract Manager will distribute signed/approved copies of the Amendment to the Consultants and Auditee project manager(s), and will record the signed/approved amendment to the Agreement in SAP. The Consultant will not commence the work to be done under a change of scope amendment until the Contract Amendment form has been approved, and fully signed.
- d. If a change in scope results in an increase in fees, the Contract Manager will facilitate the increase in total compensation to the Consultant, including formal approval of such amendments by the City Auditor and the Chief Procurement Officer and/or City Council as appropriate. If this change relates to PDC or Mt. Hood, the Contract Manager will facilitate the increase with PDC management or Mt. Hood's Board or its delegate representative(s), respectively.

10. Limit on Report Due Date Extensions

THE CONSULTANT AND AUDITEES AGREE TO EXERCISE THEIR BEST EFFORTS TO MINIMIZE THE POSSIBILITY THAT ANY AMENDMENTS UNDER THESE PROCEDURES EXTEND REPORT DELIVERY DATES BEYOND THE TIME REQUIRED TO FILE THESE REPORTS WITH APPLICABLE AGENCIES UNDER FEDERAL, STATE, OR LOCAL LAWS, CONTRACTS, OR AGREEMENTS, OR WITH THE GOVERNMENT FINANCE OFFICERS ASSOCIATION FOR PURPOSES OF OBTAINING A CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING.

[Items in RED should be deleted] AMENDMENT NO. *

CONTRACT NO. 30005847

FOR

Financial & Federal Compliance Audits FY2017+

Pursuant to Ordinance No. _____

[Reference ordinance authorizing this amendment, if applicable. If not, delete this and line above.]

This Contract was made and entered by and between Moss Adams, LLP, hereinafter called Consultant, and the City of Portland, a municipal corporation of the State of Oregon, by and through its duly authorized representatives, hereinafter called City.

The following are typical examples of amendments to contracts:

1. This Contract is hereby extended through * .
2. An extension of time is requested for delivery of _____. *[Indicate what needs to be extended and by how many days or until a specific date.]*
3. Additional work is necessary as described in the Scope of Work as follows *[identify changes to the scope of work]:* *(Explain fully the cause/need for the change)*
4. An adjustment in the compensation is not required. **OR** The sum the city will pay for the additional work must not exceed \$ * .
5. Consideration section (a) is deleted and replaced with the following sentence.
 - (a) City agrees to pay consultant a sum not to exceed \$[new amount] for accomplishment of the work. This new amount was calculated as follows:

 \$XX,XXX (Original Contract Amount)
 + \$ X,XXX (Amendment #1 Amount)
 + \$X,XXX (Amendment #2 Amount)
 = \$XX,XXX (Total Not-to-Exceed Amount)

All other terms and conditions shall remain unchanged and in full force and effect.

[Signature block must remain on same page]

CONSULTANT SIGNATURE:

This Contract amendment may be signed in two (2) or more counterparts, each of which shall be deemed an original, and which, when taken together, shall constitute one and the same Contract amendment.

The parties agree the City and Consultant may conduct this transaction by electronic means, including the use of electronic signatures.

Moss Adams, LLP

By: _____ Date: _____

Name: _____

Title: _____

Address: _____

Telephone: _____

Contract No. 30005847 Amendment/Change Order No. _____

Contract Title: Financial & Federal Compliance Audits FY2017+

CITY OF PORTLAND SIGNATURES:

By: _____
Chief Procurement Officer

Date _____ : _____

By: _____
Elected City Auditor

Date _____ : _____

Approved:

By: _____
Office of City Auditor

Date _____ : _____

Approved as to Form:

By: _____
Office of City Attorney

Date _____ : _____

I understand and agree that should the [change(s)]/[extension of time] result in an increase in the basic contract price, such increase will be billed directly to my Bureau/Division/ Department and will be payable from my Fund/Bureau's FY 201x-201x budget appropriation.

AUDITEE PROJECT MANAGER _____

**Financial & Federal Compliance Audit Contract – EXHIBIT H
BILLING FORMAT PREFERRED**

City of Portland

REMOVE TEXT IN RED.

Fiona Earle

1221 SW 4th Ave., Room 310

Portland, OR. 97204

Contract No. 30005847

INVOICE No.: _____

BILLING AND PROGRESS REPORT

Billing Period Ended Prior Month 30, 2017
for the audit of the

Auditee's FY 2016-2017 Financial Statements

There will be separate invoices for the City's CAFR audit (showing the IT review as a separate line), for the Single Audit, and for the financial audits of the Portland Development Commission (showing PDC's IT review as a separate line), the Fire and Police Disability and Retirement Funds, the Hydroelectric Power Fund and Mt. Hood Cable Regulatory Commission.

Hours Worked during Billing Period by Team Member:

- **for the City's FY 2016-17 CAFR audit**

Name of Individual/Labor Category,	Hours @ Rate	
James Lanzarotta/Partner	2 hours @ \$425/hour	\$ 850
Ken DeHart/Sr. Manager	16 hours @ \$335/hour	\$ 5,360
Joe Blogs/Senior	26 hours @ \$200/hour	\$ 5,200
Jane Doe/Staff	<u>40 hours @ \$160/hour</u>	<u>\$ 6,400</u>
	89 hours	\$ 17,795

- **Review of IT systems of the City**

Name of Individual/Labor Category,	Hours @ Rate	
Greg Damon/IT Sr. Manager	<u>5 hours @ \$340/hour</u>	<u>\$ 1,700</u>
	5 hours	\$ 1,700

Total Current Billing: 89 hours **\$ 19,510**

Billings to Auditees:	Previously Billed	CURRENT BILLING	Total Billings to Date	Contract "Not to Exceed" Fees	Contract Amount Remaining
CAFR of the City	\$ 8,910.00	\$ 17,810	\$26,720.00	\$301,000	\$274,280
IT systems for the CAFR	\$10,044.00	\$ 1,700	\$11,744.00	\$ 18,000	\$ 6,256
Total due this invoice	\$18,954.00	\$ 19,500	\$38,464.00	\$319,000	\$280,536

**Financial & Federal Compliance Audit Contract – EXHIBIT H
BILLING FORMAT PREFERRED continued**

Hours Billed to Auditees:	Hours Previously Billed	Hours Billed This Period	Total Hours Billed to Date	Total Contract Hours	Contract Hours Remaining
CAFR of the City	55	84	139	1,490	1,351
IT systems for the CAFR	62	5	67	84	17
Total hours billed this invoice	117	89	206	1,574	1,368

Estimated percentage completed

<u>AUDIT MILESTONES</u>	Planning and Interim Fieldwork	Final Field Work	Reviews of Financial Statements	Delivery of Opinion, Reports and/or Exit Meetings
Financial Management <u>(ESTIMATED PERCENTAGE OF COMPLETION – USING HOURS SPENT TO DATE):</u>				
Estimated percentage complete:				
CAFR of the City	%	%	%	%
IT systems for the CAFR	%	%	%	%

Summary of Tasks Performed/ Services Provided – for example:

James Lanzarotta and Ken DeHart agreed on the PBC list with Auditee Bureau of Revenue & Financial Services. We received documentation for the Cash & Investments, Revenue – A/R, and Budget transaction cycles. Joe Blogs and Jane Doe reviewed the transaction cycle documentation and conducted walk-through of internal controls on Capital Assets transaction cycle. Greg Damon completed fieldwork on IT review.

STAFF REPORT – AGENDA ITEM #R2

For Commission Meeting: March 16, 2020

“CBG Communications Contract Amendment”

Recommendation

Staff recommends that the Commission amend its contract with CBG Communications to increase the total contract amount by \$30,000 and to extend the contract through August 31, 2020, in order to support additional services provided by CBG related to the community technology needs ascertainment.

Background

The Commission developed and adopted a scope of work for an ascertainment consultant in late 2018. Following an RFP process, the Commission approved a contract with CBG in April 2019 for ascertainment services in the amount of \$90,000, with a contract expiration date of March 31, 2020.

Unexpectedly, starting in late March 2019, the Office for Community Technology staff that supports the MHCRC work suffered severe constraints in that three of four staff positions became vacant. Due to staff capacity issues, the Commission recognized that additional support from consultants would be necessary in order for staff to focus on ensuring completion of core work activities.

As has been reported under Staff Updates at Commission meetings and at the retreat, CBG and staff have extended the original ascertainment timeline by about six months. We have also tracked consultant services that are beyond the level anticipated in the original contract. CBG’s task hour expansion was primarily due to CBG taking on some functions that MHCRC staff would typically perform as part of the collaborative work on the project but couldn’t because of lack of staff capacity to do so. A couple items of the additional tasks were not part of the original contract scope.

The additional contract work has primarily included:

- Coordination with CTC, the consultant working with the Jurisdictions, through Multnomah County, on the municipal broadband feasibility study (new)
- Additional planning work due to the delayed timeline and coordination with multiple partners (higher level)
- Development and vetting of the online, qualitative survey (higher level)
- Print version of the qualitative survey (new)
- Coordination with a Spanish language consultant for the qualitative survey, both online and paper surveys (new)
- Research and clerical tasks (higher level)

Budget Implications

The MHCRC current year budget can absorb the contract increase. The additional cost for CBG to perform the higher level of work is \$23,065. The cost for the items not part of the original contract is \$6,625. The total amount for the recommended contract increase is \$30,000 to complete the ascertainment project.

In anticipation of the Comcast franchise renewal, the MHCRC carried over a total of \$135,000 from previous fiscal years to help support the ascertainment and other renewal needs. The current fiscal year budget includes an additional amount of \$60,000. Of the \$195,000 total amount, \$155,000 is committed to current contracts, including \$90,000 for the current CBG contract.

The FY19-20 budget also includes \$40,000 for special legal counsel, part of which was intended to support renewal negotiations. Of this amount, \$12,502 has been expended to date on projects not related to the Comcast renewal.

Attachment: CBG Contract for Professional Services – Draft Amendment

Prepared By: Julie S. Omelchuck
March 10, 2020

CONTRACT FOR PROFESSIONAL SERVICES

This is an amendment to the Contract for Professional Services (Contract) (#22259597) between the Mt. Hood Cable Regulatory Commission (MHCRC) and CBG Communications, Inc. (Consultant) (together referred to as the "Parties").

RECITALS

1. The MHCRC approved the Contract in April 2019 for a term expiring March 31, 2020, in an amount not to exceed \$90,000.
2. Due to unexpected vacancies in MHCRC staff positions, the Consultant has performed functions and tasks for the Contract project that were anticipated to be performed by staff. In addition, the MHCRC Project Manager identified tasks necessary for successful project implementation that were not included in the Contract Scope of Work.
3. The MHCRC has concluded, and the MHCRC Project Manager has confirmed, that additional funding and time is needed to complete the Contract Scope of Work.
4. The purpose of this amendment is to increase the total contract by an additional \$30,000 and to extend the contract expiration date for the Consultant to conclude services under the Contract.
5. In accordance with Contract Section 18, Amendments, any change in the amount of the Contract must be approved by the MHCRC.

AGREEMENT

1. The Contract is amended to increase the total contract amount by \$30,000 to a total not to exceed amount of \$120,000.
2. The Contract is extended through August 31, 2020.
3. All other terms of the Contract shall remain the same.

CBG Communications, Inc (Consultant)

Mt. Hood Cable Regulatory Commission:

By: _____

By: _____
Leif Hansen, Chair

Date: _____

Date: _____

Approved as to Form:

Mark Wolf, MHCRC Legal Counsel

INFORMATION ONLY

Media Policy Update

March 9, 2020

Prepared by Bea Coulter

News

FCC Re-opening *Restoring Internet Freedom* Docket (WC Docket [No. 17-108](#))

On February 19, 2020 the Wireline Competition Bureau released a public notice that it seeks to refresh the record in light of the D.C. Circuit Court decision in [Mozilla Corp. v. FCC](#)¹ which found that the FCC had the authority to remove federal regulatory oversight of broadband internet, but that it did not then have the authority to preempt state and local oversight.

The Bureau seeks comment on how the changes adopted in the order might affect public safety, regulation of pole attachments and the FCC's authority to direct Lifeline support to qualifying low-income consumers.

Comments are due by March 30. Reply comments are due by April 29.

Updates

Protecting Community Television Act ([H.R. 5659](#) & [S. 3218](#))

On January 21, 2020 Senator Markey, (D-MA) introduced legislation that seeks to clarify the definition of "franchise fees" in the Cable Act, returning to the definition understood by local franchise authorities and cable television providers since the Cable Act's inception in 1984. This clarification would require the FCC to withdraw its recent order on cable in-kind and would protect against the potential loss of community media channels. Representative Eshoo (D-CA) released companion legislation in the House.

Update 3/9/2020: Currently 34 cosponsors in the House (includes Oregon Representatives Blumenauer and DeFazio), and 16 cosponsors in the Senate (includes Oregon Senators Wyden and Merkley).

Alliance for Community Media (ACM) is continuing its letter writing campaign to get additional cosponsors for both bills.

Both bills are currently in committee.

¹ <https://www.natlawreview.com/article/fcc-s-restoration-internet-freedom-order-largely-survives-appeal-net-neutrality-not>

FCC Cable Order on In-Kind and Mixed-Use

The FCC Order allows cable operators to reduce franchise fees by the fair market value of non-monetary benefits identified in the cable franchise. The Order introduces ambiguity in the franchise process that may result in litigation, and it allows a cable operator to use the public rights-of-way (ROW) for non-cable related lines of business without paying rent for access to the ROW. The FCC adopted the order on August 1, 2019. The MHCRC is participating in a legal coalition to fight implementation of the order.

Update 3/9/2020: Oral arguments regarding a motion to stay implementation of the order until after the court case is decided will be heard Wednesday, March 11 in the 6th Circuit Court. It will not be live streamed, but we will receive an update shortly thereafter. While the court has no specific deadline, we do expect a ruling soon after the motion is heard.

Cable Service Change Notification

At its meeting on December 12, 2019 the FCC considered a Notice of Proposed Rulemaking (NPRM) that would seek comment on changing current requirements for notices that cable companies must provide to customers and local franchise authorities.

Update 3/9/2020: The MHCRC participated in filing comments and supported the filing of reply comments on this issue. Comments can be [found here](#)², and reply comments can be [found here](#)³.

FCC Open Commission Meeting: March 31, 2020

The next FCC Commission Meeting will occur January 30, 2020. The preliminary agenda is not yet available. The final agenda will be available approximately one week prior to the meeting. Open Commission Meetings stream live at the FCC.gov website.

² <https://ecfsapi.fcc.gov/file/10211000616745/LFA%20ERRATA.pdf>

³ <https://ecfsapi.fcc.gov/file/10222022232062/LFA-Subscriber%20REPLY%20COMMENTS.pdf>

COVER SHEET – INFORMATIONAL ONLY

FOR: Commission Meeting: March 16, 2020
RE: Comcast’s Annual I-Net End-Fund Report.”

Background

Under a Franchise Side Letter Agreement, Comcast retained the funds remaining in the I-Net Fund at the conclusion of the prior cable franchise. Under the renewed franchise, the MHCRC collects and administers all PEG/I-Net funds received going forward. The I-Net Fund retained by Comcast is now referred to as the I-Net *End-Fund*. Under a Franchise Side Letter Agreement, I-Net End-Funds may be used by Comcast to offset construction costs of line extensions that exceed the Standard Installation formula. The decision to construct a site is at Comcast’s discretion; however, any expenditures from the End-Fund continue to be subject to ongoing oversight and approval by the Commission.

Comcast has not made expenditures from the fund since 2014.

Overview

Staff reviewed and verified the numbers in Comcast’s 2019 I-Net End-Fund Report. Below is a brief explanation of the line items in the report.

Under the report section titled “I-Net Fund Beginning Balance”:

- The carry-over fund balance from 2018 was \$4,108,543.
- Capital Fund Regular Expenditures: There were no expenditures in 2018.
- Ending Balance is \$4,108,543.

Prepared by: Julie S. Omelchuck