



DATE: June 28, 2017
TO: Board of Commissioners, Acting as the Prosper Portland Audit Committee
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 17-27
Approving the Independent Auditor and Audit Scope, Schedule, and Fees for Fiscal Years 2016-17, 2017-18, and 2018-19

BOARD ACTION REQUESTED

Adopt Resolution No. 7242

ACTION DESCRIPTION

This action by the Prosper Portland Board of Commissioners (Board), acting as the Prosper Portland Audit Committee, will approve the Inter-Agency Selection Review Committee’s recommendation of Moss Adams, LLP as Prosper Portland’s independent financial auditor. In addition, this action will approve the audit scope, schedule, and fee as negotiated by the Audit Services Division of the City of Portland (City) Auditor’s Office and authorized by City Council Ordinance #188367 approved May 10, 2017, in accordance with the Prosper Portland Board Audit Committee Charter, Section 4. The contract cost for the initial three years is \$1,756,221 and up to a contract maximum of \$2,976,059 if the City exercises both contract extensions. Prosper Portland’s obligation would be \$346,227 for the initial three years and a maximum of \$588,672 with both extensions (see a Budget Summary in Attachment A).

If approved, this action will support the objectives of Prosper Portland’s 2015-2020 Strategic Plan, particularly Objective 5: to Operate an Equitable, Innovative and Financially Sustainable Agency.

BACKGROUND AND CONTEXT

Portland City Charter Section 15-104 (9) requires Prosper Portland to provide for an annual comprehensive independent audit of all its funds and accounts by a qualified Certified Public Accountant or firm of such accountants selected with the approval of the City Auditor. For many years until 2007, Prosper Portland contracted for its own financial audit in order to meet federal compliance obligations.

In 2007, at the request of the City Auditors office in accordance with the provisions of City Charter section 2-105 Audits which says, “The Auditor shall be responsible for the performance of financial and performance audits of the City including audits or its boards, commissions, franchises, and contracts,” and in order to gain efficiencies and reduce overall costs, Prosper Portland was requested to join the joint audit process managed by the City Auditors office.

From 2007 to 2016, Prosper Portland and the City contracted with Moss Adams, LLP to provide annual audit services. In advance of the May 16, 2017 contract expiration with Moss Adams, LLP, on January 18, 2017 the Auditors Office, in accordance with Portland City Code Chapter 5.68, issued a Request for

Proposals (RFP) initiating a competitive process to identify a qualified auditor to provide services to the City and Prosper Portland through fiscal year 2018-19.

The Auditors Office received two qualified proposals to the RFP and appointed an Inter-Agency Selection Review Committee (comprised of City staff, Prosper Portland staff, and a community stakeholder) to review, evaluate, and score each of the proposals received. The committee met and deliberated on March 3, 2017 and recommended selecting Moss Adams, LLP as the most qualified respondent. Subsequently, the Auditors Office began contract negotiations which were ultimately approved by City Council on May 10, 2017 through Ordinance #188367.

COMMUNITY AND PUBLIC BENEFIT

The Prosper Portland Board Audit Committee will fulfill its charter-designated task of approving of Prosper Portland's independent financial auditor, thus allowing the Prosper Portland to continue to meet its annual obligation to undergo a financial audit and publish a Comprehensive Annual Financial Report (CAFR).

PUBLIC PARTICIPATION AND FEEDBACK

Staff did not conduct any formal public participation related to this action; however a community stakeholder participated on the Inter-Agency Selection Review Committee.

BUDGET AND FINANCIAL INFORMATION

There are sufficient funds in the FY 2017-18 adopted budget, as the audit is an annual budgeted expenditure.

RISK ASSESSMENT

The risks of not approving the independent auditor selected through the Inter-Agency Review Committee's process could jeopardize compliance with Portland City Code and Charter, and with Oregon Revised Statutes 297.425, which requires an annual audit of every municipal corporation.

ALTERNATIVE ACTIONS

Should the Prosper Portland Audit Committee elect to not approve the auditor selected under the RFP process managed by the City, there are the following implications:

- The City RFP process may be jeopardized if the RFP no longer accurately describes entities to be audited; and
- No auditor is currently engaged to conduct an annual audit for Prosper Portland, which would necessitate initiating a new, expedited solicitation process.

ATTACHMENTS

- A. Budget Summary

Budget Summary

Audit Year	Financial Audit and CAFR		IT Review		Total Audit Services Cost
	Hours	Amount	Hours	Amount	
2017	525	\$100,300	60	\$12,800	\$113,100
2018	525	\$102,306	60	\$13,056	\$115,362
2019	525	\$104,352	60	\$13,413	\$117,765
Total		\$306,958		\$39,269	\$346,227
Optional One Year Extensions					
2020	525	\$106,439	60	\$13,583	\$120,022
2021	525	\$108,568	60	\$13,855	\$122,423
Total All Years		\$521,965		\$66,707	\$588,672