

W. H. a.

AGENDA COVER MEMO

AGENDA DATE: April 28, 2004

TO: LANE COUNTY BOARD OF COMMISSIONERS

DEPARTMENT: LANE COUNTY MANAGEMENT SERVICES

PRESENTED BY: Becky Koble, Financial Services Manager
David Suchart, Management Services Director

AGENDA ITEM TITLE: IN THE MATTER OF AUTHORIZING THE COUNTY ADMINISTRATOR TO ENTER INTO A CONTRACT WITH MOSS-ADAMS LLP FOR PROFESSIONAL AUDIT SERVICES FOR AN INITIAL THREE-YEAR PERIOD WITH OPTIONS TO RENEW

I. MOTION

MOVE APPROVAL OF ORDER 04-04-28-XX IN THE MATTER OF AUTHORIZING THE COUNTY ADMINISTRATOR TO ENTER INTO A CONTRACT WITH MOSS-ADAMS LLP FOR PROFESSIONAL AUDIT SERVICES FOR AN INITIAL THREE-YEAR PERIOD WITH OPTIONS TO RENEW.

II. BACKGROUND AND ISSUE

For the past five years, the County has contracted with Jones & Roth, P.C., a local firm of independent accountants, for the audit of the County's annual financial report. Recommended practice suggests that governmental entities should undertake a full-scale competitive process for the selection of independent auditors at the end of the term of each audit contract.

The County recently completed a competitive selection process for an independent audit firm, and the Auditor Selection Committee has made a recommendation to the County Administrator to begin negotiations with the top-scoring candidate firm in that process.

III. DISCUSSION

A. Analysis

The Government Finance Officers Association makes the following recommendations regarding the selection of auditing services:

- Governmental entities should undertake a full-scale competitive process for the selection of independent auditors at the end of the term of each audit contract, consistent with applicable legal requirements. Ideally, auditor independence would be enhanced by a policy requiring that the independent auditor be replaced at the

end of the audit contract, as is often the case in the private sector. Unfortunately, the frequent lack of competition among audit firms fully qualified to perform public-sector audits could make a policy of mandatory auditor rotation counterproductive. In such cases, it is recommended that a governmental entity actively seek the participation of all qualified firms, including the current auditors, assuming that the past performance of the current auditors has proven satisfactory. Except in cases where a multiyear agreement has taken the form of a series of single-year contracts, a contractual provision for the automatic renewal of the audit contract (e.g., an automatic second term for the auditor upon satisfactory performance) is inconsistent with this recommendation.

- Governmental entities should enter into multiyear agreements of at least five years in duration when obtaining the services of independent auditors. Such multiyear agreements can take a variety of different forms (e.g., a series of single-year contracts), consistent with applicable legal requirements. Such agreements allow for greater continuity and help to minimize the potential for disruption in connection with the independent audit. Multiyear agreements can also help to reduce audit costs by allowing auditors to recover certain "startup" costs over several years, rather than over a single year.

In February 2004, the County issued an Invitation to Submit Proposals for providing audit and related financial services for Lane County for the annual audit beginning with the year ending June 30, 2004. A progress report was made to the Finance & Audit Committee in February as to the intentions around and progress of that effort.

The County received responses to its invitation to bid from four firms in March, three of which met the minimum qualifications and were invited to participate in an interview process with the Auditor Selection Committee. This Committee was made up of two interview panels with representatives from various levels and departments of the organization. One panel spoke to the audit shareholder and audit manager of each firm, and one panel interviewed the actual field staff who would be working on site at Lane County. The Auditor Selection Committee forwarded a unanimous recommendation to the County Administrator that he begin negotiations with Moss-Adams LLP, a regional CPA firm with a local Eugene office.

On April 27, the Auditor Selection Committee process and recommendation will be discussed at Finance & Audit, and we anticipate that the Committee will vote to bring this motion forward for Board discussion and adoption.

B. Alternatives/Options

- a. Move approval of the order authorizing the County Administrator to enter into a contract with Moss-Adams LLP for professional audit services for an initial three-year period with options to renew.
- b. Move to amend and approve the order.
- c. Move to not approve the order as recommended by staff.

C. Recommendations

Staff recommends adoption of the Order as presented.

IV. ATTACHMENTS

Attachment A – Board Order 04-04-28-XX

IN THE BOARD OF COUNTY COMMISSIONERS OF LANE COUNTY, OREGON

ORDER NO.
04-04-28-

IN THE MATTER OF AUTHORIZING THE
COUNTY ADMINISTRATOR TO ENTER INTO
A CONTRACT WITH MOSS-ADAMS LLP FOR
PROFESSIONAL AUDIT SERVICES FOR AN
INITIAL THREE-YEAR PERIOD WITH
OPTIONS TO RENEW.

WHEREAS, at the duly publicized place and time on March 16, 2004, a duly authorized representative of Management Services opened proposals on the following:

Professional Audit and Related Financial Services.

WHEREAS, all proposals were evaluated by a Proposal Review Committee, and

WHEREAS, the top three proposers were evaluated by an Auditor Evaluation Committee, and

WHEREAS, a mutually agreeable annual "not to exceed" fee was negotiated, and

WHEREAS, the certified public accounting firm of Moss-Adams LLP was deemed to be able to provide the highest level of audit service; it is hereby

ORDERED that the award of contract be made to the certified public accounting firm of Moss-Adams LLP, that said contract be executed in accordance with the proposal specifications, and the County Administrator be authorized to sign the original contract at an annual fee not to exceed \$99,975 for the first year of the contract.

DATED this 28th day of April, 2004.

Chair, Board of County Commissioners

IN THE MATTER OF ACCEPTING THE PROPOSAL FROM MOSS-ADAMS LLP TO
PROVIDE PROFESSIONAL AUDIT SERVICES TO LANE COUNTY FOR AN INITIAL
THREE-YEAR PERIOD WITH OPTIONS TO RENEW.

APPROVED AS TO FORM

Date 4/26/04 Lane County

James J. J. J.
OFFICE OF LEGAL COUNSEL