

CITY OF PORTLAND

Office of City Auditor LaVonne Griffin-Valade

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September 30, 2013

To: City Budget Office

From: City Auditor LaVonne Griffin-Valade

Re: Fall Budget Monitoring Report

Operating Budget Reconciliation

The Auditor's Office Fall Budget Monitoring Report shows that the Office is within the spending plan for both Personnel Services and Internal Materials and Services, and is under budget in External Materials and Services for FY 2012-13.

New Requests

The Auditor's Office requests \$7,500 to cover costs of live captioning of City Council worksessions to be in compliance with Council direction and BTS' recently adopted Administrative Rule 3.04, Captioning of Video and Audio Materials. These additional funds will provide live captioning of approximately 65 hours of City Council worksessions projected for FY 2013-14.

Technical Adjustments

The attached report shows a revision to the FY 2013-14 Audit Services budget to reduce \$102,000 from expenses and revenues in Professional Services. In the past, the Auditor's Office has paid for the external audit of the Portland Development Commission's Comprehensive Annual Financial Report, then billed PDC for reimbursement of this cost. PDC will now pay the external auditor directly for this service, although the Auditor's Office will retain oversight and administrative responsibility for the contract.

Encumbrance Carryover

The Auditor's Office requests approval to carryover \$82,742 from the prior fiscal year to fund encumbered contracts. The purchase orders included in this request are for work that occurred or was planned to occur during FY 2012-13. The contracts include those for TRIM license maintenance, reviews of closed officer involved shootings and in-custody death investigations, online searches of the lien docket, space planning and moving costs, and audit work by external auditors.

OMF PERS Savings Adjustment

These adjustments match lowered costs of internal services interagency agreements due to additional PERS savings realized by Senate Bill 822 in the 2013 legislative session.

Decision Package Update

A FY 2012-13 Decision Package update report is included to detail the completion of Department of Justice agreement related position hiring and training in the Independent Police Review Division.

LID Fund, Assessments Collection Fund, and Bancroft Bond Interest & Sinking Fund

Several variances existed in the actual year end activity for revenues and expenditures compared to revised budget amounts in these funds. Although several of these variances may be significant, they are not directly the result of operational activity, but are due to the general nature of the LID Construction process, various LID projects that the City Council has approved, the level of assessment collection activity, and the degree to which LID district property owners finance their share of the cost of various City improvement projects.

As part of this budget submission, we are making a new request to increase the cash transfer between the LID fund and PBOT for reimbursement of costs related to the Portland Streetcar Eastside and Northrup Loop LID projects.

BUDGET AMENDMENT REQUEST

Office of the City Auditor

PERIOD Fall BMP

FISCAL YEAR FY 2013-14

AU_001 - PDC External Audit Adjustment

This adjustment removes \$102,000 in expenditures for the external audit of PDC's Comprehensive Annual Financial Report and reduces revenues by the same amount. In the past, the Auditor's Office paid for PDC's CAFR audit and billed PDC for reimbursement. In order to ensure this expense is not being double-counted, PDC will now be billed directly for external audit work.

Dollar Amount: (\$102,000)

Type: Technical Adjustment

Resources: New Revenues

AU_002 - Council Worksession Captioning Request

The Auditor's Office requests an increase of \$7,500 in External Materials and Services for additional captioning work that must be performed. Council has directed that bureaus must now caption public-facing video files that are posted online. Prior to this policy change, the Council Clerk/Contracts division of the Auditor's Office only captioned all regular City Council meetings. The new policy means that Council Worksessions must now also be captioned. Our initial estimate of additional costs for captioning these meetings is \$7,500 for approximately 65 hours of worksessions over the course of the year.

Dollar Amount: \$7,500

Type: New Request

Resources: General Fund Discretionary

AU_003 - Increase LID Cash Transfer to PBOT

Increase cash transfer from LID fund to PBOT in the amount of \$3,260,000 for final costs on two Portland Streetcar LIDs (Eastside Loop = \$3,250,000 and, Northrup Loop = \$10,000). The increase in cash transfer expenditure will be covered by an increase in note sale revenues.

Dollar Amount: \$3,260,000

Type: New Request

Resources: New Revenues

AU_004 - Encumbrance Carryover Request

The Auditor's Office requests approval to carryover \$82,742 from the prior fiscal year to fund the following encumbered contracts: 1) \$1,074 to Allana Hein for Lien Process facilitation; 2) \$1,996 to Hewlett Packard Co. for TRIM license maintenance; 3) \$1,129 for regular Council meeting captioning services; 4) \$4,525 to Michael J. Gennaco OIR Group for the review of closed officer-involved shootings and in-custody death police investigations on behalf of the Auditor's Independent Police Review Division; 5) \$21,962 to Moss Adams LLP for work on the audit of the City's CAFR; 6) \$23,226 to Moss Adams LLP for work on the audit of Portland Development Commission's CAFR; 7) \$19,680 to Net Assets Corporation for public web access to lien information; 8) \$9,150 to Pacific Stationary & Printing Co. for space planning and moving services.

Dollar Amount: \$82,742

Type: Encumbrance Carryover Request

Resources: General Fund Discretionary

BUDGET AMENDMENT REQUEST

Office of the City Auditor

PERIOD Fall BMP

FISCAL YEAR FY 2013-14

AU_005 - Internal Service IA Adjustments-Gen'l Fund

This request transfers \$2,012 from Internal Materials & Services to Miscellaneous Services to help cover anticipated 2014 Elections costs. The reduction is the result of PERS savings in the internal service provider bureaus.

Dollar Amount: \$0

Type: Technical Adjustment

Resources: Internal Transfer

AU_006 - Internal Service IA Reductions-LID Fund

This request reduces expenditures by \$33 in Internal Materials & Services in the LID fund to capture PERS savings in the provider bureau (EBS). Off-set is an increase to fund contingency.

Dollar Amount: \$0

Type: Technical Adjustment

Resources: Bureau Contingency

Prior Year Business Area Reconciliation Report

	FY 2012-13 Revised Budget	FY 2012-13 Year-End Actuals	Percent of Actuals to Revised
Office of the City Auditor			
EXPENDITURES			
Personnel Services	\$5,126,036	\$4,915,738	96%
External Materials and Services	\$1,740,055	\$1,272,884	73%
Internal Materials and Services	\$2,488,336	\$2,430,505	98%
TOTAL EXPENDITURES	\$9,354,427	\$8,619,127	92%
REVENUES			
Charges for Services	\$423,621	\$453,632	107%
Interagency Revenue	\$920,203	\$816,256	89%
Miscellaneous	\$5,500	\$18,035	328%
General Fund Discretionary	\$3,883,014	\$0	0%
General Fund Overhead	\$4,122,089	\$0	0%
TOTAL REVENUES	\$9,354,427	\$1,287,923	14%

Bureau Reconciliation Narrative

General Fund Operating Budget: Auditor's Office expenditures were within the spending plan for Personal Services and Internal Materials and Services. Expenditures in External Materials & Services were 27% (\$467,171) below budget. Lower than anticipated expenditures in EM&S are primarily the result of lower costs for the City's external audit. Because it was a year in which a new contract for the external audit was being negotiated, we carried over \$100,000 from FY 2011-2012 to ensure adequate funding for the new contract. This additional funding was ultimately not needed. We also budgeted \$62,000 for additional Single Audit work that was ultimately not required by the Auditors. \$85,000 had been carried over from the prior year to pay for an outside review of Portland's system of civilian police oversight. However, the Auditor determined that this review was not necessary in light of the Department of Justice investigation and its coverage of these issues. Other savings in this category include lower utilization of the contracted Land Use Hearings Officer, restrictions on purchases of supplies and training/travel opportunities, and fewer professional services being purchased.

Revenues were 11% (\$103,947) lower than anticipated in the Interagencies category, due primarily to fewer code, tow, and exclusion hearings in the Hearings Office; and lower expenditures in the Assessments, Finance and Foreclosure division, for which the Auditor's Office receives reimbursement revenue from the LID Fund. Miscellaneous revenues exceeded projections by \$12,535 because of higher than anticipated collection of copying fees in the Archives and Records Center and an unanticipated reimbursement from the Workers' Compensation Fund expenses incurred for an injured employee.

Prior Year Fund Reconciliation Report

	FY 2012-13 Revised Budget	FY 2012-13 Year-End Actuals	Percent of Actuals to Revised
201 - Assessment Collection Fund			
EXPENDITURES			
Unappropriated Fund Balance	77,627	0	0.00
Internal Materials and Services	1,510	1,512	100.13
Contingency	4	0	0.00
TOTAL EXPENDITURES	79,141	1,512	1.91
REVENUES			
Budgeted Beginning Fund Balance	78,060	0	0.00
Fund Transfers - Revenue	81	81	100.00
Miscellaneous	1,000	614	61.37
TOTAL REVENUES	79,141	695	0.88

Fund Reconciliation Narrative

Miscellaneous revenues were lower than budgeted due primarily to the decrease in investment interest earnings and collections of lien principal revenue during the fiscal year. Revenues were down approximately 22% in investment interest earnings and 25% of total estimated revenues for lien collections since no principal payments were received. Since the assessments in this fund have no scheduled repayments, activity will vary from period to period, and is the result of unanticipated partial payments or payoffs. Any revenue activity will be sporadic since the fund is relatively inactive and accounts for an insignificant liens receivable balance.

Prior Year Fund Reconciliation Report

	FY 2012-13 Revised Budget	FY 2012-13 Year-End Actuals	Percent of Actuals to Revised
311 - Bancroft Bond Interest and Sinking Fund			
EXPENDITURES			
Unappropriated Fund Balance	14,091,391	0	0.00
Bond Expenses	7,524,992	7,640,099	101.53
TOTAL EXPENDITURES	21,616,383	7,640,099	35.34
REVENUES			
Budgeted Beginning Fund Balance	14,775,233	0	0.00
Miscellaneous	6,841,150	7,387,017	107.98
TOTAL REVENUES	21,616,383	7,387,017	34.17

Fund Reconciliation Narrative

Actual activity for expenses and revenues was generally within budget levels for the fund. Miscellaneous Revenues reflect actual activity at 8% above budget. This variance is the result of an additional \$539,566 in assessment payment revenue collected above budgeted amounts. The additional revenue represents early payoff or additional principal payments of contract amounts not yet due on lien accounts.

Prior Year Fund Reconciliation Report

	FY 2012-13 Revised Budget	FY 2012-13 Year-End Actuals	Percent of Actuals to Revised
401 - Local Improvement District Fund			
EXPENDITURES			
External Materials and Services	5,000	1,400	28.00
Internal Materials and Services	1,419,435	1,312,258	92.45
Bond Expenses	604,425	247,668	40.98
Fund Transfers - Expense	7,981,795	1,013,403	12.70
Contingency	3,740,446	0	0.00
TOTAL EXPENDITURES	13,751,101	2,574,729	18.72
REVENUES			
Budgeted Beginning Fund Balance	4,202,019	0	0.00
Charges for Services	779,100	860,369	110.43
Fund Transfers - Revenue	148	148	100.00
Bond and Note	8,130,953	965,208	11.87
Miscellaneous	638,881	521,643	81.65
TOTAL REVENUES	13,751,101	2,347,368	17.07

Prior Year Fund Reconciliation Report

FY 2012-13 Revised Budget	FY 2012-13 Year-End Actuals	Percent of Actuals to Revised
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Fund Reconciliation Narrative

Expenditures:

External Materials & Services were lower than budgeted since estimated costs related to the LID line-of-credit were not incurred. The amount budgeted is an estimate of costs that could be incurred for debt rebate reporting and for services related to obtaining or maintaining the LID short term financing facilities.

Bond Expenses were less than budget as a result of no regular principal payments being made to the LID external line-of-credit during the fiscal year. Lien revenues typically used to make debt payments were held in anticipation of making internal fund reimbursements for LID project costs prior to fiscal year end. No reimbursement requests were received, which left approximately \$307,000 available for debt service, but it was too late to arrange for payment. If payment was made prior to year end, bond expenses would have been approximately 93% of budget. Additional debt payments will be made in FY 2013-14 from the available funds unspent in the prior fiscal year.

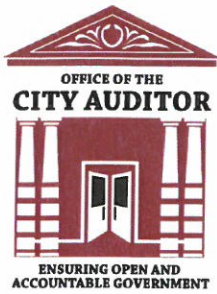
Fund Transfers were significantly less than budgeted due to delayed reimbursement requests from PBOT for LID projects. The budgeted amount is based on planned LID projects that may commence during the fiscal year. As of year-end \$6.96 million in budgeted LID projects costs had not been billed to the LID fund. Of this amount, \$3.23, million represents budgeted reimbursements for five LID projects that have yet to start or are not substantially complete. The remaining \$3.725 million represents budgeted reimbursements for the Portland Streetcar Eastside and Northrup Loop LID projects that were expected to be funded and assessed prior to year end. Due to unforeseen circumstances, the reimbursement and assessment of these two projects have been delayed but are expected to be funded in the fall of 2013. The reduced fund transfer is off-set by a reduction in actual Bond and Note revenues.

Revenues:

Charges for Services are actually understated by \$87,237 due to an SAP entry error for accounting periods 11 & 12. A correction was made in accounting period 13 increasing revenues to \$947,606, which is 121.62% of budget, but is not reflected in BRASS reporting. The increase above budget amounts is due to an increase in revenues from the assessment collection program and collection of fees for external lien searches. As a result of increased collection and foreclosure program efforts, a greater number of payments or payoffs were received on significantly delinquent liens resulting in payment of assessment fees above budgeted amounts by \$38,086. In addition, an increase in the number of external lien searches performed during the fiscal year resulted in revenues greater than budgeted by \$130,000, which is indicative of an increase in real estate market activity.

Bond and Note Revenues were lower than budgeted due to decreased external borrowing for LID projects. As of fiscal year end, note revenues were \$7.165 million less than budgeted, which represents budgeted reimbursements to PBOT for various LID projects. Of this amount, \$3.725 is funding for the Portland Streetcar Eastside and Northrup Loop LID projects, which have yet to be assessed. It is anticipated that these project will be assessed and funded in the fall of 2013. The variance in Bond and Notes Revenues is off-set by a decrease in Fund Transfers.

Miscellaneous Revenues were lower than budgeted due to decreased collection of interest on outstanding liens. It was estimated that approximately \$100,000 (16% of budget) would be collected in interest revenues from the assessment of the Portland Streetcar Loop LID projects, but due to the delay of these projects revenues were not recognized.



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**Office of the City Auditor
FY 2012-13 Decision Package Report
Fall BMP
September 30, 2013**

- 1. AU_09 –Adds DOJ-Related Funding to IPR.** This request adds \$119,796 in funding to establish positions in the Auditor’s Independent Police Review Division (IPR), pursuant to the City’s agreement with the U.S. Department of Justice. This request adds 2.5 Complaint Investigators (\$85,808) for the remainder of the fiscal year) and a .5 Office Support Specialist II position (\$11,420 for the remainder of the fiscal year). These positions are necessary to accommodate the requirements of the agreement that shorten the timeframe and raise the standards for investigations conducted by IPR. The request also has \$22,568 in Materials and Services of costs for telecomm, computers, and incidentals, including \$6,000 one-time expenditures for office set up for the new positions. Expenditures were calculated on the basis of positions being in place from March through June 2013.

Status Report: Completed. All positions have been hired and trained. With new staffing levels and new expectations, IPR is working to significantly shorten the length of its administrative investigations, perform more in-depth and complete intake investigations, and meet the higher standard of evidence required by the DOJ. The additional investigators will also assist in investigations of officer-involved shootings and in-custody deaths. In keeping with the Auditor’s commitment to be more responsive to historically underserved and/or disenfranchised individuals, new staff members in IPR have extensive backgrounds in protecting vulnerable individuals, including those experiencing mental health crises. With the new hires we have made, we have been able to increase complaint intake out in the community and to offer services with languages besides English: staff speak Spanish, Russian, Mandarin, and Vietnamese.

Office of the City Auditor

Performance Measures

Performance Measure	Type	FY 2012-13	FY 2012-13	FY 2012-13		
		Adopted Budget	Revised Budget	Year-End Actuals		
AU_0001 - Number of audit reports issued	WORKLOAD	12	12	12	0	0
AU_0002 - Percent of audit report recommendations implemented	EFFECTIVE	85%	85%	93%	0%	0%
AU_0003 - Full cost per audit hour	EFFICIENCY	\$110	\$115	\$110	\$0	\$0
AU_0004 - Number of citizen complaints to IPR	WORKLOAD	420	450	361	0	0
AU_0008 - Number of checks/deposit advices processed	WORKLOAD	160,000	132,000	117,478	0	0
AU_0013 - New liens assessed	WORKLOAD	3,464	3,789	1,533	0	0
AU_0016 - Number of complaints and requests to the Ombudsman	WORKLOAD	350	350	420	0	0
AU_0021 - Administrative costs: Goal is 10% or less of total budget	EFFICIENCY	7.0%	7.0%	8.8%	0.0%	0.0%
AU_0026 - Number of assessments per staff person	EFFICIENCY	1,734	1,895	767	0	0
AU_0030 - Number of Election Filings	WORKLOAD	3	4	4	0	0
AU_0031 - Number of code, appeal, land use, and tow Hearings Office cases	WORKLOAD	900	900	887	0	0
AU_0032 - Number of electronic documents viewed through Efiles	EFFECTIVE	780,000	1,100,000	1,265,589	0	0
AU_0033 - Median number of days to complete IPR intake investigations	EFFICIENCY	20	45	38	0	0
AU_0034 - Percentage of residents rating IPR's regulation of Portland Police as good or very good	EFFECTIVE	40%	40%	35%	0%	0%
AU_0036 - TRIM transaction cost per record	EFFICIENCY	\$0.0000	\$0.1795	\$0.1370	\$0.0000	\$0.0000
AU_0037 - Number of researchers assisted by PARC staff	WORKLOAD	0	1,058	1,048	0	0

Office of the City Auditor

Performance Measures

Performance Measure	Type	FY 2012-13 Adopted Budget	FY 2012-13 Revised Budget	FY 2012-13 Year-End Actuals
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Performance Measure Variance Descriptions

Performance measures in the Auditor's Office show continued attainment of targets and stable or growing workload in most programs. Significant differences between last year's targets and actual data are highlighted below:

-Number of checks/deposit advices processed (AU_0008): The number of checks and deposit advices processed continued to decline in FY 2012-13 with the implementation of the Automated Clearing House electronic vendor payment project, an increasingly preferred method of payment processing in the City. The Council Clerk/Contracts division hopes to develop a measure that more accurately reflects the workload involved in conducting reviews and authorizations of all payments during the FY 2014-15 requested budget process.

-New liens assessed (AU_0013): The number of new liens assessed was significantly below the expected amount due to the delayed assessment of the Eastside and Northrup Loop Portland Streetcar LID projects. These projects would have added approximately 2,000 new assessments in FY 2012-13.

-Number of assessments per staff person (AU_0026): The number of assessments per staff person was significantly below the expected amount due to the delayed assessment of the Eastside and Northrup Loop Portland Streetcar LID projects. These projects would have doubled the current amount of assessments per staff person in FY 2012-13

-Number of complaints and requests to the Ombudsman (AU_0016): It is difficult to predict changes in the number of complaints and requests the Ombudsman may receive in a given year. The increase in contacts with the Ombudsman has been supported by repurposing .5 FTE of an existing position in FY 2012-13 to assist with outreach and lower level complaints.

-Administrative costs under 10% of total budget (AU_0021): Auditor's Office administrative costs are over the target of 7% in FY 2012-13, but remain under the performance measure's goal of 10%. A significant factor in this increase was the costs associated with the May 2013 special election.

-Number of electronic documents viewed through E-files (public portal) (AU_0032): Though it is difficult to estimate the number of documents that will be viewed through E-files in a given year, the steadily increasing number of views is indicative of continued integration of E-files/TRIM and greater use of the system by the public and city employees.

-Median number of days to complete intake investigations (AU_0033) : The Independent Police Review Division has been in significant flux since FY 2012-13. As a result of the DOJ agreement signed in October 2012, IPR revised its initial target to reflect the time required to conduct more in-depth investigations. For example, IPR's more recent investigations involve site visits, interviews of multiple witnesses, follow-up interviews, review of any videos, and transcription of interviews in significant cases; these activities generally did not occur in the past. The revised target of 45 days was an estimate; year-end actuals indicate that IPR is within the revised target. We will re-visit the efficacy of the 45-day target for next year's budget.

- Performance Measures Not Applicable: Percentage of Ombudsman's Office recommendations implemented by bureaus (AU_0035) N/A. This performance measure began in FY 2012-13 to create a more accurate measure of effectiveness in the Office of the Ombudsman. The process for calculating the data has not been in place for the required length of time.

Auditor's Office Encumbrance Carryover Detail

2013 Fall BMP

Vendor Name	Text	Sum of Pymt Budget	Fall BMP Request
ALLANA HEIN	Lien Process Facilitation	1073.72	1073.72
HEWLETT PACKARD COMPANY	TRIM MAINTENANCE SERVICES	1995.84	1995.84
LATTE NO SUGAR CO	LIVE CAPTIONING SERVICES	4578.70	1128.80
MICHAEL J GENNACO	REVIEW OF CLOSED OIS & ICD POLICE INVEST	5166.64	4525.00
MOSS ADAMS LLP	CAFR AUDIT	59098.00	21962.00
MOSS ADAMS LLP	PDC CAFR AUDIT	27472.00	23226.00
NET ASSETS CORPORATION	NET ASSETS CONDUITS ACCESS- LIEN DOCKET	28020.00	19680.00
PACIFIC STATIONARY & PRINTING CO.	SPACE PLANNING/MOVE SVCS FOR AUDITORS OFFICE	9150.13	9150.13
Grand Total		136555.03	82741.49