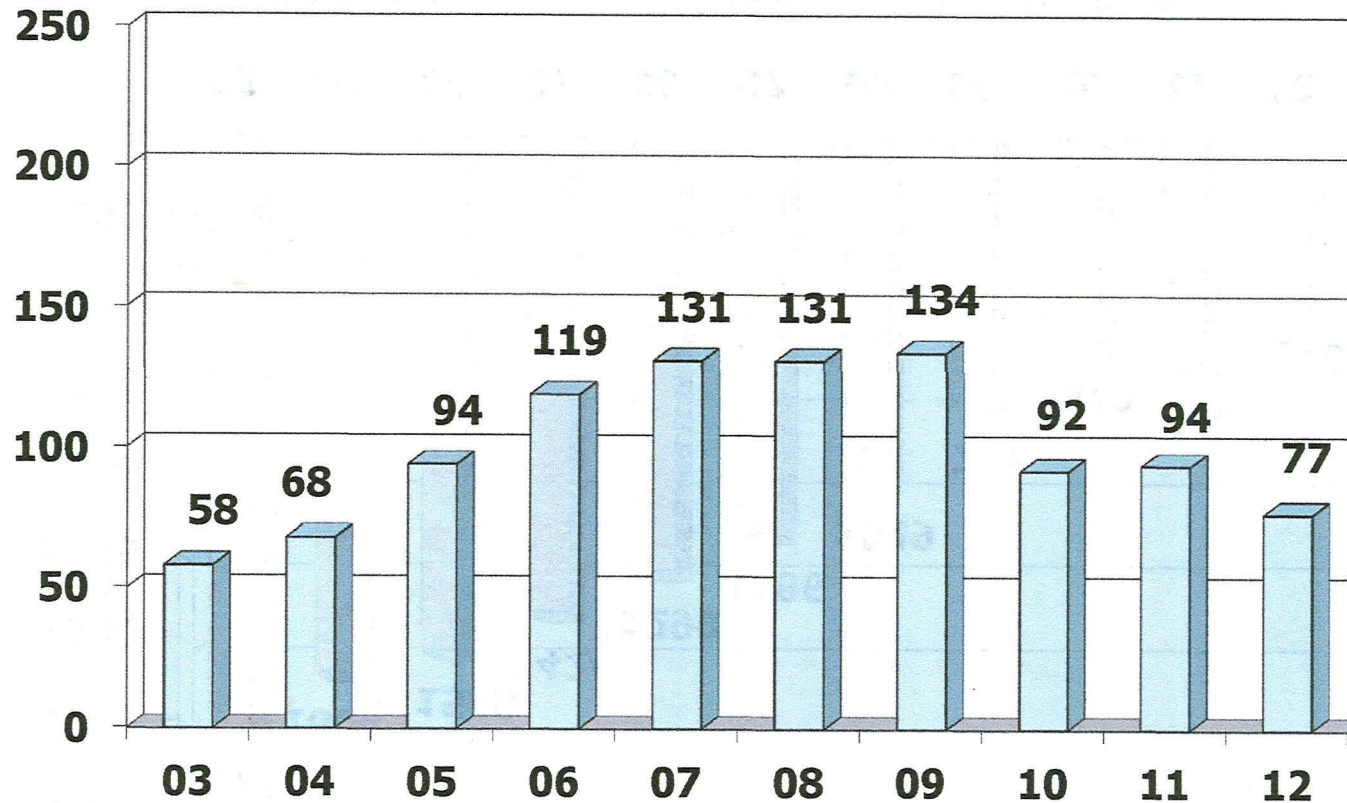


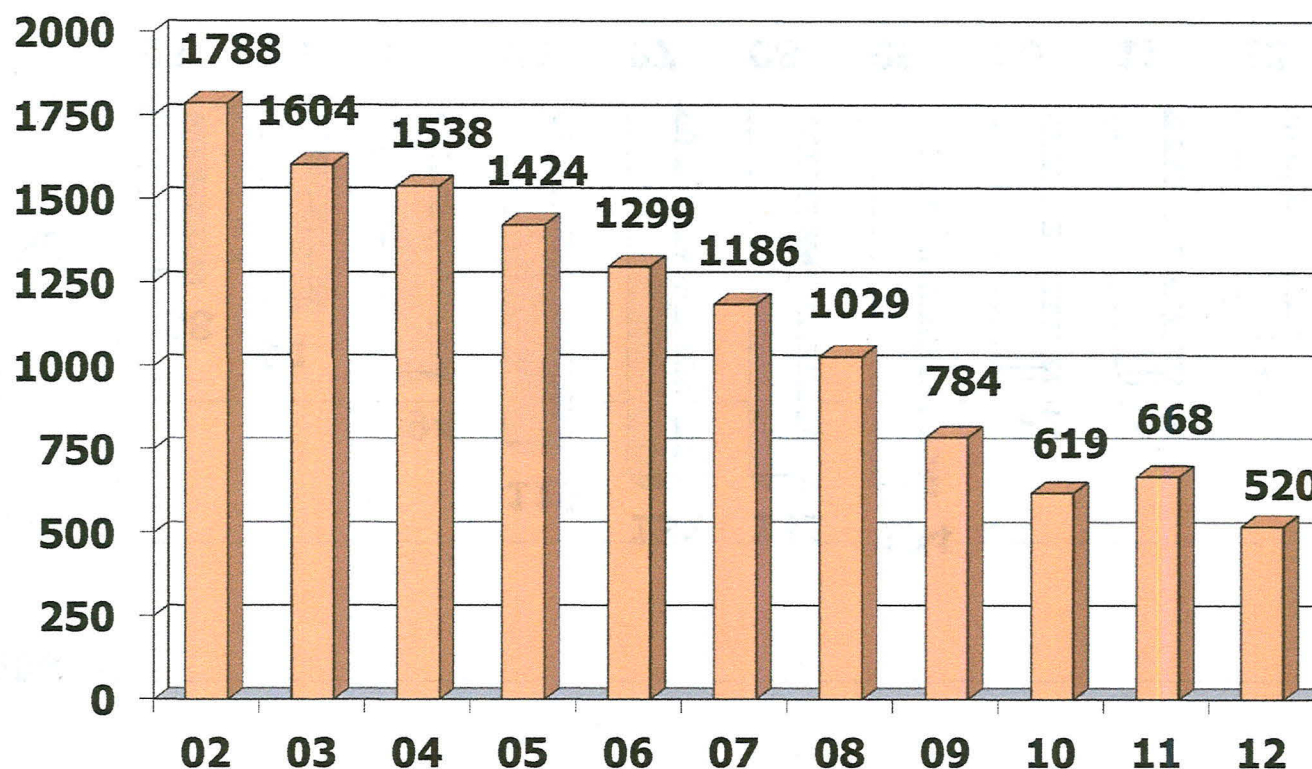
FUND BALANCE – GENERAL FUND (IN MILLIONS)



Fund balance represents cash/investments and other short-term assets minus liabilities that will be paid in the short-term

NET ASSETS – GOVERNMENTAL ACTIVITIES

(IN MILLIONS)



Governmental Net Assets represents the difference between all City general government assets minus all general government liabilities – similar to ‘net worth’ or ‘shareholders equity’ in commercial enterprises

March 6, 2013 City Council Meeting
Delivery of FYE June 30, 2012 Audit Results

Audit Presentation:

- I. Nature of audit services provided
 - a. Testing of transactions and balances
 - b. Evaluation of financial reporting internal controls
 - c. Testing compliance with certain State Laws
 - d. Testing federal grants – compliance, and internal controls over compliance
 - e. Review and testing of the City’s CAFR
- II. Audit results
 - a. Opinion on the City’s financial statements (Page 11)
 - b. Report on compliance with State Laws (Page 325)
 - i. Two over-expenditures (Page 71)
 - ii. Negative fund balance in two funds (Page 71)
 - c. Financial reporting related internal control findings – Schedule of Findings and Questioned Costs
 - i. Portland Development Commission 2013-01 to 2013-05 (Page 343)
 - ii. City of Portland 2013-06, 2013-07 (Page 348)
 - d. Federal grant compliance – Schedule of Findings and Questioned Costs
 - i. JAG Cluster 2013-08, 2013-09 (Page 349, 350)
- III. Communications with Those Charged with Governance highlights (separate letter to the Council)
- IV. Financial statement highlights
 - a. Statistical Section, Table of Net Assets (Page 298)

Portland, Oregon

FINANCIAL IMPACT and PUBLIC INVOLVEMENT STATEMENT For Council Action Items

(Deliver original to City Budget Office. Retain copy.)

1. Name of Initiator Fiona Earle, CIA, ACA Principal Management Auditor		2. Telephone No. (503) 823-3539	3. Bureau/Office/Dept. Office of the City Auditor Audit Services Division
4a. To be filed (hearing date): February 28, 2013 (March 6, 2013)	4b. Calendar (Check One) Regular Consent 4/5ths <input checked="" type="checkbox"/> X <input type="checkbox"/> <input type="checkbox"/>		5. Date Submitted to Commissioner's office and CBO Budget Analyst: February 28, 2013
6a. Financial Impact Section: <input type="checkbox"/> X Financial impact section completed		6b. Public Involvement Section: <input type="checkbox"/> X Public involvement section completed	

1) Legislation Title:

Accept the audit of the Comprehensive Annual Financial Report for FY 2011-2012 and the related Communications with Those Charged with Governance, and adopt the management responses to correct the deficiencies in financial reporting controls disclosed in the audit.

2) Purpose of the Proposed Legislation:

To report to City Council the outcome of the independent financial audit conducted by Moss Adams, LLP, Certified Public Accountants, of the City's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012.

To enable the financial auditor to meet their requirement under Statement on Auditing Standard (SAS) No. 114 to communicate in writing every year with "those charged with governance matters related to the financial statement audit" that are "significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process." To adopt a resolution, as required by ORS 297.466 (2), setting forth the corrective measures the City proposes to correct the internal control deficiencies disclosed in the audit report.

3) Which area(s) of the city are affected by this Council item? (Check all that apply—areas are based on formal neighborhood coalition boundaries)?

- | | | | |
|--|------------------------------------|------------------------------------|--------------------------------|
| <input checked="" type="checkbox"/> City-wide/Regional | <input type="checkbox"/> Northeast | <input type="checkbox"/> Northwest | <input type="checkbox"/> North |
| <input type="checkbox"/> Central Northeast | <input type="checkbox"/> Southeast | <input type="checkbox"/> Southwest | <input type="checkbox"/> East |
| <input type="checkbox"/> Central City | | | |

FINANCIAL IMPACT**4) Revenue:** Will this legislation generate or reduce current or future revenue coming to the City? If so, by how much? If so, please identify the source.

This report will not generate or reduce external revenue coming to the City.

5) Expense: What are the costs to the City as a result of this legislation? What is the source of funding for the expense? *(Please include costs in the current fiscal year as well as costs in future year, including Operations & Maintenance (O&M) costs, if known, and estimates, if not known. If the action is related to a grant or contract please include the local contribution or match required. If there is a project estimate, please identify the **level of confidence**.)*

This report will not result in additional costs to the City. The cost of the financial audit being reported was given to Council in the Financial Impact Statement for Ordinance No. 185332 on May 16, 2012 to authorize the Contract No. 30002662 with Moss Adams, LLP to conduct the financial audits relating to FY 2011-12 through FY 2013-14.

6) Staffing Requirements:

- **Will any positions be created, eliminated or re-classified in the current year as a result of this legislation?** *(If new positions are created please include whether they will be part-time, full-time, limited term, or permanent positions. If the position is limited term please indicate the end of the term.)*

No positions will be created, eliminated or re-classified in the current year as a result of this report.

- **Will positions be created or eliminated in future years as a result of this legislation?**

No positions will be created or eliminated in future years as a result of this report.

(Complete the following section only if an amendment to the budget is proposed.)

7) Change in Appropriations *(If the accompanying ordinance amends the budget please reflect the dollar amount to be appropriated by this legislation. Include the appropriate cost elements that are to be loaded by accounting. Indicate "new" in Fund Center column if new center needs to be created. Use additional space if needed.)*

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount

[Proceed to Public Involvement Section — REQUIRED as of July 1, 2011]

PUBLIC INVOLVEMENT

8) Was public involvement included in the development of this Council item (e.g. ordinance, resolution, or report)? Please check the appropriate box below:

☐ **YES:** Please proceed to Question #9.

☒ **NO:** Please, explain why below; and proceed to Question #10.

Direct public involvement in the development of this report to Council would not be appropriate. The publicly-elected City Auditor is required by City Charter (Section 2-505, a) to conduct financial and performance audits of City government in accordance with generally accepted governmental auditing standards, and to appoint, coordinate and monitor the annual audit of the City's financial statements by an independent licensed public accountant.

The contracted audit now being reported is required by Oregon Law in addition to City Charter. The outcome of the financial audit now being reported to City Council, and the details to be Communicated to Those Charged with Governance are dictated by generally accepted governmental auditing standards, and especially by Statement on Auditing Standard No. 114.

Although widespread, direct public involvement was not included, the selection of the contracted financial auditor Moss Adams, LLP did follow the process outlined under Portland City Code Chapter 5.68. This is a competitive bidding process that promotes accountability and competition. The RFP was advertized in the DJC for three consecutive days during February 2012.

In addition, as required by the City's procurement process, the selection committee which recommended the award of this contract to Moss Adams, LLP included three members of the public from the Minority Evaluator Program through the Alliance of Minority Chambers.

9) If "YES," please answer the following questions:

a) What impacts are anticipated in the community from this proposed Council item?

b) Which community and business groups, under-represented groups, organizations, external government entities, and other interested parties were involved in this effort, and when and how were they involved?

c) How did public involvement shape the outcome of this Council item?

d) Who designed and implemented the public involvement related to this Council item?

e) Primary contact for more information on this public involvement process (name, title, phone, email):

10) Is any future public involvement anticipated or necessary for this Council item? Please describe why or why not.

This report to City Council represents public involvement in the form of public information at a public meeting. Additional public information has been provided by the publication of the audited CAFRs of the City of Portland and PDC, the Single Audit, and the audited financial statements of the Fire & Police Disability & Retirement Funds on their respective websites. The audited financial statements of the Hydroelectric Power Fund for the year ending August 31, 2011 will be posted on the Portland Water Bureau's website soon.

LaVonne Griffin-Valade, City Auditor

APPROPRIATION UNIT HEAD (Typed name and signature)

