

## RESOLUTION No. 36915

Accept the audit of the Comprehensive Annual Financial Report for FY 2010-2011 and the related Communications with Those Charged with Governance and adopt a resolution to correct the deficiency in financial reporting controls disclosed in the audit. (Resolution)

WHEREAS, the Oregon Revised Statute 297.425 requires that every municipal corporation undergo an independent financial audit at least annually; and

WHEREAS, the City Charter, Chapter 2, Article 5, Section 2-505 requires that “the Auditor shall conduct financial and performance audits of City government in accordance with generally accepted governmental auditing standards, and shall appoint, coordinate and monitor the annual audit of the City’s financial statements by an independent licensed public accountant”; and

WHEREAS, the City of Portland and the Portland Development Commission receive federal awards, which must be audited for compliance with the terms of the related federal programs under the Single Audit Act, and related Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and

WHEREAS, Ordinance No. 184563 passed on May 4, 2011 extended the contract with Moss Adams LLP, Certified Public Accountants to provide the audit of the Fiscal Year (FY) 2010-11 financial statements of the City and its reporting entities, and the federal compliance audit for that year; and

WHEREAS, Statement on Auditing Standard (SAS) No. 114 requires the financial auditor 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”; and

WHEREAS, the Communications with Those Charged with Governance, attached hereto as Exhibit A, contains routine matters required by SAS No. 114. This letter also includes the Confirmation of Auditor Independence by Moss Adams, stating that Moss Adams is independent of the City of Portland for the purposes of auditing the City’s financial statements for the year ended June 30, 2011; and

WHEREAS, the City of Portland’s financial statements, known as the Comprehensive Annual Financial Report (CAFR), are prepared by the Accounting Division of the Office of Management and Finance (OMF). Electronic copies of the audited CAFR and the Federal Single Audit Report for FY 2010-11 are available at <http://www.portlandonline.com/omf/index.cfm?c=57772> ; and

WHEREAS, Moss Adams, LLP has completed the financial audit of the Comprehensive Annual Financial Report (CAFR) of the City of Portland’s CAFR for Fiscal Year ended June 30, 2011 and has delivered an unqualified opinion (on pages 11-12 of the CAFR). An unqualified opinion is a clean opinion, that the City’s basic financial statements (on pages 36 through 130 of the CAFR) present fairly, in all material respects, the financial position of the City of Portland and its component units as of June 30, 2010, and the respective changes in financial position and cash flows for the year then ended, in conformity with generally accepted accounting principals (GAAP); and

WHEREAS, this opinion from the City's independent financial auditors means that readers may rely upon the City's CAFR with reasonable assurance that the transactions and balances reported in it are presented free of material misstatement; and

WHEREAS, Moss Adams, LLP has completed the financial audits of the Portland Development Commission's CAFR, of the Fire & Police Disability & Retirement Funds' financial statements, and the Hydroelectric Power Fund's financial statements for FY 2010-2011 and has delivered an unqualified opinion on each of these financial audits; and

WHEREAS, Moss Adams, LLP has completed the federal compliance audit for the federal awards expended by the City and by the Portland Development Commission during FY 2010-2011 and did not find any instances of non-compliance with Federal grant regulations; and

WHEREAS, the City's Federal Single Audit Report for Fiscal Year 2010-2011 includes in the Schedule of Findings and Questioned Costs, as required by OMB Circular A-133, a material weakness in the City's internal control over financial reporting that was found by Moss Adams, attached hereto as Exhibit B; and

WHEREAS, Moss Adams did find this material weakness in the City's internal control over financial reporting relating to intergovernmental agreements, during the course of the financial audit of the FY 2010-2011 CAFR, and this weakness is noted on page 314 of the CAFR, in the Oregon Minimum Standards report, attached hereto as Exhibit C, in addition to its inclusion in the Single Audit Report; and

WHEREAS, OMF management has prepared a response to the material weakness, setting forth the corrective measures management proposes to correct this weakness, and the period of time estimated to complete it, attached hereto as Exhibit D; and

WHEREAS, the Oregon Revised Statute 297.466 (2) requires the governing body of a city to adopt a resolution setting forth the corrective measures it proposes and the period of time estimated to complete them, to correct the deficiencies disclosed in the audit report; and

NOW, THEREFORE, BE IT RESOLVED, that the City of Portland accepts the financial audit of the City's Comprehensive Annual Financial Report for FY 2010-2011 and the related Communications with Those Charged with Governance from the independent financial auditors; and

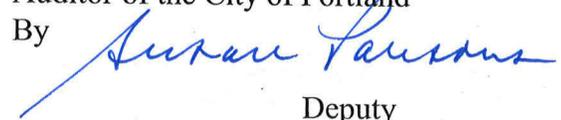
BE IT FURTHER RESOLVED, that the City of Portland adopts and endorses the OMF management response to correct the material weakness in financial reporting controls disclosed in the audit report and the period of time estimated to complete them.

Adopted by the Council:      **MAR 21 2012**

City Auditor LaVonne Griffin-Valade  
Prepared by: Fiona Earle, CIA, ACA  
Date Prepared: March 12, 2012

**LaVonne Griffin-Valade**  
Auditor of the City of Portland

By

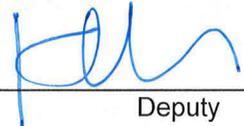


Deputy

Agenda No.  
**RESOLUTION NO.**  
Title

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 <p><b>INTRODUCED BY</b> Commissioner/Auditor: <b>LaVonne Griffin-Valade</b></p> <p><b>COMMISSIONER APPROVAL</b></p> <p>Mayor—Finance and Administration - Adams</p> <p>Position 1/Utilities - Fritz</p> <p>Position 2/Works - Fish</p> <p>Position 3/Affairs - Saltzman</p> <p>Position 4/Safety - Leonard</p> <p><b>BUREAU APPROVAL</b></p> <p>Bureau: Audit Services Division Bureau Head: Drummond Kahn </p> <p>Prepared by: Fiona Earle Date Prepared: 03/12/2012</p> <p>Financial Impact &amp; Public Involvement Statement</p> <p>Completed <input checked="" type="checkbox"/> Amends Budget <input type="checkbox"/></p> <p>Portland Policy Document If "Yes" requires City Policy paragraph stated in document. Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <p>Council Meeting Date <b>March 21, 2012</b></p> <p><b>City Attorney Approval:</b> required for contract, code, easement, franchise, charter, Comp Plan</p>	<p>CLERK USE: DATE FILED <u>MAR 16 2012</u></p> <p style="text-align: center;">LaVonne Griffin-Valade Auditor of the City of Portland</p> <p>By:  _____ Deputy</p> <p><b>ACTION TAKEN:</b></p>
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<b>AGENDA</b>
<p><b>TIME CERTAIN</b> <input checked="" type="checkbox"/></p> <p><b>Start time: 10:00a.m.</b></p> <p><b>Total amount of time needed: 20 min</b> (for presentation, testimony and discussion)</p>
<p><b>CONSENT</b> <input type="checkbox"/></p>
<p><b>REGULAR</b> <input type="checkbox"/></p> <p><b>Total amount of time needed: _____</b> (for presentation, testimony and discussion)</p>

FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS:		
		YEAS	NAYS
1. Fritz	1. Fritz	✓	
2. Fish	2. Fish	✓	
3. Saltzman	3. Saltzman	_____	
4. Leonard	4. Leonard	✓	
Adams	Adams	✓	