



# CITY OF PORTLAND

Office of City Auditor LaVonne Griffin-Valade

## Audit Services Division

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TO: Mayor Sam Adams  
Commissioner Nick Fish  
Commissioner Amanda Fritz  
Commissioner Randy Leonard  
Commissioner Dan Saltzman

FROM: LaVonne Griffin-Valade, City Auditor

SUBJECT: Audit Schedule for FY 2010-11

Attached is the FY 2010-11 Audit Schedule for the Audit Services Division. Each year, the City Auditor sends the annual audit schedule to Council for feedback. This year's schedule is based on my priorities for the year and the suggestions and input from the Audit Services Division, Council members, City bureaus, and members of the public.

Two key purposes of government auditing are to improve public accountability and to enhance decision-making. I expect that this audit work will meet both challenges by publicly reporting the results of our audit work and by providing our reports and recommendations to Council and bureau managers to help in decision-making.

I appreciated the insights and input from each of you as we planned and finalized this year's schedule. If you have any questions or comments about this schedule, please feel free to contact me or Drummond Kahn, Director of Audit Services.

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cc: Bureau Directors



City of Portland  
Office of the City Auditor  
Audit Services Division

**ANNUAL AUDIT SCHEDULE, JULY 2010 – JUNE 2011**

The mission of the Audit Services Division is to improve the accountability and performance of the City of Portland government by reporting our independent assessments of City services and activities to City officials and the public, and by recommending actions for achieving greater efficiency and effectiveness. We provide our audit services in an objective, timely, professional, and productive manner. This year's planned audit schedule reflects a continuing focus on this mission.

The Division has a staff of 12 FTE, whose time and effort will be allocated among the following proposed audit areas.

**PLANNED NEW AUDITS**

The following planned audit areas are subject to change depending on available audit resources and issues that may emerge subsequent to publication of this Audit Schedule.

**Utility Rate-payer Funds Used for Non-Utility Purposes** – Are Portland rate-payers (for Water and Sewer services) also funding non-utility purposes with rate dollars? To what extent and for which kinds of other uses? Are non-utility uses of rate dollars legal? Appropriate? Transparent to the public and decision-makers?

**Financial Condition of the City of Portland** – This report is typically issued every two years, and provides snapshots and 10-year trend data on the City's financial condition. This year, we plan to pay particular attention to debt, reserve funds, ongoing pension obligations, and a calculation of City assets measured against City debts/liabilities.

**Water Bureau Asset Management** – This audit will study Water Bureau quality assurance during asset construction and repair, and preventive maintenance. Implementation of a new asset management system may allow us to focus the audit on the system and its results to study the overall condition of Water Bureau quality assurance and preventive maintenance. This audit will in part follow up on our 2004 audit of the bureau.

**Information Technology (IT) Audit Series** – The Auditor's goal is to build IT auditing capacity internally and to begin conducting routine audits and reviews of IT systems throughout the City, including the new SAP system and the new public safety information management system. The first of these audits was initiated last year. Plans for 2010-11 include monitoring City transactions using analytical procedures and audit software, studying IT security issues, and analyzing data patterns for potential areas of concern. One issue is City implementation of the Human Capital Management module in the new SAP system. Is it effective? Is the module fully active? Can bureau staff use the module efficiently?

**Portland Police Bureau as a "Learning Organization"** – Does the Portland Police Bureau possess the attributes of an organization that is able to learn from mistakes and continuously improve its services? We would document recurring problematic issues and themes, establish criteria for a well-run, continuously improving organization, document PPB's efforts toward learning from its mistakes,

and make recommendations to close the organizational gaps. Specifically, the audit will study recent PPB improvement initiatives to document their approach, how it is monitored, and how the PPB responds to issues. Were organizational and personnel changes effective in achieving goals?

**Fire and Police Disability and Retirement's Disability Claims** – How does FPD&R accept, reject, or respond to employee disability claims? For claims based on stress and mental health-related claims, how does FPD&R evaluate these claims? Once granted, how does FPD&R oversee an officer's return to duty following such a claim? Does this match national best practices? Does Portland's proportion of firefighter and police officer disability claims fall in line with regional and national numbers? How does the proportion compare with other City bureaus in Portland? Does FPD&R effectively monitor claims to ensure that they are valid?

**Fire and Police Disability and Retirement** – After voter-approved changes more than three years ago, are the rates, payouts, and oversight of this system more sustainable? Are the liabilities and debts consistent with other pension systems? Has the City seen cost savings or future liability reductions with new members joining PERS instead of FPDR? (See possible connection with "Fiscal Sustainability" topic next):

**Fiscal Sustainability** – Recent media and public discussions focused on the City's fiscal sustainability. In Portland and nationally, debt is used for some on-going purposes (like maintenance), while some spending may be in areas not specific to a City mission or bureau. Reviewing information from the Financial Condition audit described above, and considering new GASB work on fiscal sustainability and the notion of inter-generational equity (the current generation borrowing from future generations of taxpayers), this audit will assess and compare Portland's debt and spending patterns against other jurisdictions, best practices, and against state and federal ratios. Specifically, we will assess Portland's ratio of debt to revenue, the average maturity of Portland debt, and ratios of liability/debt to assets, presenting a publicly-framed report on the results of Portland continuing its current financial decisions. (May blend with Financial Condition audit or use concurrent information, but this is slated as a more detailed look at results presented in Financial Condition)

**Emergency Communications Management** – This audit will focus on the Bureau of Emergency Communications (BOEC), including relevant City agreements with Multnomah County and other jurisdictions. The audit may also review effects of BOEC management on interdependent City services such as emergency response.

**Risk Assessment** – This effort will review City-wide issues for risk, issue an audit report on City-wide risks, and then use the results in the audit planning process for future years.

**Fire Bureau Overtime** – How is the Fire Bureau managing overtime? Is it effective? Is Fire appropriately balancing the need to staff shifts with overtime versus hiring new staff? This audit could draw on methods we used in assessing Police overtime in past years.

**Major Capital Construction Projects** – Given City efforts to build major capital projects, this audit will assess current City processes (including rules and procedures) to review proposed and current capital projects. The audit will also review past and current projects to provide a public report on the progress of City capital construction goals. This review is focused on City processes for capital construction, and is not specific to reviewing stimulus projects.

**City Office Space Efficiency and Utilization** – This audit will assess the use and costs of City-owned and leased office space, considering the effectiveness and efficiency of managing current space, renewing current leases and entering into new ones. Is Portland using all of the city office space it

already owns? Is it efficiently managing City needs to lease space? Are rates and renewals appropriate and driven by business needs? Buildings like the 1900 Building, Portland Building, and other city-managed space appear under-utilized, while the city enters into new leases for private space. Is the current management approach efficient?

**Procurement Process for Contractor Accountability** – Are Procurement’s (formerly Purchases’) processes and guidance adequate for preparing efficient and effective contracts and holding contractors accountable?

**Social Media** – This audit will examine the new City efforts to use “social media” to connect City services with Portlanders. Key questions include: How many bureaus/offices use social media and for what purposes? Are there City policies regarding business use of social media? Are there City policies regarding personal use of social media? Do State records retention policies apply to social media and are they being followed? What risks does social media use pose for the City and for individual employees? Can the City claim public involvement/outreach when their efforts may be limited to people on Facebook/Twitter/internet?

## **RECURRING AUDIT AREAS**

**Service Efforts and Accomplishments (SEA)** – Audit Services’ major contribution to the City’s efforts to measure and manage performance. Winner of 2004, 2005, 2006, 2007, 2008 and 2009 Certificates of Achievement in Service Efforts & Accomplishments Reporting, awarded by the Association of Government Accountants. This year’s report will be the 20<sup>th</sup> consecutive SEA report.

**Community Survey** – Now in its 20<sup>th</sup> year, this is Audit Services’ effort to measure resident satisfaction with city services.

**Comprehensive Annual Financial Report (CAFR) Audit** – Managing the CAFR contract with the City of Portland’s outside CPA firm, in auditing the full financial statements of the City. For the fourth year, the CAFR audit will include the Portland Development Commission as a component unit of the City’s financial statements. Our contracted auditing firm is Moss Adams LLP. This outside audit is required by City Code (as well as for Portland to issue bonds and to report to the State in accordance with State law), and Code also requires the City Auditor to select and oversee the independent financial statement audit.

**Portland Development Commission** – Various audit areas selected with input from PDC’s Audit Subcommittee – work is funded by interagency transfer from the Portland Development Commission.

## **OTHER WORK OF THE AUDIT SERVICES DIVISION**

In addition to the annual plan work outlined above, we expect to do the following:

- Perform technical assistance upon request to Bureaus on topics including risk assessment, contracted audit work and related efforts, based on available time
- Participate in professional audit activities and training with regional and national audit organizations to ensure that our Division follows government auditing standards, as required by City Charter and Code.

## **NATIONAL RECOGNITION OF THE AUDIT SERVICES DIVISION**

During FY 2009-10, we were very pleased to receive a national award for our work:

- A 2009 Certificate of Achievement in Service Efforts and Accomplishments Reporting. Portland was one of eleven state and local governments nationwide to be recognized with this award, presented by the Association of Government Accountants (AGA) . This is the sixth consecutive year our office has been recognized by AGA.

## **EXPERT INVOLVEMENT AND PARTICIPATION OF AUDIT SERVICES DIVISION MEMBERS**

Our work and our employees are respected in the City, as well as in the broader government auditing community. Each member of our professional auditing staff is hired competitively and must meet national standards for auditing, including requirements for continuing professional education and independence. Each auditor in our Audit Services Division holds a graduate degree, a professional certification, or both.

Graduate degrees held by members of our office include Master's of Public Administration and Master's of Business Administration. Certificates held by our professionals include Certified Internal Auditor, Certified Public Accountant, Certified Government Financial Manager, Certified Information Systems Auditor, and Certified Government Auditing Professional.

Most of our staff members have prior professional auditing experience, including analysis and auditing service in public and private organizations including the Oregon Audits Division, KPMG, PacifiCorp, U.S. Government Accountability Office, First American Corporation, Oregon Department of Administrative Services, Washington State Legislature, and the City of New York.

Staff members represent the City through membership and leadership roles in professional associations including the Association of Local Government Auditors, the Institute of Internal Auditors, the Association of Government Accountants, the Government Finance Officers' Association, and the Information Systems Audit and Control Association.

## **INDEPENDENCE AND QUALITY CONTROL OF THE AUDIT SERVICES DIVISION**

City Code requires the Audit Services Division to follow national standards for government auditing. Our employees are independent of the City processes they audit, and the Division has no reporting relationship to Council, the Mayor, or to City bureaus. We have systems of quality control internally, including planning, supervision, training, and an extensive fact-checking process for each report. In addition, we have external quality control through the Association of Local Government Auditors. Through this "peer review" program, a team of auditors from other jurisdictions reviews whether our work and processes comply with national standards. We successfully completed our last external quality control review in 2008. The next review will be scheduled for 2011.