

RESOLUTION No. 37004

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. (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. 185332 passed on May 16, 2012 authorized the contract with Moss Adams LLP, Certified Public Accountants to audit the financial statements of the Fiscal Years (FY) 2011-12 through 2013-14 of the City and its reporting entities, and the federal compliance audit for those years; 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 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, 2012; 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). A copy of the audited CAFR, including the Federal Single Audit Report for FY 2011-12, is attached as Exhibit B; 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, 2012 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 40 through 139 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, 2012, 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, and of the Fire & Police Disability & Retirement Funds' financial statements, for FY 2011-2012 and has delivered an unqualified opinion on each of these financial audits; and

WHEREAS, despite the clean audit opinions, Moss Adams found two significant deficiencies in the City's controls over financial reporting, and five significant deficiencies in the Portland Development Commission's controls over financial reporting during the course of the financial audits of the FY 2011-2012 CAFRs; 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 2011-2012 and found two significant deficiencies in control and instances of non-compliance with federal grant regulations; and

WHEREAS, all these significant deficiencies in control over financial reporting and over compliance with federal grant requirements are reported in the Schedule of Findings and Questioned Costs, as required by OMB Circular A-133. The Schedule of Findings and Questioned Costs is found on pages 342 through 351 of the City's FY 2011-12 CAFR, (Exhibit B); and

WHEREAS, management of PDC, OMF and PBOT have prepared responses to their significant deficiencies, setting forth the corrective measures management proposes to correct these deficiencies in controls, found on pages 352 through 362 of the City's FY 2011-12 CAFR, (Exhibit B); 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 to correct the deficiencies disclosed in the audit report; and

WHEREAS, the Portland Development Commission resolved on January 9, 2013 to endorse the PDC management responses; 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 2011-2012 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 City's management responses to correct the significant deficiencies in controls disclosed in the audit report.

Adopted by the Council: MAR 06 2013

City Auditor LaVonne Griffin-Valade
Prepared by: Fiona Earle, CIA, ACA
Date Prepared: February 27, 2013

LaVonne Griffin-Valade

Auditor of the City of Portland

By

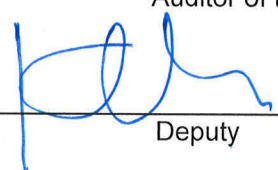
Susan Parsons

Deputy

Agenda No.
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 Title

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<p>INTRODUCED BY Commissioner/Auditor: LaVonne Griffin-Valade</p> <p>COMMISSIONER APPROVAL</p> <p>Mayor—Finance and Administration - Hales</p> <p>Position 1/Utilities - Fritz</p> <p>Position 2/Works - Fish</p> <p>Position 3/Affairs - Saltzman</p> <p>Position 4/Safety - Novick</p> <p>BUREAU APPROVAL</p> <p>Bureau: Office of the City Auditor Bureau Head: LaVonne Griffin-Valade</p> <p>Prepared by: Fiona Earle Date Prepared: 02/27/13</p> <p>Financial Impact & 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 March 6, 2013</p> <p>City Attorney Approval: required for contract, code, easement, franchise, charter, Comp Plan</p>	<p>CLERK USE: DATE FILED MAR 01 2013</p> <p style="text-align: center;">LaVonne Griffin-Valade Auditor of the City of Portland</p> <p>By:  Deputy</p> <p>ACTION TAKEN:</p>
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AGENDA
<p>TIME CERTAIN <input checked="" type="checkbox"/> Start time: 9:30am</p> <p>Total amount of time needed: 20 min (for presentation, testimony and discussion)</p> <p>CONSENT <input type="checkbox"/></p> <p>REGULAR <input type="checkbox"/> Total amount of time needed: _____ (for presentation, testimony and discussion)</p>

FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS:	
	YEAS	NAYS
1. Fritz	1. Fritz <input checked="" type="checkbox"/>	
2. Fish	2. Fish <input checked="" type="checkbox"/>	
3. Saltzman	3. Saltzman <input checked="" type="checkbox"/>	
4. Novick	4. Novick <input checked="" type="checkbox"/>	
Hales	Hales <input checked="" type="checkbox"/>	