



CITY OF PORTLAND

OFFICE OF MANAGEMENT AND FINANCE

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December 20, 2013

37062

To: James Lanzarotta, Moss Adams LLP
 LaVonne Griffin-Valade, City Auditor

From: Fred Miller, Interim Chief Administrative Officer

As part of the City's FY2012-13 audit and required Auditor Communications performed and reported by Moss Adams LLP, I am responding to your Schedule of Findings and Questioned Costs (SFQC) for the finding related to the Office of Management and Finance, as follows:

FINDING 2013-001 – Capitalization of Internally Developed Software Personnel Costs, Significant Deficiency in Internal Controls

Recommendation: We recommend that management provide education to Bureau personnel responsible for internally developed software on the requirements of GASB No. 51 generally, and the types of costs specifically, required to be capitalized.

Management Response: (unaudited): The Office of Management and Finance (OMF) provided software capitalization requirements to bureaus represented in the October 17, 2013 Accounting Advisory Committee meeting. Additionally, OMF provided information to bureaus City-wide during a Chief Administrative Officer sponsored meeting held October 21, 2013.

During FY 2014, OMF plans to provide focused training for the Bureau Capital Asset and Project Accountants, the Accounting Advisory Committee members, and Bureau Audit Leads. Also, OMF plans to coordinate efforts with the Bureau of Technology Services, Enterprise Business Solutions, the Technology Oversight Committee, and the City Budget Office, to ensure they have the information prior to and during the preliminary project phase of software development of technology projects. Also, OMF will revise Accounting Administrative Rule Fin 6.09 *Capitalization of Computer Software Developed or Obtained for Internal Use* to provide more definitions and further clarify which specific costs must be capitalized and what costs would not qualify for capitalization.

The City appreciates the comments and recommendations of our independent financial auditor, and will use this information to improve processes going forward. If you have any questions, comments, or concerns about these responses, please do not hesitate to let me know.

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CITY OF PORTLAND, OREGON



37062

Bureau of Police

Charlie Hales, Mayor

Michael Reese, Chief of Police

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December 18, 2013

To: James Lanzarotta, Moss Adams LLP
LaVonne Griffin-Valade, City Auditor

From: Michael Reese, Chief of Police 

As part of the City's FY2012-13 audit and required Auditor Communications performed and reported by Moss Adams, LLP, I am responding to your Schedule of Findings and Questioned Costs (SFQC) for one finding related to the Portland Police Bureau, as follow:

FINDING 2013-002 - Procurement, Suspension and Debarment - Significant Deficiency in Internal Control and Instances of Noncompliance

Recommendation: We have noted that the City began corrective action during the fiscal year 2013 on a go-forward basis for new contracts. However, this federal program was still utilizing contractors in place prior to the implementation of the corrective action plan. It is our recommendation that the City continue to enforce its established policies to help ensure federal language is included in contracts when federal funding is being applied.

Views of responsible officials and planned corrective actions: (unaudited):

The City implemented a Corrective Action Plan to address an issue identified by the independent auditor in FY 2011-12 Single Audit Finding 2012-08 regarding inclusion of references to the appropriate federal provisions and citations that will be included with any purchase order or contract. A process for the review and a communications plan was developed for future grant-funded purchases to ensure required federal language be included. Focused training was provided by Procurement Services to the Bureau of Police and Bureau of Fire and Rescue.

At the time that Finding 2012-08 was delivered, the City was aware that procurements already completed, or that were in process and at risk of the expiration of grant-funding, would not benefit from this corrective action. The plan did allow the City to ensure applicable federal language was included in subsequent purchase documents.

The City discovered a gap in the process that relates to the use of pre-existing supply contracts that do not yet contain the applicable language. This led to instances of non-compliance. The Police Bureau is working with Procurement Services to determine which existing contracts require renegotiation to incorporate appropriate language in advance of making grant-funded purchases from that vendor.

- C. Jane Kingston, Controller
- Fiona Earle, Principal Management Auditor, Audit Services

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CITY OF
PORTLAND, OREGON
 PORTLAND HOUSING BUREAU

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December 18, 2013

To: James Lanzarotta, Moss Adams LLP
 LaVonne Griffin-Valade, City Auditor

From: Traci Manning

As part of the City's FY2012-13 audit and required Auditor Communications performed and reported by Moss Adams, LLP, I am responding to your Schedule of Findings and Questioned Costs (SFQC) for one finding related to the Portland Housing Bureau, as follow:

FINDING 2013-003 – Sub-recipient Monitoring – Significant Deficiency in Internal Control and Instance of Noncompliance

Recommendation: We recommend that PHB communicate and provide training to their project managers on the City's and the Bureaus' current policies to ensure appropriate sub-recipient monitoring activities are occurring timely. Additionally, we recommend that the City enforce compliance with these policies and procedures to help ensure that all sub-recipients are adequately monitored.

Views of responsible officials and planned corrective actions:

PHB and OMF agree with the recommendation and will continue to strengthen staff skills in understanding and applying the City's processes to subrecipient monitoring. As part the corrective action plan, PHB is instituting a peer completeness review during the fiscal year. PHB will work to continue strengthening communication with regard to City procedures for reviewing and monitoring subrecipient contracts to ensure no oversight happens again as we move forward. Organizational changes and new management are in place for the current fiscal year and will serve to mitigate the risk of this problem arising in the future.

cc: Jane Kingston, Controller
 Fiona Earle, Principal Management Auditor, Audit Service