



CITY OF PORTLAND

Office of City Auditor LaVonne Griffin-Valade

1221 S.W. 4th Avenue, Room 140, Portland, Oregon 97204

phone: (503) 823-4078

web: www.portlandoregon.gov/auditor



October 3, 2011

To: Financial Planning
Mayor Sam Adams
Commissioner Amanda Fritz
Commissioner Nick Fish
Commissioner Dan Saltzman
Commissioner Randy Leonard

From: City Auditor LaVonne Griffin-Valade

Re: Fall Budget Monitoring Report

The Auditor's Office Fall Budget Monitoring Report shows that the Auditor's Office is within the spending plan for both Personal Services and Internal Materials and Services and is under budget in External Materials and Services for FY2010-11.

The action steps to attain the goals set out in the FY2010-11 Service Improvement Plan for my office have been completed and all Decision Packages have been completed or resolved.

General Fund Carryover

The Auditor's Office requests that a portion of its unspent General Fund discretionary dollars be carried over to ensure adequate funding on three contracts. Each of these multi-year contracts will have work occur in FY2011-12 that was originally anticipated to take place in FY2010-11.

- \$50,000 for the contracted review of the City's liens collection process.
- \$10,000 for contracted Land Use Hearings Officer services.
- \$25,000 for the review of closed officer-involved shooting and in-custody death cases

Encumbrance Carryover

The Auditor's Office requests approval to carryover \$99,063 from the prior fiscal year to fund encumbered contracts. The purchase orders included in this request are for work that occurred during FY2010-11 but was not billed until FY2011-12. The contracts include those with the City's external financial auditor, contracted Land Use Hearings Officer services, public lien searches, Summer Works interns, Oregon Fellowship Program, the review of officer-involved shootings, and others.

BUDGET AMENDMENT REQUEST

Office of the City Auditor

PERIOD Fall BuMP

FISCAL YEAR FY 2011-12

AU_001 - Carryover: Review of Liens Collection Process

The Auditor's Office requests a carryover from prior year of \$50,000 for the contracted review of the City's liens collection process. This project was originally scheduled to begin in FY2010-11. However, the issuance of the RFP was delayed by a number of factors, including the complicated nature of the liens collection process in the City and the number of bureaus and interests involved. This review is currently underway and scheduled to conclude in early 2012. This carryover request was originally made in the Spring BMP.

Dollar Amount: \$50,000
Type: Carryover Request
Resources: General Fund Discretionary

AU_002 - Carryover: On-Call Land Use Hearings Officer

The Auditor's Office requests a carryover from prior year of \$10,000 for on-call Land Use Hearings Officer services. The procurement for these services took longer than was originally anticipated. There has been an increase in the level of activity for Land Use hearings and we need to ensure adequate coverage for these services. This carryover request was originally made in the Spring BMP.

Dollar Amount: \$10,000
Type: Carryover Request
Resources: General Fund Discretionary

AU_003 - Carryover: Review of Officer-Involved Shootings

The Auditor's Office requests a carryover of \$25,000 for the contract to review closed officer-involved shooting and in-custody death cases. Initial work on this contract began last fiscal year, but the bulk of the work is scheduled to occur during the current and next fiscal years. We are requesting the carryover to cover work that we now know will occur later in the life of the contract. This carryover request was originally made in the Spring BMP.

Dollar Amount: \$25,000
Type: Carryover Request
Resources: General Fund Discretionary

AU_004 - Encumbrance Carryover

The Auditor's Office requests council approval to carryover \$99,063 to fund the following encumbered contracts: 1) PO 22021025, \$68,200 to Moss Adams LLP to conduct the annual financial audit; 2) PO 22001265, \$14,680 to Net Assets for public web access to lien information; 3) PO 22069940, \$4,000 to DePaul Industries for temporary data entry work on the annual community survey; 4) PO 2200376, \$1,232 to LNS Co for captioning services; 5) PO 22070387, \$1,176 to Kenneth D Helm for Land Use Hearings Officer services; 6) PO 22070385, \$1,975 to Michael Gennaco for review of officer-involved shootings and in-custody deaths; 7) PO 22072303, \$3,920 to PSU for Oregon Fellowship Program participation; 8) PO 22070497, \$1,480 to Timothy Carpenter for an electrical wiring project at the Portland Archives and Records Center; 9) PO 22074205, \$1,950 to Worksystems Inc for Summer Works interns, and 10) PO 22033218, \$450 to Hybrid Thinking Consulting for staff training.

Dollar Amount: \$99,063
Type: Encumbrance Carryover Request
Resources: General Fund Discretionary



CITY OF PORTLAND

Office of City Auditor LaVonne Griffin-Valade

1221 SW 4th Avenue, Room 140

Portland, OR 97204

phone: (503) 823-4078

web: www.portlandoregon.gov/auditor



Office of the City Auditor FY 2010-11 Decision Package Report Fall BMP -- October 3, 2011

1. AU_001 Increase LID IA to Auditor for Lien Accounting System (LAS)

Replacement. Increase LID Interagency to Auditor by \$145,000 for increase in BTS costs related to the LAS Replacement Project. This project was agreed to and entered into in June 2010. Increased interagency expense will be covered by transfer from LID fund contingency.

Status Report: Work on the LAS Replacement project by BTS was cancelled prior to the end of FY2010-11 when it became clear that the original project plan underestimated time, effort, and costs. Approximately 50% of charges to the Auditor's Office by BTS were reversed and the IA between the LID fund and the Auditor's Office was reduced to reflect the cancellation of charges and discontinuation of the project. We are currently working to engage the services of an IT consultant to research the options available for replacement of the system and make recommendations.

2. AU_002 Increase Auditor IA to BTS for Lien Accounting System (LAS)

Replacement. Increase Auditor Interagency to BTS by \$145,000 for costs related to the LAS Replacement Project. This project was agreed to and entered into in June 2010. Increased costs will be covered by interagency reimbursement from the LID Construction Fund.

Status Report: See #1 above. These were offsetting requests: one from the LID fund to the Auditor and one from the Auditor to BTS. The decrease in expenditures to BTS for this project resulted in a lower IA amount between the LID and the Auditor's Office.

3. AU_005 Carryover for Automated, Accessible Doors. This is a carryover request for \$29,000 to pay for installation of automated, accessible doors for the Auditor's Office and Independent Police Review Division in City Hall. The project was originally scheduled and budgeted to be completed in FY2009-10. Actual project completion was August 2010. The Auditor's Office did not learn that the project would not be complete in FY 2009-10 until after the Spring BuMP process was complete; therefore, no carryover request was made at that time.

Status Report: Installation of the automated, accessible doors is complete.



CITY OF PORTLAND

Office of City Auditor LaVonne Griffin-Valade

1221 SW 4th Avenue, Room 140
Portland, OR 97204
phone: (503) 823-4078
web: www.portlandoregon.gov/auditor



**Office of the City Auditor
FY 2010-11 Budget Note Report
Fall BMP
October 3, 2011**

The following budget note was included in the FY2010-11 Budget:

The purpose of the Bancroft Bond Interest and Sinking Fund is to provide financing for loans to property owners to pay for local improvement district assessments, system development charges, sidewalk repair assessments and other special assessments authorized by statute or code. By January 1, 2011, the Chief Administrative Officer, in consultation with the City Auditor, shall (1) conduct an assessment of the financial condition of the fund and the adequacy of the current fund balance and future loan repayments to retire all outstanding debt service requirements; and (2) propose to Council legal provisions and management policies that will strengthen the long term health of the fund.

Status Report: The Chief Administrative Officer delegated responsibility for the assessment and policy recommendations to the City Treasurer, who completed the report and submitted it to our office for comment. We concurred with the overall direction the report provides for fund preservation. We made a few recommendations for changes to the report, including a request to have a stakeholder group convene to define the specific types of LID-related programs that may make use of the Reserve Account. The report was sent to elected officials on January 31, 2011. To date, no stakeholder group has been formed by OMF nor other actions taken to strengthen fund protections. As a result, the Auditor's Office intends to convene a group of stakeholders to bring forward recommendations on appropriate and allowable uses of the Reserve Account.

Prior Year Business Area Reconciliation Report

	FY 2010-11 Revised Budget	FY 2010-11 Year-End Actuals	Percent of Actuals to Revised
Office of the City Auditor			
EXPENDITURES			
Personal Services	\$4,819,740	\$4,733,285	98%
External Materials and Services	\$1,888,357	\$1,120,469	59%
Internal Materials and Services	\$2,604,989	\$2,414,358	93%
TOTAL EXPENDITURES	\$9,313,086	\$8,268,112	89%
REVENUES			
Charges for Services	\$335,388	\$423,403	126%
Interagency Revenue	\$1,205,028	\$774,353	64%
Miscellaneous	\$10,000	\$14,384	144%
General Fund Discretionary	\$4,152,903	\$0	0%
General Fund Overhead	\$3,609,767	\$0	0%
TOTAL REVENUES	\$9,313,086	\$1,212,140	13%

Bureau Reconciliation Narrative

Auditor's Office expenditures were within 2 percent variance for Personal Services and 7 percent variance for Internal Materials and Services. Expenditures were 41 percent lower than budget in External Materials and Services. Some of these savings resulted from contracted work originally intended to substantially occur in FY2010-11, but which was delayed. Please see Carryover Requests for details. Approximately \$237,000 of this difference is the result of fewer public lien searches, therefore fewer charges to this professional services contract. Additionally, the City was not charged as much as originally budgeted for CAFR and Single Audits performed by the contracted external financial auditors. Finally, the bureau as a whole limited expenditures on professional services, supplies, travel and training.

Revenues exceeded budget estimates in the Charges for Services and Miscellaneous categories, driven primarily by higher than anticipated demand for Hearings Officer services. There were a number of contributors to the variance between budgeted and actual Interagency revenues. Decreased use of professional services for public lien searches, as noted above, and the cancellation of the Lien Accounting System replacement project resulted in a lower interagency agreement between the Auditor's Office and the LID fund. Additionally, the budgeted estimates for the portion of the annual financial audit that is funded by interagency agreements were higher than actual charges.

Amt type	Vendor Name	RefDocNo	Payment budget		
350			\$ 179,963	Carryover?	Carryover Amount
	DATABASE BY DESIGN INC		\$ 3,325		
		A1031791	\$ 3,325	No	x
	DEPAUL INDUSTRIES		\$ 4,000		
		22069940	\$ 4,000	Yes	\$ 4,000 x
	DONNA SILVERBERG		\$ 353		
		22001498	\$ 353	No	x
	HEWLETT PACKARD COMPANY		\$ 0		
		20000240	\$ 0	No	x
	HYBRID THINKING CONSULTING LLC		\$ 450		
		22033218	\$ 450	Yes	\$ 450
	IN-ACCORD INC		\$ 375		
		22055532	\$ 375	No	x
	KENNETH D HELM		\$ 12,648		
		22070387	\$ 12,648	Partial	\$ 1,176 x
	LATTE NO SUGAR CO		\$ 5,946		
		22000376	\$ 5,946	Partial	\$ 1,232 x
	LOUISE NEILSON PROCESS CONSULT		\$ 125		
		22055533	\$ 125	No	x
	MICHAEL J GENNACO		\$ 5,501		
		22070385	\$ 5,501	Partial	\$ 1,975 x
	MOSS ADAMS LLP		\$ 68,200		
		22021025	\$ 68,200	Yes	\$ 68,200 x
	NET ASSETS		\$ 71,390		
		22001265	\$ 71,390	Partial	\$ 14,680 x
	PORTLAND HABILITATION CENTER		\$ 301		
		22004530	\$ 301	No	x
	PORTLAND STATE UNIVERSITY		\$ 3,920		
		22072303	\$ 3,920	Yes	\$ 3,920
	TIMOTHY CARPENTER		\$ 1,480		
		22070497	\$ 1,480	Yes	\$ 1,480
	WORKSYSTEMS INC		\$ 1,950		
		22074205	\$ 1,950	Yes	\$ 1,950
Grand Total			\$ 179,963		\$ 99,063

Office of the City Auditor

Performance Measures

Performance Measure	Type	FY 2009-10 Year-End Actuals	FY 2010-11 Year-End Actuals	FY 2011-12 Revised Budget	FY 2012-13 Performance No Dec Pkg	FY 2012-13 Performance With Dec Pkg
AU_0001 - Number of reports issued	WORKLOAD	9	12	12	0	0
AU_0002 - Percent of report recommendations implemented	EFFECTIVE	89%	94%	85%	0%	0%
AU_0003 - Full cost per audit hour	EFFICIENCY	\$98	\$99	\$108	\$0	\$0
AU_0004 - Number of citizen complaints	WORKLOAD	389	410	375	0	0
AU_0008 - Number of checks/deposit advices processed	WORKLOAD	229,526	164,467	169,000	0	0
AU_0009 - Percent of requests provided within 24 hours	EFFECTIVE	99%	98%	85%	0%	0%
AU_0010 - Direct cost per retrieval and delivery of record from Records Center	EFFICIENCY	\$5.98	\$6.03	\$6.50	\$0.00	\$0.00
AU_0013 - New liens assessed	WORKLOAD	2,543	1,241	1,436	0	0
AU_0016 - Number of complaints and requests	WORKLOAD	366	365	375	0	0
AU_0017 - Percentage of citizens who are satisfied or very satisfied with the service they received.	EFFECTIVE	75%	80%	75%	0%	0%
AU_0018 - Percentage of citizens who feel the office's response was timely.	EFFICIENCY	93%	93%	85%	0%	0%
AU_0021 - Administrative costs: Goal is 10% or less of total budget	EFFICIENCY	7.3%	6.9%	8.0%	0.0%	0.0%
AU_0026 - Number of assessments per staff person	EFFICIENCY	1,272	621	718	0	0
AU_0030 - Number of Election Filings	WORKLOAD	17	3	30	0	0
AU_0031 - Number of code, appeal, land use, and tow cases	WORKLOAD	832	707	638	0	0
AU_0032 - Number of electronic documents viewed through Efiles	EFFECTIVE	270,802	336,820	400,000	0	0
AU_0033 - Median number of days to complete intake investigations	EFFICIENCY	0	27	20	0	0
AU_0034 - Percentage of residents rating IPR's regulation of Portland Police as good or very good	EFFECTIVE	0%	34%	40%	0%	0%

Performance Measure Variance Descriptions

Number of Election Filings (AU_0030)

The number of candidate and initiative filings significantly decreases during non-election years. The division expected fewer filings in FY 2010-11; however, the division expects an increase in filings during FY 2011-12.

Number of new liens assessed (AU_0013)

The Assessments, Finance and Foreclosure division reported fewer new liens assessed in FY 2010-11 than in the previous year; the division had 2,543 new lien assessments in FY 2009-10 but 1,241 in FY 2010-11. This workload measure has a high degree of variance from year to year and is difficult to project.

Median number of days to complete intake investigations (AU_0033)

This measure was added for the FY 2011-12 Budget; data was not collected for FY 2010-11.

Percentage of residents rating IPR's regulation of Portland Police as good or very good (AU_0034)

This measure was added for the FY 2011-12 Budget; data was not collected for FY 2010-11.



CITY OF PORTLAND

Office of City Auditor LaVonne Griffin-Valade

1221 S.W. 4th Avenue, Room 140, Portland, Oregon 97204

phone: (503) 823-4078

web: www.portlandoregon.gov/auditor



October 3, 2011

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

FROM: Auditor LaVonne Griffin-Valade

RE: FY 2011-12 Fall Budget Monitoring Report

Following, please find the Auditor's Office submittal of the Fall Budget Monitoring Reports for the LID Construction fund (401), the Assessments Collection fund (201), and the Bancroft Bond Interest & Sinking fund (311).

As indicated in the current report several variances existed in the actual year end activity for revenues and expenditures compared to revised budget amounts. Although several of these variances may be significant, they are not directly the result of operational activity, but are due to the general nature of the LID Construction process, the various LID projects that the City Council has approved, the level of assessment collection activity, and the degree at which LID district property owners finance their share of the cost of various City improvement projects.

As part of this budget submission we are making one new request to add a cash transfer between the LID Construction fund and the Water Construction fund for the transfer of estimated bond proceeds received from Water SDC Assessment contracts included in the pending 2011 Limited Tax Improvement Bond sale scheduled for December 2011.

BUDGET AMENDMENT REQUEST

Office of the City Auditor

PERIOD Fall BuMP

FISCAL YEAR FY 2011-12

AU_005 - LID Cash Transfer to Water

Add cash transfer from LID fund to Water Construction fund for transfer of estimated proceeds to be received on Water SDC Assessment Contracts included in pending 2011 Limited Tax Improvement Bond sale scheduled to close in December 2011. This cash transfer expenditure will be covered by an increase in bond sale revenue.

Dollar Amount: \$49,500

Type: New Request

Resources: New Revenues

**Prior Year Fund Reconciliation Report
Assessments Collection Fund**

	FY 2010-11 Revised Budget	FY 2010-11 Year-End Actuals	Percent of Actuals to Revised
201 - Assessment Collection Fund			
EXPENDITURES			
Internal Materials and Services	1,321	1,320	99.92
Fund Transfers - Expense	38	38	100.00
Contingency	80,565	0	0.00
TOTAL EXPENDITURES	81,924	1,358	1.66
REVENUES			
Budgeted Beginning Fund Balance	79,924	0	0.00
Miscellaneous	2,000	530	26.49
TOTAL REVENUES	81,924	530	0.65

Fund Reconciliation Narrative

Revenues:

Miscellaneous revenues were lower than budgeted due primarily to the decrease in earnings on investment revenue. The continued weakened economy has resulted in interest rates well below projected rates of return. Interest earnings were down approximately 65% from estimates for the year. In addition, there were no collections of lien revenues during the year, which resulted in approximately 25% reduction in estimated revenues. Since the assessments in this fund have no scheduled repayments, activity will vary from period to period, and is the result of unanticipated partial payments or payoffs. Any revenue activity will be sporadic since the fund is relatively inactive and accounts for an insignificant liens receivable balance.

**Prior Year Fund Reconciliation Report
Bancroft Bond Interest Sinking Fund**

	FY 2010-11 Revised Budget	FY 2010-11 Year-End Actuals	Percent of Actuals to Revised
311 - Bancroft Bond Interest and Sinking Fund			
EXPENDITURES			
Unappropriated Fund Balance	12,529,154	0	0.00
Bond Expenses	8,612,741	9,910,580	115.07
Fund Transfers - Expense	3,500,000	3,500,000	100.00
TOTAL EXPENDITURES	24,641,895	13,410,580	54.42
REVENUES			
Budgeted Beginning Fund Balance	15,948,373	0	0.00
Bond and Note	0	1,500,000	0.00
Miscellaneous	8,693,522	8,137,354	93.60
TOTAL REVENUES	24,641,895	9,637,354	39.11

Fund Reconciliation Narrative

Expenditures:

Bond Expenses were higher than revised budget due to the recording of a \$1.5 million internal loan to the Bureau of Development Services in late spring 2011. Actual bond expense without the internal loan was \$8.41 million which was 98% of revised budget.

**Prior Year Fund Reconciliation Report
LID Construction Fund**

	FY 2010-11 Revised Budget	FY 2010-11 Year-End Actuals	Percent of Actuals to Revised
401 - Local Improvement District Construction Fund			
EXPENDITURES			
External Materials and Services	445,000	435,607	97.89
Internal Materials and Services	1,648,940	1,248,097	75.69
Bond Expenses	5,849,068	4,937,120	84.41
Fund Transfers - Expense	7,940,425	6,712,402	84.53
Contingency	4,631,630	0	0.00
TOTAL EXPENDITURES	20,515,063	13,333,226	64.99
REVENUES			
Budgeted Beginning Fund Balance	5,309,031	0	0.00
Charges for Services	815,540	868,190	106.46
Fund Transfers - Revenue	2,788	2,788	100.00
Bond and Note	12,015,204	9,487,181	78.96
Miscellaneous	2,372,500	2,232,314	94.09
TOTAL REVENUES	20,515,063	12,590,472	61.37

Fund Reconciliation Narrative

Expenditures:

Internal Materials & Services were less than budgeted due to lower billings for interagency services. Reimbursements to the Auditor's Office, Debt Management and Revenue Bureau were less than budgeted by approximately 37%, 40%, and 9%, respectively. Of the \$400,843 budget to actual variance, the majority (\$323,002 or 81%), represents reduced billings by the Auditor's Office for actual costs incurred related to the Assessment, Finance and Foreclosure program. The reduced cost is primarily comprised of decreased professional services (\$180,273) for public web access to City lien searches. Additionally, internal technology services were \$110,464 less than budgeted due to the cancellation of the Lien Accounting System Replacement project.

Bond Expenses were less than budgeted as a result of no regular principal payments made to the LID external line-of-credit during the fiscal year. Resources that would typically have been used to make debt payments were used instead to fund LID project reimbursements to PBOT in lieu of borrowing additional funds from the LID line-of-credit. This comprised 100% of the variance.

Fund Transfers were less than budgeted due to decreased reimbursement requests from PBOT for LID projects. The budget is based on planned LID projects that may commence during the fiscal year. As of year-end \$1,228,023 in budgeted LID projects costs had not been incurred and billed to the LID fund. This represents 100% of the variance.

Revenues:

Bond and Note Revenues were lower than budgeted due to decreased external funding needs for LID projects (PBOT). As of the end of last fiscal year note revenues were \$2,528,023 less than budgeted. Of this amount, \$1,228,023 represents budgeted LID project costs that had yet to be incurred by PBOT and billed to the LID, thereby reducing note revenues. The remaining \$1,300,000 represented note revenues budgeted for reimbursement of LID project costs, but due to available cash from lien revenues, note revenues were not necessary to fund PBOT reimbursements.