



## 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](http://www.portlandoregon.gov/auditor)



March 30, 2012

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

From: City Auditor LaVonne Griffin-Valade

Re: Spring Budget Monitoring Report

The Auditor's Office Spring Budget Monitoring Report shows that overall expenditures are within the spending plan. We are closely budgeted in Personal Services, and in order to avoid overexpenditure in this category, we are requesting a transfer of \$35,000 from External Materials and Services to Personal Services. We are also requesting a number of other transfers to Internal Materials and Services in order to ensure adequate funding for unanticipated expenditures.

In addition, we are requesting carryover of current year funding to next fiscal year for the following projects: the review of Officer-Involved Shootings and In-Custody Deaths; a planned outside expert review of the City's system for civilian oversight of police; and the annual external financial audit. All of these projects were anticipated to incur more charges in the current fiscal year, but each experienced delays that will move work into the next fiscal year.

Enclosed, please find our projections, a status report on current year add packages, and update to our service improvement plan.

## Business Area Projection Report

	Spring BuMP Revised Budget	FY 2011-12 YTD Actuals Thru AP8	Spring BuMP Year-End Projection	% of Projected Actuals to Revised Bud
<b>Office of the City Auditor</b>				
<b>EXPENDITURES</b>				
Personnel Services	\$4,974,032	\$3,408,936	\$4,959,942	100%
External Materials and Services	\$1,697,829	\$744,273	\$1,347,095	79%
Internal Materials and Services	\$2,569,899	\$1,665,814	\$2,498,724	97%
<b>TOTAL EXPENDITURES</b>	<b>\$9,241,760</b>	<b>\$5,819,024</b>	<b>\$8,805,761</b>	<b>95%</b>
<b>REVENUES</b>				
Charges for Services	\$373,385	\$144,997	\$394,818	106%
Interagency Revenue	\$960,204	\$33,566	\$917,594	96%
Miscellaneous	\$10,000	\$3,054	\$4,583	46%
General Fund Discretionary	\$4,160,970	\$0	\$3,751,565	90%
General Fund Overhead	\$3,737,201	\$0	\$3,737,201	100%
<b>TOTAL REVENUES</b>	<b>\$9,241,760</b>	<b>\$181,617</b>	<b>\$8,805,761</b>	<b>95%</b>

### **Bureau Projection Narrative**

The Auditor's Office projects that Personnel Services will be fully expended and requests an internal transfer of \$35,000 from External Materials and Services to prevent overexpenditure. Compensation set-aside will not be requested. Internal Materials and Services will be over budget, requiring an increase in the interagency between the LID Fund and the Auditor's Office for technology-related services. External Materials and Services projections are below budgeted amounts due to lower than anticipated spending in supplies and contracted professional services. Revenues are projected to exceed budgeted amounts under Charges for Services because of increasing numbers of TriMet exclusion hearings and land use fees collected for the Hearings Office. Interagency revenues are slightly lower than anticipated because of fewer additional programs being selected for the Single Audit by the external auditor. Miscellaneous revenues are lower than anticipated because of a steep decline in sales of city code, which is now available online.

# BUDGET AMENDMENT REQUEST

Office of the City Auditor

PERIOD Spring BuMP

FISCAL YEAR FY 2011-12

## **AU\_007 - Technical Adjustments Spring BMP**

The Auditor's Office requests a technical adjustment of \$35,000 to transfer funds from External Materials and Services to Personal Services to prevent overexpenditure in this category. The Auditor's Office is not requesting compensation set-aside for FY2011-12. The Auditor's Office requests technical adjustments of \$90,000 to increase the interagency agreement with BTS for programming and technical support of the Lien Accounting System, and \$21,200 to BTS for server replacement and virtualization for TRIM. The office requests an additional \$9,000 be added to the Printing & Distribution budget to cover larger than expected mailing costs and an additional \$10,000 be added to Professional Services to fund an analysis of the Lien Accounting System replacement options. These adjustments will be paid for by transfers from External Materials and Services and an increase between the LID fund and the Auditor's Office for Assessments related charges.

Dollar Amount: \$102,000

Type: Technical Adjustment

Resources: Internal Transfer

# BUDGET AMENDMENT REQUEST

Office of the City Auditor

PERIOD Spring BuMP

FISCAL YEAR FY 2011-12

## AU\_008 - Carryover: Independent Police Review Contracts

The Auditor's Office requests a carryover of \$85,000 to next fiscal year for two external review projects. The first is the contract to review all closed officer-involved shooting and in-custody death investigations. During the current fiscal year, the consultants were not able to complete as much work as originally planned, but will be increasing their time on this project during the next fiscal year. The second project is for an outside expert to review the City's system of civilian oversight of police. The Auditor originally committed to beginning this project during the current fiscal year, but has decided to postpone the project until the current review by the US Department of Justice is complete. Approval of this request ensures that adequate funding is available next fiscal year to cover this change in the scheduling of the work.

Dollar Amount: **(\$85,000)**

Type: Carryover Request

Resources: General Fund Discretionary

# BUDGET AMENDMENT REQUEST

Office of the City Auditor

PERIOD Spring BuMP

FISCAL YEAR FY 2011-12

## AU\_009 - Carryover: External Financial Audit

As of the Spring BMP submission date, a new contractor for the annual external financial audit had not yet been selected, although the evaluation process is underway. Normally, the contracted firm begins work on the current year audit in May and June, continuing the work into the next fiscal year. Because of the uncertainty around who the next vendor will be and when the work will start, we are requesting carryover of \$100,000 to ensure adequate funding for the financial audit in the next fiscal year.

Dollar Amount: **(\$100,000)**

Type: Carryover Request

Resources: General Fund Discretionary



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## Office of the City Auditor FY 2011-12 Decision Package Report Spring BMP March 30, 2012

- 1. AU\_01 - IPR Assistant Director position.** The FY 2008-09 approved budget created a full-time Assistant IPR Director position, half of which was funded with permanent ongoing dollars and the other half was funded with limited term funding for three years. The limited term funding for this position expired June 30, 2011. The Auditor's top priority add package requested an additional \$57,744 of ongoing dollars to convert the second half of this position to permanent funding. The full-time Assistant IPR Director position oversees the majority of investigations, including the most sensitive cases, and provides leadership to IPR in the absence of the Director. To address Council's directives in Ordinance 183657, the Assistant IPR Director regularly improves procedures for investigations and complaint handlings.

**Status Report:** With the conversion of the second half of this position to permanent funding, the Auditor's Office has maintained its current level of oversight and service and implemented the increased responsibilities associated with Council-approved changes to IPR made in 2010. Significant changes in IPR operations and investigation delays were avoided with the full funding of this position.

- 2. AU\_04 - 1.5% Mandatory Reduction** The Adopted Budget cut the Auditor's Office budget by \$25,117 ongoing, which reduced external materials and services by \$25,117 across all divisions.

**Status Report:** This reduction package decreased external materials and services in all categories, including consultant services, supplies, and operations and maintenance expenses. The office was able to absorb the cut without affecting services.

- 3. AU\_05 - Single Audit Cost Increase: IAs** The Auditor's Office is responsible for administering the contract between the City and our external auditors. In the past, the Auditor's Office has had funding for the Single Audit included in the budget

allocation for audits of six major programs. Last year, because of increases in federal grant funding, including ARRA, the number of major programs identified by the external auditor to include in the Single Audit increased and it was estimated to remain higher through FY 2012-13. This add package reflected the Financial Planning Division's recommendation that the costs for additional audits of major programs, beyond the six which already receive an allocation, were recovered through interagency agreements from bureaus that received federal grant dollars. The Auditor's Office and Financial Planning Division calculated the amount to be recovered from each bureau based on the amount of federal grant expenditures.

**Status Report:** This add package allowed the Auditor's Office to increase the contract amount so that the audit firm could complete the City's financial audit as required by law and meet all federal requirements.



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## Auditor's Office Service Improvement Plan FY 2011-12

- **Establish consistent processes for appealing City decisions to the Hearings Officer**

Various sections of City Code have created processes for appeals of City decisions. However, there is no uniformity to those processes and no consistency in fees charged for filing appeals. We see a need for more uniform processes, and if appeals fees are to be assessed, those fees should be consistent across the City. In addition, we question the appropriateness of bureaus subjecting appellants to fees. For example, does the public have a fundamental right to appeal City decisions without the impediment of an appeals charge?

Over the next year, we will examine the appeals processes and fees outlined in City Code and determine where modifications and improvements are appropriate.

UPDATE: Due to a notable increase in the number of cases heard by the Hearings Office and increase demand on Management Services time, this project has been rescheduled until a later date.

- **Contract for an outside review of the City's police oversight system**

In March 2010, City Council approved changes to the ordinance authorizing the Auditor's Independent Police Review (IPR) division and to the Portland Police Bureau's performance and use of force review processes. These changes strengthened IPR's police oversight authority and expanded its role on the Police Review Board. We have committed to hiring an outside expert to review the police oversight system in 2012 for the purpose of assessing the effectiveness of the system and of the 2010 changes.

UPDATE: The Auditor is committed to this review, but has decided to wait until after the U.S. Department of Justice completes its review of the Portland Police Bureau.

- **Review the cross-bureau processes regarding liens and foreclosures**

The Auditor's Office, the Office of Management & Finance, the Bureau of Development Services, and occasionally other bureaus are involved in the City's liens and foreclosure system. A number of concerns have emerged in the last two years that call into question the effectiveness of the current system and the clarity and intent of the various Code requirements that drive the system. Involved bureaus sometimes appear to have competing interests and, occasionally,

conflicting roles. We are in the process of hiring a consultant to conduct an independent, objective review of the system. The objectives of that review include: 1) development of an accurate and complete map of the flow of fees, fines, liens, and collection activity; 2) analysis of gaps that exist in those processes; and 3) practical guidance for the various bureaus involved in managing the liens and foreclosure system.

UPDATE: The firm conducting the audit plans to submit a final draft in the coming weeks. The Auditor will consider the analysis and any recommendations.



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March 30, 2012

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 Spring Budget Monitoring Report

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

The Auditor's Office projects that expenditures will be within budget for the LID Construction fund and the Bancroft Bond fund after Spring BMP adjustments. As part of this submittal we are making five requests. Three requests will be for the LID Construction fund to adjust beginning fund balance, revenues, expenditures, and contingency to reflect actual and projected activity; two requests will be for the Bancroft Bond Fund to adjust beginning fund balance and to recognize an internal loan repayment for a loan made in the prior year.

**Fund Projection Report**  
**Assessment Collection Fund**

	Spring BuMP Revised Budget	FY 2011-12 YTD Actuals Thru AP8	Spring BuMP Year-End Projection	% of Projected Actuals to Revised Bud
<b>Assessment Collection Fund</b>				
<b>EXPENDITURES</b>				
Unappropriated Fund Balance	\$0	\$0	\$80,142	
Internal Materials and Services	\$1,532	\$1,024	\$1,532	100%
Fund Transfers - Expense	\$41	\$41	\$41	100%
Contingency	\$78,320	\$0	\$0	0%
<b>TOTAL EXPENDITURES</b>	<b>\$79,893</b>	<b>\$1,065</b>	<b>\$81,715</b>	<b>102%</b>
<b>REVENUES</b>				
Budgeted Beginning Fund Balance	\$78,893	\$0	\$79,013	100%
Miscellaneous	\$1,000	\$2,440	\$2,702	270%
<b>TOTAL REVENUES</b>	<b>\$79,893</b>	<b>\$2,440</b>	<b>\$81,715</b>	<b>102%</b>

**Fund Projection Narrative**

It is expected that miscellaneous revenues will be significantly greater than budgeted due to the expected payoff of a delinquent lien. Since the delinquent assessments in this fund have no scheduled repayments, activity will vary from period to period, and as a result, unanticipated partial payments or payoffs may occur. Any revenue activity will be sporadic since the fund is relatively inactive and accounts for an insignificant liens receivable balance.

**Fund Projection Report  
LID Construction Fund**

	Spring BuMP Revised Budget	FY 2011-12 YTD Actuals Thru AP8	Spring BuMP Year-End Projection	% of Projected Actuals to Revised Bud
<b>Local Improvement District Construction Fund</b>				
<b>EXPENDITURES</b>				
Unappropriated Fund Balance	\$0	\$0	\$3,964,280	
External Materials and Services	\$5,000	\$1,050	\$1,050	21%
Internal Materials and Services	\$1,514,330	\$445,293	\$1,493,486	99%
Bond Expenses	\$2,713,885	\$2,337,190	\$2,713,885	100%
Fund Transfers - Expense	\$12,660,081	\$1,186,516	\$12,633,515	100%
Contingency	\$3,937,217	\$0	\$0	0%
<b>TOTAL EXPENDITURES</b>	<b>\$20,830,513</b>	<b>\$3,970,048</b>	<b>\$20,806,216</b>	<b>100%</b>
<b>REVENUES</b>				
Budgeted Beginning Fund Balance	\$4,566,277	\$0	\$4,566,277	100%
Charges for Services	\$773,500	\$580,658	\$868,500	112%
Fund Transfers - Revenue	\$23,022	\$23,022	\$23,022	100%
Bond and Note	\$15,033,107	\$3,504,595	\$14,938,107	99%
Miscellaneous	\$434,607	\$402,290	\$410,310	94%
<b>TOTAL REVENUES</b>	<b>\$20,830,513</b>	<b>\$4,510,564</b>	<b>\$20,806,216</b>	<b>100%</b>

**Fund Projection Narrative**

**Expenditures:**

External Materials & Services are expected to be lower than budgeted since bond expenses related to the 2011A Limited Tax Improvement Bond sale were paid and accounted for under "Bond Expenses" rather than as miscellaneous expense.

**Revenues:**

Charges for Services are projected to be slightly higher than budgeted due to expected increase collections of delinquent liens. Revenues are projected to increase with the typical spring and summer real estate activity which require lien payoffs; however, revenues could fall short if market conditions falter.

# BUDGET AMENDMENT REQUEST

Office of the City Auditor

PERIOD Spring BuMP

FISCAL YEAR FY 2011-12

## AU\_010 - LID Beginning Fd Balance Adjustment

LID FY 11-12 beginning fund balance adjustment to balance to FY 10-11 CAFR ending balance. Decrease \$159,956 with off-set to contingency.

Dollar Amount: (\$159,956)

Type: New Request

Resources: Bureau Contingency

# BUDGET AMENDMENT REQUEST

Office of the City Auditor

PERIOD Spring BuMP

FISCAL YEAR FY 2011-12

## AU\_011 - Decrease LID Cash Transfer to PBOT

Decrease LID Cash Transfer to PBOT for FY 11-12 due to decrease project costs for the Eastside Loop Streetcar project that were funded in FY 10-11. Decrease of \$5,000,000 is off-set by reduction in LID Note Sale Revenue (451200).

Dollar Amount: (\$5,000,000)  
Type: New Request  
Resources: New Revenues

# BUDGET AMENDMENT REQUEST

Office of the City Auditor

PERIOD Spring BuMP

FISCAL YEAR FY 2011-12

## AU\_012 - LID Fund Technical BMP Adjustments

Adjust LID Fund Revenues, Expenditures, and Contingency to reflect projected actual year-end activity: 1) Decrease Bond Sale Revenue to actual proceeds recorded for 2011A LTIB. 2) Increase Bond Sale Premium to recognize premium received for 2011A LTIB. 3) Increase Auditor-LID IA for Lien System Review project. 4) Increase BES Cash Transfer to actual amount of Assessment contracts sold in the 2011A LTIB. 5) Increase Bond/Note Refunding Principal Expense - originally budgeted under Note Retirement. 6) Decrease Note Retirement for reclassification to Bond/Note Refunding and to reduce to actual 2011A LTIB Sale proceeds received. 7) Increase Debt Issuance Costs for 2011A LTIB. 8) Decrease Contingency for various adjustments to current year budget activity.

- 1) Bond Sale Revenue-451100 = (\$1,497,777)
- 2) Bond Sale Premium-451300 = \$235,617
- 3) Increase Auditor-LID IA-652201 = \$102,000
- 4) Cash Transfer to BES-650020 = \$129,000
- 5) Bond/Note Refunding Princ-551250 = \$2,240,697
- 6) Note Retirement-551300 = (\$3,742,798)
- 7) Increase Debt Issuance Costs-557100 = \$25,000
- 8) Contingency-571100 = (\$16,059)

Dollar Amount: (\$1,262,160)

Type: New Request

Resources: New Revenues

**Fund Projection Report  
Bancroft Bond Interest and Sinking Fund**

	Spring BuMP Revised Budget	FY 2011-12 YTD Actuals Thru AP8	Spring BuMP Year-End Projection	% of Projected Actuals to Revised Bud
<b>Bancroft Bond Interest and Sinking Fund</b>				
<b>EXPENDITURES</b>				
Unappropriated Fund Balance	\$14,294,374	\$0	\$13,544,910	95%
Bond Expenses	\$7,338,193	\$1,953,716	\$7,336,352	100%
<b>TOTAL EXPENDITURES</b>	<b>\$21,632,567</b>	<b>\$1,953,716</b>	<b>\$20,881,262</b>	<b>97%</b>
<b>REVENUES</b>				
Budgeted Beginning Fund Balance	\$11,871,718	\$0	\$11,871,718	100%
Bond and Note	\$1,500,000	\$2,512	\$1,500,000	100%
Miscellaneous	\$8,260,849	\$4,550,670	\$7,509,544	91%
<b>TOTAL REVENUES</b>	<b>\$21,632,567</b>	<b>\$4,553,181</b>	<b>\$20,881,262</b>	<b>97%</b>

**Fund Projection Narrative**

Although miscellaneous revenues will be slightly less than budgeted, all revenues and expenditures for the fund are projected to be within budget limits by year end. An adjustment will be made in the Spring BMP to record the repayment by the Bureau of Development Services of an internal loan that was made in the prior year.

# BUDGET AMENDMENT REQUEST

Office of the City Auditor

PERIOD Spring BuMP

FISCAL YEAR FY 2011-12

## **AU\_013 - Bancroft Bond Beginning Fd Balance Adjustment**

Bancroft Bond Fund FY 11-12 beginning fund balance adjustment to balance to FY 10-11 CAFR ending balance.  
Increase \$653,735 with off-set to Reserve for Debt Service.

Dollar Amount: \$653,735

Type: New Request

Resources: Bureau Contingency

# BUDGET AMENDMENT REQUEST

Office of the City Auditor

PERIOD Spring BuMP

FISCAL YEAR FY 2011-12

## AU\_014 - Internal Loan Repayment

Adjust Bancroft Bond budget to recognize repayment by the Bureau of Development Services for internal loan made in FY 10-11.

Dollar Amount: \$1,500,000

Type: New Request

Resources: New Revenues