Analysis By: Kezia Wanner

Office of the City Auditor

All Funds Budget Summary	Adopted	Request Base	Decision Pkgs	Request Total	Percent
All Fullus Budget Sullillary	FY 2012-13	FY 2013-14	FY 2013-14	FY 2013-14	Change
Resources					
Budgeted Beginning Fund Balance	\$ 16,490,806	\$ 18,451,526	\$0	\$ 18,451,526	11.9%
Charges for Services	1,202,721	1,254,554	0	1,254,554	4.3%
Interagency Revenue	927,681	853,163	0	853,163	-8.0%
Fund Transfers - Revenue	157	28	0	28	-82.2%
Bond and Note Proceeds	16,981,654	5,053,912	0	5,053,912	-70.2%
Miscellaneous Sources	11,497,611	7,876,628	0	7,876,628	-31.5%
General Fund Discretionary	3,845,236	2,989,363	286,385	3,275,748	-14.8%
General Fund Overhead	4,122,089	4,999,159	0	4,999,159	21.3%
Total Resources	\$55,067,955	\$41,478,333	\$286,385	\$41,764,718	-24.2%
Expenditures					
Personnel Services	\$ 5,079,044	\$ 5,397,709	\$ 105,570	\$ 5,503,279	8.4%
External Materials and Services	1,765,768	1,507,901	105,000	1,612,901	-8.7%
Internal Materials and Services	3,883,871	3,803,228	84,663	3,887,891	0.1%
Debt Service	24,047,181	10,464,566	0	10,464,566	-56.5%
Fund Transfers - Expense	3,402,496	1,980,869	0	1,980,869	-41.8%
Contingency	3,800,397	3,104,501	(8,848)	3,095,653	-18.5%
Unappropriated Fund Balance	13,089,198	15,219,559	0	15,219,559	16.3%
Total Requirements	\$55,067,955	\$41,478,333	\$286,385	\$41,764,718	-24.2%
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Total Bureau FTE	48.3	46.62	1.5	48.12	-0.4%

Percent Change is the change from FY 2012-13 Adopted Budget to FY 2013-14 Total Requested Budget.

Key Issues

Auditor's Office Programs

Given the breadth of the programs managed by the Auditor's Office, it has been difficult for them to prioritize across all of their programs and identify cuts. A letter from the Bureau Advisory Committee (BAC) notes: "the rankings are an imperfect reflection of BAC priorities due to the fact that the programs and services have disparate functions and are difficult to compare." In the table below you can see the results of the forced ranking of the bureau programs, as well as the bureau's choices regarding 1) their requested budget at reduced current service levels (CSL) and at the restored CSL, and 2) the position changes between reduced and restored CSL.

Auditor's Office Programs	Priority	FY 2013-14 no dps		FY 2013-14 w/ dps		FY 2012-13	% change 12-13 to 13-14	
	Ranking	FTE	Requested	FTE	Requested	Revised	13-14 no dps	13-14 w/dps
Audit Services	1	12.1	2,386,497	12.1	2,436,497	2,501,058	-5.0%	-3.0%
Archives & Records Management	2	7.0	2,551,560	7.0	2,576,560	2,478,348	3.0%	4.0%
Council Clerks/ Contracts	3	6.0	793,990	7.0	864,502	831,395	-4.0%	4.0%
Independent Police Review	4	9.0	1,298,216	9.0	1,318,216	1,312,111	-1.0%	0.0%
Hearings Office	5	3.5	628,416	4.0	673,474	599,783	5.0%	12.0%
Ombudsman Office	6	1.5	231,170	1.5	231,170	187,795	23.0%	23.0%
Assessment, Finance & Foreclosure	7	3.0	695,183	3.0	695,183	699,140	-1.0%	-1.0%
Management Services	8	4.5	727,607	4.5	803,422	710,475	2.0%	13.0%

One lens that bureaus have been able to use to evaluate program prioritization is whether they have a mandate to do the work or if there is discretion in how much and what specific work is done. Below is a brief discussion of the Auditor's Office programs identifying known mandates, legal and otherwise, regarding the bureau's programs:

- IPR The function was established under City Code Title 3.21, and 3.21.060 articulates that IPR must be located within the City Auditor's Office and accountable to the City Auditor. An additional mandate outside of City Charter/Code is the DOJ agreement, which legally obligates IPR to serve as an enforcement and oversight body for certain components of the agreement.
- City Recorder/ Council Clerks City Charter Section 2-506 includes mandates that the City Auditor shall serve as the "clerk of the Council" with the following responsibilities: maintain record of Council actions, produce formal Council meeting agendas, make records available for the public, and maintain current versions of, and record of revisions made to, the City Charter and Code. Other mandates are located in City Charter Sections 7-105 (specifies that warrants must be attested by the City Auditor), 2-505 (final determination of acceptability and legitimacy of payments), 2-504 (audit of contracts), and 2-509 (Auditor or Auditor's deputies, are authorized to administer oaths of office). City Code Section 17.84.030 states that the City Auditor shall review petitions for the vacation of a street, public place, or plat.
- Office of the Ombudsman This function is mandated by City Code 3.77 to provide "an independent, impartial office ... responsible to the City Auditor, empowered to investigate the administrative acts of city agencies and to recommend appropriate changes toward the goals of safeguarding the rights of persons and of promoting higher standards of competency, efficiency, and justice in the provision of city services." This Code stipulates that the function is located in the Auditor's Office and accountable to the Auditor.
- Audit Services City Charter Chapter 2, Article 5 stipulates that the Auditor is responsible for conducting, in accordance with generally accepted governmental auditing standards, the financial and performance audits of City government, including those of government boards, commissions, franchises, and contracts. City Charter 7-109 states that the City Auditor is responsible for contracting with an independent accounting firm for auditing the City's finances annually, and Chapter 15-104 dictates that same responsibility for PDC's annual financial audit. City Code Chapter 3.05 provides details of Audit Services' roles and responsibilities.
- Hearings Office –City Code Title 22 establishes the functions, responsibilities, and limitations of the
 City's Hearing Officer, although it does not directly states this function must be housed in the

- Auditor's Office. Legislation and mandates from City Council and other bureaus/ agencies also drive the work for which the division is responsible.
- Assessment Finance and Foreclosure Chapter 9 in City Charter states that the Auditor will
 publically notice, file remonstrance notices, and enter into the City docket, for liens. City Code
 Section 5.030.040 further details the Auditor's responsibilities regarding City liens and foreclosure
 processes. Administrative Rule ARB-ENB-12.01 articulates the Lien Accounting Assessment &
 Billing Policy.
- Archives and Records City Charter 2.504 states that the Auditor is responsible for maintenance of all official records for the City, as does City Code 3.76.030. City Code 3.76.030 also states that the City Auditor is responsible for maintaining an Archives Program. Administrative Policy ADM-8.12 communicates the City's mandates for compliance with Oregon Public Records Law and city code related to access, storage, and management of electronic records.
- Management Services The Elections function, operating under this division, is mandated by City Charter 2-504, that states that the Auditor will perform "supervision of the City elections." How the Auditor's Office carries out that function is further specified under City Code 2.02.020. Other relevant City Codes include Code 1.03 (responsibility to publish an ethics guide/pamphlet, 2.12.110 (responsibility for managing the Lobbyist program for the City), and 1.07.030 (maintaining the Portland Policy Document repository). Other functions managed by the division, the general administrative functions for the Auditor's Office that include budgeting, accounting, IT, purchasing, payroll, website management, policy analysis are not mandated activities, but support all divisions of the Auditor's Office.

The CBO recognizes that most of the Auditor's functions are subject to some form of mandate, either by City Charter, code, or legal requirement. That being said, there is latitude in how the office performs some of their functions as the mandates do not entirely dictate the outcomes or specific methods. The CBO recommends that the Auditor's Office continue their efforts to prioritize the allocation of resources to the programs/functions that are subject to specific mandates.

DOJ Settlement and IPR Workload

The Auditor's Office FY 2013-14 Requested Budget does not include any increased expenditures related to the City's agreement with the Department of Justice. City Council voted on both the FY 2012-13 and out-year funding and position authorization as part of the FY 2012-13 Winter Budget Monitoring Process, on February 20, 2013. Council authorization of additional out-year resources will be added to bureau CAL targets in the Proposed Budget. Terms of the agreement with the most material impact on IPR are described below along with the estimated resulting workload:

• IPR will need to perform more thorough initial intake investigations in order to determine if cases should be dismissed or should move on to administrative investigations. The agreement states that IPR must now meet a higher standard of evidence in case determinations. The additional time to conduct the more thorough investigations has been estimated at four hours per investigation. IPR has applied this increased burden of proof requirement to all of their cases, and under that scenario, the increased workload per year will equate to 1,704 hours, based upon the 2011 number of cases (426) opened. Specifically called out in the agreement are cases in which there

are allegations where a Police Officer has used excessive force, and for which the DOJ has required an even more rigorous investigation of these specific types of cases. The higher burden of proof for the allegations for excessive use of force cases would increase the units' workload by 252 additional hours annually, based upon the 2011 number of cases (63) in which the complaint was police excess use in force.

- IPR will conduct more thorough civilian investigations as the Police Bureau will no longer reinterview the same civilian complainants. The time estimated for the expanded interviews is four
 hours per interview. Using the 2011 number of civilian complaints referred to Police IAD (34
 complaints), the increased workload is on the magnitude of 136 additional hours per year.
- IPR will conduct independent administrative investigations as deemed necessary by IPR, but has not been able to fully exercise this option in the past due to restricted resources. The DOJ agreement states that IPR and Police Internal Affairs should work together to enable IPR to conduct independent investigations. IPR has projected that implementing this term of the DOJ agreement will increase their workload by 480 hours per investigation. It is unknown how many cases they will conduct annually although the current estimate is two annually which equates to 960 hours. Each case for which IPR conducts a full administrative investigation will require 480 hours, or the equivalent workload of a 0.25 FTE.
- The agreement requires that IPR investigations are completed within specific deadlines. The deadline for completing a full administrative investigation of officer misconduct is 180 days (current average is 270 per case). The deadline for initial investigations of complaints is 21 days which is 30% less time than the current median time to complete the work. The equivalent increase in workload is projected at 1,560 additional hours per year, or a 0.75 FTE.

The CBO has made recommendations for FY 2012-13 and out-year resources to respond to the DOJ agreement based upon speculation of workload impacts. To evaluate the correct level of resources for the impacted City bureaus – the Auditor's Office, Police Bureau, Bureau of Emergency Communications, City Attorney - CBO recommends Council support a budget note in the FY 2013-14 Adopted Budget that directs affected bureaus develop a report that calculates the actual workload impacts after the agreement has been in effect for one year, which would be April 1, 2014 if the current projected effective date of the agreement is accurate.

Five-Year Financial Plan

The Auditor's Office has submitted its required five-year financial plan, which is based upon the assumptions of the FY 2013-14 budget allocation at the 90% level, with 4% inflation added to the out-years. The plan includes information about planned position increases (and related funding) in FY 2014-15 and FY 2015-16 for the following programs:

- Independent Police Review 2.5 FTE to meet the estimated increase in workload related to the DOJ agreement (these positions were approved by Council in the FY 2012-13 Winter BMP).
- Council Clerk/Contracts The bureau reduced a 1.00 FTE OSSII in their reduced CSL Requested Budget, but is requesting to restore 0.50 FTE as part of the 100% CSL FY 2013-14 Requested Budget.

- Archives & Records Management 3.00 FTE position increase is projected in FY 2014-15, two
 positions for the City-wide expansion of the TRIM records management program and one Assistant
 Archivist position for the City's Archive Center.
- Hearings Office 0.50 FTE for a projected increase in the number of hearings.
- Assessment, Finance, and Foreclosure 1.00 FTE to support the Foreclosure program. The position and program are not funded by the General Fund.
- Ombudsman Program 0.50 FTE Deputy Ombudsman position increase in FY 2015-16 to create greater program capacity.

The five-year financial plans provide insight, albeit limited, into the bureau's strategic planning and program changes in the out-years. CBO recommends that the bureau develop a bureau strategic plan in FY 2013-14 to more clearly identify the position and general operational changes that they intend to enact in future years.

Decision Package Analysis & Recommendations

Add-back Council Clerk/Contract Support Staff, AU_02, \$70,512, 1.00 FTE

The bureau is requesting funding to restore a vacant Office Support Specialist II position in the Council Clerks/Contract division, which was eliminated in the 90% base. The position is 100% funded by General Fund. This package is the bureau's highest priority for adding back resources and the bureau is requesting the restoration of the position to 1.00 FTE.

The position assists the division in production of Council meeting minutes, posting of Council documents, assistance to the public, along with general office support. If the position is not restored it will result in work transferring to the remaining division staff as well as delays in the unit's work, including the production of Council meeting minutes, processing of checks and contracts, and public requests for documents.

Based on the lack of discretionary resources, CBO does not recommend funding for this request at this time. If the position is essential to the division/bureau, CBO recommends that the bureau reduce resources elsewhere in the bureau to fund the restoration of this position.

CBO Recommendation: \$0, 0.00 FTE

Add .5 FTE Hearings Clerk, \$35,058, 0.50 FTE

The bureau is requesting a 0.50 FTE Hearings Clerk position to meet the demands of an increased hearings workload. The request is for \$35,058 of General Fund resources to fund the position, although the bureau has estimated that the work accomplished by the position would result in between \$25,000 and \$50,000 in new revenues.

The Hearings Office has experienced an increased workload in recent years and anticipates a higher sustained level of cases for the foreseeable future. The office is responsible for providing appeal hearings for City bureaus and hearings for other governmental agencies. The types of cases include tow hearings, land use hearings, Trimet and other exclusion hearings, and appeals allowable under certain City code. The workload has been steadily increasing with increased City regulation legislation as well as the general trend of increased land use, exclusion and tow hearings. In FY 2010-11 the number of total cases was 707, in FY 2011-12 the number increased to 959 which is a 36% increase in case load. The number of projected cases for FY 2012-13 and FY 2013-14 is 900 and 950, respectively. The completion of hearings is subject to time limits, and therefore it is important to ensure that the office has adequate staffing levels to support the workload. It appears that the requested staffing levels are sufficient for the known workload but if there is a spike in number or complexity of cases in the future, the staffing level may again need to be revisited.

CBO recommends the requested position, as there is a compelling argument with the increase in workload. CBO's recommendation is predicated on the position being funded with projected increased fee revenues (estimated at \$25,000-\$50,000 in FY 2013-14) or existing resources reallocated from elsewhere in the bureau.

CBO Recommendation: \$0, 0.50 FTE

Add-back EM&S, AU_05, \$55,000

The Auditor's Office reduced its external materials and services budget as part of the exercise to develop the 90% base budget. This package requests restoring EM&S in IPR (\$20,000), Archives and Records (\$25,000), and the Hearings Office (\$10,000). The funding requested for Archives and Records is to support the TRIM system, the funding for IPR would enable the division to hire outside consultants to perform expert reviews of cases, and funding for the Hearing Office would fund general training and supplies.

The bureau's functions funded with General Fund resources (those that are separate from the activities of the Local Improvement District Fund, Bancroft Bond Fund, and Assessment Collection Fund, as well as the Assessments, Finance, and Foreclosure Program) have historically under spent their aggregate external materials and services budget on average of 33% between FY 2009-10 and FY 2011-12. The Single Audit is one factor that has contributed to the under spending, as it was under spent by \$44,540 in FY 2010-11 and by \$15,185 in FY 2011-12.

Actual EM&S spending has increased at a rate of 8% annually, and if that trend continues through FY 2012-13 and FY 2013-14, the actual projected spending for FY 2013-14 EM&S would be \$1.4 million.

	FY 2009-10		FY 2010-11		FY 2011-12		FY 2012-13	FY 2013-14	Requested
Auditor's Office	revised	actuals	ctuals revised actuals		revised	actuals	revised	No DPs	With DPs
EM&S	1,669,205	1,026,580	1,888,357	1,120,471	1,599,829	1,211,734	1,782,455	1,502,901	1,607,901

Based on the lack of discretionary resources, CBO does not recommend funding for this request at this time.

CBO Recommendation: \$0

Add-back Audit Services EM&S, AU 06, \$50,000

The Auditor's Office reduced its external materials and services budget in order to develop the 90% base budget. This package requests the restoration of \$50,000 to Audit Services - \$27,000 for contracts (professional services), \$10,000 to Training and Travel, \$13,000 to supplies and miscellaneous services. The bureau was considering taking a reduction to the division's personnel services budget as part of the 90% base budget development, but alternately took deeper reductions to the division's EM&S. The funding would enable hiring outside consultants for assistance on performing audits and allow for the Audit staff to travel for professional training and certification.

The Audit Services EM&S budget is predominately comprised of funding for the City's financial audits. These include the Comprehensive Annual Financial Report (CAFR), the external audit of Portland Development Commission, and the Single Audit for federal grant revenues received by the City. The contracts for the external audits are managed by the Audit Services division, with requisite funding budgeted in the Audit Services budget. The table below shows the division's EM&S budget breakdown with actuals from 2008-09 through 2011-12, the FY 2012-13 Adopted Budget, and FY 2013-14 Requested Budget with and without decision packages. The historical spending for the division EM&S irrespective of the financial audit obligations has ranged from \$53,000 to \$126,000. The average spending for the four prior years from 2008-09 to 2011-12 was approximately \$105,000, but taking out what appears to be the outlier of FY 2010-11, the average spending is raised to approximately \$123,500.

Audit Services	2008-09	2009-10	2010-11	2011-12	2012-13	2013	3-14
	Actuals				Adopted	no dps	w dps
Single Audit	0	0	110,460	121,365	176,550	99,379	99,379
PDC Audit	72,745	89,300	125,835	81,715	108,800	102,000	102,000
CAFR	446,526	300,649	336,570	306,335	453,522	386,670	386,670
EM&S w/o Financial Audit contracts	118,236	126,013	51,939	126,303	152,845	97,000	147,000

Based on the lack of discretionary resources, CBO does not recommend funding for this request at this time. CBO does recognize that the division's EM&S budget at the 90% level is \$26,000 lower than the average spending for the division. If the bureau believes the EM&S spending will follow the with historical spending trends, CBO recommends that the bureau find reductions elsewhere in the division and restore the Audit Services EM&S budget.

CBO Recommendation: \$0

IPR OSS II Position for DOJ, AU_07, \$50,000

The Auditor's Office requested a 0.50 FTE Office Support Specialist II position in the FY 2012-13 Winter BMP to support the increased staff to comply with terms of the DOJ agreement. The request was not recommended by CBO because specific data had not been provided to quantify an increase in the administrative workload of the unit.

The bureau anticipates that IPR compliance with the DOJ agreement will increase the division's administrative workload significantly, largely from the compressed timeframe that the Citizen Review Commission (CRC) will have to complete the appeal process, as well as the increase in two members to the CRC. The administrative staff would produce information for the CRC appeal process, scheduling of CRC members, coordinate the hearings, staff sub-committee meetings, among other responsibilities.

CBO does not recommend funding for this request at this time. Given the lack of discretionary resources, we believe that it is prudent to fund the minimum required to implement the DOJ agreement and only ramp up spending if the need arises.

CBO Recommendation: \$0

OMF IA Add-backs, AU 01, \$84,633

As per budget direction, the Office of Management and Finance (OMF) internal service funds were asked to submit 90% of their current service level (CSL) budgets as their base and add packages to restore funding up to 100% of CSL. Operating bureaus were directed to match the OMF add back packages with a single decision package. The table below outlines the total add-backs by service provider.

Of the total IA amounts, \$8,848 is related to the LID Fund (\$8,744) for Debt Management and EBS services, and the Assessment Finance Fund (\$104) for EBS services. The Auditor's Office has budgeted offsetting revenues in the respective fund's contingency.

OMF Service	Requested	CBO Recommended
EBS	7,761	-
Facilities	42,544	-
Risk	2,813	1,661
BTS	24,516	-
Debt Mgnt	7,029	-
Total	84,663	1,661

In response to add-backs recommended in the OMF budget analysis, the CBO recommends \$1,661 in General Fund discretionary support to fund these packages. A full discussion of all of the OMF packages may be found in the OMF budget analysis.

CBO Recommendation: \$1,661

City of Portland

Decision Package Recommendations

(Includes Contingency and Ending Balance)

		Bureau Requested						CBO An	alyst Recom	mendations	
	Bureau Priority	FTE	Gen Fund Ongoing	Gen Fund 1-Time	Other Revenues	Total Expenses	FTE	Gen Fund Ongoing	Gen Fund 1-Time	Other Revenues	Total Expenses
Office of the City Auditor											
Bureau Adds											
AU_02 - Add-Back Council Clerk/Contracts Support St	01	1.00	70,512	0	0	70,512	0.00	0	0	0	0
AU_03 - Add .5 FTE Hearings Clerk	02	0.50	35,058	0	0	35,058	0.50	0	0	35,058	35,058
AU_05 - Add-Back EM&S-Various Divisions	03	0.00	55,000	0	0	55,000	0.00	0	0	0	0
AU_06 - Add-Back Audit Services EM&S	04	0.00	50,000	0	0	50,000	0.00	0	0	0	0
AU_01 - OMF IA Add-Backs	NA	0.00	75,815	0	0	75,815	0.00	1,661	0	0	1,661
AU_07 - IPR OSSII position for DOJ	NA	0.00	35,652	0	0	35,652	0.00	0	0	0	0
Total Bureau Adds		1.50	322,037	0	0	322,037	0.50	1,661	0	35,058	36,719
Total Office of the City Auditor		1.50	322,037	0	0	322,037	0.50	1,661	0	35,058	36,719