



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



January 14, 2011

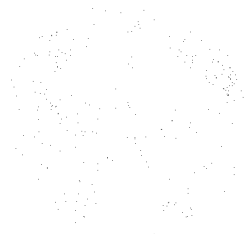
To: Financial Planning
Mayor Sam Adams
Commissioner Amanda Fritz
Commissioner Nick Fish
Commissioner Dan Saltzman
Commissioner Randy Leonard

From: City Auditor LaVonne Griffin-Valade

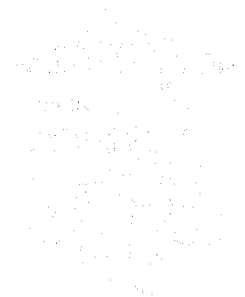
Re: Winter Budget Monitoring Report

The Auditor's Office Winter Budget Monitoring Report shows that projected bureau expenditures and revenues are within the spending plan. We are submitting no technical adjustments for this monitoring period.

Enclosed, please find our projections and updates on current year add packages, a budget note, and our service improvement plan.



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Business Area Projection Report

	Winter BuMP Revised Budget	FY 2010-11 Year to Date Actuals	Winter BuMP Year-End Projection	% of Projected Actuals to Revised Bud
Office of the City Auditor				
EXPENDITURES				
Personal Services	\$4,759,740	\$2,010,982	\$4,792,678	101%
External Materials and Services	\$2,033,357	\$525,135	\$1,876,186	92%
Internal Materials and Services	\$2,604,989	\$910,243	\$2,539,868	98%
TOTAL EXPENDITURES	\$9,398,086	\$3,446,360	\$9,208,732	98%
REVENUES				
Charges for Services	\$335,388	\$156,974	\$335,000	100%
Interagency Revenue	\$1,205,028	\$0	\$1,195,000	99%
Miscellaneous	\$10,000	\$2,061	\$5,000	50%
General Fund Discretionary	\$4,237,903	\$0	\$4,237,903	100%
General Fund Overhead	\$3,609,767	\$0	\$3,609,767	100%
TOTAL REVENUES	\$9,398,086	\$159,036	\$9,382,670	100%

Bureau Projection Narrative

The Auditor's Office projects that Personal Services and Internal Materials and Services will be fully expended. External Materials and Services projections are slightly lower than budgeted amounts due to lower than anticipated spending in supplies and contracted professionals services. Revenues are projected to be on target with budgeted amounts, except for lower than anticipated Miscellaneous fees in the Council Clerk/Contracts program.

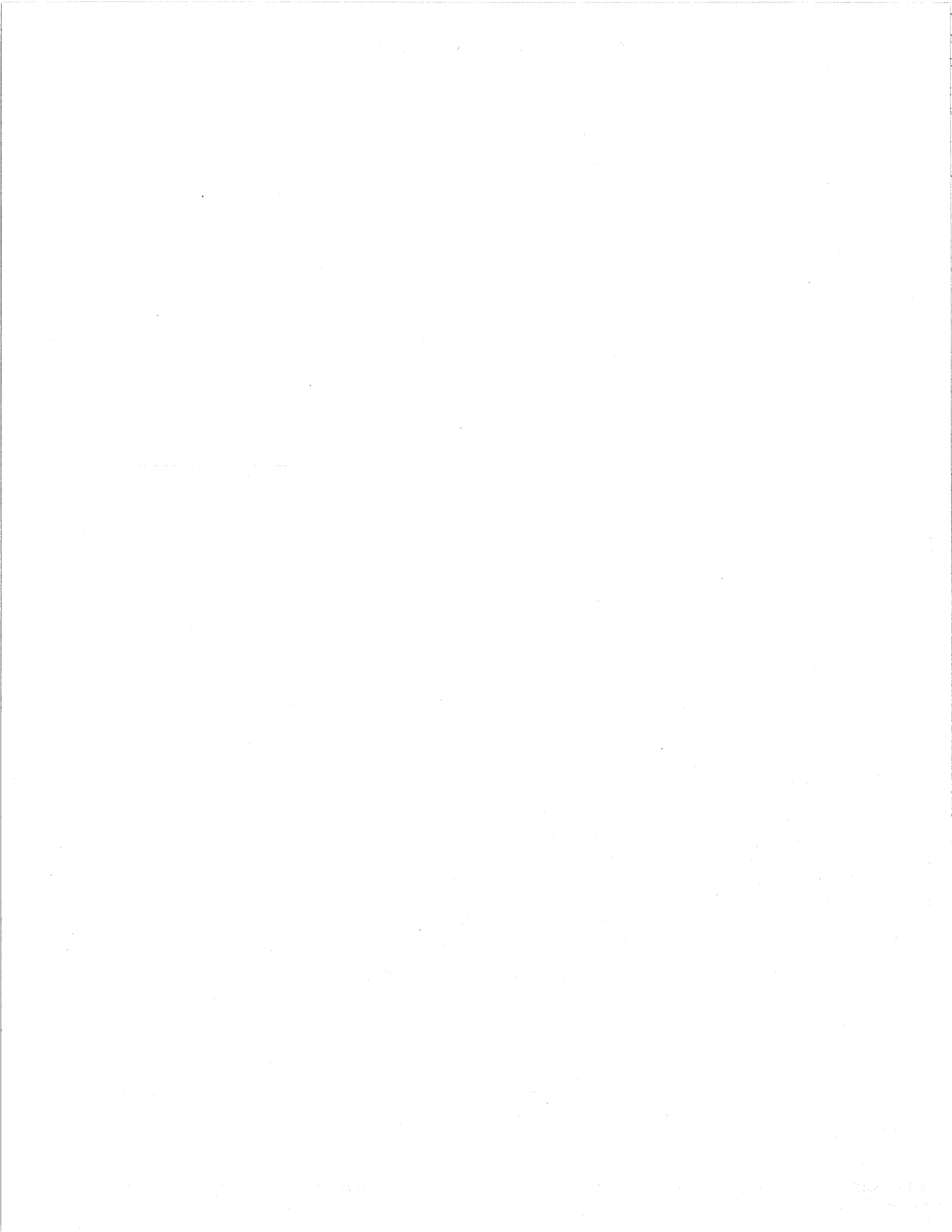
The first part of the paper discusses the general theory of the firm, focusing on the relationship between the firm's size and its structure. It is argued that as the firm grows, the benefits of specialization and division of labor increase, leading to a larger firm size. This process is limited by the costs of coordination and communication, which increase with the size of the firm. The optimal firm size is determined by the balance between these two forces.

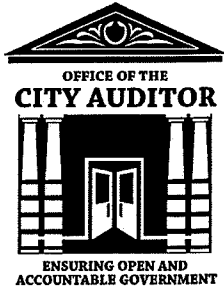
The second part of the paper examines the role of the firm in the economy. It is shown that the firm is a natural unit of production and distribution, and that it plays a central role in the allocation of resources. The firm's structure and size are determined by the technology and the market conditions. The paper also discusses the implications of the theory for the distribution of income and the growth of the economy.

The third part of the paper discusses the role of the firm in the development of the economy. It is argued that the firm is a key institution in the development of the economy, and that it plays a central role in the process of industrialization. The firm's structure and size are determined by the technology and the market conditions. The paper also discusses the implications of the theory for the distribution of income and the growth of the economy.

The fourth part of the paper discusses the role of the firm in the development of the economy. It is argued that the firm is a key institution in the development of the economy, and that it plays a central role in the process of industrialization. The firm's structure and size are determined by the technology and the market conditions. The paper also discusses the implications of the theory for the distribution of income and the growth of the economy.

BUDGET AMENDMENT REQUEST





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**Office of the City Auditor
FY10-11 Budget Note Report
Winter BMP
January 14, 2011**

The following budget note was included in the FY10-11 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 has delegated responsibility for the assessment and policy recommendations to the City Treasurer, who is currently finishing the report. The Auditor's Office will review and comment on the report as soon as it is submitted to our office.

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**Office of the City Auditor
FY10-11 Decision Package Report
Winter BMP
January 14, 2011**

- 1. AU_001 Increase LID IA to Auditor for Lien Replacement.** Increase LID Interagency to Auditor by \$145,000 for increase in BTS costs related to the Lien Accounting System 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.

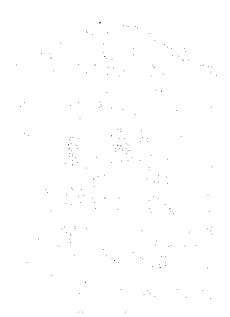
Status Report: Work continues on the Lien Accounting System Replacement. The project timeline will likely extend into next fiscal year, but progress has been made and programming is underway.

- 2. AU_002 Increase Auditor IA to BTS for Lien Replacement.** Increase Auditor Interagency to BTS by \$145,000 for costs related to the Lien Accounting System 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 are offsetting requests: one from the LID fund to the Auditor and one from the Auditor to BTS.

- 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.



The following is a list of the names of the persons who have been appointed to the various offices of the Board of Education for the year 1900-1901. The names are arranged in alphabetical order of the surnames.

Board of Education
 President: [Name]
 Vice President: [Name]
 Secretary: [Name]
 Treasurer: [Name]

The Board of Education is composed of the following members:

[List of names follows, including names like Mr. [Name], Mrs. [Name], etc.]

The Board of Education is organized into several committees, each of which is charged with the study and report upon some special subject connected with the public schools. The committees are:

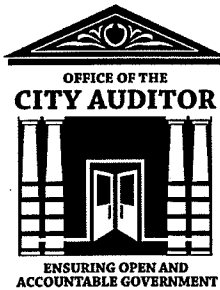
[List of committee names follows]

The Board of Education is also organized into several departments, each of which is charged with the study and report upon some special subject connected with the public schools. The departments are:

[List of department names follows]

The Board of Education is also organized into several divisions, each of which is charged with the study and report upon some special subject connected with the public schools. The divisions are:

[List of division names follows]



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January 2011 Update: Auditor's Office Service Improvement Plan for FY 10-11

The Office of the City Auditor identified the following goals to improve service during FY 2010-2011. The following memo describes these goals and provides a status update.

Goal One: Strengthen the authority and police oversight capacity of the Auditor's Independent Police Review (IPR) program

The ordinance authorizing IPR was approved in late 2001, and the program began taking complaints in January 2002. There have been few modifications to the ordinance since that time, but after an internal assessment of the program, a review by an outside consultant, and a lengthy study by a Citizen Review Committee workgroup, it is clear that several changes need to be considered. We are currently reviewing the ordinance and the general police oversight processes that involve IPR to determine areas where IPR's authority and capacity can be strengthened and improved. This review coincides with other efforts to expand the City's civilian oversight of the police, and we are optimistic that important changes are forthcoming in the near future.

1/11 UPDATE: UNDERWAY

City Council revised IPR's governing ordinance and modified some Portland Police Bureau (PPB) disciplinary processes, effective April 30, 2010. The changes strengthened IPR's role in the oversight of the Portland Police Bureau (PPB) in three main areas: increased IPR's authority to conduct independent administrative investigations; strengthened IPR's role in administrative investigations undertaken by PPB; and revised PPB's disciplinary review board with provisions for a more transparent and balanced "Police Review Board."

Specific reforms include:

- *IPR Director may initiate an investigation in cases of community concern, whether or not a community member files a complaint.*
- *IPR approval is required before an administrative investigation is closed or sent to Police Bureau command staff for recommended findings and proposed discipline.*
- *IPR was given the authority to challenge (or "controvert") the post investigatory findings and discipline recommended by Police Bureau managers, whether the investigation involves a community member or not.*

- *IPR Director is a voting member of the Board that makes recommendations to the Chief of Police regarding recommended findings and proposed discipline.*

Goal Two: Improve and revise the annual community survey

Audit Services Division issued the 18th annual resident survey in November 2009. The survey has become lengthy and the response rate has been in decline over the past decade. Brian Stipak, a statistics and systems analyst professor recently retired from PSU's Hatfield School of Government, is working with Audit Services staff to assess the quality of survey questions and to determine better methods for improving survey response rates. Once this assessment is completed, the survey will be redesigned to improve its quality, reliability, and usefulness.

1/11 UPDATE: COMPLETE

Audit Services Division issued the 20th annual resident survey in November 2010. The survey had become lengthy and the response rate had been in decline over the past decade. Brian Stipak, a statistics and systems analyst professor recently retired from PSU's Hatfield School of Government, worked with Audit Services staff to assess the quality of survey questions and to determine better methods for improving survey response rates. The 2010 survey reflected a significant redesign that raised the response rate to 39 percent, an improvement from 2009's response rate of 35 percent.

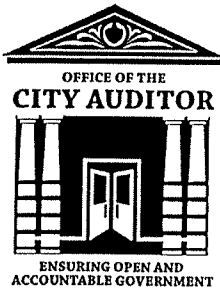
Goal Three: Increase capacity for more routine audits of information technology (IT) systems and ongoing reviews of the City's new SAP system

In December 2009, an experienced Certified Information Systems Auditor joined the staff of Audit Services. We have since initiated an audit of the SAP implementation project, the first of many planned reviews of City IT systems. Our next step is to provide intensive training to other staff from Audit Services as a means of developing additional capacity in the office and increasing the breadth and number of IT audits. The goal is to carry out a series of audits and reviews focused on the multitude of IT systems used throughout the City. Given the inherent risk in large IT systems in particular, and the reliance on IT systems to sustain City operations, this is a significant and important shift.

1/11 Update: COMPLETE

In December 2009, the Audit Services Division hired a senior IT Auditor and initiated an audit of the SAP implementation project. This audit is the first of many planned reviews of City IT systems. We issued this audit report in November 2010.

In addition to hiring a new senior IT Auditor, we are developing more capacity for IT auditing, including the use of audit analysis software in the office and increasing the breadth and number of IT audits. All of our professional staff participated in in-house training in early FY 10-11 in new audit analysis software.



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January 13, 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 2010-11 Winter Budget Monitoring Report
Campaign Finance Fund (214), Assessment Collection Fund (201), LID
Construction Fund (401)

Following, please find the Auditor's Office submittal of the Winter Budget Monitoring Report for the Campaign Finance fund (214), the Assessments Collection fund (201), and the LID Construction fund (401).

The Auditor's Office intends to close out the Campaign Finance Fund by the end of FY10-11. We recommend that decisions about disbursement of any remaining fund balance back to the contributing bureaus or to the general fund be made by Council during the budget process over the next few months so that we can complete our work to close the fund during the Spring BMP.

For the LID Construction and Assessment Collection funds current reporting indicates several variances in projected revenue and expenditure categories when compared to revised budget amounts. Although several of these variances may be significant for the LID Construction fund, they are generally not the direct 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 level at which LID district property owners finance their share of the cost of City improvement projects.

No new request or adjustments are being made as part of this submission.

Fund Projection Report

	Winter BuMP Revised Budget	FY 2010-11 Year to Date Actuals	Winter BuMP Year-End Projection	% of Projected Actuals to Revised Bud
Campaign Finance Fund				
EXPENDITURES				
External Materials and Services	\$373,353	\$103	\$150	0%
Internal Materials and Services	\$20,000	\$0	\$20,000	100%
Fund Transfers - Expense	\$15,050	\$6,271	\$516,917	3435%
TOTAL EXPENDITURES	\$408,403	\$6,373	\$537,067	132%
REVENUES				
Budgeted Beginning Fund Balance	\$75,902	\$0	\$534,327	704%
Fund Transfers - Revenue	\$320,001	\$0	\$0	0%
Miscellaneous	\$12,500	\$1,371	\$2,740	22%
TOTAL REVENUES	\$408,403	\$1,371	\$537,067	132%

Fund Projection Narrative

Due to the results of the 2010 General Election, in which electors voted to discontinue the Campaign Finance Fund program, the fund will be reduced to a zero balance by the end of FY 10-11 and closed.

Fund Projection Report
Assessment Collection Fund 201000

	Winter BuMP Revised Budget	FY 2010-11 Year to Date Actuals	Winter BuMP Year-End Projection	% of Projected Actuals to Revised Bud
Assessment Collection Fund				
EXPENDITURES				
Unappropriated Fund Balance	\$0	\$0	\$78,893	
Internal Materials and Services	\$1,321	\$550	\$1,321	100%
Fund Transfers - Expense	\$38	\$16	\$38	100%
Contingency	\$80,565	\$0	\$0	0%
TOTAL EXPENDITURES	\$81,924	\$566	\$80,252	98%
REVENUES				
Budgeted Beginning Fund Balance	\$79,924	\$0	\$79,842	100%
Miscellaneous	\$2,000	\$205	\$410	21%
TOTAL REVENUES	\$81,924	\$205	\$80,252	98%

Fund Projection Narrative

Revenues:

It is expected that miscellaneous revenues will be less than budget as it is anticipated that no assessment revenue or interest will be collected prior to year end. Since there is no scheduled repayment for the significantly delinquent liens in the fund it is not possible to specifically determine or estimate lien repayments. Payment activity represents either sporadic customer payments or payoff of the lien balance when the property sells. Activity to date represents investment interest earnings only. Projections are significantly lower than budgeted as a result of continued depressed market conditions.

**Fund Projection Report
LID Construction Fund 401000**

	Winter BuMP Revised Budget	FY 2010-11 Year to Date Actuals	Winter BuMP Year-End Projection	% of Projected Actuals to Revised Bud
Local Improvement District Construction Fund				
EXPENDITURES				
Unappropriated Fund Balance	\$0	\$0	\$4,726,233	
External Materials and Services	\$5,000	\$608	\$1,150	23%
Internal Materials and Services	\$1,648,940	\$257,562	\$1,399,553	85%
Bond Expenses	\$1,605,088	\$2,015,397	\$5,504,914	343%
Fund Transfers - Expense	\$10,580,698	\$26,122	\$1,443,132	14%
Contingency	\$5,113,651	\$0	\$0	0%
TOTAL EXPENDITURES	\$18,953,377	\$2,299,689	\$13,074,982	69%
REVENUES				
Budgeted Beginning Fund Balance	\$5,936,160	\$0	\$5,309,031	89%
Charges for Services	\$815,540	\$351,845	\$806,000	99%
Bond and Note	\$10,553,752	\$1,993,781	\$4,837,951	46%
Miscellaneous	\$1,647,925	\$1,951,725	\$2,122,000	129%
TOTAL REVENUES	\$18,953,377	\$4,297,351	\$13,074,982	69%

Fund Projection Narrative

Expenditures:

External Materials & Services are projected to be lower than budgeted since estimated costs related to the LID external line of credit and debt servicing is expected to be lower than estimated. The amount budgeted is an estimate of costs that could be incurred for debt rebate reporting and for services related to obtaining or modifying the LID short term financing facilities. Costs incurred to date for the new 2010 LID line of credit were lower than estimated.

Internal Materials & Services are expected to be lower than budgeted due to an anticipated decrease in billings for interagency services. At this time it is estimated that reimbursements to the Auditor's Office will be approximately \$245,000 lower than budgeted due to decreased external expenses to our outside service provider for Title company lien search services. Additional expenditures could be incurred if increased lien searches are performed or if costs related to the Lien Accounting System Replacement project increase.

Bond Expenses are projected to be higher than budgeted due to the refunding of the 2006 LID General Line of Credit. This transaction represents a replacement of an external line-of-credit and consists of a borrowing and immediate payment and does not have an overall budget impact. Any necessary adjustment will be made during the Spring BuMP process.

Fund Transfers are significantly lower than budgeted since charges from PBOT for the Portland Streetcar Eastside Loop project (budgeted \$9.1 million) have yet to be incurred and billed to the LID. It is uncertain at this time if costs related to this project will be billed by the end of the current fiscal year. This expense is directly off-set by Bond and Note revenues and any necessary adjustment will be made during the Spring BuMP process after it is determined if project costs will be incurred.

Revenues:

The Budgeted Beginning Fund Balance is lower than actual due to adjustments made in last years Spring BuMP process in which additional fund balances were used for debt service. An adjustment to beginning fund balance will be made in the Spring Bump with other technical adjustments.

Bond and Note Revenues are lower than budgeted due to charges not yet billed by PBOT for the Portland Streetcar Eastside Loop LID project. It is uncertain at this time if costs will be incurred and billed prior to year end for this LID project. Current revenue activity reflects the refunding of the 2006 LID General Line of Credit which is offset and reflected by increased Bond Expenses. Any necessary adjustment will be made during the Spring BuMP when it is determined if additional funding is required for the Portland Streetcar Eastside Loop LID project.