

Financial Planning recommendations are subject to revision based on new information that becomes available during the budget process, either from the budget forums, meetings with Commissioners, or the Council budget work sessions.

FINANCIAL PLANNING DIVISION ANALYSIS FY 2012-13 Budget

Auditor's Office

Analysis by: Kezia Wanner

I. Overview

Budget Summary	Revised FY 2010-11	Revised FY 2011-12	Request Base FY 2012-13	Request Total FY 2012-13	Percent Change
Resources					
Budgeted Beginning Fund Balance	21,871,655	16,023,109	16,490,806	16,490,806	2.9%
Charges for Services	1,150,928	1,146,885	1,202,721	1,202,721	4.9%
Interagency Revenue	1,205,028	858,204	927,681	927,681	8.1%
Fund Transfers - Revenue	4,288	23,022	73	73	-99.7%
Bond and Note Proceeds	12,015,204	21,295,267	16,981,654	16,981,654	-20.3%
Miscellaneous Sources	11,091,091	8,706,456	11,497,611	11,497,611	32.1%
General Fund Discretionary	4,152,903	4,345,970	3,988,010	3,668,969	-15.6%
General Fund Overhead	3,609,767	3,737,201	4,122,089	4,122,089	10.3%
Total Resources	\$55,100,864	\$56,136,114	\$55,210,645	\$54,891,604	-2.2%
Expenditures					
Personnel Services	4,819,740	4,939,032	5,215,048	5,086,960	3.0%
External Materials and Services	2,334,966	1,941,029	1,728,093	1,537,140	-20.8%
Internal Materials and Services	4,275,250	3,863,561	3,929,836	3,929,836	1.7%
Debt Service	14,461,809	11,529,179	24,047,181	24,047,181	108.6%
Fund Transfers - Expense	11,967,750	17,531,122	3,402,496	3,402,496	-80.6%
Contingency	4,712,195	4,191,552	3,798,885	3,798,885	-9.4%
Unappropriated Fund Balance	12,529,154	12,140,639	13,089,106	13,089,106	7.8%
Total Requirements	\$55,100,864	\$56,136,114	\$55,210,645	\$54,891,604	-2.2%
Total Bureau FTE	50.00	48.60	47.80	48.30	-0.6%

Percent Change is the change from FY 2011-12 Revised Budget to FY 2012-13 Total Requested Budget.

II. Key Issues

Citywide Document Retention and Management System

City Council passed Administrative Policy ADM-8.12 on April 1, 2009 articulating the City's mandates for compliance with Oregon Public Records Law and city code related to access, storage, and management of electronic records, which includes emails. Appendix I of the policy also states that "bureaus that have access to [TRIM] and have received the appropriate training from the Auditor's Office are to use TRIM to manage all record copy City electronic records and e-mails." TRIM is software that can be customized, and integrates with existing work processes, filing practices, access controls, and security needs. Additionally the system's efiles function facilitates public access to City documents.

For over a decade, the Auditor's Office has implemented and managed the TRIM electronic document retention and management system for bureaus that have opted to participate. Involvement across City bureaus has been uneven. The Auditor's Office currently manages 1,600 TRIM licenses, of which 937 are for distribution to General Fund bureaus, 500 seats are owned by

the Police Bureau, 163 seats are owned by the Bureau of Environmental Services, and PDC separately maintains 250 seats for its enterprise content management project. Other bureaus have implemented business applications that store electronic records, but they do not apply retention requirements to the content. The Water Bureau has implemented the P8 module of FileNet for both their document management and retention needs. The Auditor's Office has estimated that the costs associated with the TRIM system implementation from 2001 through 2011 are \$2.9 million and the current costs for replacing the TRIM system with an alternate system are between \$1.3 and \$1.9 million. These costs do not reflect the ongoing maintenance and storage costs, for which there are no estimates available.

In FY 2006-07, the Auditor's Office requested \$2 million in funding to support TRIM expansion Citywide. FPD recommended against the request on the grounds that 1) the project scope, budget, and funding plan were not developed at that time, 2) other City bureaus were using alternative records management and storage systems, and 3) implementing another enterprise system at the same time as when the SAP implementation was projected would be a serious strain to City technology resources. FPD, alternatively, recommended the creation of a budget note that stated "Council requests that the auditor work with the Bureau of Technology Services and other interested bureaus to develop an enterprise document management strategy." BTS led the effort over the following fiscal year to coordinate a steering committee to develop an enterprise system strategy, but a strategy was never developed. Again, in FY 2008-09, the Auditor's Office made a request for program support funding (\$324K ongoing/ \$1.6 million one-time) which was not approved by Council.

The Auditor's Office is currently at the point where it believes it cannot absorb increased costs or support significant increased or Citywide participation without additional resources; these issues, among others, have raised the question of whether a Citywide document retention and management system is viable. Seeking solutions, the Auditor's Office convened a TRIM Steering Committee, with membership comprised of representatives from City bureaus, to discuss the future of TRIM. The steering committee has met five times since November 2011 with the goals of identifying if the TRIM system is the document management system that the City should fully implement, determining reasonably confident cost estimates for the system, evaluating funding options, and ultimately developing a report with recommendations for City Council.

When the current steering committee concludes its work, it may likely recommend the City should move forward on implementing a citywide system for electronic document retention and management. It not known whether it will make the case that TRIM is the most appropriate system for this purpose. Regardless of the system selected, it will take a citywide system and a Council mandate for bureau involvement to achieve adequate compliance with the various laws and policies in place that govern the City's electronic records retention and management. The absence of a citywide system will likely mean that bureaus will continue to use their individual systems or not do electronic document management or retention at all. The lack of a consistent and effective document management system poses risks to the City in that electronic documents may not be available at the times they are needed to support defense against litigation, compliance with public records requests, or serve as an information resource for ongoing City business internal operations. Also currently the City is not in compliance with its own administrative rules and relevant laws and regulations. FPD recommends that Council allocate resources behind the recommendation of the TRIM Steering Committee.

Service Efforts and Accomplishments (SEA) Report

The Auditor's Office produced the SEA report for the City for the 20-year period of 1990 until 2010. The report has traditionally included high-level data provided by bureaus looking at trends

over a five-year period for participating City bureaus (the SEA has not included the City's smaller and internal services bureaus and offices). The approximate staff hours required to produce the SEA report that included all participating City bureaus was estimated at nearly 4,000 staff hours annually, which equates to approximately 2.0 FTE.

For the 2010 SEA report, the Auditor's Office made the operational change to include only half of the City bureaus, with the plan to publish data for half of the City bureaus every other year. This decreased Audit Services staff time dedicated to the SEA by an equivalent of 1.0 FTE; the staff time that was freed up was then dedicated to conduct more City audits which contributed to the division's audit report production increasing from an average of 9 audits annually to 12.

In spring 2011, the Auditor's Office made the decision to stop producing the annual SEA report altogether and, at that time informed City Council and City bureau directors of the decision. Two primary reasons were 1) that the data included in the SEA was data provided directly by bureaus and not validated by the Auditor's Office, and 2) the bureau's priority to conduct more audits. Aside from the City's budget document, the SEA report was the only other document that contained Citywide performance measures, but different than the budget document, the SEA provided both the performance data as well as a high-level summary of trends and challenges affecting the City's bureaus and services. FPD notes this issue because, by no longer producing the SEA report, the City has no other equivalent summary document by which to report performance to the public.

City of Portland
 Decision Package Recommendations
 (Includes Contingency and Ending Balance)

	Bureau Priority	Bureau Requested				FPD Analyst Recommendations					
		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											
<i>Reductions</i>											
AU_01 - Auditor 4% Cut Package (\$159,520)	01	(0.50)	(159,520)	0	0	(159,520)	(0.50)	(159,520)	0	0	(159,520)
AU_02 - Auditor 6% Cut (when added to 4% cut = \$23	02	(0.50)	(79,761)	0	0	(79,761)	(0.50)	(79,761)	0	0	(79,761)
AU_03 - Auditor 8% Cut (when added to 6% cut = \$31	03	(0.50)	(79,760)	0	0	(79,760)	0.00	0	0	0	0
<i>Total Reductions</i>		(1.50)	(319,041)	0	0	(319,041)	(1.00)	(239,281)	0	0	(239,281)
Total Office of the City Auditor		(1.50)	(319,041)	0	0	(319,041)	(1.00)	(239,281)	0	0	(239,281)
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Summary by Decision Package Type											
<i>Total Reductions</i>		(1.50)	(319,041)	0	0	(319,041)	(1.00)	(239,281)	0	0	(239,281)
<i>Total Unfunded Ongoing</i>		0.00	0	0	0	0	0.00	0	0	0	0
<i>Total Bureau Adds</i>		0.00	0	0	0	0	0.00	0	0	0	0
<i>Total Realignments</i>		0.00	0	0	0	0	0.00	0	0	0	0
Grand Total		(1.50)	(319,041)	0	0	(319,041)	(1.00)	(239,281)	0	0	(239,281)

III. Decision Package Analysis & Recommendations

Reduction Packages

Auditor 4% Cut/AU_01, (\$159,520), (0.50) FTE, Bureau Priority #1

The package includes a reduction of \$111,076 in external materials and services (EM&S) across bureau programs, and eliminates a 0.50 FTE Deputy Ombudsman position. The position reduction to the Ombudsman program will decrease capacity to respond to complaints and conduct investigations. The Auditor's Office intends to streamline and revise the program, and envisions the need to increase staffing again in FY 2014-15. The EM&S reductions are \$20,000 in Audit Services, \$7,500 for IPR, \$10,500 to the Ombudsman program, \$16,000 to the Hearings Office, \$37,576 to Management Services, \$11,000 to Council Clerk/Contracts, and \$8,500 to the Archives and Records program. With reductions even at the 8% cut level, all program EM&S budgets will still exceed their three-year average of annual spending, which indicates that the EM&S reductions should have little to no effect on the program service levels. FPD recommends the proposed strategic reductions.

FPD Recommendation: (\$159,520), (0.50) FTE

Auditor 6% Cut /AU_02, (79,761), (0.50) FTE, Bureau Priority #2

At the 6% reduction level, the Auditor's Office proposes to fully cut the Deputy Ombudsman position, reducing program staff to 1.00 FTE. The projected impacts of the reductions include a further diminished capacity for the Ombudsman program to respond to complaints, develop new initiatives/efforts, and would affect the levels of service to the public. Additional EM&S reductions include cuts totaling an additional \$31,317; these reductions include \$5,000 to Audit Services, \$2,000 to IPR, \$1,000 to the Ombudsman program, \$1,000 to the Hearings Office, \$12,317 to Management Services, and \$10,000 to Archives and Records. FPD recommends the proposed reductions to the Ombudsman's Office and their larger goal of restructuring the program, and the further reductions to the division EM&S budgets as the bureau appears to be able to absorb the additional EM&S reductions. The table below shows the bureau's historical spending of budgeted EM&S, which has been under-spent by an average of 30% over a three-year period.

Program	% of EMS Budget Spent		
	FY 2008-09	FY 2009-10	FY 2010-11
Archives	166.6%	78.9%	65.4%
Audit Services	87.2%	77.5%	80.3%
Council/Contracts	76.0%	36.2%	46.3%
Hearings Office	54.7%	34.0%	24.7%
IPR	71.0%	36.6%	98.6%
Management Serv	79.5%	3.2%	-6.0%
Ombudsman	29.4%	12.4%	29.0%
Progress Board*	16.3%	na	na
Total Bureau EM&S expenditures	86.5%	58.8%	63.4%

* program ended in 2009-10

FPD Recommendation: (79,761), (0.50) FTE

Auditor 8% Cut /AU_03, (79,760), (0.50) FTE, Bureau Priority #3

The 8% reduction level includes the reductions listed in the 4% and 6% reduction proposals, and adds reductions of a 0.50 FTE Office Support Specialist II position in the Council Clerk/Contracts Program as well as EM&S reductions to Audit Services (\$41,568), the Ombudsman's Office (\$2,000), Hearings Office (\$2,000), and Management Services (\$2,990). The reduction of half of the OSSII position in Council Clerks/Contracts is projected to affect service to the public, as this position is responsible for receptionist duties, and support for program staff. The impacts would be primarily three-fold: 1) less service to the public, both for office visitors and phone calls, 2) increasing delay in production of Council minutes and documents, and 3) there would likely be a delay in Council agenda development including uploading Council documents to PortlandOnline for public access. A larger issue that these position reductions raise is that the Auditor's Office manages many specialized programs, and division staff are typically not cross-trained in the work of other divisions; therefore, in the event of a position reduction or long-term absence, there are not other available staff to step in and pick up the workload.

There is currently a backlog of a few months in completing the Council meeting minutes and the reduction of the 0.50 OSSII position is projected to increase the backlog period further. The reason for the backlog of the production of Council meeting minutes relates to the inherent amount of work related to transcribing minutes. An outside contractor does captioning transcriptions but the Council Clerk's staff has to correct the transcriptions; the Auditor's Office estimates that there is approximately one hour of clean-up required for every two hours of meetings transcribed. Because of the delay in the production in Council meeting minutes, it has been suggested that the minutes be produced in summary form as opposed to verbatim, but according to the Auditor's Office, the cost savings that may be achieved by maintaining summary minutes are not worth the loss of information to the City and the public, who rely upon transcribed meeting minutes for gaining understanding of policy decisions and for establishing legislative intent.

FPD does not recommend the EM&S reductions or the 0.50 FTE OSSII position reduction because the elimination of the position would shift work to the remaining two positions in the work unit whose capacity to accomplish their own work, including the Council meeting minutes, is already strained.

FPD Recommendation: \$0

V. Performance and Accountability

Bureau Program Ranking

The summary table below of the Auditor's Office General Fund programs includes program FTE, the reductions per program (both percentage of base and dollar amount), and the program prioritization ranking. The Auditor's Office BAC ranked the programs according to two criteria: core to the bureau and community priority. The two rankings reflect essentially the same prioritization, with minor differences. Reductions were taken in reasonable proportion to the program prioritization and at relatively consistent levels across the bureau, with noted exceptions of the Ombudsman program which took a 37% reduction as part of a longer-term program restructuring and Management Services which took a 7% reduction.

Auditor's Office GF Programs	FTE	Program Budget	\$ cuts taken	% cut taken to program's base	Community Ranking	Mission Ranking
Audit Services	12.1	2,428,494	(66,568)	2.74%	1	1
Council Clerk/Contracts	7.5	888,562	(42,200)	4.75%	2	2
IPR	9	1,265,997	(9,500)	0.75%	4	3
Archives	7.0	2,491,904	(18,500)	0.74%	3	4
Hearings Office	3.5	627,485	(19,000)	3.03%	6	5
Ombudsman	2.0	294,871	(110,388)	37.44%	5	6
Management Services	4.5	766,986	(52,885)	6.90%	7	8

Number of Audits Issued

The Auditor's Office has been able to accomplish a greater number of audits, from 9 in FY 2009-10 to 12 in FY 2010-11 and 12 planned for FY 2011-12 and FY 2012-13. This has been possible, in part because the Auditors' Office has stopped production of the SEA report (stated above in "key issues" section) and reassigned staff time to focus on audits.

Administrative Costs

The bureau's FY 2012-13 target for administrative costs are 7.0% of bureau operational costs. The calculation used to derive this percentage was inherited from prior bureau management, and includes the sum of the budgets for the Office of the City Auditor and the Management Services Division, divided by the Office's total General Fund net expenditures for the prior year. This calculation is sufficient as a high-level method to calculate the administrative costs of the bureau, but in order to achieve more precision, FPD recommends working with the Auditors' Office in the upcoming fiscal year to refine the calculation currently used.

Portland Archives and Records (PARC) Increased Usage and Costs Per Record Retrieval

The Portland Archives and Records Management Division moved from Chimney Park to Portland State University (PSU) Campus in spring 2010. Comparing 2010 to 2011, the number of records requested by City employees and the public doing research has increased by 27% and the use of the reference services has increased by 54%. The performance measures AU_0009 reflect an increase of 7% in cost for retrieval of records due to the increased costs of operations at the new PARC

Facility, which have increased significantly in the past three years in large part due to the space rent at the new, more expensive facility at PSU. To understand the magnitude of the space rental costs, they have comprised between 50-52% of the total Archives and Records program budget since FY 2009-10 (the year that they moved to the new facility at PSU).

Performance

General performance snapshot for the Auditor’s Office are shown in the table below. Although most of the measure targets do not vary significantly from FY 2011-12 to FY 2012-13, some of the FY 2012-13 targets are materially different from FY 2010-11 performance actuals, which is seen in the data in the table below. These include “Percentage of Audit Services report recommendations implemented,” “Full cost per audit hour,” “New liens assessed,” “Number of assessments per staff person,” “Number of code, appeal, land use & tow cases,” “Number of electronic documents viewed through Efiles,” “Median number of day for IPR intake investigations,” and “Percent of residents rating IPR performance as good or very good.”

Measure Title	Program	2009-10	2010-11	2011-12	2012-13	2012-13
		Actuals	Actuals	Target	Base	w/DPs*
Number of reports issued	Audit Services	9	12	12	12	12
% of report recommendations implemented	Audit Services	89%	94%	85%	85%	85%
Full cost per audit hour	Audit Services	\$98	\$99	\$110	\$110	\$110
# of citizen complaints	IPR	389	410	420	420	420
# of checks/deposit advices processed	City Recorder	229,526	164,467	162,000	160,000	160,000
% of requests provided w/in 24 hrs	Archives	99%	98%	99%	99%	99%
Direct cost per retrieval and delivery of record	Archives	\$5.98	\$6.03	\$6.50	\$6.50	\$6.50
New Liens assessed	Assessments	2,543	1,241	1,392	3,464	3,464
# of complaints and requests	Ombudsman	366	365	341	350	350
% of citizens satisfied with services received	Ombudsman	75%	80%	84%	85%	85%
% of citizens who rate response timely	Ombudsman	93%	93%	94%	94%	94%
Admin Costs: goal less than 10%	Admin & Support	7.3%	6.9%	7.0%	7.0%	7.0%
Number of Assessments per staff person	Assessments	1,272	621	696	1,734	1,734
Number of election filings	Admin & Support	17	3	39	3	3
Number of code, appeal, land use & tow cases	Hearings Office	832	707	800	900	900
# of electronic documents viewed through Efiles	Archives	270,802	336,820	505,000	780,000	780,000
Median number days for intake investigations	IPR	0	27	24	20	20
% residents rating performance good/very good	IPR	0%	34%	33%	40%	40%

*DPs = decision packages