Analysis By: James M. Carter

OFFICE OF THE CITY AUDITOR

All Funds Budget Summary	Adopted	Request Base	Decision Pkgs	Request Total	Percent	
All Fullus Budget Sullillary	FY 2013-14	FY 2014-15	FY 2014-15	FY 2014-15	Change	
Resources						
Beginning Fund Balance	\$18,372,584	\$18,987,377	\$0	\$18,987,377	3.3%	
Charges for Services	1,289,612	1,050,775	0	1,050,775	-18.5%	
Interagency Revenue	840,476	115,750	0	115,750	-86.2%	
Fund Transfers - Revenue	28	64,237	0	64,237	229317.9%	
Bond and Note Proceeds	16,179,912	4,377,260	0	4,377,260	-72.9%	
Miscellaneous Sources	13,392,310	7,313,966	0	7,313,966	-45.4%	
General Fund Discretionary	3,139,069	3,857,204	534,610	4,391,814	39.9%	
General Fund Overhead	4,999,159	4,497,147	623,309	5,120,456	2.4%	
Total Resources	\$58,213,150	\$40,263,716	\$1,157,919	\$41,421,635	-28.8%	
Expenditures						
Personnel Services	\$5,594,428	\$5,472,183	\$253,404	\$5,725,587	2.3%	
External Materials and Services	1,512,805	1,483,022	825,919	2,308,940	52.6%	
Internal Materials and Services	3,760,863	3,052,636	78,596	3,131,232	-16.7%	
Debt Service	27,016,021	9,433,487	0	9,433,487	-65.1%	
Fund Transfers - Expense	1,980,869	1,916,594	0	1,916,594	-3.2%	
Contingency	3,128,605	3,255,869	0	3,255,869	4.1%	
Debt Service Reserves	15,219,559	15,649,926	0	15,649,926	2.8%	
Total Requirements	\$58,213,150	\$40,263,717	\$1,157,919	\$41,421,635	-28.8%	
Total Bureau FTE	50.12	49.62	3.50	53.12	6.0%	

Percent Change is the change from FY 2013-14 Adopted Budget to FY 2014-15 Total Requested Budget.

Key Issues

Enhancing Citywide Document Retention and Management

Through ordinance, City Council has mandated that bureau managers ensure that City employees are trained in document retention of electronic records and emails. Moreover, in 2000 the City Council approved a capital improvement project for a single information system for the storage, management, and retrieval of official City records. In August 2013, the City Council received a presentation by the City Auditor highlighting a report on the City's electronic record keeping. A key recommendation from the report was Citywide expansion of the Total Records Information Management (TRIM) system. The report was the culmination of analysis undertaken by a Citywide steering committee to establish a plan for improved records retention practices and compliance. The formation of this committee was partly in response to the 2009 City Council approval of Code and Administrative rule changes for records retention. In effect, this ordinance was a reiteration to all City employees that City and Oregon public records laws apply to City records in all forms (namely electronic records). City Council's passing of this administrative policy (ADM-8.12) states that "bureaus that have access to [TRIM] and received appropriate training from the Auditor's Office are to use TRIM to manage all record copy electronic records and e-mails." Through this policy, City Council reaffirmed its 2001 approval of expenditures on a city enterprise electronic

records management system. The Auditor's Office has managed the TRIM system for bureaus that have chosen to participate. Currently, the City's pool of licenses include 508 purchased by the Police Bureau, 344 purchased by the Bureau of Environmental Services, and 848 purchased by the Auditor's Office for General Fund bureaus. The Auditor's Office has estimated that costs associated with TRIM implementation from FY 2001-02 through FY 2012-13 are about \$3.3 million.

Notwithstanding the utilization of TRIM, the City has the following responsibilities outlined in ADM-8.12:

- "Bureau managers must ensure that employees are trained to identify and manage record copy electronic records and e-mails related to their job responsibilities, in compliance with this policy.
- Each City employee is responsible for categorizing and maintaining electronic records and e-mails related to their job responsibilities; and routinely cataloging those records using the appropriate storage method in use by the bureau.
- The Auditor's Office must provide regular training in electronic records and e-mail management, including the use of approved electronic recordkeeping systems, or other storage methods.
- The Auditor's Office must ensure continued preservation and access, in compliance with State requirements, to permanent-retention electronic records and e-mails within its electronic recordkeeping system."

To adequately achieve compliance with various laws and policies, a Citywide system is necessary. Without a Citywide system, City bureaus are likely to either use individual systems or not manage the retention of electronic documents. As underscored by the Auditor's Office and the City Attorney's Office, an ineffective records management system creates avoidable risks to the City. These risk include the unavailability of records to 1) support defense against litigation, 2) comply with public records requests, or 3) ensure readily accessible mission critical information for continuity of City operations. City Council allocation of resources is crucial to hastening Citywide compliance with administrative rules and related laws. The Auditor's Office has submitted an add-package to improve records management and expand TRIM Citywide.

Replacing the Lien Accounting System (LAS)

Phasing out the Citywide enterprise server (or mainframe) has been a priority for all bureaus with systems on the mainframe; the mainframe is scheduled to be decommissioned within the next year. For the Auditor's Office, the Lien Accounting System (LAS) is an application that continues to operate on the City's mainframe. For about a decade, the Auditor's Office has worked with the Office of Management and Finance (OMF) to replace the LAS. Table 1 below summarizes the efforts of the Auditor's Office and OMF to develop a replacement for LAS.

Table 1. Timeline summarizing efforts to transition LAS off mainframe

Year	Major Decision Points
2005	Auditor's Office discussed with OMF Bureau of Technology Services (BTS) plan to rewrite
2006	OMF Enterprise Business Solutions (EBS) reviews for SAP integration
2007	Auditor's Office develops RFP which is not issued; BTS offers to develop replacement
2008	BTS & the Auditor's Office decide to pursue in-house replacement
2009	EBS decides to evaluate replacement project for possible SAP integration
2010	EBS recommends custom application outside SAP; BTS begins development of replacement
2011	BTS recommends that the Auditor's Office contracts with consultant to study replacement
2012	OMF requests that the Auditor's Office delay release of RFP; EBS revisits discussion on SAP integration
2013	Auditor's Office and OMF develop RFP

On January 16, 2014, the Auditor's Office issued a Request for Proposals to replace the LAS. Responses to the RFP are due in March 2014. As part of the Budget Monitoring Process, Auditor's Office hopes to bring to Council a budget adjustment to the Local Improvement District (LID) fund to pay for the LAS replacement. The LAS's share of the mainframe expenses is covered by the LID fund. For FY 2013-14, the contribution by LID fund to cover mainframe expenses is \$20,150, and in the FY 2014-15 Requested Budget, the LID fund will cover \$79,172. Until the LAS is transitioned off the mainframe, the LID Fund will continue to pay LAS-related costs.

Reviewing the funding and staffing of the Hearings Office

In its strategic direction outlook and five-year financial plan, the Auditor's Office raises concerns about the stability of funding and staffing of the Hearings Office. The Auditor's Office plans to assess the current fee-based revenue model for the Hearings Office. The model is impacted by fluctuations in hearing workload. The Hearings Office provides both an impartial adjudication of alleged violations of City code and an impartial appeal and review of administrative determinations and decisions. The types of hearings include appeal hearings for City bureaus, hearings on land use applications, and cases involving other outside agencies (e.g. TriMet, Multnomah County, and the Port of Portland).

The Auditor's Office suggests that replacing the current model of fee-based revenues with General Fund support is a means to stabilize the funding. Although the Auditor's Office intended to complete a study of the Hearing Office fee structure this year, they are now planning to complete this study during the next fiscal year. The CBO recommends a thorough assessment of the study's findings given its impact on the General Fund.

Decision Package Analysis & Recommendations

TRIM Expansion, AU 01, \$1,144,371, 3.00 FTE

This package requests ongoing and one-time General Fund discretionary and overhead funding to implement a wide initiative to improve electronic records management and to provide access to the City's Total Records Information Management (TRIM) software to all City employees. The package proposes to roll-out this initiative over 5 years with a request for a budget note to ensure year-to-year funding support. The budget includes increasing both staff support and materials and services to fully adopt each of the recommendations from a Citywide steering committee, which explored options to advance the City's compliance with State and local laws regarding records management. The impetus for these recommendations is highlighted in the "key issues" section of this CBO review.

For FY 2014-15, the personnel services ongoing request is for 3 full-time positions (\$226,308). The materials and services request (\$918,063) is for one-time and ongoing costs – the most notable one-time costs are TRIM licenses for 2,300 employees (\$512,400), training development (\$60,000), and software modules to enhance end-user utility (\$55,000). The one-time cost for the TRIM licenses can be spread over 3 years which would reduce the FY 2014-15 funding request. For the outlying four years (i.e. FY 2015-19), there is the addition of personnel services costs for 3 limited term FTE for years 2 and 3, recurring maintenance costs for the TRIM licenses, and increasing BTS costs for server maintenance and storage upgrades.

Currently, City employees do not receive mandatory records management training and 457 TRIM licenses remain available to distribute to the City workforce. The Auditor's Office has reiterated its continued concerns that the status quo furthers the City's risk for records loss, mounting storage costs of duplicate hardcopy and electronic records, and litigation.

Nonetheless, there are concerns with the estimated budget in this add package – specifically the proposed budget for the server and storage costs, which the Auditor's Office and BTS continue to discuss and refine. These costs account for nearly 20% of the 5-year total. Included in the Auditors' Office budget request is acknowledgement that the BTS estimate for storage costs could be less expensive than currently proposed. For example, it remains to be determined what impact the recent deployment of Office 365 may have on long-term storage costs. Additionally, rates for storage costs are variable depending on the particular electronic record. The proposal incorporates a conservative estimate at \$405.84 per 50GB of Tier 1 storage; rates for Tier 2 and Tier 3 storage are lower. The CBO defers to the expertise of BTS; nonetheless, ongoing discussions between the Auditor's Office and BTS suggest potential cost savings. For FY 2014-15, the CBO recommends that the City Council develop a plan to prioritize future funding for records management. However, the CBO does not recommend funding at this time due to a scarcity of General Fund discretionary resources.

CBO Recommendation: \$0, 0.00 FTE

Council minutes support staff, AU_02, AU_03, \$13,548, 0.50 FTE

Through the combination of decision packages AU_02 and AU_03, the Auditor's Office requests that the Office Support Specialist II (OSS II) in the Council Clerk/Contracts Division increase from the current 0.50 FTE to 1.0 FTE. This increase would come about through a realignment plus \$13,548 ongoing General Fund discretionary and General Fund overhead.

As part of the FY 2013-14 budget cuts, this OSS II position was reduced to 0.5 FTE. The Auditor's Office states that this reduction adversely impacted the timely production of Council minutes (while also ensuring that other division functions were fulfilled). The Auditor's Office expects that the addition of 0.50 FTE will hasten the division's efforts toward making minutes available to the public within 3 months of Council meetings.

Currently, the Auditor's Office projects that it takes around 6 months on average to make Council minutes available to the public. This efficiency measure is new and the division began baseline measurement this year (i.e. FY 2013-14). Without adding 0.50 FTE, the Auditor's Office estimates that performance will remain unchanged from FY 2013-14 to FY 2014-15. Data are needed to test this assumption. The cycle time to complete a process is driven by efficiency (e.g. targeting bottlenecks) and the inputs (e.g. staff resources to handle workloads). Year-to-year data may indicate that the average time it takes with current staffing levels to complete minutes may decrease, remain unchanged, or increase. Data are needed to better understand the impact of staffing levels. Notwithstanding, the CBO acknowledges that the Auditor's Office is best positioned to know how staffing resources affect operations.

The timely production of minutes from City Council works sessions 1) fulfills a priority of members of the City Council and 2) promotes the City Auditor's mission critical need to ensure open government by promoting efficient access to City information. Simply put, this add package addresses a City Council priority and a critical need for the Auditor's Office; nonetheless, the Mayor's budget guidance for FY 2014-15 asked bureaus to submit budgets at Current Appropriation Levels. Therefore, the CBO recommends that the City Auditor further realign resources in another division to identify the additional \$13,458 to fund the Office Support Specialist in the Council Clerk/Contracts Division. However, it should be noted that the Auditor's Office prefers no increase in FTE through additional realignment.

CBO Recommendation: \$0, 0.50 FTE

City of Portland

Decision Package Recommendations

(Includes Contingency and Ending Balance)

		Bureau Requested				CBO Analyst Recommendations					
	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											
Critical Needs											
AU_01 - TRIM Expansion	01	3.00	209,564	318,791	616,016	1,144,371	0.00	0	0	0	0
AU_03 - New .25 OSS II for Council minutes support	02	0.25	6,255	0	7,293	13,548	0.25	0	0	0	0
Total Critical Needs		3.25	215,819	318,791	623,309	1,157,919	0.25	0	0	0	0
<u>Realignments</u>											
AU_02 - Realignment: Council minutes support staff	01	0.25	0	0	0	0	0.25	0	0	0	0
Total Realignments		0.25	0	0	0	0	0.25	0	0	0	0
Total Office of the City Auditor		3.50	215,819	318,791	623,309	1,157,919	0.50	0	0	0	0