



# CITY OF PORTLAND

Office of City Auditor LaVonne Griffin-Valade

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September 29, 2014

To: City Budget Office

From: City Auditor LaVonne Griffin-Valade

Re: Fall Budget Monitoring Report

## **Operating Budget Reconciliation**

The Auditor's Office Fall Budget Monitoring Report shows that the Office is within the spending plan for both Personnel Services and Internal Materials and Services, and is under budget in External Materials and Services for FY 2013-14.

## **Technical Adjustments**

The Auditor's Office is requested a transfer of funds from the Management Services division External Materials and Services to the Assessments, Finance, and Foreclosure division (\$250,000) to for work on the Lien Accounting System (LAS) replacement project. This funding was authorized in the Spring BMP and this adjustment moves those dollars to the appropriate cost center. Additionally, the Office requests an increase in the IA with BTS for work related to the LAS replacement project (\$150,000). Other technical adjustments include Hearings Office IA adjustments (\$15,816): creating an IA with the Water Bureau, moving an IA from the Revenue Bureau to the Portland Bureau of Transportation, and increasing the IA with BES.

## **Decision Package Update**

A FY 2013-14 Decision Package update report is included to detail progress on two projects that received carryover funding: development of public records management training in the Portland Archives and Records Management division and the LAS re-write project in the Assessments, Finance, and Foreclosure division. Both projects are in process.

## **LID Fund, Assessments Collection Fund, and Bancroft Bond Interest & Sinking Fund**

The LID fund will increase the overhead charge reimbursement to the Auditor's Office to cover the increased IA with BTS for \$150,000 for work related to the LAS replacement project. This charge will be covered by fund contingency. Additionally, to account for a debt management software request, the LID fund will increase its IA with OMF in the amount of \$5,633. This increase will be covered by LID fund contingency.

**Supplemental Budget Request  
FY 2014-15 Fall Supplemental Budget**

**Bureau:** Office of the City Auditor

**Type:** Technical Adjustment

**Request:** AU\_001 - Fall BMP Tech Adjustment

	<b>Fall BMP Requested Adjustments</b>	<b>Fall BMP CBO/Council Changes</b>	<b>Fall BMP Total Adjustments</b>
<b>EXPENDITURES</b>			
External Materials and Services	15,816	0	15,816
<b>TOTAL EXPENDITURES</b>	<b>15,816</b>	<b>0</b>	<b>15,816</b>
<b>REVENUES</b>			
Interagency Revenue	15,816	0	15,816
<b>TOTAL REVENUES</b>	<b>15,816</b>	<b>0</b>	<b>15,816</b>

**Bureau Description:**

The Auditor's Office requests the following technical adjustments in its operating budget: 1) increase to an interagency agreement with PBOT and corresponding decrease in an interagency with the Revenue Bureau for taxicab permitting and limited passenger transportation cases sent to the Hearings Office (\$10,544). This change reflects the movement of the program from the Revenue Bureau to PBOT; 2) establish an IA with the Water Bureau for Hearings Officer services (\$2,636); and 3) increase the IA with BES for projected higher number of cases sent to the Hearings Officer (\$2,636).

**CBO Discussion and Recommendation**

**Supplemental Budget Request  
FY 2014-15 Fall Supplemental Budget**

**Bureau:** Office of the City Auditor

**Type:** New Request

**Request:** AU\_002 - Increase BTS IA for LAS Project

	Fall BMP Requested Adjustments	Fall BMP CBO/Council Changes	Fall BMP Total Adjustments
<b>EXPENDITURES</b>			
Internal Materials and Services	0	0	0
<b>TOTAL EXPENDITURES</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Bureau Description:**

The Auditor's Office requests an increase of \$150,000 in the Assessments, Finance, and Foreclosure division's Internal Materials & Services to cover costs associated with the Lien Accounting System. This request increases the IA between the Auditor's Office and BTS for development work in tandem with outside vendor contracts. The increase is offset by a transfer from the LID fund.

**CBO Discussion and Recommendation**

**Supplemental Budget Request  
FY 2014-15 Fall Supplemental Budget**

**Bureau:** Office of the City Auditor

**Type:** Technical Adjustment

**Request:** AU\_003 - Transfer LAS Carryover Between Cost Centers

	Fall BMP Requested Adjustments	Fall BMP CBO/Council Changes	Fall BMP Total Adjustments
<b>EXPENDITURES</b>			
External Materials and Services	0	0	0
<b>TOTAL EXPENDITURES</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>REVENUES</b>			
General Fund Discretionary	0	0	0
General Fund Overhead	0	0	0
<b>TOTAL REVENUES</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Bureau Description:**

This request transfers \$250,000 from the Management Services division of the Auditor's Office to the Assessments, Finance, and Foreclosure division's External Materials & Services for replacement of the Lien Accounting System. In the Spring BMP, the Auditor's Office requested and recieved a carryover of these funds and this adjustment moves the funds to the correct cost center.

**CBO Discussion and Recommendation**

**Supplemental Budget Request  
FY 2014-15 Fall Supplemental Budget**

**Bureau:** Office of the City Auditor

**Type:** New Request

**Request:** AU\_004 - Increase LID IA with Auditor's Office

	Fall BMP Requested Adjustments	Fall BMP CBO/Council Changes	Fall BMP Total Adjustments
<b>EXPENDITURES</b>			
Internal Materials and Services	150,000	0	150,000
Contingency	(150,000)	0	(150,000)
<b>TOTAL EXPENDITURES</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Bureau Description:**

Increase the IA between the Auditor's Office and the LID fund by \$150,000 to cover costs between BTS and the Assessments, Finance and Foreclosure division for the Lien Accounting System replacement project. The increased costs will be covered by LID fund contingency.

**CBO Discussion and Recommendation**

**Supplemental Budget Request  
FY 2014-15 Fall Supplemental Budget**

**Bureau:** Office of the City Auditor

**Type:** New Request

**Request:** AU\_005 - Interagency w/ OMF-Share of Debt Mgmt Software

	Fall BMP Requested Adjustments	Fall BMP CBO/Council Changes	Fall BMP Total Adjustments
<b>EXPENDITURES</b>			
Internal Materials and Services	5,633	0	5,633
Contingency	(5,633)	0	(5,633)
<b>TOTAL EXPENDITURES</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Bureau Description:**

Increase the IA with OMF by \$5,633 for the Auditor's Office share of OMF's requested new Debt Management Software (OMF Request MF\_005). The increased costs will be covered by LID fund contingency.

**CBO Discussion and Recommendation**

## Prior Year Business Area Reconciliation Report

	FY 2013-14 Revised Budget	FY 2013-14 Year-End Actuals	Percent of Actuals to Revised
<b>Office of the City Auditor</b>			
<b>EXPENDITURES</b>			
Personnel Services	\$5,494,785	\$5,345,800	97%
External Materials and Services	\$1,236,266	\$943,852	76%
Internal Materials and Services	\$2,455,737	\$2,377,042	97%
<b>TOTAL EXPENDITURES</b>	<b>\$9,186,788</b>	<b>\$8,666,695</b>	<b>94%</b>
<b>REVENUES</b>			
Charges for Services	\$398,512	\$290,048	73%
Interagency Revenue	\$924,548	\$730,140	79%
Miscellaneous	\$5,500	\$10,394	189%
General Fund Discretionary	\$2,859,069	\$0	0%
General Fund Overhead	\$4,999,159	\$0	0%
<b>TOTAL REVENUES</b>	<b>\$9,186,788</b>	<b>\$1,030,582</b>	<b>11%</b>

### Bureau Reconciliation Narrative

Auditor's Office expenditures were within the spending plan for Personal Services and Internal Materials & Services. Expenditures in External Materials & Services were 24% below budget (\$292,414). Lower than anticipated expenditures in External Materials & Services were primarily the result of less spending across the bureau in professional services (\$105,752) including lower than anticipated costs for the City's outside audit (\$21,759) and reviews of officer involved shootings and in custody deaths (\$25,034). Other costs in this category were lower due to limited use of outside professional services in the Hearings Office, Council Clerk/Contracts division and the Archives and Records Management division. In addition, bureau-wide External Materials & Services spending decreased due to less than anticipated spending on travel, education, and on demand interpretation services.

Revenues were lower than anticipated due primarily to a 24% drop in the number of Hearings Office cases in FY 2013-14. Fewer cases were seen in every case category: code/appeal, tow, land use, and TriMet exclusions. Workload and revenue in the Hearings Office are influenced by changes in policies and practices of bureaus and agencies as well as the trend and type of land use development in the City. Land use cases, which saw the smallest decrease at -21%, have been consistent or increasing in length and complexity.

IA revenues from the Interagency Agreement between the Auditor's Office and the LID fund to pay for the Assessments, Finance, and Foreclosure program came in 12% lower than anticipated. This decrease was primarily due to lower than projected spending last year on the Lien Accounting System replacement project and lower activity than anticipated from the vendor that handles lien searches.

An increase in bureau miscellaneous sources was due to a payment from the state worker's compensation program.

## Prior Year Fund Reconciliation Report

	FY 2013-14 Revised Budget	FY 2013-14 Year-End Actuals	Percent of Actuals to Revised
<b>201 - Assessment Collection Fund</b>			
<b>EXPENDITURES</b>			
Internal Materials and Services	1,531	1,531	100.00
Contingency	78,550	0	0.00
<b>TOTAL EXPENDITURES</b>	<b>80,081</b>	<b>1,531</b>	<b>1.91</b>
<b>REVENUES</b>			
Budgeted Beginning Fund Balance	79,053	0	0.00
Fund Transfers - Revenue	28	28	100.00
Miscellaneous	1,000	1,315	131.46
<b>TOTAL REVENUES</b>	<b>80,081</b>	<b>1,343</b>	<b>1.68</b>

### Fund Reconciliation Narrative

Miscellaneous revenues were 31% higher than budgeted as a result of the increased late interest collections. Since lien accounts in this fund have no scheduled repayments, activity will vary from period to period and is the result of unanticipated partial payments or payoffs. Any revenue activity will be sporadic since the fund is relatively inactive and accounts for an insignificant liens receivable balance.

## Prior Year Fund Reconciliation Report

	FY 2013-14 Revised Budget	FY 2013-14 Year-End Actuals	Percent of Actuals to Revised
<b>311 - Bancroft Bond Interest and Sinking Fund</b>			
<b>EXPENDITURES</b>			
Unappropriated Fund Balance	15,219,559	0	0.00
Bond Expenses	6,948,717	11,667,246	167.91
<b>TOTAL EXPENDITURES</b>	<b>22,168,276</b>	<b>11,667,246</b>	<b>52.63</b>
<b>REVENUES</b>			
Budgeted Beginning Fund Balance	14,668,389	0	0.00
Bond and Note	0	3,687	0.00
Miscellaneous	7,499,887	7,799,156	103.99
<b>TOTAL REVENUES</b>	<b>22,168,276</b>	<b>7,802,843</b>	<b>35.20</b>

### Fund Reconciliation Narrative

Bond Expenses were significantly higher than budgeted due to the unscheduled full redemption of the 2003A Limited Tax Improvement Bond. City representatives determined that it was beneficial and appropriate for the City to fully redeem the bond issue using additional resources within the bond fund. The additional full redemption debt payment of \$4.465 million represents 95% of the \$4.718 million variance.

## Prior Year Fund Reconciliation Report

	FY 2013-14 Revised Budget	FY 2013-14 Year-End Actuals	Percent of Actuals to Revised
<b>401 - Local Improvement District Fund</b>			
<b>EXPENDITURES</b>			
External Materials and Services	5,000	2,725	54.50
Internal Materials and Services	1,435,816	1,269,312	88.40
Bond Expenses	20,067,304	10,911,459	54.37
Fund Transfers - Expense	6,985,869	6,626,676	94.86
Contingency	3,567,997	0	0.00
<b>TOTAL EXPENDITURES</b>	<b>32,061,986</b>	<b>18,810,172</b>	<b>58.67</b>
<b>REVENUES</b>			
Budgeted Beginning Fund Balance	4,202,019	0	0.00
Charges for Services	789,100	845,762	107.18
Fund Transfers - Revenue	32	32	100.00
Bond and Note	21,184,912	8,445,115	39.86
Miscellaneous	5,885,923	11,488,734	195.19
<b>TOTAL REVENUES</b>	<b>32,061,986</b>	<b>20,779,644</b>	<b>64.81</b>

### Fund Reconciliation Narrative

#### Expenditures:

External Materials & Services were lower than budgeted because estimated costs related to the LID line-of-credit were not incurred. The amount budgeted is an estimate of costs that could be incurred for debt rebate reporting and for services related to obtaining or maintaining the LID short-term financing facilities.

Internal Materials & Services were less than budgeted due to lower billings for interagency services. Reimbursements to the Auditor's Office, Debt Management and Revenue Bureau were less than budgeted by approximately 12%, 4%, and 12%, respectively. Of the \$166,504 variance, \$92,508, or 56%, represents reduced billings by the Auditor's Office, and \$71,882, or 43% represents reduced billing by the Revenue Bureau. The decreased billings were primarily the result of reduced costs in the Auditor's Office for external lien searches and technology service billings for the lien accounting system, and cost savings in personal services in the Revenue Bureau due to a staff vacancy.

Bond Expenses were less than budget as a result of a decrease in anticipated bond proceeds expected from the sale of the 2014A Limited Tax Improvement Bond. Of the \$12.7 million bond expense variance, approximately \$9 million was projected from the bond sale to make debt payment. Unexpectedly, property owners elected not to long-term finance assessments that would have been included in the bond sale. This decrease in bond expense is reflected by the significant decrease in bond and note revenues as explained below.

#### Revenues:

Bond and Note Revenues were significantly less than budgeted due to an unanticipated smaller number of assessment contracts sold in the 2014A Limited Tax Improvement Bond Sale. The original budget anticipated that large assessments from the Portland Streetcar Loop LID project would be financed and included in the bond sale. Property owners elected to pay off large assessments totaling approximately \$9 million, thereby decreasing the number of assessments contracted and sold in the bond sale.

Miscellaneous Revenues were significantly greater than budgeted as a result of unexpected payoffs of large assessment for the Portland Streetcar Loop LID project. An estimated additional \$6 million in payoffs were received, increasing total estimated payoffs to \$9 million for the year on this one project.



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**Office of the City Auditor  
FY 2014-15 Decision Package Report  
Fall BMP  
September 29, 2014**

- AU\_10 – Carryover Request: LAS Replacement.** The Lien Accounting System (LAS) is a legacy, mainframe-based system that maintains assessments and liens against property for multiple bureaus and funds in the City: Transportation, Parks, Environmental Services, Development Services, Water, the Local Improvement District fund, and the General fund. It has over 4,230 active accounts and 2,240 pending lien accounts. There are approximately 148,000 inactive lien records with permanent retention requirements. The current total outstanding balance being billed is approximately \$85.4 million, with an additional \$16.5 million pending assessment. This system is an Auditor's Office system, but it is a critical financial system for multiple bureaus and thousands of property owners who have financed their assessments. The LAS is over 25 years old, written in an increasingly obsolete and hard to maintain language; it resides on the City's mainframe, which is scheduled for decommission at the end of FY 2014-15. The Auditor's Office has been aggressively seeking solutions to replacing or re-hosting the LAS for the better part of a decade, but has had numerous setbacks and requests from OMF for project pauses that have delayed implementation of a solution. If the LAS is the only remaining system on the mainframe at the time of its scheduled decommission, maintenance costs alone will be over \$1 million per year, an expense that the Auditor's Office and the LID fund cannot absorb.

The Auditor's Office, along with BTS and others in OMF, is currently evaluating solution proposals for LAS. The initial review of proposals shows that the project will be more costly and involve more risk than originally planned due to the tight timeline and limited staff resources available to assist. In order to partially offset the costs above what was originally envisioned, the Auditor's Office is requesting carryover of unspent Personnel Services and External Materials & Services funds to next fiscal year. These unexpended funds are primarily resulting from vacancy and salary savings, curtailed travel and education spending, and a significant portion of the Professional Services budget that was not needed in the current fiscal year. Because this project is so critical to so many bureaus and members of the community, the Auditor's Office would like to apply \$250,000 of its projected General Fund savings to this project next year.

**Status Report: In Process.** After considering the options, a decision was made by the Auditor and agreed to by the CTO that rewriting the existing LAS system would be the least expensive and risky option. The Auditor's Office is currently working with an outside programmer to rewrite the legacy LAS system to a .net platform and migrate the database to

SQL servers. Existing BTS resources with expertise in the legacy system are working closely with the vendor to replicate the LAS in the new environment. A project manager and quality assurance contractor have been hired to ensure project plans are developed and adhered to. The project is being overseen by the Technology Oversight Committee, which includes a rigorous quality assurance process. At this point, programming has begun, screen displays are nearly complete, and other significant milestones have been met. We are projecting that the project will be on track to be completed by the time the mainframe is decommissioned in 2015. The \$250,000 carryover from this request in the Spring BMP last year is being applied to expenses incurred on this project.

2. **AU\_014. Carryover Request: RM Training.** The Auditor's Office requests carryover of \$30,000 from the Archives and Records Management division budget to fund development of Records Management training for all City employees. The need for general, Citywide training in records management and retention responsibilities is growing as employees move away from paper and increasingly use digital communication and electronic media to generate records. The risks that these changes pose to the City will not diminish until employees are provided with the training, knowledge, and tools they need to better manage the records they generate. This training is one critical piece of improving the City's records management capabilities, although it does not address the need for additional TRIM licenses to ensure employees have a common tool for managing their digital records. Archives and Records Management has generated savings in its External Materials & Services budget this year and requests the carryover of those savings in order to fund this critical training need.

**Status Report: In Process.** An RFP to develop training is in the late stages of development and should be issued shortly. The Auditor's Office is working closely with the City Attorney's Office on their Legal Records Management project and has consistently heard from bureaus that there is a significant need for education and training around basic principles and responsibilities of public records retention and management. We see this training as an important part of filling that knowledge gap among City employees, which should, in turn, reduce the City's risk of non-compliance with records retention mandates.

# Office of the City Auditor

## Performance Measures

Performance Measure	Type	FY 2012-13 Year-End Actuals	FY 2013-14 Adopted Budget	FY 2013-14 Revised Budget	FY 2013-14 Year-End Actuals	
AU_0001 - Number of audit reports issued	WORKLOAD	12	12	12	13	0
AU_0002 - Percentage of audit report recommendations implemented	EFFECTIVE	93%	85%	85%	93%	0%
AU_0003 - Full cost per audit hour	EFFICIENCY	\$110	\$115	\$115	\$114	\$0
AU_0004 - Number of citizen complaints to Independent Police Review	WORKLOAD	361	450	401	421	0
AU_0013 - Number of new liens assessed	WORKLOAD	1,533	3,642	3,435	3,831	0
AU_0016 - Number of complaints and requests to the Ombudsman	WORKLOAD	420	350	420	414	0
AU_0021 - Administrative costs as a percentage of total budget: goal is 10% or less	EFFICIENCY	8.8%	7.0%	7.0%	7.6%	0.0%
AU_0026 - Number of assessments per staff person	EFFICIENCY	767	1,821	1,718	1,916	0
AU_0030 - Number of election filings	WORKLOAD	4	20	13	13	0
AU_0031 - Number of code, appeal, land use, and tow Hearings Office cases	WORKLOAD	887	950	700	696	0
AU_0032 - Number of electronic documents viewed through Efiles	EFFECTIVE	1,265,589	1,100,000	1,393,532	1,417,304	0
AU_0033 - Median number of days to complete Independent Police Review intake investigations	EFFICIENCY	38	30	32	34	0
AU_0034 - Percentage of residents rating Independent Police Review's regulation of Portland Police as good or very good	EFFECTIVE	35%	40%	33%	34%	0%
AU_0035 - Percentage of Ombudsman's Office recommendations implemented by bureaus	EFFECTIVE	0%	60%	85%	90%	0%
AU_0036 - TRIM transaction cost per record	EFFICIENCY	\$0.14	\$0.19	\$0.11	\$0.12	\$0.00
AU_0037 - Number of researchers assisted by Portland Archives & Records Center staff	WORKLOAD	1,048	1,100	1,062	937	0
AU_0038 - Average number of months to make Council meeting minutes available to public	EFFICIENCY	0	0	6	9	0
AU_0039 - Number of hours Clerk spends in Council meetings	WORKLOAD	0	0	163	203	0

# Office of the City Auditor

## Performance Measures

Performance Measure	Type	FY 2012-13	FY 2013-14	FY 2013-14	FY 2013-14
		Year-End Actuals	Adopted Budget	Revised Budget	Year-End Actuals

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### Performance Measure Variance Descriptions

Performance measures in the Auditor's Office show continued attainment of efficiency and effectiveness targets in most programs. Workload also remains stable or growing in the majority of programs. Significant differences between last year's targets and actuals for the prior year are highlighted below:

#### Number of elections filings (AU\_0030)

The number of candidates filing for office during FY 2013-14 was lower than in comparable election cycles; however, the number of initiative petition filings was above average. In particular, FY 2013-14 saw the processing of a completed initiative petition, which resulted in the largest signature sheet submission in the City's history and a resource intensive elections process.

#### Number of code, appeal, land use, and tow cases (AU\_0031)

The overall number of cases was down significantly in FY 2013-14. The workload of the Hearings Office is difficult to project from year to year; the enforcement policies and practices of bureaus and outside agencies affect the number of cases brought to the Hearings Office. In addition, lower land use cases in general do not translate into fewer work hours. In fact, the complexity and length of decisions and hearings for land use cases continues to increase.

#### Median number of days to complete Independent Police Review intake investigations (AU\_0033)

The median number of days to complete intake investigations has consistently improved since FY 2011-12 and is edging closer to the target each year, improving by 4 days in FY 2013-14. The Independent Police Review Division continues to follow increased requirements due to the City's agreement with the Department of Justice. These major increases in the type and scope of investigations contribute in part to this figure.

#### Cost per TRIM Transaction (AU\_0036)

The integrated use of TRIM/E-files into bureau processes is increasing each year. The continuing increase in records added to the system makes more documents available to be viewed by the public, resulting in a lower than originally targeted cost per transaction.

#### Number of researchers assisted by PARC (AU\_0037)

The decrease in researchers at the Portland Archives and Records Center can be partially attributed to the resolution of or hiatus in issues pertinent to litigation.

#### Average time to make Council meeting minutes available to public (AU\_0038)

This is the first year the Council Clerk/Contracts division has actively tracked this process and the measure itself was created prior to setting targets for the FY 2013-14 budget year. Staffing in this division has been in flux over the last year, affecting the projected and actual figures. Additionally, the increased number of hours of Council meetings (see AU\_00039) contributed to the time it takes to process meeting minutes because it increases the workload while decreasing the staff necessary to work on processing the minutes.

#### Number of hours Clerk spends in Council Meetings (AU\_0039)

This is the first year the Council Clerk/Contracts division has actively tracked this time allotment and the measure itself was created prior to setting targets for the FY 2013-14 budget year. The number of hours spent in Council meetings increased significantly from January- June in 2014. Council meeting length is directly effected by Commissioners, agenda items, and other external factors.