

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: January 26, 2011
TO: Board of Commissioners
FROM: Bruce A. Warner, Executive Director
SUBJECT: Report Number 11-07
Adopt Fiscal Year 2010-2011 Internal Audit Work Plan

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6847

ACTION SUMMARY

This action will adopt the following Internal Audit Work Plan for Fiscal Year 2010-2011.

1. Internal Review: Fleet Vehicle Usage

Objective / Scope: Evaluate costs and efficiencies of alternative fleet vehicle arrangements

2. Food and Meal Expenditures

Objective / Scope: Follow-up review to 2009 report

3. Sponsorship Expenditures

Objective / Scope: Follow-up review to 2009 report

The proposed *FY 2010-11 Internal Audit Work Plan* is being recommended by the Executive Director, after consultation with Commissioners Wilhoite and Mohlir, based on a preliminary risk analysis and proposal by the Internal Audit Manager, and subsequent discussion and revision by the Executive Team.

PUBLIC BENEFIT

The internal audit function is an essential element of a sound internal control framework for PDC management to use in assessing business plans, processes and efficiencies – and to continuously improve activities to achieve higher quality customer service and outcomes.

This action will support the following PDC goals:

- Strong Economic Growth and Competitiveness
- Sustainability and Social Equity
- Healthy Neighborhoods
- A Vibrant Central City
- Effective Stewardship over our Resources and Operations, and Employee Investment

PUBLIC PARTICIPATION AND FEEDBACK

Not applicable.

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

This action supports and implements the following:

- **PDC Audit Committee Charter**, Resolution No. 6150 (June 9, 2004)
- **PDC Policy on Internal Controls**, Resolution No. 6213 (December 9, 2004)
- **PDC Administrative Policy on Internal Audits**

FINANCIAL IMPACT

Implementation of this plan will be conducted by existing staff within existing authorized budgets.

Should the Board Audit committee desire additional audit work requiring the services of the City Auditor or outside auditors, the adopted budget contains an amount of \$100,000 for such work during the year.

RISK ASSESSMENT

There are no inherent risks in conducting internal audits except to the extent those findings might reveal the need to invest resources to correct or institute controls to address identified problems. Results of audits are also made available to the public which could affect the public image of PDC.

WORK LOAD IMPACT

The work plan of the PDC Internal Audit Manager includes managing implementation of the Internal Audit Work Plan. To the extent that the Board Audit committee desires additional audit work or follow up, additional staff or outside resources may be necessary.

ALTERNATIVE ACTIONS

Not approving the Internal Audit Work Plan would have no direct or immediate impact to the ongoing operations of the organization, other than not carrying out stated policy objectives for identifying and strengthening internal controls. The Board Audit committee could choose to revise the proposed Work Plan.

CONCURRENCE

The proposed Internal Audit Work Plan represents the recommendation of the Executive Director, after consultation with Commissioners Wilhoite and Mohlis.

BACKGROUND

The proposed *FY 2010-11 Internal Audit Work Plan* is being recommended by the Executive Director, based on a risk analysis and proposal to the Executive Team by the Internal Audit Manager in August, and subsequent review and discussion among the Executive Team, followed by discussion with Commissioners Wilhoite and Mohlis in November.

In addition, through this exercise the leadership team identified several items that they would like to obtain additional information on in order to evaluate and refine existing business processes. While I don't propose that we undertake a formal audit or review on these items at this time, I wanted you to know about these additional efforts to evaluate internal controls and improve business processes. I will be making staff assignments shortly to undertake this work and the Internal Audit Manager will serve as a resource to staff assigned to carrying out these studies.

Item	Objective / Scope
Real Property Assets	Report on controls in place to ensure we are accurately tracking all PDC-owned real property, rental agreements and income, and property management obligations and expenses.
Delegation of Authority	Inventory the distribution and frequency of currently delegated authority, and propose any redistribution that would increase business process efficiencies while maintaining appropriate internal controls.
Flexible Services Contracts	Inventory and audit of Flexible Service Contracts since last study in March of 2010, to verify work products and payments are per contract terms.
External Professional Service Contracts	Inventory of historical use of outside professional services (e.g., consultants) and assessment of costs and benefits of contracting out versus doing work with existing or new staff.

The contract, scope and management of the annual PDC financial audit is the responsibility of the City Auditor's Office, and is not factored into the Internal Audit Work Plan, except to the extent that recommendations from prior financial audits influence an internal audit topic.