

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: October 8, 2008
TO: Board of Commissioners Audit Committee
FROM: Bruce A. Warner, Executive Director
SUBJECT: Report Number 08-121
Adoption of PDC Internal Audit Work Plan – FY 2008-09

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6642

ACTION SUMMARY

This action will approve the following ***PDC Internal Audit Work Plan*** for Fiscal Year 2008-09.

Item	Performed By
1. PDC Risk Assessment	PDC Audit Services
2. Audit: Procurement/Contracting	City Audit Services
3. Review: Travel Expenses	PDC Audit Services
4. Review: Food & Meals	PDC Audit Services
5. Other Reviews as determined necessary by the Executive Director, after consultation with the Board Audit Subcommittee	

The proposed *FY 2008-09 Internal Audit Work Plan* is being recommended by the Board Audit Subcommittee, based on a risk analysis and proposal by the Internal Audit Manager in March, and subsequent review, discussion and finalization by the Audit Subcommittee in June and September.

Note: The Audit Subcommittee is comprised of two Commissioners designated by the Chair. In March and June the Subcommittee consisted of Chair Rosenbaum and Commissioner Wilhoite. In September the Subcommittee consisted only of Chair Wilhoite, pending designation of a second member.

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 outcomes – and to continuously improve activities to achieve higher quality customer service and outcomes.

This action will support the following PDC goals:

- Develop healthy neighborhoods
- Provide access to quality housing
- Help businesses to create and sustain quality jobs
- Support a vibrant Central City (urban core)
- Contribute to a strong regional economy

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

Budgeted resources in the amount \$100,000 to contract with the City of Portland Auditor and \$100,000 for one or more contracts with outside auditors are available to perform work not scheduled to be performed by PDC staff. To the extent that the Board Audit committee desires additional audit work or follow up, additional resources may be necessary.

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 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 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 Work Plan proposed by the Board Audit Subcommittee.

CONCURRENCE

The proposed Audit Work Plan represents the recommendation of the Board Audit Subcommittee.

BACKGROUND

On March 17, 2004, the PDC Board established an **Audit Committee** (Resolution No. 6112) with the responsibility to, among other things, “*direct the undertaking of internal audits or reviews.*”

On June 9, 2004, the PDC Board adopted an **Audit Committee Charter** (Resolution No. 6150) that among other things, directed the Chair of the Board Audit Committee to “*review the Internal Control Manager’s annual work plan.*” [Note: Job title since changed to Internal Audit Manager.]

On December 9, 2004, the PDC Board adopted a **Policy on Internal Controls** (Resolution No. 6213) that among other things directed management to establish “*an ongoing internal audit program to monitor and evaluate the effectiveness of risk management, control and governance processes.*”

In April of 2005, an internal **Administrative Policy on Internal Audits** was approved that reinforced the Board *Policy on Internal Controls* and established procedures for undertaking internal audits. Shortly thereafter, leadership and organizational changes indirectly delayed the implementation of the Board’s intent that the Audit Committee adopt an annual internal audit work plan. With development and adoption of the *FY 2008-09 Internal Audit Work Plan*, we will be back on track in implementing this important component of a sound internal control framework.

The proposed *FY 2008-09 Internal Audit Work Plan* is being recommended by the Board Audit Subcommittee, based on a risk analysis and proposal by the Internal Audit Manager in March, and subsequent review, discussion and finalization by the Board Audit Subcommittee in June and September.

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 Work Plan, except to the extent that recommendations from prior financial audits influence an internal audit topic.

Cc: David Nemo, Internal Audit Manager
Julie Cody, Chief Financial Officer
John Jackley, Director of Communications and Business Equity