



Metro

Office of the Auditor
Annual Report

FY 2014-15


Brian Evans, Auditor
October 2015

A Note From the Auditor

This report is an opportunity for us to demonstrate our values of accountability, transparency, efficiency and effectiveness. It contains information about the performance of the Metro Auditor's office over the year. I hope you find it informative. I use the data to manage our resources and make adjustments when needed. Continuous improvement is a common theme in the recommendations we make in audit reports and the annual report is a chance to apply that same approach to our own efforts.

I began my first term as Metro Auditor in January 2015. Since taking office, I have hired new staff, created an audit schedule and issued two audits. I look forward to serving you over the next four years.

Sincerely,



Brian Evans

About the Auditor's Office

The office is led by the Metro Auditor; an elected position serving the entire Metro region. Performance audits are the primary work conducted by the office. Performance audits provide independent and objective analysis so that management and the Metro Council can use the information to improve program performance, reduce costs, assist decision-making and contribute to public accountability. The office also oversees the contract for the annual financial audit and administers an Accountability Hotline.

Brian Evans is the third elected auditor since the position was created in the Metro Charter in 1995. Prior to being elected, Brian was a Principal Management Auditor. He began working in the Auditor's Office in 2008.

The Office includes the elected Auditor, four staff auditors and an administrative assistant:

- Brian Evans, CGAP, CIA, *Metro Auditor*
- Tracy Evans, *Administrative Assistant*
- Angela Owens, CFE, *Senior Management Auditor*
- Zane Potter, *Senior Management Auditor*
- Simone Rede, *Senior Management Auditor*
- Elliot Shuford, *Senior Management Auditor*

To meet standards, auditors are required to complete 80 hours of continuing professional education every two years. Our staff attends forums, workshops and conferences on performance auditing, as well as participates in an annual retreat to plan our work and enhance communication and teamwork.

In addition to continuing education, auditors contribute to the audit profession by leading training events both internally and at conferences and through webinars. Some staff also serve on committees of the Association of Local Government Auditors.

Mission and Values

Our mission is to:

- Ensure that Metro is accountable to the public,
- Ensure that Metro's activities are transparent, and
- Improve the efficiency and effectiveness of Metro programs and services.

We do this by:

- Conducting independent and objective performance audits, and
- Reporting our findings and recommendations to the public.

It is our vision to be relevant and efficient, choosing the right areas to audit and completing audits quickly so Metro can continually improve its services and be accountable to the public. Audit findings and recommendations are presented publicly before the Council and are intended to assist the Council and Chief Operating Officer in making improvements that will better serve the public. Audit reports are published on the Metro Auditor's web page.

Our values are:

- Professionalism
- Wise and equitable use of resources
- Supporting findings with fact
- Balanced perspectives
- Ethical behavior
- Being open minded
- Respecting others
- Credibility
- Teamwork

Performance Measures

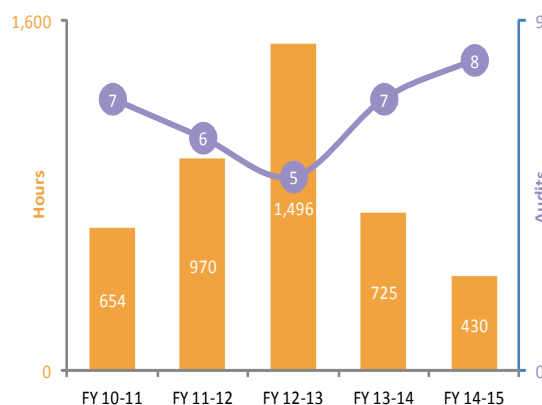
The performance of the Auditor's Office is measured by reviewing results in the following areas:

- Average hours to complete an audit and number completed each fiscal year,
- Audits completed per full time equivalent (FTE) employee,
- Total audit hours per department expenditure,
- Survey of audited programs, and
- Recommendation implementation rate.

Average Hours per Audit and Number of Audits

These measures are used to evaluate the office's efficiency. In FY 2014-15, eight audits were completed. The hours required to complete an audit ranged from 37 to 1,122 hours. The average was 430 hours.

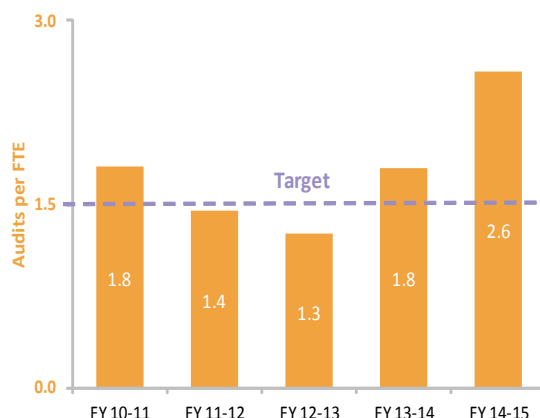
Audits vary in length, depending on their scope and complexity. Average hours in FY 2012-13 were higher than other years due to the complexity of an audit completed in that year. The recent trend has been audits with narrower scopes of work. This has led to more audits being completed with fewer hours devoted to each audit.



Audits per FTE

Another way to measure efficiency is to look at the number of audits completed per full-time equivalent (FTE) employee. In FY 2014-15, 2.6 audits per FTE were completed, up from 1.8 the prior year. The downward trend in FY 2011-12 and FY 2012-13 was due to a highly complex and detailed audit conducted over that time period.

Staff hours available and the scope of the audit determine the number of audits that can be completed each year. The length is affected by the complexity of the subject and size of the program. Generally, the office tries to complete one and a half audits per FTE each year.

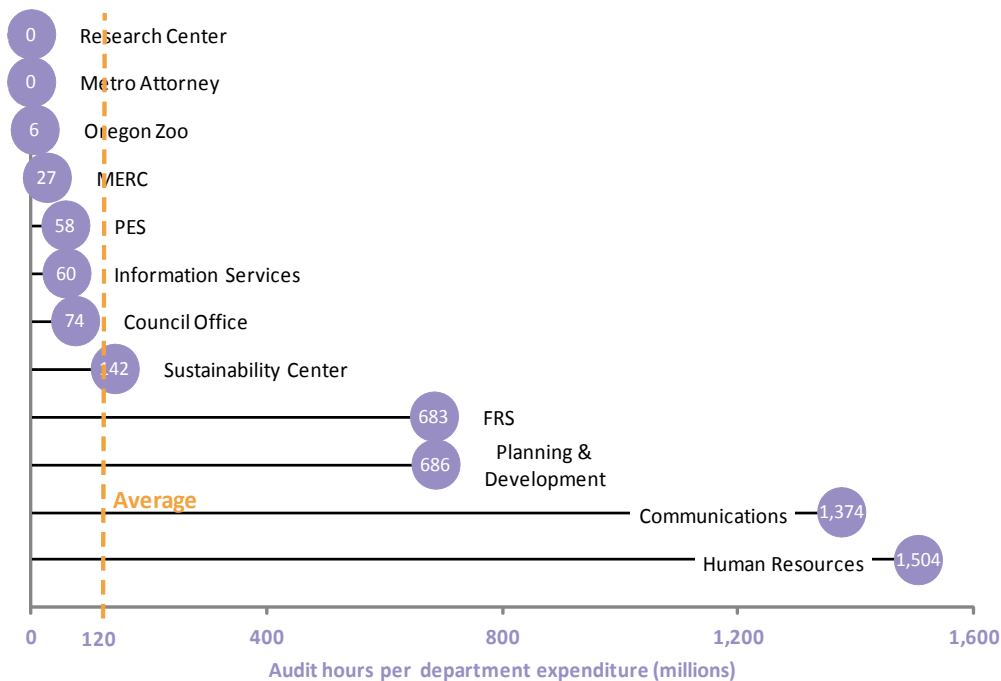


Audit Hours by Department Size

FY 2010-11 to FY 2014-15

This measure is used to evaluate the office's effectiveness by analyzing how audit hours were distributed among Metro departments. It is calculated by dividing the total audit hours spent in each department by the department's size as measured by annual expenditures. In the last five years, about 120 hours were available for each \$1 million spent by Metro. In general, larger departments have more complex programs and services. As a result, it's reasonable to expect that more audit hours would be devoted to larger departments.

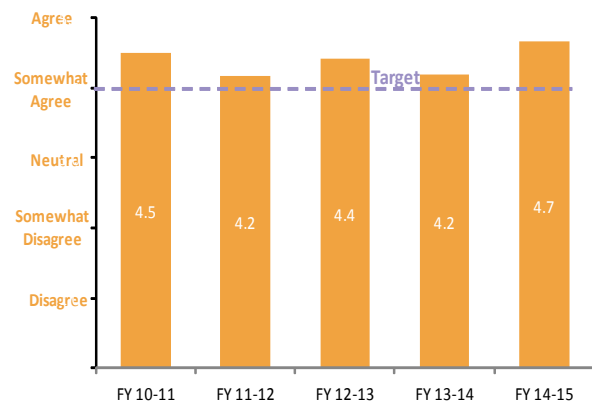
Over the last five-years, audit hours have been unevenly distributed between departments based on their size. More time was spent in the Human Resources and Communications departments relative to their level of expenditure. Conversely, other parts of the organization such as MERC venues, Research Center, Metro Attorney and the Zoo had relatively few audit hours compared to their size. While some unevenness is expected, this type of analysis is one consideration when audits are placed on the schedule. This year some audits were scheduled in part to rebalance audit coverage.



Survey of Audited Programs

Surveys are a way to get input on the quality of the audit process and reports. After an audit is published, we ask those involved to provide feedback through an anonymous survey. The questions are designed to get information about the audit process, staff, report and overall satisfaction.

In FY 2015-14 the average rate of agreement was 4.7 out of 5. This indicated relatively high satisfaction with our services. Unfortunately, the results were from a small number of respondents. Over the last five years, the number of completed survey responses per audit declined from an average of 3.5 to 1.8. We will work to increase the survey response rate this year.

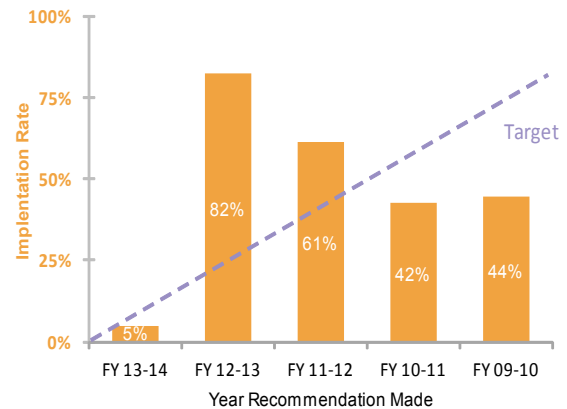


Recommendation Implementation Rate (1-5 years after audit issued)

The percentage of recommendations that are implemented over time shows how much impact audits have on the organization. Each year, the office asks program managers to report on the status of recommendations made in the last five years. That information, combined with conclusions reached in follow-up audits, is used to track the percent of recommendations implemented.

According to the most recent survey, 44% of recommendations from audits completed within five years were implemented. In general, the expectation is that at least 75% of the recommendations are implemented after five years. A positive trend would show the percentage increasing as time from completion increases.

The low implementation rate is an area of concern. Some of the performance is explained by the low number of audits and associated recommendations completed in FY 2009-10. That year only three audits were released. Two years after the reports were released; we completed follow-up audits. We concluded that none of the recommendations in one of those audits had been implemented. We will seek ways to improve this measure by working with management to identify barriers to implementation.



Audits Released

The office completed eight audit reports in FY 2014-15, which included seven full audits and one follow-up audit. There were a total of 28 recommendations made. The audit reports released were:

- Recycling Hotline: Re-examine role and increase efficiencies (September 2014)
- Asset Management: Systematic approach needed to manage risks (October 2014)
- Accountability Line Case #129 (October 2014)
- Employee Paid Retirement Contributions (October 2014)
- Budget Process: Strengthen practices that increase transparency (November 2014)
- Performance Measures: Clarify goals and increase measurement of efficiency and effectiveness (December 2014)
- Accountability Line Case #139 (December 2014)
- Natural Areas Maintenance Follow-up: Maintenance Strategy Needed (March 2015)

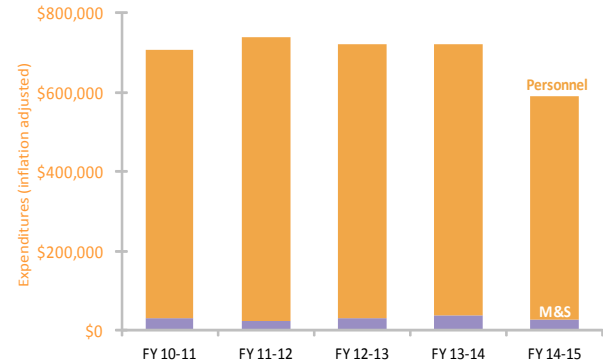
Audit Schedule, FY 2015-16

The following audits are anticipated this fiscal year. Audit topics are selected based on input from Metro Council, department management and audit staff.

Audit Title	Start Date	Estimated Completion Date
Nature in Neighborhoods Program	February 2015	October 2015
Community Planning and Development Grants	February 2015	November 2015
Convention Center Hotel Project Management	October 2015	March 2016
Zoo Organization Culture	October 2015	March 2016
Glendoveer Golf Course Operating Contract	March 2016	August 2016
Social Media Usage	March 2016	August 2016

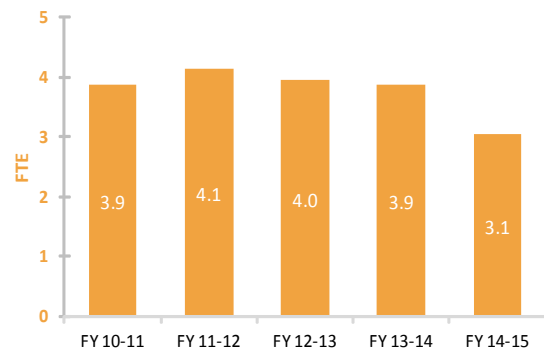
Expenditure

Expenditures were about 18% lower than last year. This was the result of lower personnel costs due to staff vacancies. Spending on materials and services also declined slightly.



Staffing Available

This graph represents actual audit staff hours available. In FY 2014-15, there were 6,367 staff hours available, the equivalent of 3.1 FTE. This was a decrease from last year due to staff changes.



Accountability Hotline Summary

The Accountability Hotline gives employees and the public a way to report waste, inefficiency or abuse of resources. The Metro Auditor administers the Accountability Hotline in consultation with upper management and the human resources director. Cases may be handled by human resources personnel if there is the possibility disciplinary action may occur. In some cases, upper management will assign an investigation to a department director if the report involves a service or program in their department. The Auditor reserves the right to conduct an audit on any report received.

Fifty-four reports were received in FY 2014-15; more than in any other year. About one-half of the reports were related to the Oregon Zoo. There is a wide variety in the nature of the reports in terms of specificity and issues identified. As a result, they cannot be categorized or summarized easily. Forty-six of the reports were successfully investigated. The other eight reports were not related to Metro's jurisdiction or inadequate information was provided to successfully investigate.

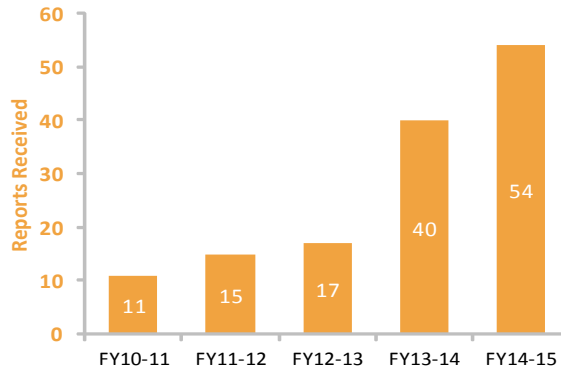
In 23 of the investigated cases, the information was confirmed and in 20 cases the information was unfounded. In three cases, the information was inaccurate. The most frequent action taken in response to a report was to relay information to the person reporting the concern to explain why the incident occurred. In 16 of the cases, some level of personnel action was taken. This year, two audits were initiated as a result of a report to the Accountability Hotline.

Reports Received

FY 2010-11 to FY 2014-15

The number of Accountability Hotline cases received has increased each of the last five years. In FY 2014-15, a total of 54 reports were received. That was the highest number ever received.

Monitoring the workload associated with the hotline will continue to be a priority this year. One strategy to address the volume of reports is to initiate audits that address common themes from the reports received. Some of the topics on this year's audit schedule are based on that strategy.



Average Days to Close

FY 2010-11 to FY 2014-15

According to best practices, cases should be resolved in 30 days or less to be responsive to the person reporting. This standard has been met in four of the last five years.

