



Office of the Auditor
Annual Report
FY 2015-16

Brian Evans
Metro Auditor
October 2016

A Note From the Auditor

This report contains information about the performance of the Metro Auditor's office over the last year (FY2015-16). It is an opportunity for us to demonstrate our values of accountability, transparency, efficiency and effectiveness. 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 the same approach to our own efforts. I hope you find it informative.

Sincerely,



Brian Evans
Metro Auditor

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 to help management and the Metro Council improve program performance, reduce costs, assist decision-making and be accountable to the public. The office also oversees the contract for the annual financial audit and administers the 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. Several employees 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

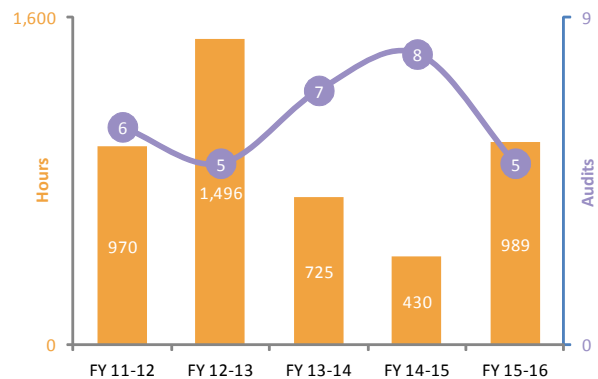
The performance of the Auditor’s Office is measured by reviewing results in the following areas:

- 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 and Number of Audits

These measures are used to evaluate the office’s efficiency. In FY 2015-16, five audits were completed. The hours required to complete an audit ranged from 140 to 2,450 hours. The average was 989 hours.

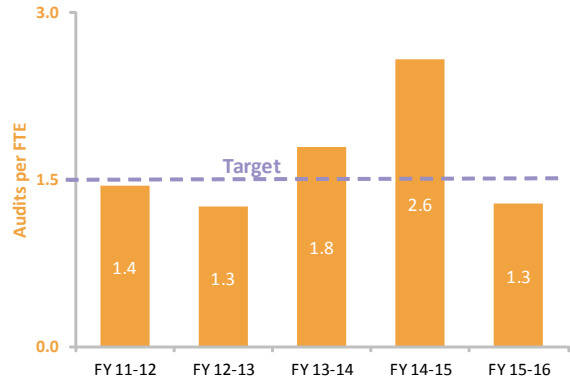
Audits vary in length, depending on their scope and complexity. Average hours in FY 2012-13 were higher than other years due to the complexity of an audit completed in that year. Average hours per audit increased significantly this year due to two audits with broad scopes of work. This led to fewer audits being completed with more hours devoted to each.



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 2015-16, 1.3 audits per FTE were completed, down from 2.6 the prior year. The downward trend was due to larger scope audits that provided more in-depth analysis of Metro’s grant management practices.

Available staff hours 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. We did not meet that target this year. I plan to use this year to increase the efficiency of our work.

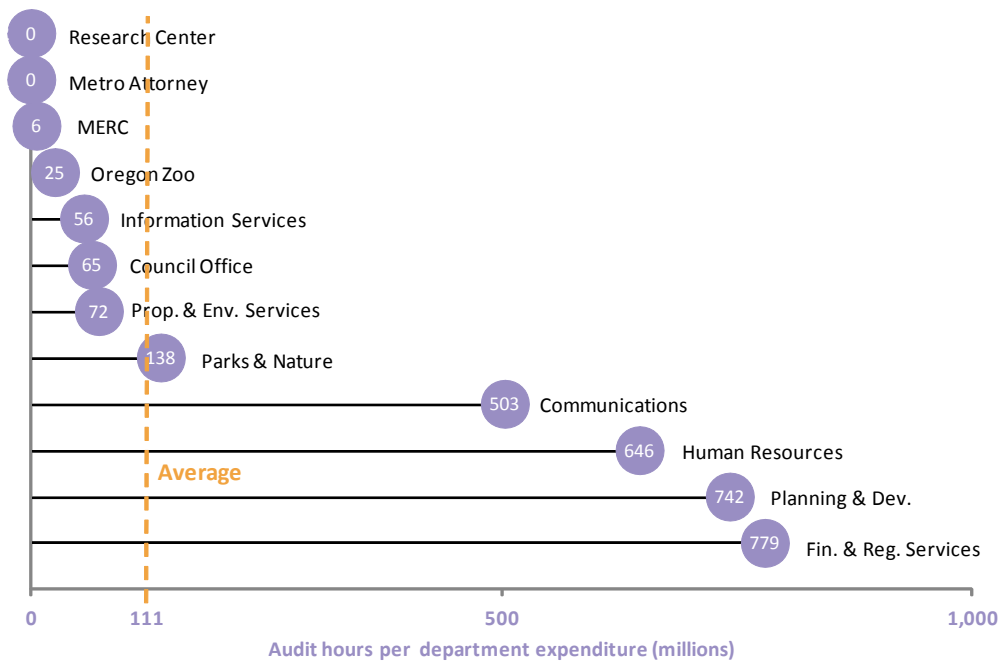


Audit Hours by Department Size

FY 2011-12 to FY 2015-16

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 110 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.

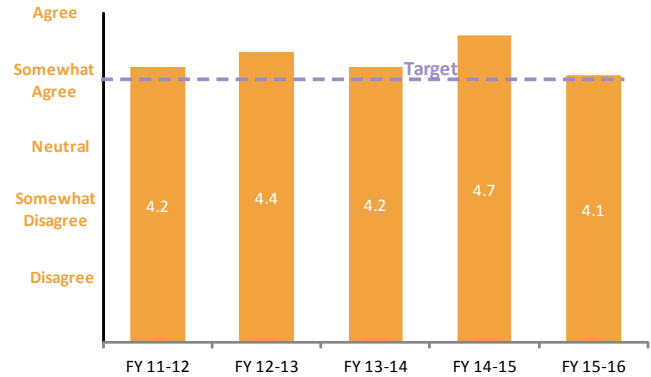
Over the last five-years, audit hours have been unevenly distributed between departments based on their size. More time was spent in the Financial and Regulatory Services, Planning and Development, Human Resources and Communications departments relative to their level of expenditure. Conversely, other parts of the organization such as MERC venues, Research Center, Metro Attorney and the Oregon 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.

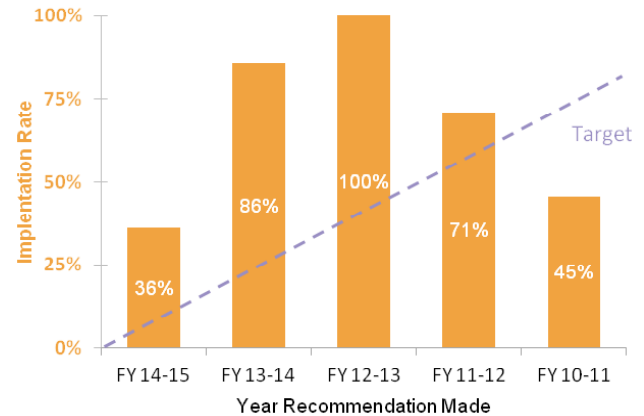
In FY 2015-16 the average rate of agreement was 4.1 out of 5. This indicated satisfaction with our reports, staff, and process. Unfortunately, the results continue to be from a relatively small number of respondents. Although the average number of completed survey responses per audit increased this year to 2.7, it was still the second lowest average in the last five years. Part of the increase this year may be from our change to an online survey tool that makes it easier to respond. We will continue to work to increase the survey response rate this year so that we get more feedback.



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

The percentage of recommendations that are implemented 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, 45% of recommendations from audits completed within five years were implemented. In general, the expectation is that at least 75% of the recommendations are implemented within five years. A positive trend would show the percentage increasing as time from completion increases. As in previous years, I will continue to work with management to identify barriers that prevent implementation of audit recommendations.



Audits Released

The office completed five audit reports in FY 2015-16, which included four full audits and one follow-up audit. There were a total of 27 recommendations made. The audit reports released were:

- Accountability Hotline Case #183 (August 2015)
- Nature in Neighborhoods Grants: Improve performance measurement system and grant monitoring (December 2015)
- Community Planning and Development Grants: Performance measures and stronger controls needed to ensure results (February 2016)
- Frequent Flyer Benefits Follow-up (February 2016)
- Financial Condition of Metro: FY2005-06 to FY2014-15 (June 2016)

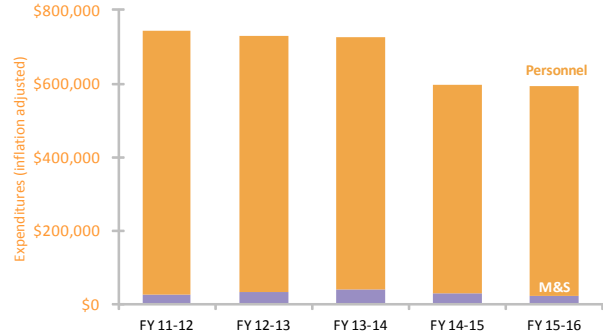
Audit Schedule, FY 2015-16

The following audits are anticipated this fiscal year. Audit topics are selected based on input from Metro Council, department management, and audit staff. In addition, a risk assessment is conducted to identify high priority topics.

Audit Title	Start Date	Actual or Expected Completion Date
Glendoveer Golf Course Operating Contract	January 2016	August 2016
Capital Project Planning	June 2016	November 2016
Organic Waste System follow-up	August 2016	December 2016
Zoo Organizational Culture	January 2016	December 2016
Convention Center Hotel Project Management	October 2016	April 2017
Payroll	November 2016	March 2017
Social Media Usage	December 2016	June 2017
Public Records Requests	March 2017	September 2017

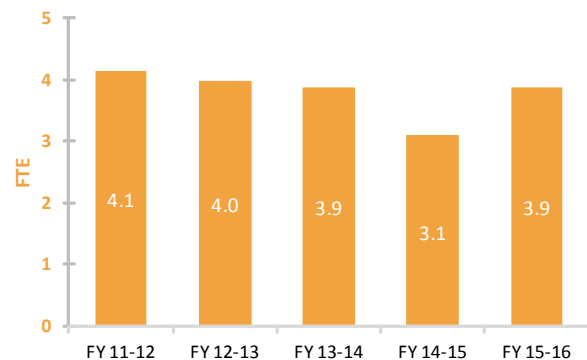
Expenditures

Expenditures were about 10% higher than last year. This was the result of higher personnel costs as staff vacancies were filled. Spending on materials and services declined by about 26%. This was due to reduced costs for the Accountability Hotline.



Staffing Available

This graph represents actual audit staff hours available. In FY 2015-16, there were 8,121 staff hours available, the equivalent of 3.9 FTE. This was an increase from last year when the office was filling vacant positions.



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 disciplinary action could result. 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.

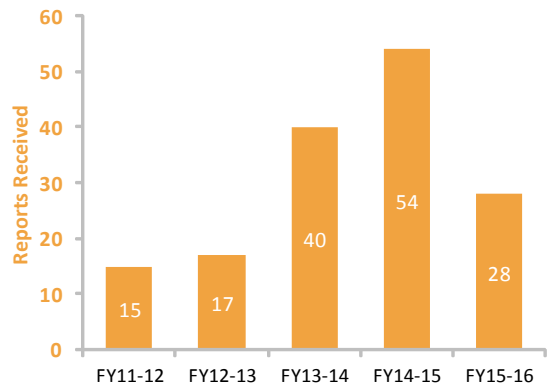
Twenty-eight reports were received in FY 2015-16. There is a wide variety in the nature of the reports in terms of specificity and issues identified. As a result, they cannot be categorized or summarized easily. Twenty reports were successfully investigated. The other eight were reports were unrelated to Metro’s jurisdiction or provided inadequate information to successfully investigate.

In 11 of the investigated cases, the information was confirmed and in nine cases the information was unfounded or 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. Personnel action was taken in response to one report and other corrective actions were taken in 10 cases. This year, two audits were initiated as a result of a report to the Accountability Hotline.

Reports Received

FY 2011-12 to FY 2015-16

The number of Accountability Hotline cases received declined by almost 50% this year. In FY 2015-16, a total of 28 reports were received. That was the lowest number since FY2012-13.



Average Days to Close

FY 2011-12 to FY 2015-16

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.

