



Office of the Auditor
Annual Report
FY2010 - FY2011



Suzanne Flynn, Auditor

November 2011

Office responsibilities and staff

The purpose of the Metro Auditor’s Office is to ensure that Metro operations are in compliance with laws and regulations, assets are safeguarded and services are delivered effectively and efficiently. The Office achieves this purpose by conducting performance audits. Performance audits provide objective analysis so that management and the Metro Council can use the information to improve program performance and operations, reduce costs, facilitate decision-making and contribute to public accountability.

The Office also provides transparency in government. Representing less than 1 percent of the budget, the Office is responsible for auditing the remaining 99 percent. Audit reports provide the Council and public with a better understanding of Metro operations. 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 serve the public better.

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

- Suzanne Flynn, *Metro Auditor*
- Michael Anderson, *Senior Management Auditor*
- Brian Evans, *Senior Management Auditor*
- Kristin Lieber, *Senior Management Auditor*
- Mary Hull Caballero, *Senior Management Auditor*
- Lisa Braun, *Administrative Assistant*

Performance measures

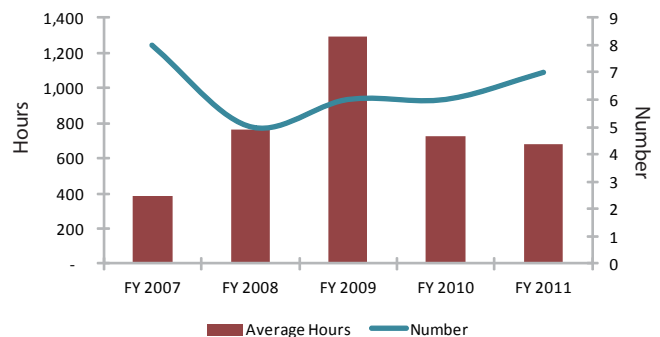
The Audit Office’s performance is measured by reviewing results in the following areas:

- Average hours to complete an audit and number of audits completed each fiscal year
- Total staff audit hours per department
- Audits completed per full time equivalent (FTE) employee
- Audit recommendation implementation rate within five years after completion of an audit.

Average hours per audit and number of audits

Audits vary in length, depending on their scope and complexity. In FY 2010-11, seven audits were completed. The hours required to complete those audits ranged from 193 to 2,093 hours and averaged 680 hours.

The average time to complete an audit in FY 2008-09 was higher than other years because several were complex.

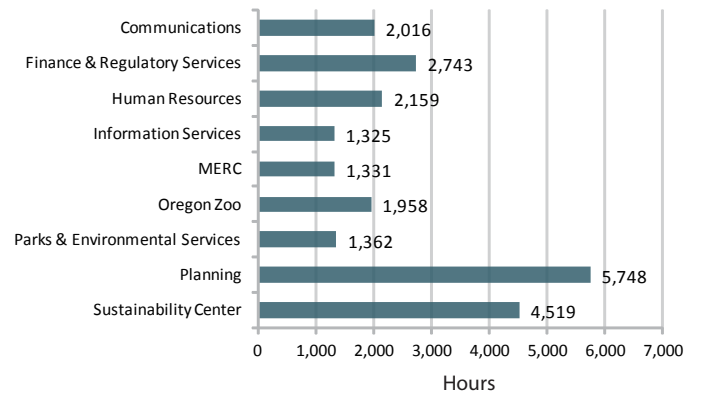


Audit hours by department

When considering audits to place on the audit schedule, one consideration is the frequency of audits performed in each department of Metro. Some other criteria are:

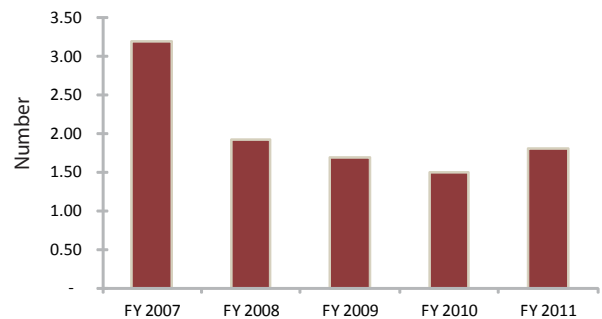
- Potential for savings or improvement
- Interest of Council or public
- Potential for loss

Some programs are more complicated, requiring more hours to audit. The office also spends more audit hours in larger departments, as there are more programs to audit.



Audits per FTE

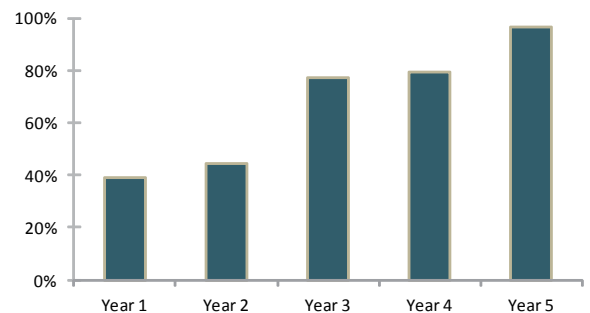
Staff hours available and the audit focus determine the number of audits that can be completed each year. The length of time to complete an audit is affected by the complexity of the subject and size of the program. In FY 2010-11, 1.8 audits per FTE were completed, up from 1.5 the prior year. More audits were completed in FY 2006-07 due to the office using outside contractors. Contractor hours are not included in calculating FTE.



Audit recommendation implementation rate

Annually, our office surveys program managers to report on the status of recommendations. We track the percent of recommendations reported as implemented from one to five years after the audit was issued. We also adjust the numbers after completing a follow-up audit.

A positive trend would show the percentage increasing as time from audit completion increases. According to the survey completed in January 2011, 96% of recommendations from audits completed five years earlier were implemented.



Audits released

The office issued seven audit reports in FY 2010-11, which included four full audits and three follow-up audits. There were a total of 33 recommendations made. The audit reports released were:

- **Payroll and Benefits (July 2010)** (*Audit team: Evans, Wager*)
- **Leave Management (Sept. 2010)** (*Audit team: Flynn, Nichols*)
- **Public Engagement and Transparency (Sept. 2010)** (*Audit team: Lieber, Hull Caballero*)
- **Transit-oriented Development Program follow-up (Nov. 2010)** (*Auditor: Evans*)
- **Fleet Management follow-up (Feb. 2011)** (*Auditor: Evans*)
- **Waste Reduction and Outreach follow-up (Feb. 2011)** (*Auditor: Hull Caballero*)
- **Frequent Flyer Benefits (March 2011)** (*Auditor: Evans*)

Audit schedule, FY 2011-12

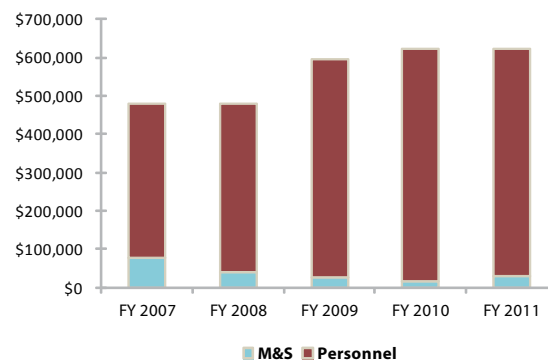
Each year, the Metro Auditor schedules audits for the upcoming year.

Audit Title	Start Date	Actual/Estimated Completion Date
Administration of Large Contracts	Aug. 2010	July 2011
Transportation Outcomes - Case Study	Underway	April 2012 (est.)
Maintenance of Natural Areas	Underway	March 2012 (est.)
Zoo Bond Program Follow-up	June 2011	Oct. 2011
Recruitment and Hiring Process	Aug. 2011	Nov. 2011
IT Software Controls Follow-up	TBD	TBD
Span of Control	TBD	TBD
Risk Management	TBD	TBD
Sustainability Management Follow-up	TBD	TBD
Visitor Experience - Parks	TBD	TBD

Expenditure (adjusted for inflation)

Expenditure for personnel and materials and services (M & S) in FY 2010-11 showed little change from the previous two years. Spending on M & S accounted for 4.8% of the total, down from 17% in FY 2006-07, and has shown a steady decline over the past five years.

The addition of a new staff auditor in FY 2008-09 accounts for the increase in personnel expenditure that year.



Staffing available

This graph represents actual staff hours available. The Metro Council approved the addition of a staff auditor in FY 2008-09, bringing the number of auditor positions to four. In FY 2010-11, there was a total of 8,309 staff hours available, or the equivalent of 3.98 staff.



Local jurisdiction survey

In March 2011, the office designed and sent a survey to elected officials and planning commissioners in the Metro region. Respondents were asked to rank 15 audit topics based on value and difficulty to complete.

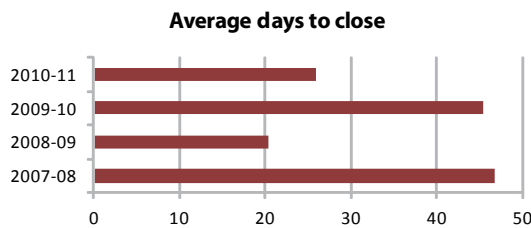
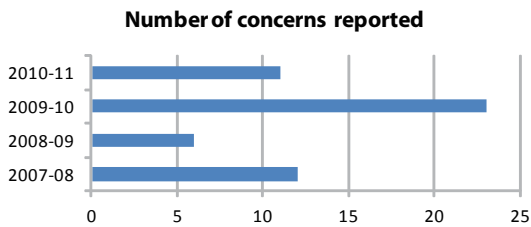
Results revealed that the highest interest for an audit topic was in regional and local transportation. Customer service to local government and accuracy of regional forecasting also ranked high.

Detailed survey results may be found on the Auditor's web site at www.oregonmetro.gov/auditor.

Ethics Line Summary

The Metro Auditor administers the Ethics Line in consultation with a Steering Committee that includes the Chief Operating Officer, Metro Attorney, Deputy Chief Operating Officer, MERC General Manager, Human Resources Director and Finance and Regulatory Services Director. The Ethics Line gives employees and citizens an avenue to report misconduct, waste or misuse of resources.

As new cases are received, they are usually assigned to Metro management to investigate. At any time, the Auditor can also initiate an independent audit. The Auditor posts the results of the investigation on the Ethics Line system for the complainant to access. Audits are posted to the Auditor's web site.



Type of concerns reported FY2008-11	Total
Violation of policy	9
Misconduct or inappropriate behavior	7
Waste, abuse or misuse of institutional resources	5
Conflict of interest	3
Time abuse	3
Abuse of or fraud with company benefits	2
Accounting, auditing and internal financial controls	2
Confidentiality and misappropriation	2
Improper supplier or contractor activity	2
Unsafe working conditions	2
Disclosure of confidential information	1
Environmental protection, health or safety law	1
Unauthorized/fraudulent use of company facilities and equipment	1
Other	12
Grand Total	52

Mission and Values

Our mission is to:

- Ensure that Metro is accountable to the public;
- Ensure that Metro activities are transparent; and
- Improve the efficiency, effectiveness and quality of Metro services and activities

We do this by:

- Conducting independent and objective assessments, and
- Reporting our findings and recommendations

It is our vision to be relevant and efficient, choosing the right areas to audit and completing audits quickly so that Metro can continually improve its services and be accountable to the public.

Values:

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