

March 14



# MULTNOMAH COUNTY OREGON

MULTNOMAH COUNTY HOME RULE CHARTER REVIEW COMMITTEE

3RD FLOOR, FORD BUILDING  
2505 S.E. 11TH AVENUE  
PORTLAND, OREGON 97202  
(503) 248-5018

## MEMBERS

Florence Bancroft  
Tanya Collier  
Chad Debnam  
Marlene Johnsen  
Penny Kennedy  
Marcia Pry  
Leeanne MacColl  
Roger Parsons  
Ann Porter, Vice-Chair  
Linda Rasmussen  
Rev. Frank Shields, Chair  
Paul Thalhofer  
John Vogl

## STAFF

Robert J. Castagna,  
Project Manager  
Maribeth McGowan,  
Secretary

## MINUTES

Public Meeting: March 14, 1984

Pursuant to notice by press release to newspapers of local circulation throughout Multnomah County and on the mailing list of the Committee and members of the Committee, a meeting of the Multnomah County Home Rule Charter Review Committee was held at the Multnomah Education Service Building, Conference Room 107, 220 SE 102nd, Portland, Oregon. The meeting convened at 7:10 P.M.

Present were Chair Frank Shields and Committee members Tanya Collier, John Vogl, Marlene Johnsen, Florence Bancroft, Marcia Pry, Chad Debnam, and Ann Porter. Absent were Penny Kennedy, Leeanne MacColl, Roger Parsons, and Paul Thalhofer. Staff present were Robert Castagna and Maribeth McGowan. Also present was legal counsel Harvey Rogers.

The agenda included public testimony, the invited testimony of Sheriff Fred Pearce and County Clerk Vicki Ervin, and a Committee work session. (Please refer to Exhibit A.)

Public testimony by Bob Goldstein, 4119 SW Fairvale Drive, Portland:

The contents of Mr. Goldstein's remarks were submitted. See Exhibit B.

In addition to his prepared statement, Goldstein cited the following:

1. The county clerk should be an elected office.
2. The sheriff should also be elected.
3. As to whether the assessor's office should be an elected or appointed one, Goldstein is unsure at this time.

Testimony by Sheriff Fred Pearce:

In his opening remarks, Sheriff Pearce restated his position that the elected sheriff should remain. The Sheriff proceeded to answer questions from the Committee.

Responding to Tanya Collier's question with regard to putting Ballot Measure #6 (BM6) issues back on the ballot, Pearce stated that the office of sheriff was one of the primary reasons that BM6 passed. The voters' controlling public officials' salaries was another reason for the passage of BM6. Pearce does not think it is necessary to put BM6 issues back on the ballot.

Collier commented that, in an effort to be consistent with what this Committee is placing on the ballot, she would like to see the electorate vote on each of the issues on BM6.

Speaking to this comment, Pearce noted that there are three additional county elected offices (with the exception of the district court clerk) and the role of the county executive has diminished considerably, not because of any annexation, but rather because the three additional elected officials run their own departments. The county executive is left with the responsibility of the Human Services Department only (Road Services' responsibility was recently given away). This situation was part of the reasoning for the Sheriff's recommending that the county executive be put back on the board. Pearce believes that whether or not the elected sheriff is put back on the ballot has nothing to do with the county executive issue. In Pearce's opinion, it is a "fairness kind of thing" in that it is the decision of this Committee to take such action regarding what goes on the ballot.

Pearce advised this Committee to consider carefully repeating every item of BM6 on the ballot. He recommended that this Committee not concern itself with the elected offices which were involved in BM6. He believes that the elected sheriff would not be greatly contested and will continue to be an elected office. According to the Sheriff, if BM6 is on the ballot "piece by piece," the people will be angry about it. However, this Committee -- in dealing with the fine tuning of BM6 -- has included the issue of salaries, which was not clearly stated in BM6.

Frank Shields spoke about the continued county-wide role of the sheriff -- even if Resolution A is fully implemented. He then inquired as to whether the Charter should define the role of the sheriff more than it is presently defined.

Sheriff Pearce answered no and stated that the reason is that most of the requirements of the sheriff's position (as cited in his response letter to this Committee) are state-mandated under state law. Those activities of the sheriff which are optional are stings and undercover and specialized investigations. There may or may

not be the funding to do these optional activities. While Pearce would like to see in the Charter "the sheriff shall do these things as well," he does not think that it is appropriate to have that which is not state mandated in the Charter. What is in the state law and that which can be justified to the board of county commissioners (the board) for funding is sufficient to identify the sheriff's office activities. The Sheriff commented that if he can not sell the need for specialized investigations, perhaps his office ought not to be doing them.

Testimony County Clerk Vicki Ervin:

In her statement regarding whether the county clerk should be an elected or appointed position, Ervin cited her views as follows:

1. If an office involves the establishment of policy as opposed to simply following the mandates of state law, that would be an office which should have an elected official.

2. If, however, the office is primarily that of a technician, an administrator who is responsible for carrying out the mandates of state law and who does not set policy, it is not appropriate to have an elected county official in this office.

Ervin believes that the county clerk for Multnomah County should not be an elected position. In this county, the county clerk only administers the election, implementing state law; she does not set policy for the county. The Elections Office (EO) involves a complex set of rules which must be known and upheld by the county clerk. Ervin stressed the fact that it is most important that the county clerk be someone who understands this and is qualified to do the task, rather than (merely) to have someone who is elected.

Ervin then addressed her proposed amendments to Charter Section 3.15, Apportionment of Commissioner Districts. (Please refer to Exhibit C.) She made the following points:

1. Ervin's perception: Whenever there is an opportunity to make a change affecting Elections, simplify the process. It is advantageous for the voters because it makes it easier for them to comprehend, to understand, and to access the system -- and not be intimidated by it. From an administrative standpoint, a simplified process means less chance of error.

2. 1981 Reapportionment:

The current Charter states that the County Auditor's Office is in charge of drawing up the lines for the commissioner districts; the auditor is to work in consultation with the EO.

Simultaneously, there is apportionment of three kinds of districts:

- a. State level -- with state legislature, reapportionment for state representative and senatorial districts.
- b. Metropolitan service districts -- reapportionment on a state level, but more localized.
- c. county districts.

1981 problem with reapportionment: The time frames did not allow for any kind of coordination of these lines at all. It would be helpful to consider where other lines have originated and to be able to provide the opportunity for whoever is drawing the boundaries to consider where these other boundaries are going to go. In this way the EO can minimize the splitting of precincts, where there are different kinds of ballots to be issued just because the lines can not be crossed by precinct boundaries.

Time frame problem: Current charter language refers to the starting of this "whole clock" within 30 days after the date of the official release of the federal census. There was no date cited in the Charter which EO could identify as the official date when the census report would come out. The first problem, therefore, was what date to "start the clock running." The EO found that 30 days was not really enough time to fully understand the reapportionment process. As it turned out, the EO was forced into doing reapportionment in the spring. (Note: while this was occurring in Multnomah County, there was reapportionment of some other districts being done in Salem at the state level.)

Historically, the time line for reapportionment on a state-wide level, has been that the legislature deals with this for as long as it possibly can. It must finally decide on a set of boundaries by July 1st (this is set in the constitution); and the legislators usually take until June 30th before they are able to settle it. This has always been challenged in court, and this challenge must be filed by September 1st of the same year. The court must take action by October 1st. The court redraws the lines or instructs the secretary of state to do so and the entire reapportionment is finalized by November 1st of that year.

By having a mandated short time frame and starting earlier in the spring, the EO was forced into a situation where it had to establish the lines for the county without knowing for sure where the lines for the state and metropolitan service districts were going to originate. What this sometimes means is that the lines can be drawn a block apart due to the fact that census lines, which are on very small areas, are followed. The EO had no opportunity to coordinate anything.

3. Proposed amendments to resolve the problem: (Please refer to Exhibit C.)

The suggestion is to get away from a set amount of dates

which are given to complete this task (reapportionment); and, instead, give deadlines to the auditor for when the project is to be completed.

The new language regarding the auditor was added because:

- a. If the auditor looked at the present commissioner districts and found that they were not out of line by as much as 115%, it would be possible that the lines need not be changed, even if it were desirable to do so.
- b. The auditor would be able, for instance, to move a line to coincide with a new city boundary. The current line may be off the city boundary by a block resulting in a split precinct because the auditor is not allowed to cross city boundaries with precinct lines. So, city boundaries must be followed.

The question and answer segment followed.

Collier inquired about changing the time frame from 30 to 75 days (as proposed by the Subcommittee on the Auditor's Office). Ervin explained that if the time frame were simply expanded to 75 days and the auditor started in March, for example, there is still that mandate that she (the county auditor) have her project all finished before it is known where the other lines are going to be.

John Vogl questioned which districts take precedence, the legislative or commissioner? Ervin stated that, as far as precinct lines are concerned, the EO is mandated by state law not to cross a legislative line and not to cross a city boundary; therefore, these two boundaries are "carved in stone." There is not the same mandate for county commissioner boundaries; but as much as possible, EO would like to establish that same policy so splitting precincts may be avoided. Since there is no option regarding the legislative and city lines, these would take precedence.

Robert Castagna suggested that perhaps it would be better to add a month (to the language of the proposed amendment). Castagna then asked: If the legislature, the Supreme Court, and the secretary of state do not finally agree upon a plan until October 31st (November 1st is the constitutional deadline), would it enable the EO to have more flexibility by having an extra month to make sure that the precinct lines fall within those legislative districts as well as commissioner districts?

Ervin noted that the EO has until January 31st of the even-numbered year to establish its precinct boundaries. Reapportionment takes place in the odd-numbered year after the decade. She thinks this would give Elections adequate time because what Elections has found (at least based on the previous reapportionment) is that, though the legislative boundaries were changed from what the legislature had set, the EO could not begin to lay some ground work and coordinate the reapportionment. The final changes, which were necessary

because of the Supreme Court's decision, were not major so it was fairly easy to continue from that point.

Allen Robertson, Multnomah County Elections Manager, emphasized that the proposals by Ervin would aid, help, and lessen the complexity and hitches. He sees precincts in a broader perspective in that there is one point of reapportionment to be considered: districts do not help much if the people who live in them do not know in what district they live. So, a little extra time to try and make the district lines coincide would be helpful.

Shields mentioned that around November everything is coordinated because everybody is facing the same deadline. The legislative lines and county commissioner lines become a "public body of knowledge" as everybody is working on reapportionment together.

Ervin noted that, while EO worked very closely with legislative researchers, EO had been locked into some county lines earlier than she thinks is wise; and, that is why she has proposed establishing a deadline of August 1st for the Auditor's report and a deadline of no later than November 1st for the final version adopted by the county commissioners.

Responding to Collier's inquiry, Ervin clarified the deadline dates established in the constitution for reapportionment:

- July 1st, legislature's deadline
- August 1st, the secretary of state's deadline if the legislature does not take action by July 1st
- September 1st, court challenge deadline
- October 1st, court deadline to take some action to redirect the secretary of state to redraw boundaries if that is the correct course.
- November 1st, (no matter what the court decides) date for final decision on boundaries

August 1st of the odd-numbered year after the census is the deadline for the auditor because it is known that a plan will be formulated by this date; and it is not known (for sure) if there will be a plan by July 1st.

In her response to Shields' question, Ervin stated that she agrees that the wording "during the year of the census report the auditor may . . ." may be inserted (in her proposed amendment).

Harvey Rogers commented: If the auditor's report is presented to the board, then it is obligated to alter the boundaries as necessary to provide approximately equal population distribution. Rogers then posed the question: In the case proposed by County Clerk Ervin,

where the census discloses that the population among the districts is not out of balance and does not require readjustment, would Ervin be content to leave it to the discretion of the board whether to adopt the boundary proposed heretofore or would she consider that there would be a requirement that it adjust the boundaries according to recommendations?

Ervin replied: It is current language that the board has the discretion. She would be content to have the board reject a boundary proposal if it chooses. Ervin explained that when she and her office staff were writing these amendment proposals, they were doing so from an election administrative standpoint. This gave them the option to make what Ervin views as minor adjustments in the boundaries that would help simplify and get some "hitches" out of the elections process. However, there may be some other compelling reasons why the lines ought not be moved -- something more important than where the elections precinct boundaries fall. In which case, Ervin stated she would feel uncomfortable saying she would mandate the board to accommodate her.

Castagna commented that, pursuant to that which County Auditor Anne Kelly Feeney told him, this language (in Charter Section 3.15) was interpreted in a most recent reapportionment to allow the board to adjust the recommended lines originating from the auditor's office if it so chose. It was not a mere rubber stamp that the board placed on the auditor's report, within the 115% population limits. It was not a mere administrative function that the board performed by adopting the ordinance. But, the board did have discretionary authority.

Castagna then posed the questions: Should this Committee put a "saving clause" in the proposed amendment saying August 1st or 60 days, whichever comes later? Should this be done just in case the federal government, for budgetary reasons or otherwise, is nine months late in issuing a final census report? The County Charter would then at least have a saving provision of having 60 days for providing some direction.

This elicited a response from Robertson: The bottom line is that if the federal census bureau were that late (9 months) with the census report, chaos would reign in the United States. Oregon is not alone in its having to do reapportionment.

#### Committee Work Session:

Ann Porter moved that the county sheriff remain an elected office.

Florence Bancroft seconded this motion.

A discussion ensued in which the following comments were made:

Porter: It is an informal consensus that of all the amendments

that were in BM6, the sheriff's being elected may have been the most important and the one to which many citizens gave the most thought. It would be unwise of this Committee to change it back to an appointed position at this time.

Collier: By putting both issues ( A 1 and A 2 on the agenda) on the ballot, this Committee is not changing it to the original way, but rather it is clarifying what BM6 meant and what the people meant by voting for BM6.

Speaking against the motion, Collier stated that she feels very strongly that policy should be separate from administration. The sheriff's office falls in that domain, to her way of thinking; and, it is an administrative position in terms of state law. But, Collier emphasized that she would never recommend that the sheriff's position be abolished.

Rogers: What if both A 1 and A 2 are put on the ballot and they both pass?

A brief discussion followed.

Porter noted that in making this motion she is going against her principle that a motion is not made on that which is already in existence.

Vogl gave two reasons for this Committee not to touch the sheriff's issue:

1. It looks as though all this Committee is doing is resubmitting BM6. Anything good that might possibly be done would be wasted.
2. There has not been an adequate test of time regarding an elected sheriff. If an elected sheriff is not good for the county, it will certainly surface in the next few years. We should stay clear of the elected positions which are cited in BM6.

Bancroft: (Speaking in support of the motion) The sheriff's remaining elected should not go on the ballot. The elected sheriff was the key issue of BM6 and that is why the people voted for BM6. This Committee should not recommend this for the ballot -- out of respect for the voters.

Collier: What is the harm of putting A 1 and A 2 on the ballot and letting the electorate say once and for all "this is what we want; this is what we meant."? It does not ruin this Committee's credibility by putting it on the ballot; rather, it makes it very clear whether the sheriff's office should be an elective one in the minds of the voters.

The motion (as cited on page 7) carried by a vote of 7 to 1. Collier cast the opposing vote.

Sheriff Fred Pearce bade a cheerful farewell!

Bancroft moved that the county clerk be an appointive office.

Porter seconded this motion.

During the course of the discussion which followed these points emerged:

Bancroft: If the electorate votes this down, it means reverting to BM6.

Vogl: While the voters knew about the sheriff, they did not know about the other positions, including the county clerk. According to that which Vogl has heard, both an elected county clerk and an appointed one work. Vogl recommended leaving the county clerk as is and taking a look at it in 4 or 6 years from now.

Debnam: The county clerk, like the sheriff, should be elected. With the shifts that exist in the county clerk's position, the voters should determine who that person is. Also, this Committee should be consistent.

Marcia Pry: This Committee should have some respect for that which the voters have approved twice. It serves no purpose to offer an alternative with regard to the county clerk.

Collier: Professional administrators, like the county clerk, should not be elected. However, no matter how anyone feels about the sheriff, the next three offices should go on the ballot -- thereby giving the people a choice.

Bancroft: Let the people restate whether they wanted an elected county clerk or not.

It was noted that this Committee voted to have the assessor appointed and the sheriff (and the auditor) elected.

At this point, Ervin restated her position: The test which she personally applies to decide whether or not an office ought to be elected is whether it is a position which is going to be setting policy, as opposed to somebody's administering mandates of state law. In Multnomah County, the county clerk's function is limited to administering elections and everything the EO does is mandated either by state or county ordinance.

The vote on the motion was tied 4 to 4. Collier, Bancroft, Porter, and Shields were in favor. The motion failed.

A brief discussion ensued regarding the inclusion in the Charter of

the responsibilities/duties of the elected and appointed positions. It was decided to table this until this Committee has a sense of resolve. Like the county executive issue, this issue of the county clerk may surface again and be reconsidered.

A discussion then followed on C ( on the agenda): that the board may issue and sell revenue bonds in accordance with state law.

Rogers explained revenue bonds: The 1983 legislature passed a bill granting municipalities authority to impose fees to issue revenue bonds. This does not require a vote of the people, but it does require the municipality to publish its intention, wait 60 days, and then, if there is a petition submitted by 5% of the voters, refer the measure. It was adopted by the legislature at the request of the state treasurer, partly because it was felt more municipalities ought to be using revenue bonds, and also because of the anticipation of the adoption of the property tax limitation, which would eliminate the ability to issue a class of general obligation bonds and would give revenue bonds the only financing vehicle.

This bill, Rogers continued, permits municipalities to issue revenue bonds if they are not prohibited by their own charters. The current (Multnomah County) Charter language does require a vote.

In responding to Porter's inquiry, Rogers went on to state that the county has the ability by its Charter to restrict itself to a greater extent than the state statutes. There is no attempt by the legislature to override charters.

Shields: The state permits it, but the county can still restrict it.

Rogers: The current language of the Charter restricts the issuing of revenue bonds.

In his response to Vogl's question, Rogers said that revenue bonds are paid back from a designated stream of revenues generated in connection with a facility that is financed. For example, the city of Portland has a well-established revenue bond system with its sewer system. The sewerage fees that are charged throughout the city are collected and held; they are the only monies used to repay revenue bonds. There is no legal obligation to use tax revenues of any sort. When general\*bonds are issued, the borrower has the authority to levy taxes to pay principle and interest on the bond. (\* = obligation) Revenue bond issue has no such authority. The investor is gambling that the revenue stream will be sufficient to pay off the debt.

Shields noted that the voters should be much happier with revenue bonds than general obligation bonds because revenues are paid back by people who are using a facility rather than by their paying taxes.

Collier inquired if it is more or less restrictive that revenue bonds are issued and sold by the board only in accordance with state law.

Rogers answered that it is less restrictive than the way it is right now because state law now permits it to be done without a vote unless the citizens petition for a vote; whereas the current Charter requires a vote.

Porter noted that the revenue bonds issue was the only portion of the 1978 Charter Review Committee that was defeated.

Castagna: The issue has come down to whether or not a vote is required on revenue bonds. The present Charter would mandate a vote of the people for any revenue bonds. Multnomah County would be allowed to issue revenue bonds pursuant to state law, which would permit a referral to the people if signatures were obtained on a petition. It is a difference between a mandatory- or permissive-type vote on revenue bonds.

Rogers: The way the law works on financing is as follows: A municipality needs express authority to borrow money. There is no residual power to do that -- as in a corporation or a partnership. The state has given this authorization, but the Charter has said no. The Charter controls. The question here is: Would this Committee wish to free-up the Charter restriction so that the county can take advantage of the power granted by state law?

Collier moved that the board may issue and sell revenue bonds only in accordance with state law.

Bancroft seconded this motion.

The motion carried by a 7 to 1 vote. Pry cast the opposing vote.

~~Bar~~ Bancroft moved and Vogl seconded the motion to abolish the position of district court clerk.

Porter pointed out that the position of district court clerk is being relegated to the state.

The motion passed unanimously.

Rogers referred to his law firm's memo on the format for Charter amendments and ballot measures with regard to the auditor's office. (Please refer to Exhibit D.)

The Subcommittee on the Auditor's Office had changed the time for the auditor to do reapportionment from 30 to 75 days.

Collier moved that it would be better to make this reapportionment time frame consistent with what the state is doing and put in ". . . not later than August 1st . . ." rather than "75 days."

Vogl and Pry seconded this motion.

The motion passed by a unanimous vote.

Collier moved that the Charter Section 13.30 which deals with "A candidate for election of the office of auditor in 1966 . . ." be deleted.

Bancroft seconded this motion.

The motion carried by a unanimous vote.

Castagna referred to the language of Charter Section 6.10 in effect in 1977, which states the executive authority of the then chairman of the board. (Please refer to Exhibit E.)

The Committee pursued its discussion on this Charter Section.

Collier moved that a subcommittee on the executive responsibilities of the chair of the board be formed.

Vogl seconded this motion.

The motion carried by a vote of 7 to 1. Debnam cast the opposing vote.

Porter was designated Chair of this Subcommittee. The Subcommittee members are Vogl, Collier, and Debnam. Shields recommended that this Subcommittee develop written proposals.

Castagna referred to the letter from Gary Zimmerman, the Risk Manager of Multnomah County. (Please see Exhibit F.) Mr. Zimmerman would like to see Charter Section 4.10 (2) amended.

During the brief discussion which ensued, Castagna mentioned that Zimmerman will testify at the next Committee meeting on April 4th.

Shields announced the agenda for this April 4th meeting:

1. Report from the Subcommittee on the Executive Responsibilities of the Chair of the Board.
2. Discussion on the performance bond issue. (Zimmerman is to testify on this issue.)
3. Work session to continue on Citizen Involvement
4. Work session on the Charter Review Committee

Castagna noted that some drafts on the amendments and ballot measures from legal counsel will be available on April 4th.

The meeting adjourned at approximately 9:20 P.M.

Respectfully submitted,  
*Maribeth McGowan*  
Maribeth McGowan, Secretary

March 14, 1984

MEMORANDUM

TO: Multnomah County Charter Review Commission  
FROM: Ragen, Roberts, O'Scannlain, Robertson and Neill  
RE: Format for Charter Amendments and Ballot Measures

Attached as Exhibit A is our first draft of a charter amendment which incorporates the Commission's recommendations regarding the county auditor. New language is underlined. Words which are not underlined are currently in the charter.

Attached as Exhibit B is our first draft of the ballot measure which would be presented to the voters to authorize the charter amendment shown in Exhibit A. Oregon law requires that a ballot measure consist of:

1. A title, of no more than 10 words;
2. A question, of no more than 20 words; and,
3. A statement of purpose, of no more than 75 words.

We request that you review the attached exhibits and indicate the changes you would like. We will incorporate those changes into our next draft. If that draft is satisfactory, we will use it as a model for all subsequent amendments and measures.

EXHIBIT A  
CHAPTER VIII  
FINANCE

8.10 AUDITOR.

- (1) The office of county auditor is hereby established.
- (2) At the general November election in 1966 and at the general November election every four years thereafter an auditor shall be elected.
- (3) The auditor shall conduct internal audits of all county operations and financial affairs and make reports thereof to the Board of County Commissioners according to generally accepted government auditing standards.
- (4) The County Executive or the responsible elected official shall respond in writing to all internal audit reports stating what actions have been or will be taken to address the findings contained in the audit. The written response shall be made to the Board and the auditor in the manner and time frame requested by the auditor.
- (5) The board shall retain each report of the auditor and each response as a public record for at least three years after receiving the report.

EXHIBIT B

PROPOSED BALLOT MEASURE

**TITLE:**

Multnomah County Charter Review Commission's Recommendation about County Auditor.

**QUESTION:**

Shall the Multnomah County Charter be amended to reflect the Charter Review Commission's recommendations regarding the County Auditor?

**STATEMENT OF PURPOSE:**

If this measure is adopted the Auditor will be required to conduct internal audits of all County operations and financial affairs, and elected officials will be required to respond in writing to the audit findings.

CITY OF FAIRVIEW  
OREGON 97024

March 5, 1984

Rev. Frank Shields, Chariman  
Home Rule Charter Review Committee  
Third Floor, Ford Building  
2505 S.E. 11th Avenue  
Portland, Oregon 97202

Dear Reverend Shields:

Counties have had the option since a 1958 amendment to the Oregon Constitution, now Article VI, Section 10, to reorganize themselves as home rule counties by adopting a county charter. Multnomah County has exercised this option, and is a home rule county. This amendment is intended to allow counties greater flexibility in responding to the need for urban services.

County governments as originally established in Oregon were very limited in the services they provided. Primary responsibilities included, roads, law enforcement, courts, care for the needy and tax collections. Basically they functioned almost exclusively as agents of the state government. When Multnomah County residents chose to adopt a home rule charter they broadened the number and type of services to include everything from public health to land use planning to libraries, all of which are urban services. The county and its citizens have, in effect, responded to the demands of a growing population and a more complex society.

In March, 1983, the Board of County Commissioners adopted Resolution A which dealt with the matter of phasing out delivery of urban level services in the unincorporated areas of the county during the next three years. County officials have been quoted as stating that they will retain only those services required by state law.

My question revolves around the issue of home rule charter and urban services. If we are indeed phasing out urban level services, why should we continue to be a home rule county? I suggest that we return the county to its original form which would allow it to provide only those services which are mandated by law.

Sincerely,  
CITY OF FAIRVIEW

  
Marvin Woidyla, Mayor



EXHIBIT A

# MULTNOMAH COUNTY OREGON

MULTNOMAH COUNTY HOME RULE CHARTER REVIEW COMMITTEE

3RD FLOOR, FORD BUILDING  
2505 S.E. 11TH AVENUE  
PORTLAND, OREGON 97202  
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John Vogl

March 14, 1984

AGENDA

STAFF

Robert J. Castagna,  
Project Manager  
Maribeth McGowan,  
Secretary

- I. Invited Testimony: Sheriff Fred Pearce  
County Clerk Vicki Ervin
- II. Public Testimony: Each witness shall be limited to a 5 minute presentation on the issues before the committee this evening: County Clerk, Revenue Bonds, the District Court Clerk, County Counsel, Stability in Government, the District Attorney and Home Rule.
- III. Work Session:
  - A. 1. That the County Sheriff remain an elective office.
  2. That the County Sheriff be an appointed office.
  - B. 1. That the County Clerk remain an elective office.
  2. That the County Clerk be an appointed office.
  - C. That the Board may issue and sell revenue bonds only in accordance with state law.
  - D. That the position of District Court Clerk be abolished.
  - E. Chair of the Board: executive responsibilities
  - F. Charter Review Committee: when convened again, appointed by \_\_\_\_\_, 19\_\_.
  - G. Bonding of county officials.

EXHIBIT B

2/13/84  
9:30 AM

Good morning Commissioners - I'll only use # minutes.  
Please take notes:

As of Feb. 7 <sup>exactly</sup> Jan. 23, 1984 there were ~~some~~ <sup>312,760</sup> 311,000 registered voters in ~~491~~ <sup>494</sup> precincts in Multnomah County.

~~Almost~~ <sup>More than</sup> 272,000 were Democrats ~~and~~ <sup>And</sup> Republicans.

~~Just over~~ <sup>Six more than</sup> 40,500 were of neither ~~of the~~ major parties. Clearly - ~~The~~ <sup>overwhelming numbers show their</sup> belief in a 2 party system.

<sup>1/2 min</sup> The City of Portland in Multnomah County ~~holds~~ <sup>holds</sup> encompasses ~~approximately~~ <sup>214,215</sup> 210,600 registered voters. ~~Almost~~ <sup>186,508</sup> 183,300 were Democrats, and Republicans. ~~Just under~~ <sup>27,707</sup> 27,300 were of neither ~~of the~~ major parties.

The unincorporated area registered voters total ~~less than~~ <sup>75,277</sup> 77,400. Total Democrats and Republicans were almost ~~67,900~~ <sup>166,000</sup> while the "others" were just ~~over~~ <sup>under</sup> 9,500.

<sup>1 min</sup> The other 5 cities in the county held more than 23,000 of which <sup>better than</sup> almost 19,000 were in the two parties and ~~less than~~ <sup>just over</sup> 3,400 were "others."

Percentage-wise, <sup>the city of</sup> Portland has <sup>68.5</sup> 67.7% of all <sup>registered</sup> voters in the county while the unincorporated <sup>areas</sup> had a total voting power of <sup>24.9</sup> 24.1%. The other five cities <sup>1/2 min</sup> totaled 7.44%.

But regardless of where the voters are located, ~~or~~ whether they be Republican, Democrat or "other" - it is the duty of the County Clerk to treat them equally, equitably ~~and~~ <sup>and</sup> fairly. I am fully equipped to handle election services to the voters of Multnomah County as County Clerk.

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Five full years, thousands and thousands of hours, thousands of dollars have I invested in learning the system.

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I have studied the law, the election office, the election process and mingled with all kinds of people who don't do their homework to benefit our children and beyond-their children. This most change.

continued cleanliness and freedom I would protect and keep secure the of elections and work continually to improve representative government.

3 1/2 I <sup>do</sup> stand for integrity <sup>and</sup> intelligence <sup>and will</sup> ~~and~~  
industriously ~~work~~ at creating a  
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No better choice can this Board of  
County Commissioners make in their appointment  
to the vacant office of County Clerk than  
myself, Bob Goldstein.

And if selected, I would run for the  
full term of 4 years, beginning January 1985,  
and <sup>in fact</sup> have already filed ~~my intention~~ to run <sup>in</sup> May. <sup>Primary</sup>

I'm on the mark - ready - and set to go.

Thank you commissioners. (X)

3.15 APPORTIONMENT OF COMMISSIONER DISTRICTS.

[Within thirty days after] In the year of the official release of each federal decennial census for Multnomah County, the auditor shall determine the population distribution among the commissioner districts specified by this charter. If the population of any commissioner district is more than 115 percent of the population of any other commissioner district, the auditor, in consultation with the Multnomah County Elections Division, shall prepare and present to the Board of County Commissioners, [within that thirty-day period] a plan for modifying the boundaries of the districts so that the population of no commissioner district will be more than 110 percent of the population of any other commissioner district, notwithstanding the delineation of commissioner districts by this charter. In any case the auditor may propose adjustments to commissioner districts in order to take into account other jurisdictional boundaries. The report shall be presented to the Board of County Commissioners not later than August 1. The Board of County Commissioners shall, [within 45 days of the submission of the report] not later than November 1, alter the boundaries of the commissioner districts as necessary by ordinance to provide for an approximately equal population distribution. Change in boundaries of the districts shall not affect taking of office of a commissioner-elect with respect to the term of office for which elected prior to the adoption of the reapportionment. The auditor shall, as nearly as possible, retain the general geographic characteristics of districts established by this charter.

EXHIBIT E

*In effect 1977*

## Chapter V ORDINANCES

5.10 LEGISLATIVE ACTION. All legislative action by the county shall be by ordinance.

5.20 ORDAINING CLAUSE. The ordaining clause for an ordinance of the county shall be, "Multnomah County ordains as follows."

### 5.30 ADOPTION

- (1) Except as this charter provides to the contrary with reference to emergency ordinances, before an ordinance is adopted it shall be read during regular meetings of the board on two different days at least six days apart.
- (2) The reading of an ordinance shall be full and distinct unless
  - (a) a copy of it is available for each person at the meeting who desires a copy and
  - (b) the board directs that the reading be by title only.
- (3) An ordinance to meet an emergency may be introduced, read once, and put on its final passage at a single board meeting by unanimous consent of all the board members present.

5.40 AUTHENTICATION. An ordinance adopted by the board shall, within three days of its adoption, be signed by the presiding officer of the board.

### 5.50 TIME OF EFFECT.

- (1) A nonemergency ordinance shall take effect on the thirtieth day after it is adopted, unless
  - (a) it prescribes a later date for it to take effect or
  - (b) it is referred to the voters of the county, in which event it shall take effect only upon receiving their approval.
- (2) An emergency ordinance may take effect immediately upon being adopted.

## Chapter VI ADMINISTRATION

6.10 CHIEF EXECUTIVE. The chairman of the board of county commissioners

- (1) shall be the chief executive officer of the county;

- (2) shall preside over meetings of the board and have a vote on each matter before the board;
- (3) may appoint and discharge administrative officers and employees of the county, except that his appointment of department heads shall be with the board's approval;
- (4) shall execute the policies of the board and the ordinances of the county; and
- (5) may delegate his administrative powers but shall retain full responsibility for the acts of his subordinates.

### 6.20 ADMINISTRATIVE DEPARTMENTS.

- (1) For purposes of county services and the administration of county affairs the following administrative departments are hereby established:
  - (a) A department of judicial administration.
  - (b) A department of public safety.
  - (c) A department of finance.
  - (d) A department of records and elections.
  - (e) A department of medical services.
  - (f) A department of public works.
  - (g) A department of public services.
  - (h) A department of administrative services.
- (2) The board of county commissioners shall set these departments in operation by January 1, 1968.

### 6.30 DEPARTMENTAL FUNCTIONS.

- (1) Except as this article provides to the contrary, the board of county commissioners
  - (a) shall prescribe the functions of each administrative department of the county and
  - (b) may change the functions of any of the departments from time to time.
- (2) For the first two years that the county operates under this charter
  - (a) the department of judicial administration shall have the clerical and ministerial functions prescribed by state law for the county clerk, district court clerk, sheriff, and constable with reference to administration of the courts, except the service and execution of court orders in criminal and quasi-criminal cases;
  - (b) the department of public safety shall have
    - (i) the functions of county officers under state law concerning law enforcement, except the service and execution of court orders in civil cases,

EXHIBIT F



MULTNOMAH COUNTY OREGON

DEPARTMENT OF GENERAL SERVICES  
PORTLAND BUILDING  
1120 S. W. FIFTH, 14TH FLOOR  
PORTLAND, OR 97204

DENNIS BUCHANAN  
COUNTY EXECUTIVE

OFFICE OF THE DIRECTOR  
BUDGET & MANAGEMENT (503) 248-3300  
ANALYSIS (503) 248-3883  
COUNTY COUNSEL (503) 248-3138  
EMPLOYEE RELATIONS (503) 248-5015  
FINANCE DIVISION (503) 248-3067

December 15, 1983

Frank Shields  
Chair of Multnomah County Home Rule  
Charter Review Committee  
Ford Building  
2505 SE 11th Avenue, 3rd floor  
Portland, Oregon 97202

Dear Mr. Shields:

I would appreciate your presenting this request to the members of the Home Rule Charter Committee for their review and appropriate action. A little over a year ago I was retained by the County to administer the Loss prevention and insurance programs for the County. We are presently reviewing the Bond program to determine if the County is meeting the Statute requirements and the employee exposures in a financially prudent manner.

Effective January 1983, ORS requirements for bonding County elected-appointed officials to elective offices was appealed. The County continues to bond these positions in accordance to 4.10(2) of the Multnomah County Home Rule Charter. The Charter although clear to requiring that the elected official be bond is ambiguous as to whether we are required to write a seperate bond for each individual or if the County can add the elected officers to the Employees Faithful Performance Bond. This latter method is more practical and of a greater financial benefit for the County. The individual bonds are written for a service fee of approximately \$150.00 annually.

We recommend with the appropriate clarification of provision 4.10(2) that the elective officer positions be added to the County, Employee's Faithful Performance Bond. This procedure would insure the positions were bonded and presumably will not create additional fees.

We are further confused as to which elected positions the County should bond. Two of the elective positions, District Attorney and District County Clerk are employees of the State and bonded under the States Employee Faithful Performance Bond coverage. Does the committee recognize this and want the County to bond these two positions? If we are to bond these positions we will do so under a separate policy.

Frank Shields  
Page 2  
December 15, 1983

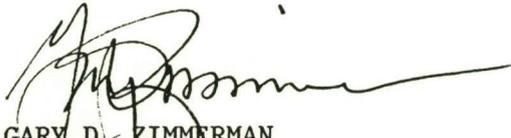
I have prepared the following draft to clarify 4.10(2) Chapter 4 page 8 of the Home Rule Charter amended September 21, 1982.

DRAFT CHAPTER IV

4.10(2) Before the elected or appointed to an elective office takes the office he or she shall be able to be bonded. The County will maintain a corporate surety bond for the Faithful Performance of its employees and elected officers in the amount of \$25,000 or such greater sum as may be fixed by the Board of County Commissioners.

I will be happy to respond to you and/or the committee's further concerns and questions.

Sincerely,



GARY D. ZIMMERMAN  
Risk Manager  
Multnomah County

EXHIBIT D  
for the 3/14/84 Committee Minutes

March 14, 1984

MEMORANDUM

TO: Multnomah County Charter Review Commission  
FROM: Ragen, Roberts, O'Scannlain, Robertson and Neill  
RE: Format for Charter Amendments and Ballot Measures

Attached as Exhibit A is our first draft of a charter amendment which incorporates the Commission's recommendations regarding the county auditor. New language is underlined. Words which are not underlined are currently in the charter.

Attached as Exhibit B is our first draft of the ballot measure which would be presented to the voters to authorize the charter amendment shown in Exhibit A. Oregon law requires that a ballot measure consist of:

1. A title, of no more than 10 words;
2. A question, of no more than 20 words; and,
3. A statement of purpose, of no more than 75 words.

We request that you review the attached exhibits and indicate the changes you would like. We will incorporate those changes into our next draft. If that draft is satisfactory, we will use it as a model for all subsequent amendments and measures.

EXHIBIT A  
CHAPTER VIII  
FINANCE

8.10 AUDITOR.

- (1) The office of county auditor is hereby established.
- (2) At the general November election in 1966 and at the general November election every four years thereafter an auditor shall be elected.
- (3) The auditor shall conduct internal audits of all county operations and financial affairs and make reports thereof to the Board of County Commissioners according to generally accepted government auditing standards.
- (4) The County Executive or the responsible elected official shall respond in writing to all internal audit reports stating what actions have been or will be taken to address the findings contained in the audit. The written response shall be made to the Board and the auditor in the manner and time frame requested by the auditor.
- (5) The board shall retain each report of the auditor and each response as a public record for at least three years after receiving the report.

EXHIBIT B

PROPOSED BALLOT MEASURE

**TITLE:**

Multnomah County Charter Review Commission's Recommendation about County Auditor.

**QUESTION:**

Shall the Multnomah County Charter be amended to reflect the Charter Review Commission's recommendations regarding the County Auditor?

**STATEMENT OF PURPOSE:**

If this measure is adopted the Auditor will be required to conduct internal audits of all County operations and financial affairs, and elected officials will be required to respond in writing to the audit findings.

# CITY OF FAIRVIEW

OREGON 97024

March 5, 1984

Rev. Frank Shields, Chariman  
Home Rule Charter Review Committee  
Third Floor, Ford Building  
2505 S.E. 11th Avenue  
Portland, Oregon 97202

Dear Reverend Shields:

Counties have had the option since a 1958 amendment to the Oregon Constitution, now Article VI, Section 10, to reorganize themselves as home rule counties by adopting a county charter. Multnomah County has exercised this option, and is a home rule county. This amendment is intended to allow counties greater flexibility in responding to the need for urban services.

County governments as originally established in Oregon were very limited in the services they provided. Primary responsibilities included, roads, law enforcement, courts, care for the needy and tax collections. Basically they functioned almost exclusively as agents of the state government. When Multnomah County residents chose to adopt a home rule charter they broadened the number and type of services to include everything from public health to land use planning to libraries, all of which are urban services. The county and its citizens have, in effect, responded to the demands of a growing population and a more complex society.

In March, 1983, the Board of County Commissioners adopted Resolution A which dealt with the matter of phasing out delivery of urban level services in the unincorporated areas of the county during the next three years. County officials have been quoted as stating that they will retain only those services required by state law.

My question revolves around the issue of home rule charter and urban services. If we are indeed phasing out urban level services, why should we continue to be a home rule county? I suggest that we return the county to its original form which would allow it to provide only those services which are mandated by law.

Sincerely,  
CITY OF FAIRVIEW

  
Marvin Woidyla, Mayor

2/13/84  
9:30 AM

Good morning Commissioners - I'll only use # minutes.  
Please take notes.

Feb. 7  
As of ~~Jan. 23, 1984~~ there were <sup>exactly</sup> ~~some~~ 312,760 registered voters in ~~491~~<sup>494</sup> precincts in Multnomah County.

~~Almost~~<sup>More than</sup> 272,000 were Democrats and Republicans.  
~~Just over~~<sup>Six more than</sup> 40,500 were of neither of the major parties. Clearly - ~~The~~<sup>overwhelming numbers show their</sup> belief in a 2 party system.

<sup>1/2 min</sup> The City of Portland in Multnomah County ~~held~~<sup>holds</sup> encompasses approximately ~~210,600~~<sup>214,215</sup> eligible registered voters. ~~Almost~~<sup>186,508</sup> ~~183,300~~ were Democrats, and Republicans. ~~Just under~~<sup>27,707</sup> ~~27,300~~ were of neither of the major parties.

<sup>1 min</sup> The unincorporated area registered voters total ~~less than~~<sup>77,400</sup> ~~77,400~~. Total Democrats and Republicans were almost ~~67,900~~<sup>66,000</sup> while the "others" were just ~~over~~<sup>under</sup> ~~9,500~~<sup>9,400</sup>.

The other 5 cities in the county held more than 23,000 of which <sup>better than</sup> almost 19,000 were in the two parties and ~~less than~~<sup>just over</sup> 3,400 were "others."

<sup>1 1/2 min</sup> Percentage-wise, ~~the city of~~ Portland has ~~67.7%~~<sup>68.5%</sup> of all <sup>registered</sup> voters in the county while the unincorporated <sup>areas</sup> had a total voting power of ~~24.9%~~<sup>24.97%</sup>. The other five cities totaled 7.44%.

But regardless of where the voters are located, or whether they be Republican, Democrat or "other" - it is the duty of the County Clerk to treat them Equally, Equitably and fairly.

I am fully equipped to handle election services to the voters of Multnomah County as County Clerk.

Since 1979 I have attended the election process as a student <sup>2 min</sup> a participant <sup>as</sup> a candidate and <sup>a participant</sup> as a citizen advocate at the state legislature, <sup>the</sup> county commission, the court system - circuit court, court of appeals and the Supreme court.

Five full years, thousands and thousands of hours, thousands of dollars have I invested in learning the system.

<sup>2 1/2</sup> I have been abused by legislators, belittled and ridiculed by the press, <sup>at</sup> ignored by ~~the~~ <sup>certain</sup> executives, mishandled by the courts and been used as a football by some egotistical citizens who parade as do-gooders and initiative instigators, heroic revisionists.

<sup>3</sup> I have had to ~~research~~ <sup>research</sup>, attend countless meetings, listen to those who promote dissention and division for their own personal satisfaction. <sup>at</sup>

I have studied the law, the election office, the election process and mingled with all kinds of people who don't do their homework to benefit our children and beyond-their children. This most change.

<sup>continued cleanliness</sup> and I would protect and keep secure the freedom of elections and work continually to improve representative government.

3 1/2 I <sup>do</sup> stand for integrity <sup>and</sup> intelligence <sup>and will</sup> ~~and~~  
industriously ~~work~~ at creating a  
"more perfect" system. (X)

No better choice can this Board of  
County Commissioners make in their appointment  
to the vacant office of County Clerk than  
myself, Bob Goldstein.

And if selected, I would run for the  
full term of 4 years, beginning January, 1985,  
and <sup>in fact</sup> have already filed ~~my intention~~ to run in <sup>the</sup> May <sup>Primary</sup>.

I'm on the mark - ready - and set to go.

Thank you commissioners. (X)

EXHIBIT B

2/13/84  
9:20 AM

Good morning Commissioners - I'll only use 5 minutes.  
Please take notes:

As of Feb. 7 <sup>exactly</sup> Jan. 23, 1984 there were <sup>312,760</sup> ~~some 311,000~~ registered voters in ~~491~~ <sup>494</sup> precincts in Multnomah County. ~~Almost~~ <sup>More than</sup> 270,000 were Democrats and Republicans.

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4

I'm on the mark - ready - and set to go.  
Thank you commissioners (X)



# MULTNOMAH COUNTY OREGON

MULTNOMAH COUNTY HOME RULE CHARTER REVIEW COMMITTEE

3RD FLOOR, FORD BUILDING  
2505 S.E. 11TH AVENUE  
PORTLAND, OREGON 97202  
(503) 248-5018

MEMBERS

Florence Bancroft  
Tanya Collier  
Chad Debnam  
Marlene Johnsen  
Penny Kennedy  
Marcia Pry  
Leeanne MacColl  
Roger Parsons  
Ann Porter, Vice-Chair  
Linda Rasmussen  
Rev. Frank Shields, Chair  
Paul Thalhofer  
John Vogl

STAFF

Robert J. Castagna,  
Project Manager  
Maribeth McGowan,  
Secretary

March 14, 1984

## AGENDA

- I. Invited Testimony: Sheriff Fred Pearce  
County Clerk Vicki Ervin
- II. Public Testimony: Each witness shall be limited to a 5 minute presentation on the issues before the committee this evening: County Clerk, Revenue Bonds, the District Court Clerk, County Counsel, Stability in Government, the District Attorney and Home Rule.
- III. Work Session:
  - A. 1. That the County Sheriff remain an elective office.  
2. That the County Sheriff be an appointed office.
  - B. 1. That the County Clerk remain an elective office.  
2. That the County Clerk be an appointed office.
  - C. That the Board may issue and sell revenue bonds only in accordance with state law.
  - D. That the position of District Court Clerk be abolished.
  - E. Chair of the Board: executive responsibilities
  - F. Charter Review Committee: when convened again, appointed by \_\_\_\_\_, 19\_\_.
  - G. Bonding of county officials.



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PORTLAND BUILDING  
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DENNIS BUCHANAN  
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December 15, 1983

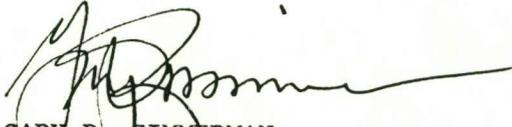
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I will be happy to respond to you and/or the committee's further concerns and questions.

Sincerely,



GARY D. ZIMMERMAN  
Risk Manager  
Multnomah County



ANNE KELLY FEENEY

COUNTY AUDITOR  
ROOM 136, COUNTY COURTHOUSE  
PORTLAND, OREGON 97204  
(503) 248-3320

## MULTNOMAH COUNTY OREGON

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---

March 13, 1984

Mr. Robert Castagna  
Executive Staff  
Multnomah County  
Charter Review Commission

Dear Bob:

Enclosed are xerox copies of pages from recognized publications relating to internal auditing. I hope this will help your legal counsel recognize that the phrase "internal audit" has a definition in generally accepted governmental auditing standards. We definitely do not recommend that you substitute the phrase "broad scope auditing" for the phrase internal audit. The phrase internal audit is commonly used throughout the profession and is the broadest possible description of what we perform in this office.

Any party wishing to challenge the content of the work we do can simply refer to the standards published by the GAO, to the standards published by the Institute of Internal Auditors and the standards published by Municipal Finance Officers Association. All refer to the three kinds of audits which are informally referred to as broad scope auditing and all are contained under the heading "internal audit."

Please be in touch if you have any further questions.

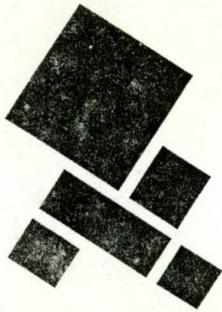
Sincerely

Anne Kelly Feeney  
Multnomah County Auditor

AKF:bj

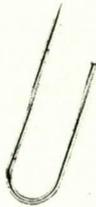
Enclosures

*p.s. I'll call re other issues.*



# Standards for the Professional Practice of Internal Auditing

The Institute of Internal Auditors, Inc.  
Altamonte Springs, Florida



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Copies of the *Standards* may be purchased from The Institute of Internal Auditors, Inc., International Headquarters, 249 Maitland Avenue, Altamonte Springs, Florida 32701. The price is \$2.50 for a single copy and \$1.00 for each additional copy. Payment must accompany order. **Order No. 462.**

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## Introduction

Internal auditing is an independent appraisal function established within an organization to examine and evaluate its activities as a service to the organization. The objective of internal auditing is to assist members of the organization in the effective discharge of their responsibilities. To this end, internal auditing furnishes them with analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed.

The members of the organization assisted by internal auditing include those in management and the board of directors. Internal auditors owe a responsibility to both, providing them with information about the adequacy and effectiveness of the organization's system of internal control and the quality of performance. The information furnished to each may differ in format and detail, depending upon the requirements and requests of management and the board.

The internal auditing department is an integral part of the organization and functions under the policies established by management and the board. The statement of purpose, authority, and responsibility (charter) for the internal auditing department, approved by management and accepted by the board, should be consistent with these *Standards for the Professional Practice of Internal Auditing*.

The charter should make clear the purposes of the internal auditing department, specify the unrestricted scope of its work, and declare that auditors are to have no authority or responsibility for the activities they audit.

Throughout the world internal auditing is performed in diverse environments and within organizations which vary in purpose, size, and structure. In addition, the laws and customs within various countries differ from one another. These differences may affect the practice of internal auditing in each environment. The implementation of these *Standards*, therefore, will be governed by the environment in which the internal auditing department carries out its assigned responsibilities. But compliance with the concepts enunciated by these *Standards* is essential before the responsibilities of internal auditors can be met.

"Independence," as used in these *Standards*, requires clarification. Internal auditors must be independent of the activities they audit. Such independence permits internal auditors to perform their work freely and objectively. Without independence, the desired results of internal auditing cannot be realized.

In setting these *Standards*, the following developments were considered:

1. Boards of directors are being held increasingly accountable for the adequacy and effectiveness of their organizations' systems of internal control and quality of performance.
2. Members of management are demonstrating increased acceptance of internal auditing as a means of supplying objective analyses, appraisals, recommendations, counsel, and information on the organization's controls and performance.
3. External auditors are using the results of internal audits to complement their own work where the internal auditors have provided suitable evidence of independence and adequate, professional audit work.

In the light of such developments, the purposes of these *Standards* are to:

**SUMMARY OF GENERAL AND SPECIFIC STANDARDS  
FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING**

100 **INDEPENDENCE** — INTERNAL AUDITORS SHOULD BE INDEPENDENT OF THE ACTIVITIES THEY AUDIT.

110 **Organizational Status** — The organizational status of the internal auditing department should be sufficient to permit the accomplishment of its audit responsibilities.

120 **Objectivity** — Internal auditors should be objective in performing audits.

200 **PROFESSIONAL PROFICIENCY** — INTERNAL AUDITS SHOULD BE PERFORMED WITH PROFICIENCY AND DUE PROFESSIONAL CARE.

**The Internal Auditing Department**

210 **Staffing** — The internal auditing department should provide assurance that the technical proficiency and educational background of internal auditors are appropriate for the audits to be performed.

220 **Knowledge, Skills, and Disciplines** — The internal auditing department should possess or should obtain the knowledge, skills, and disciplines needed to carry out its audit responsibilities.

230 **Supervision** — The internal auditing department should provide assurance that internal audits are properly supervised.

**The Internal Auditor**

240 **Compliance with Standards of Conduct** — Internal auditors should comply with professional standards of conduct.

250 **Knowledge, Skills, and Disciplines** — Internal auditors should possess the knowledge, skills, and disciplines essential to the performance of internal audits.

260 **Human Relations and Communications** — Internal auditors should be skilled in dealing with people and in communicating effectively.

270 **Continuing Education** — Internal auditors should maintain their technical competence through continuing education.

280 **Due Professional Care** — Internal auditors should exercise due professional care in performing internal audits.

300 **SCOPE OF WORK** — THE SCOPE OF THE INTERNAL AUDIT SHOULD ENCOMPASS THE EXAMINATION AND EVALUATION OF THE ADEQUACY AND EFFECTIVENESS OF THE ORGANIZATION'S SYSTEM OF INTERNAL CONTROL AND THE QUALITY OF PERFORMANCE IN CARRYING OUT ASSIGNED RESPONSIBILITIES.

310 **Reliability and Integrity of Information** — Internal auditors should review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.

Broad definition of internal auditing  
— cont.

320	<b>Compliance with Policies, Plans, Procedures, Laws, and Regulations</b> — <i>Internal auditors should review the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on operations and reports and should determine whether the organization is in compliance.</i>
330	<b>Safeguarding of Assets</b> — <i>Internal auditors should review the means of safeguarding assets and, as appropriate, verify the existence of such assets.</i>
340	<b>Economical and Efficient Use of Resources</b> — <i>Internal auditors should appraise the economy and efficiency with which resources are employed.</i>
350	<b>Accomplishment of Established Objectives and Goals for Operations or Programs</b> — <i>Internal auditors should review operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.</i>
400	<b>PERFORMANCE OF AUDIT WORK</b> — <i>AUDIT WORK SHOULD INCLUDE PLANNING THE AUDIT, EXAMINING AND EVALUATING INFORMATION, COMMUNICATING RESULTS, AND FOLLOWING UP.</i>
410	<b>Planning the Audit</b> — <i>Internal auditors should plan each audit.</i>
420	<b>Examining and Evaluating Information</b> — <i>Internal auditors should collect, analyze, interpret, and document information to support audit results.</i>
430	<b>Communicating Results</b> — <i>Internal auditors should report the results of their audit work.</i>
440	<b>Following Up</b> — <i>Internal auditors should follow up to ascertain that appropriate action is taken on reported audit findings.</i>
500	<b>MANAGEMENT OF THE INTERNAL AUDITING DEPARTMENT</b> — <i>THE DIRECTOR OF INTERNAL AUDITING SHOULD PROPERLY MANAGE THE INTERNAL AUDITING DEPARTMENT.</i>
510	<b>Purpose, Authority, and Responsibility</b> — <i>The director of internal auditing should have a statement of purpose, authority, and responsibility for the internal auditing department.</i>
520	<b>Planning</b> — <i>The director of internal auditing should establish plans to carry out the responsibilities of the internal auditing department.</i>
530	<b>Policies and Procedures</b> — <i>The director of internal auditing should provide written policies and procedures to guide the audit staff.</i>
540	<b>Personnel Management and Development</b> — <i>The director of internal auditing should establish a program for selecting and developing the human resources of the internal auditing department.</i>
550	<b>External Auditors</b> — <i>The director of internal auditing should coordinate internal and external audit efforts.</i>
560	<b>Quality Assurance</b> — <i>The director of internal auditing should establish and maintain a quality assurance program to evaluate the operations of the internal auditing department.</i>

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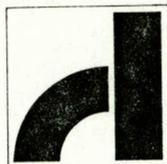
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# GOVERNMENTAL ACCOUNTING, AUDITING, AND FINANCIAL REPORTING

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Municipal Finance Officers Association  
of the United States and Canada

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# Chapter 15

## AUDITING GOVERNMENTAL ORGANIZATIONS

### Types of Audits

**A**n audit is a methodical examination of utilization of resources. It concludes with a written report of its findings. An audit is a test of management's accounting system to determine the extent to which internal accounting controls are both available and being used.

Audits may be classified as internal or independent depending upon whether they are performed by internal or external auditors. Internal auditors are employees in the administrative branch of the audited government. They report to that government's chief executive officer. External auditors are independent of the chief executive of the audited government. External auditors include: (1) government auditors elected by the public; (2) government auditors appointed by a government's governing board or other legislative body; (3) government auditors who are members of a government other than the one being examined; and (4) independent public accountants who provide auditing services on a fee basis. External auditors must be independent both in fact and in appearance.

Internal auditors are the "eyes and ears" of management. They examine matters on which management needs information and provide that information to management. They are important members of the management team. The Institute of Internal Auditors has adopted the following definition of internal auditing:

"Internal auditing is an independent appraisal activity within an organization for the review of operations as service to management. It is a managerial control which functions by measuring and evaluating the effectiveness of other controls."

Independent audits do not alleviate the need for an internal audit function. Internal and external audit functions are complementary. Where a good internal audit staff exists, independent auditors generally find that, as a result of being able to rely upon the work of the internal audit staff, the amount of detail work they have to do is lessened. Internal audit staffing requirements and training for internal audit personnel are discussed later in this chapter.

Audits may also be classified as *pre-audits* or *post-audits*. A pre-audit is an examination of financial transactions prior to their completion. Virtually all pre-audits are performed by

internal auditors. A post-audit is an examination of financial transactions that have been consummated or those in various stages of completion at the end of an accounting period. Post-audits may be either internal or independent.

**Financial and Compliance Audits.** In the private sector, virtually all independent audits are *financial* audits. In a financial audit, the auditor expresses an opinion on the fairness of presentation of the audited entity's basic financial statements in conformity with GAAP.

The expanded objectives of governmental GAAP financial reports have resulted in the expansion of the private sector financial audit into the public sector *financial and compliance* audit. In a financial and compliance audit, the auditor expresses an opinion on: (1) the fairness of presentation of the audited entity's basic financial statements in conformity with GAAP; and (2) the audited entity's compliance with the various finance-related legal and contractual provisions used to assure acceptable governmental organizational performance and effective public sector management stewardship. As previously noted, public sector oversight bodies typically require independent auditors to include responses to standardized legal compliance audit questionnaires in financial and compliance audit reports.

Auditors performing financial audits of business enterprises need be concerned with compliance with applicable statutes and regulations only to the extent that noncompliance could result in material adjustments to financial statement representations. Auditors performing financial and compliance audits of governments should report all instances of noncompliance with finance-related legal and contractual provisions, regardless of the materiality of any economic consequences.

Internal auditors routinely perform tasks closely related to financial and compliance audits. However, all governments should also have independent annual financial and compliance audits. The deterrence and detection of fraud, while not necessarily paramount, are significant objectives in independent audits of governments.

**Program Compliance Audits.** State and local governments' increasing reliance on intergovernmental revenues has led directly to the birth and dramatic growth of another type of audit—the *program compliance* audit. Federal government departments and agencies typically attach strings to the monies they provide to state and local governments. Different federal grant, entitlement, and shared revenue programs usually involve different sets of accounting, reporting, auditing, and other procedural requirements which must be met as a

condition to accepting program monies. In a program compliance audit, auditors test the extent of a government's compliance with these federal program requirements. Program compliance audits are independent audits.

**Single Audits.** Unfortunately, efforts to provide effective accountability over rapidly increasing levels of intergovernmental revenues through program compliance audits have been frustrated by confusing and contradictory program compliance requirements imposed by dozens of federal agencies. Accordingly, the U.S. President and the Office of Management and Budget have mandated the evolution of a "single audit" approach to governmental financial and compliance/program compliance audits. The new single audits are expanded financial and compliance audits which are to include standardized program compliance audit elements. Single audits are expected eventually to eliminate the need for separate program compliance audits of individual program compliance elements.

A viable single audit concept will require agreement at the federal level on a finite list of standardized program compliance requirements sufficient to meet the legitimate informational needs of the numerous federal departments and agencies providing intergovernmental revenues to state and local governments. An effective single audit concept will also require greater clarification and coordination on the part of state legislatures and state government oversight bodies in specifying those finance-related legal and contractual provisions with which auditors must be concerned in performing single audits.

**Performance Audits.** Governments' relative insulation from the controlling disciplinary forces of the competitive marketplace has resulted in the increasing use of independent performance audits in the public sector. Such audits, also referred to as operational audits, are intended to assess: (1) the economy and efficiency of the audited entity's operations; and (2) program effectiveness—the extent to which program objectives are being attained.

**Economy and efficiency audits.** In an economy and efficiency performance audit, the auditor determines: (1) whether the audited entity is managing or utilizing its resources (personnel, property, space, etc.) in an economical and efficient manner; and (2) the causes of any inefficiencies or uneconomical practices, including inadequacies in management information systems, administrative procedures, or organization structure. The auditor seeks to identify ways in which the efficiency and economy of operations can be improved. Substantial savings can often be realized as a result of management responses to recommendations generated by economy and efficiency audits. Such savings might result, for example, from eliminating duplication in services, reducing inventories, or using equipment already on hand more efficiently.

Economy and efficiency performance audits do not result in an auditor's opinion as to whether the audited entity's operations are sufficiently economical or efficient since economy and efficiency sufficiency are not precisely measurable qualities. Rather, such audits result in reports containing recommendations on ways in which existing practices could be improved.

**Program effectiveness audits.** In a program effectiveness audit, also commonly referred to as a program results audit, the auditor determines whether desired results or benefits are

being achieved, whether the objectives established by the governing board or other authorizing body are being met, and whether the audited entity has considered alternatives which might yield desired results at a lower cost.

A program which accomplishes little or nothing is not worth continuing, regardless of how efficiently it is operated or how accurate its financial statements may be. Program effectiveness performance audits are important to government officials in connection with their efforts to improve ineffective programs and to eliminate worthless ones.

As in economy and efficiency audits, opinions on relative effectiveness are not expected. Rather, the desired result is a report on how actual achievements compare with program goals. A program effectiveness audit report may also include recommendations for improving programs so that future results will be enhanced.

Both governments and businesses engage in internal performance audits. There are few independent performance audits in the private sector. Most public sector independent performance audits are now made by federal government auditors. It is expected, however, that state and local government auditors and independent public accountants will increasingly be called upon to conduct independent performance audits of governments in the future.

## Generally Accepted Auditing Standards

Financial audits conducted by certified public accountants must be performed in accordance with *generally accepted auditing standards* (GAAS) prescribed by the AICPA. Auditing standards differ from auditing procedures in that procedures relate to acts to be performed, whereas standards deal with measures of quality of the performance of those acts and the objectives to be attained by the use of the procedures undertaken. Auditing standards are concerned with the auditor's professional qualities and with the judgment exercised in the performance of an audit. The 10 generally accepted auditing standards approved and adopted by the AICPA are as follows:

### AICPA Standards

#### General Standards

1. The examination is to be performed by a person or persons having adequate technical training and proficiency as an auditor.
2. In all matters relating to the assignment and independence in mental attitude is to be maintained by the auditor or auditors.
3. Due professional care is to be exercised in the performance of the examination and the preparation of the report.

#### Standards of Field Work

1. The work is to be adequately planned and assistants, if any, are to be properly supervised.
2. There is to be a proper study and evaluation of the existing internal control as a basis for reliance thereon and for the determination of the resultant extent of the tests to which auditing procedures are to be restricted.
3. Sufficient competent evidential matter is to be obtained through inspection, observation, inquiries, and confir-

mations to afford a reasonable basis for an opinion regarding the financial statements under examination.

#### *Standards of Reporting*

1. The report shall state whether the financial statements are presented in accordance with generally accepted principles of accounting.
2. The report shall state whether such principles have been consistently observed in the current period in relation to the preceding period.
3. Informative disclosures in the financial statements are to be regarded as reasonably adequate unless otherwise stated in the report.
4. The report shall either contain an expression of opinion regarding the financial statements, taken as a whole, or an assertion to the effect that an opinion cannot be expressed. When an overall opinion cannot be expressed, the reasons therefore would be stated. In all cases where an auditor's name is associated with financial statements, the report should contain a clear-cut indication of the character of the auditor's examination, if any, and the degree of responsibility he is taking.

The expanded role of independent auditing in the public sector has led to the development by the GAO of expanded GAAS for audits of governments. The GAO standards are set forth in *Standards for Audit of Governmental Organizations, Programs, Activities, & Functions*, which is commonly referred to as the "yellow book." The GAO standards include the 10 AICPA GAAS and build upon them to provide guidance to auditors performing financial and compliance, program compliance, and performance audits of governments.

The GAO standards place an expanded emphasis on audit reporting. They call for auditor comments on the audited entity's system of internal accounting controls *within a financial and compliance audit report*. The AICPA standards permit the publication of such comments in a management letter separate from a financial audit report.

The GAO standards also encourage auditors to recommend: (1) improvements in internal accounting controls which could improve the economy, efficiency, and effectiveness of operations; and (2) improvements necessary to assure the accuracy and reliability of reported information even if they have only been engaged to perform a financial and compliance audit. The AICPA standards require auditors to disclose only material weaknesses in internal accounting controls. The GAO "yellow book" standards are as follows:

### GAO Standards

#### *General Standards*

1. The full scope of an audit of a governmental program, function, activity, or organization should encompass:
  - a. An examination of financial transactions, accounts, and reports, including an evaluation of compliance with applicable laws and regulations.
  - b. A review of efficiency and economy in the use of resources.
  - c. A review to determine whether desired results are effectively achieved.

In determining the scope for a particular audit, respon-

sible officials should give consideration to the needs of the potential users of the results of that audit.

2. The auditors assigned to perform the audit must collectively possess adequate professional proficiency for the tasks required.
3. In all matters relating to the audit work, the audit organization and the individual auditors shall maintain an independent attitude.
4. Due professional care is to be used in conducting the audit and in preparing related reports.

#### *Examination and Evaluation Standards*

1. Work is to be adequately planned.
2. Assistants are to be properly supervised.
3. A review is to be made of compliance with legal and regulatory requirements.
4. An evaluation is to be made of the system of internal control to assess the extent it can be relied upon to ensure accurate information, to ensure compliance with laws and regulations, and to provide for efficient and effective operations.
5. Sufficient, competent, and relevant evidence is to be obtained to afford a reasonable basis for the auditor's opinions, judgments, conclusions, and recommendations.

#### *Reporting Standards*

1. Written audit reports are to be submitted to the appropriate officials of the organizations requiring or arranging for the audits. Copies of the reports should be sent to other officials who may be responsible for taking action on audit findings and recommendations and to others responsible or authorized to receive such reports. Copies should also be made available for public inspection.
2. Reports are to be issued on or before the dates specified by law, regulation, or other arrangement and, in any event, as promptly as possible so as to make the information available for timely use by management and by legislative officials.
3. Each report shall:
  - a. Be as concise as possible but, at the same time, clear and complete enough to be understood by the users.
  - b. Present factual matter accurately, completely, and fairly.
  - c. Present findings and conclusions objectively and in language as clear and simple as the subject matter permits.
  - d. Include only factual information, findings, and conclusions that are adequately supported by enough evidence in the auditor's working papers to demonstrate or prove, when called upon, the bases for the matters reported and their correctness and reasonableness. Detailed supporting information should be included in the report to the extent necessary to make a convincing presentation.
  - e. Include, when possible, the auditor's recommendations for actions to effect improvements in problem areas noted in his audit and to otherwise make improvements in operations. Information on underlying causes of problems reported should be included to assist in implementing or devising corrective actions.

attachments or annexations to land which are intended to remain so attached or annexed, such as sidewalks, trees, drives, tunnels, drains, and sewers. Sidewalks, curbing, sewers, and highways are sometimes referred to as "betterments," but the term "improvements" is preferred.

**IMPROVEMENTS OTHER THAN BUILDINGS.** A fixed asset account which reflects acquisition value of permanent improvements other than buildings, which add value to land. Examples of such improvements are fences, retaining walls, sidewalks, pavements, gutters, tunnels, and bridges.

**INCOME.** A term used in proprietary fund type accounting to represent (1) revenues or (2) the excess of revenues over expenses. See **OPERATING INCOME**, **INCOME BEFORE OPERATING TRANSFERS**, and **NET INCOME**.

**INCOME BEFORE OPERATING TRANSFERS.** Proprietary fund operating income plus and minus nonoperating revenues and nonoperating expenses, respectively.

**INCOME BONDS.** See **REVENUE BONDS**.

**INDEPENDENT AUDIT.** An audit performed by an independent auditor.

**INDETERMINATE APPROPRIATION.** An appropriation which is not limited either to any definite period of time or to any definite amount. A distinction must be made between an indeterminate appropriation and a continuing appropriation. In the first place, whereas a continuing appropriation is indefinite only as to time, an indeterminate appropriation is indefinite as to both time and amount. In the second place, even indeterminate appropriations which are indefinite only as to time are to be distinguished from continuing appropriations in that such indeterminate appropriations may eventually lapse. For example, an appropriation to construct a building may be made to continue in effect until the building is constructed. Once the building is completed, however, the unexpended balance of the appropriation lapses. A continuing appropriation, on the other hand, may continue forever; it can only be abolished by specific action of the legislative body.

**INDIRECT CHARGES.** See **OVERHEAD**.

**INDIVIDUAL FUND STATEMENTS.** The third of the financial reporting pyramid's three reporting levels containing GAAP basic financial statements. Such statements should be presented only when necessary or appropriate. Governments should *not* present physically separate individual fund financial statements which simply repeat information already presented in columns on the Combined Statements - Overview or Combining Statements - By Fund Type. Under Statement 1, physically separate individual fund statement formats are normally used only: (1) to present required individual fund budgetary comparisons; (2) to present prior-year comparative data; or (3) to present more detailed information than is presented for a fund

on one of the higher levels of the financial reporting pyramid.

**INDUSTRIAL REVENUE BONDS.** Bonds issued by governments, the proceeds of which are used to construct facilities for a private business enterprise. Lease payments made by the business enterprise to the government are used to service the bonds. Such bonds may be in the form of general obligation bonds, combination bonds, or revenue bonds.

**INTEREST AND PENALTIES RECEIVABLE ON TAXES.** An asset account reflecting the uncollected portion of interest and penalties receivable on taxes.

**INTEREST RECEIVABLE ON INVESTMENTS.** An asset account reflecting the amount of interest receivable on investments.

**INTEREST RECEIVABLE—SPECIAL ASSESSMENTS.** An asset account reflecting the amount of interest receivable on unpaid installments of special assessments.

**INTERFUND ACCOUNTS.** Accounts in which transfers between funds are reflected. See **INTERFUND TRANSACTIONS** and **INTERFUND TRANSFERS**.

**INTERFUND LOANS.** Loans made by one fund to another.

**INTERFUND TRANSACTIONS.** Transactions between funds of the same government. They include: (1) **QUASI-EXTERNAL TRANSACTIONS**; (2) **REIMBURSEMENTS**; (3) **RESIDUAL EQUITY TRANSFERS**; and (4) **OPERATING TRANSFERS**.

**INTERFUND TRANSFERS.** See **RESIDUAL EQUITY TRANSFERS** and **OPERATING TRANSFERS**.

**INTERGOVERNMENTAL REVENUES.** Revenues from other governments in the form of grants, entitlements, shared revenues, or payments in lieu of taxes.

**INTERIM BORROWING.** (1) Short-term loans to be repaid from general revenues during the course of a fiscal year. (2) Short-term loans in anticipation of tax collections or bond issuance. See **BOND ANTICIPATION NOTES** and **TAX ANTICIPATION NOTES**.

**INTERIM FINANCIAL STATEMENT.** A financial statement prepared before the end of the current fiscal year and covering only financial transactions during the current year to date.

**INTERIM WARRANTS.** See **INTERIM BORROWING**.

**INTERNAL AUDIT.** An independent appraisal activity within an organization for the review of operations as a service to management. It is a managerial control which functions by measuring and evaluating the effectiveness of other controls.

X

# APPLICATION FOR USE OF MULTNOMAH COUNTY E.S.D. MEETING ROOMS

TO: Administration Office (Atten.: Dorothy Butz - Rm. 209)  
Multnomah County Education Service District  
220 S.E. 102nd • Portland, OR 97216 • 255-1841

Application is hereby made by Mult. Co. Council on Research / Robert Castagna  
(name of organization or individual)

for use of Room(s) Rm 105

On Feb 3-11-84 Beginning Time: 6pm Ending Time: 10pm  
date

Program or Purpose of Meeting: Hearing

No. of People Expected: 25 Seating arrangements, etc. 1st row 2 chairs for 15

Rental Fee: --- Room to be vacated by: 11:00 pm

*I agree to be responsible for payment of rental fees, for the conduct of the audience in and about the building, and for any damage beyond ordinary wear and tear which may occur to this ESD property incident to my occupancy thereof.*

Signed  Robert Castagna Date: February 24, 1984  
Address 3711 SW 10th St. 2505 5th  
Portland, OR 97202 Zip Code  
Telephone 248-5018  
Date 2/17/84

**Note:** The above indicated meeting room(s) will be temporarily held pending the return of this application at which time the reservation will be processed.

Approved by [Signature]  
Superintendent

Return 3 copies to the above address.  
Goldenrod copy is for your file.  
MCESD (8/81)