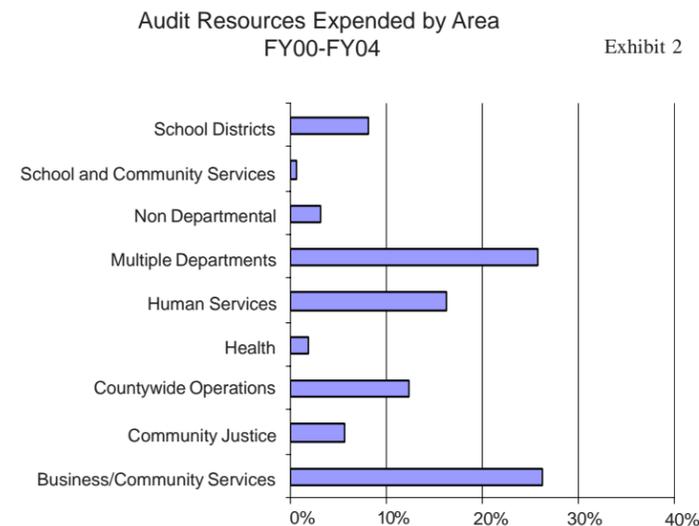


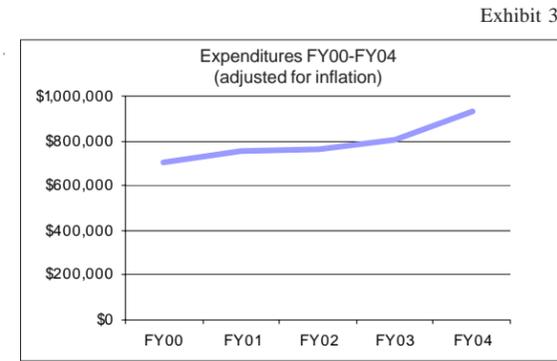
In FY04, the Office completed nine projects: six were on County programs, two were comprehensive looks at Multnomah County school districts, and one was on Portland Public Schools.



Each fiscal year, the Office develops an audit schedule. Audit areas are selected based upon the potential for savings or improvement, interest of the County Commissioners or the public, evidence of problems, the potential for loss or risk, the time since the last audit, and audit staff resources. Many audits involve several departments in the county. The chart below shows the distribution of audit hours by department in the last five years.



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In FY04 actual expenditure for the Office was \$932,840. Most of the spending was for personnel (84%). The cost per hour was \$47. In the Office, there were eight auditors who collectively had 86 years of auditing experience, seven advanced degrees, and five professional auditor certifications. Once adjusted for inflation, total spending has increased 32% since FY00 (Exhibit 3). The addition of two auditor positions to audit schools and increases in internal business and insurance costs explains most of the increase.

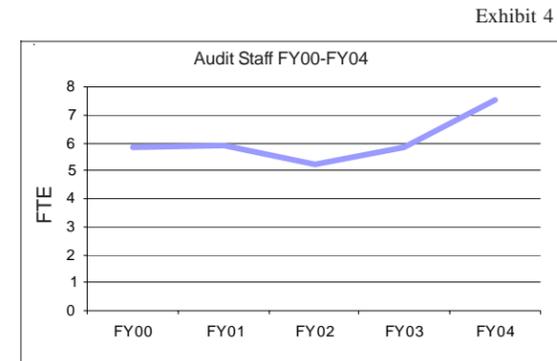
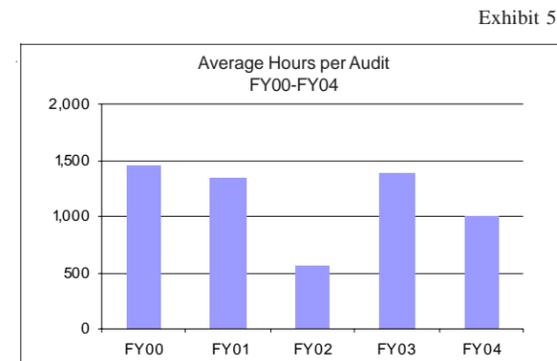
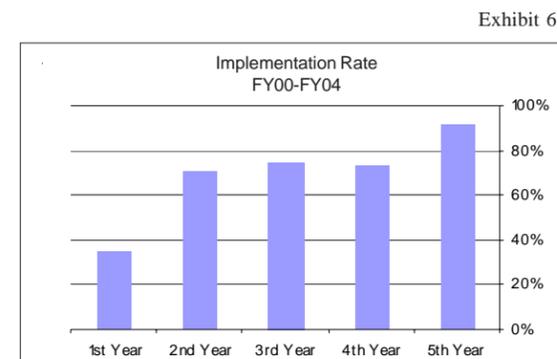


Exhibit 4 shows staffing levels in the past five years. In FY99 the number of auditor positions increased from five to six. The transition to a newly elected auditor in FY99 also affected staffing levels. The decrease in audit staff full-time equivalent (FTE) in FY02 and FY03 reflects a reduction in staff hours rather than positions. The increase in FY04 was the result of adding two auditors funded to audit schools.



Audit projects vary considerably by topic and complexity. As a result, the time that it takes to complete an audit varies. In FY03, the Office completed an audit of the County's capital construction process, one of the largest audits ever undertaken. To complete the audit it took three auditors almost 3,900 hours over the course of three fiscal years. The drop in average hours per audit completed in FY02 and sharp increase in FY03 is the result of the shorter projects completed in FY02 and the large audit completed in FY03.



Audit recommendations are either to improve the efficiency or the effectiveness of County operations. How quickly a recommendation is implemented depends upon its complexity. Exhibit 6 shows that by the fourth and fifth years after an audit is completed most of the recommendations have been implemented.

November 8, 2004

Dear Citizens of Multnomah County,

The County Charter requires the Auditor to conduct performance audits or other studies that measure or improve County operations. During performance audits, auditors examine the organization's goals and objectives and determine if they are being met. The Office follows government auditing standards as recommended by the U.S. Government Accountability Office. Since FY02 the Office has also followed up each audit with a detailed review of the progress made towards implementing recommendations.

In the past year, the Auditor's Office entered new territory. Beginning on July 1, 2003 the Auditor's Office, in partnership with the Portland City Auditor, began to audit the eight school districts in Multnomah County. This was the result of the personal income tax that was approved by county voters in May 2003. The temporary tax was designed to fund public safety, healthcare, senior programs, and the schools. Part of the funding was specified for audits of the school systems.

Three audits of the schools have been completed in the last fiscal year. These are available on the special web site www.multnomahschools.org. We have also continued to work hard on auditing County programs.

I think the work we do is important to citizens. I also believe that the Office should be a leader in accountability. This annual report to citizens is intended to be accountable for the services we provide. I also would like to thank Multnomah County's leaders and employees for working with us to improve the efficiency and effectiveness of services.



Suzanne Flynn
Multnomah County Auditor

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M 902
Multnomah County Auditor
501 SE Hawthorne Room 601
Portland OR 97214

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