

November 10, 2017

Mayor Lucy Vinis
Eugene City Council
125 E 8th Ave, 2nd Floor
Eugene, OR 97401

Dear Mayor Vinis and Members of the Eugene City Council:

The Eugene City Auditor Study Group is pleased to present our matrix with accompanying profiles for your consideration as you discuss topics pertinent to a Performance Auditor for the City of Eugene. In this cover letter, we describe our group's intent and the process and methods we used to develop these materials. We also include a glossary of terms to help you understand our matrix.

Formation and Composition. In early August, Mayor Vinis convened our 11-member study group and charged the group to develop an objective, factual matrix of models for a performance auditor position. The group was specifically asked not to make recommendations. The matrix was to form the framework for the City Council's work session, as well as frame the issues in public conversation. The study group met publicly for seven meetings during a 10-week period. We maintained a website at www.eugenepformanceauditor.org.

The all-volunteer study group was ably assisted by Emily Mooney, co-chaired by Marshall Wilde and Norma Grier, and included the following members:

Bobby Green
Brittany Quick-Warner
Dave Fidanque
Janet Calvert
John Barofsky
Josh Skov
Phil Carasco
Ryan Moore
Tai Pruce-Zimmerman

What Is Performance Auditing? While many government bodies and businesses are familiar with financial auditing, performance auditors work to ensure taxpayer funds are used efficiently and effectively and that government programs and services are fulfilling their intended functions. Auditor reports and findings are usually publicly available. While performance auditors are known to help a city spend money wisely and even save money, the best outcome is to help government effectively fulfill its intent.

Standards for Performance Auditing. Performance auditors are guided by Generally Accepted Government Auditing Standards (GAGAS) that can be found in what is commonly referred to as the "Yellow Book" issued by the U.S. General Accountability Office. Many, but not all, performance auditors follow these standards. An auditor must operate independently from the

audited government entity, a goal achieved in a variety of different ways by different cities. Auditors choose audit topics through a risk assessment process. They are expected to have appropriate training and certification, their work must follow protocols that ensure their focus, findings and recommendations are appropriate, and their performance is subject to a “peer review” process every three years. The national nonprofit Association of Local Government Auditors (ALGA) is also a rich resource on this topic.

Methodology. The study group assembled a matrix using examples from ten cities (including the proposed ballot measure for Eugene), one county, and one city-county combination. Each community that we included in our matrix is more fully described in an accompanying one-page profile.

Some of the governments we included have worked with an auditor for many decades. Performance auditors can be elected or appointed, or they can be external and work on contract. While the group initially tried to find examples from cities with similar populations and budgets to Eugene, we quickly learned that pinpointing similar communities was difficult because other cities’ budgets often included either public utilities or major airports that quickly ballooned the figures. The variability on budgeting made it impossible to authentically represent the auditor’s budget as a percentage of a city’s overall budget.

The topics that threaded through our research include:

- need for the auditor’s independence,
- access to the personnel and records of the audited entity and the city’s contractors,
- checks and balances on the auditor’s work,
- how audit topics are selected, and
- how funding for the auditor’s office is provided.

Our group also noted any unique features of auditor functions in other cities that may be pertinent or of interest to Eugene.

Glossary. The following glossary of terms (as used by our group) will help you better understand our matrix and profiles:

Access: The ability to obtain necessary information to perform the performance auditing function, including authority to interview employees, review public records, and obtain financial data from entities that contract with a city.

Accountability: The process for ensuring that the auditor performs in compliance with professional standards in selection of audit topics, performance of the audits, and subsequent actions related to the audit function. Provisions regarding an audit committee and work performance are also pertinent to accountability.

Funding: Financial resources for staff, office expenses, and contracting for outside auditors, consultants, outside counsel, and similar expenses.

GAGAS: Generally Accepted Government Auditing Standards. These are the rules printed in the General Accountability Office’s “Yellow Book” that describe how performance auditors should perform their professional functions.

Independence: The ability to perform the professional functions of the auditing office without interference from parties interested in the outcome of the audit.

The study group is soliciting public comment on our documents via our website, and we may make appropriate modifications based on comments we receive between now and Wednesday, November 15. We expect to summarize the comments at our presentation at the City Council work session on November 20, 2017.

In conclusion, cities make a number of choices about size, scope, and accountability when establishing a performance auditing function. We do not see that a single “right answer” exists for every city, but rather that each city should consider the advantages and disadvantages of these choices in light of its challenges.

Sincerely,

Marshall Wilde
Co-chair

Norma Grier
Co-chair