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600 NE Grand Ave.  
Portland, Oregon  
97232-2736

# CAFR

**Comprehensive Annual Financial Report**  
**For the year ended June 30, 2010**



**Metro** | *Making a great place*

# Metro | *Making a great place*

Clean air and clean water do not stop at city limits or county lines. Neither does the need for jobs, a thriving economy and good transportation choices for people and businesses in our region. Voters have asked Metro to help with the challenges that cross those lines and affect the 25 cities and three counties in the Portland metropolitan area.

A regional approach simply makes sense when it comes to protecting open space, caring for parks, planning for the best use of land, managing garbage disposal and increasing recycling. Metro oversees world-class facilities such as the Oregon Zoo, which contributes to conservation and education, and the Oregon Convention Center, which benefits the region's economy

## **Your Metro representatives for the year ending June 30, 2010**

Metro Council President – David Bragdon

Metro Councilors – Rod Park, District 1; Carlotta Collette, District 2; Carl Hosticka, District 3; Kathryn Harrington, District 4; Rex Burkholder, District 5; Robert Liberty, District 6.

Auditor – Suzanne Flynn

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**AUDIT COMMENTS AND DISCLOSURES  
REQUIRED BY STATE AND FEDERAL REGULATIONS**

Oregon Administrative Rules 162-010-0000 through 162-010-0330 incorporated in the Minimum Standards for Audits of Oregon Municipal Corporations, as prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required financial statements and schedules are set forth in the preceding sections of this report.

Metro is the recipient of Federal Grant Awards and requires an audit under the Single Audit Act and Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. As a result, Metro's audit is also required to be performed in compliance with Generally Accepted Government Audit Standards.

Comments and disclosures required by the above rules and regulations are set forth on the following pages.



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *OREGON AUDITING STANDARDS***

Metro Council and Metro Auditor  
Portland, Oregon

We have audited the basic financial statements of Metro as of and for the year ended June 30, 2010 and have issued our report thereon dated December 2, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

### **Compliance**

As part of obtaining reasonable assurance about whether Metro's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-010-0000 to 162-010-0330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

- The use of approved depositories to secure the deposit of public funds.
- The requirements relating to debt.
- The requirements relating to the preparation, adoption and execution of the annual budgets for fiscal years 2010 and 2011.
- The requirements relating to insurance and fidelity bond coverage.
- The appropriate laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies.
- The statutory requirements pertaining to the investment of public funds.
- The requirements pertaining to the awarding of public contracts and the construction of public improvements.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State, except those noted below.

**Requirements pertaining to the awarding of public contracts and the construction of public improvements.**

Our testing of public contracts identified one instance of ten contracts tested where the contract was approved by individuals in excess of the amount they had the authority to approve under Metro's internal policy.

**Laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies.**

During our testing of procurement for the Single Audit, we noted a significant deficiency in internal controls and related instance of non-compliance finding concerning two contracts tested where the contract did not include Metro's standard federal clauses used to ensure contractors are aware that the project is federally sourced and additional federal compliance requirements are applicable to the project.

The above matters are reported in further detail in the accompanying Schedule of Findings and Questioned Costs. Further, additional best practice observations and recommendations were included in a letter issued separately to management.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Metro's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Metro's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Metro's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. Those financial statement findings are reported as 2010-01 and 2010-02 in the Schedule of Findings and Questioned Costs. *A significant deficiency* is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

This report is intended solely for the information of the Metro Council and Metro Auditor, management, and the State of Oregon and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink that reads "James C. Layanotto". The signature is written in a cursive style with a large initial 'J' and 'L'.

For Moss Adams LLP  
Eugene, Oregon  
December 2, 2010



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Metro Council and Metro Auditor  
Portland, Oregon

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Metro as of and for the year ended June 30, 2010, which collectively comprise Metro's basic financial statements and have issued our report thereon dated December 2, 2010. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Oregon Zoo Foundation, a discretely presented component unit, as described in our report on Metro's financial statements. The financial statements of the Oregon Zoo Foundation were not audited in accordance with *Governmental Auditing Standards*.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered Metro's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Metro's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Metro's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting as items 2010-01 and 2010-02. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** – (continued)

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Metro's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Metro in a separate letter dated December 2, 2010.

This report is intended solely for the information and use of the audit committee; management; the Council; the Secretary of State, Divisions of Audits, of the State of Oregon; federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Moss Adams, LLP*

Eugene, Oregon  
December 2, 2010

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB  
CIRCULAR A-133 AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Metro Council and Metro Auditor  
Portland, Oregon

### **Compliance**

We have audited Metro's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Metro's major federal program for the year ended June 30, 2010. Metro's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of Metro's management. Our responsibility is to express an opinion on Metro's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Metro's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Metro's compliance with those requirements.

In our opinion, Metro complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2010-03.

### **Internal Control over Compliance**

Management of Metro is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Metro's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Metro's internal control over compliance.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB  
CIRCULAR A-133 AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS –  
(continued)**

A *deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2010-03. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Metro's responses to the findings identified in our audit are included in a separate letter issued by management and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the audit committee; management; the Council; the Secretary of State, Divisions of Audits, of the State of Oregon; federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Moss Adams, LLP*

Eugene, Oregon  
December 2, 2010

**METRO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2010**

<u>Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
<u>U. S. Department of Agriculture</u>			
Direct Programs:			
Natural Resources Conservation Service-			
Wetlands Reserve Program-Forest Grove Habitat	10.072	66-0435-8-060	\$ 7,342
Wetlands Reserve Program-Lovejoy Restoration	10.072	66-0435-8-060	11,596
Wetlands Reserve Program-Gotter Prairie	10.072	66-0436-8-035	18,292
Subtotal Wetlands Reserve Program			<u>37,230</u>
Wildlife Habitat Incentives Program	10.914	7204365C165	<u>8,550</u>
Forest Service-			
Condor Program	10.XXX	09-CS-11062200-007	3,500
UNO Program	10.XXX	09-CS-11062200-010	15,000
Subtotal Forest Service Program			<u>18,500</u>
Total U. S. Department of Agriculture			<u>64,280</u>
<u>U.S. Department of Defense</u>			
Passed through Washington Department of Fish & Wildlife:			
Water Resources Development Act	12.110	WDFW # 06-1337	<u>50,000</u>
Total U.S. Department of Defense			<u>50,000</u>
<u>U. S. Department of the Interior</u>			
Bureau of Land Management-			
Direct Program:			
Federal Land Policy and Management Act (FLPMA)	15.DDG	HAF079Q05	<u>40,000</u>
U.S. Fish and Wildlife Service-			
Passed through Oregon Department of Fish & Wildlife:			
Sport Fish Restoration Program	15.605	F-111D-267	<u>490,034</u>
Passed through The Department of State Lands:			
Cooperative Endangered Species Conservation Fund	15.615	USFWS Sec 6 grant E-28	10,000
Cooperative Endangered Species Conservation Fund	15.615	USFWS Sec 6 grant E6-52	17,811
Subtotal Cooperative Endangered Species Conservation Fund			<u>27,811</u>
Passed through Oregon State Marine Board:			
Clean Vessel Act	15.616	N/A	<u>788</u>
Sportfishing and Boating Safety Act	15.622	1379	<u>98,007</u>
Passed through Oregon Department of Fish & Wildlife:			
Oregon Conservation Strategy Grant	15.634	T-16, E-56	7,606
Passed through Washington Department of Fish & Wildlife:			
State Wildlife Grants	15.634	08-1424	52,240
Subtotal State Wildlife Grants			<u>59,846</u>

**METRO**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**YEAR ENDED JUNE 30, 2010**

<u>Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
Direct Program:			
Service Training and Technical Assistance	15.649	FWS #13420-1113-0000	<u>28,000</u>
Total U. S. Department of the Interior			<u>744,486</u>
<u>U. S. Department of Transportation</u>			
Federal Transit Administration-			
Federal Highway Administration-			
Highway Research and Development Program:			
Direct Program:			
FHWA - DTA Methods Deployment	20.200	DTFH60-09-P-000115	<u>12,000</u>
Highway Planning and Construction (Highway Planning and Construction Cluster)-			
Passed through Oregon Department of Transportation:			
2010 Planning Fund	20.205	ODOT # 25916	1,281,200
2008 Planning Fund Carryover funds	20.205	ODOT # 25916	511,504
2010 STP funds	20.205	ODOT # 25916	700,544
2008 STP Carryover funds	20.205	ODOT # 25916	281,465
2008 STP Next Corridor Carryforward	20.205	ODOT # 25916	148,213
2010 STP Freight	20.205	ODOT # 25916	75,000
Transportation Options Mass Marketing Campaign	20.205	ODOT # 22211	957,094
I-5 / 99W Connector Project	20.205	ODOT # 22445	7,626
Oregon Hwy 212 / Damascus Project	20.205	ODOT # 25218-01	20,418
Passed through Multnomah County, Oregon:			
Sellwood Bridge IGA	20.205	4600006289	8,813
Passed through Clackamas County, Oregon:			
Sunrise Corridor EIS	20.205	Metro # 925507	8,564
Subtotal Highway Planning and Construction			<u>4,000,441</u>
Federal Transit Metropolitan Transportation Planning Grants-			
Passed through Oregon Department of Transportation :			
2010 Technical Studies (Sec 5303)	20.505	ODOT # 25996	315,242
2009 Technical Studies (Sec 5303)	20.505	ODOT # 24986	166,510
Subtotal Federal Transit Metropolitan Planning Grants			<u>481,752</u>
Federal Transit - Formula Grants (Federal Transit Cluster)-			
Direct Programs:			
Transit Oriented Development	20.507	OR90-X073	17,340
Congestion Mitigation & Air Quality Improvement			
Program (CMAQ):			
Regional Travel Options	20.507	OR95-X010	1,716,586

**METRO**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**YEAR ENDED JUNE 30, 2010**

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<u>Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
Passed through Tri-County Metropolitan Transportation District of Oregon (TriMet):			
Lake Oswego-Portland - DEIS Support - Task 1	20.507	GH090495TL	211,375
Subtotal Federal Transit Cluster			<u>1,945,301</u>
Alternative Analysis-			
Direct Programs:			
Streetcar/Eastside/LO-PDX (Sec 5339)	20.522	OR39-0002-01	245,944
Travel Forecasting Model Improvement (Sec 5339)	20.522	OR39-0004	86,302
Subtotal Alternative Analysis Grants			<u>332,246</u>
Total U.S. Department of Transportation			<u>6,771,740</u>
<u>U.S. Department of Education</u>			
Institute of Museum and Library Services - Direct Program:			
Museums for America	45.301	MA-04-08-0266-08	37,792
Total U.S. Department of Education			<u>37,792</u>
<u>U.S. Environmental Protection Agency</u>			
Passed through Oregon DEQ:			
Nonpoint Source Implementation Grants	66.460	C9-000451-07	36,862
Direct Program:			
Brownfields Assessment and Cleanup Cooperative Agreements II	66.818	BF-96072301	50,075
Total U.S. Environmental Protection Agency			<u>86,937</u>
Total Expenditures of Federal Awards			<u>\$ 7,755,235</u>

**METRO**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2010**

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**NOTE 1 - ACCOUNTING POLICIES**

**General** - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Metro. Metro's financial reporting entity is described in note 1 to Metro's basic financial statements. Financial assistance received directly from federal agencies as well as financial assistance passed through other government agencies is included in the accompanying schedule.

**Basis of accounting** - The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in note 3 to Metro's basic financial statements.

**Relationship to basic financial statements** - Federal assistance revenues are reported in Metro's basic financial statements included with revenues from federal and state sources, as described in note 3 to Metro's basic financial statements.

**METRO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010**

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**Section I - Summary of Auditor's Results**

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*Financial Statements*

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes   X   no
- Significant deficiencies(s) identified that are not considered to be material weaknesses?   X   yes \_\_\_\_\_ none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes   X   no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes   X   no
- Significant deficiencies (s) identified that are not considered to be material weaknesses?   X   yes \_\_\_\_\_ none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?   X   yes \_\_\_\_\_ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
15.605	U.S. Department of the Interior – U.S. Fish and Wildlife Sport Fish Restoration Program
20.205	U.S. Department of Transportation Highway Planning and Construction Cluster

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes   X   no

**METRO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010**

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**Section II - Financial Statement Findings**

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**FINDING 2010-01 – OPEB Census Data – Significant Deficiency in Internal Control**

**Criteria:** Under generally accepted accounting principles (GAAP), the existence, and assets and liabilities, of other post employment benefit plans (OPEB) are required disclosures in the financial statements. For plans covering over 200 or more participants, an actuarial valuation of plan assets and liabilities is required at least biennially, based on participant census data provided by the employer, and by use of certain allowable actuarial methods and assumptions as provided by GASB 45.

**Condition:** In our testing of the census data of participants of the plan provided to the actuary, we found errors in the census data that was provided to the actuary.

**Context:** We found that of the 742 participants that should have been included in the census data, 16 were included that were actually no longer participants eligible for benefits under the plan, and 65 participants eligible for benefits were excluded.

**Effect:** The recorded OPEB liability in the government-wide statement of net assets is estimated to be understated at year end by \$77,000, and the reported actuarial accrued liability in the notes to the financial statements, the present value of benefits earned to date under the plan, is estimated to be understated by \$176,000.

**Cause:** The reports generated from the human resource and payroll system were not properly revised to remove new employees that had not yet met eligibility requirements for participation, and failed to include employees terminated after the valuation date but were eligible as of the valuation date. Furthermore, Metro’s review and approval process for the census data was not adequate to catch the errors.

**Recommendation:** We recommend that management create reports that look specifically for new employees not yet eligible for benefits, as well as recently terminated employees that were still eligible for benefits at the valuation date, so that accurate data can be assembled and sent to the actuary. We also recommend that the review process be expanded to specifically look for new hires not yet eligible for participation, as well as terminated employees that were eligible for benefits as of the valuation date.

**Management’s Response:** Management’s response is included at “Management’s Views and Corrective Action Plan”

**METRO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**FINDING 2010-02 – Zoo Bond Accrued Payroll – Significant Deficiency in Internal Control**

**Criteria:** Under generally accepted accounting principles (GAAP), the liabilities of accrued payroll are required to be reflected and disclosed in the financial statements.

**Condition:** In our testing of the year-end payroll accrual, we noted that the accrued payroll related accounts were not reconciled and adjusted to correct ending balances in the Zoo Infrastructure and Animal Welfare Fund (ZIAWF).

**Context:** The ZIAWF was reporting a debit balance – a negative liability – for accrued payroll, and an entry was required to correct the error in the amount of approximately \$77,000. This fund records capital improvements at the Oregon Zoo and reported \$1.4M of total expenditures for the year. A small amount of Zoo employee labor normally reported in the General Fund was used in the various capital projects during the year, and an allocation of payroll related costs and liabilities was required to be reported in this fund.

**Effect:** The recorded payroll liability in the ZIAWF financial statements was understated at year end by \$77,000 prior to the correcting entry posted by management.

**Cause:** There were adjusting payroll entries made as a part of the normal payroll process which resulted in the payroll cost and accrual allocations to the ZIAWF. However, subsequent to these accruals during the year, timely reconciliations of the accruals with payments made were not properly reflected in the ZIAWF. In addition, reviews of transactions and balances posted to the ZIAWF were not performed timely by employees in the normal course of performing their duties.

**Recommendation:** We recommend that management revisit the fund balance and transaction monitoring duties of those responsible for the ZIAWF, and ensure those duties are performed timely.

**Management's Response:** Management's response is included at "Management's Views and Corrective Action Plan"

**METRO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010**

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**Section III - Federal Award Findings and Questioned Costs**

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**Finding 2010-03 Procurement, Suspension and Debarment – Significant Deficiency in Internal Control and Instances of Noncompliance (Unresolved Finding 2009-02)**

**Federal Program:** Sport Fish Restoration Program, passed through the Oregon Department of Fish and Wildlife (Federal CFDA number 15.605)

**Federal Agency:** US Department of the Interior, US Fish and Wildlife

**Award Year:** 2009-2010

**Criteria:** As noted in the A-102 Common Rule, Section 36, governmental subrecipients of States, shall use the same policies and procedures used for procurements from non-Federal funds. They also shall ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations. Per 43 CFR, Part 12 Section 76 (i) Contract provisions, grantee's and subgrantee's contracts must contain provisions in paragraph (i) .43 CFR Subpart E requires Buy America compliance and Appendix A of Subpart F of 43 CFR Part 12 (8) requires debarment and suspension certifications in the contract provisions.

**Condition:** During our testing of procurement, we noted two instances in four contracts tested where a contract did not include any of the required federal clauses and certifications. The costs paid by the grant were allowable per the scope of the grant. Metro implemented a review process in fiscal year 2009 to use a checklist for new and amended contracts to ensure all proper language is included qualifying contracts. However, this change was not fully implemented for the Parks department.

**Questioned Costs:** None as discussed above.

**Context:** The procured contractor's contracts that were identified as being sourced with federal funds were not amended to include the federal contracting language. This resulted in the contracts not being negotiated with the federal clauses and certifications.

**Effect:** Federal funds were expended in procurement contracts missing required certifications and/or evidence of the Agency following established procurement procedures.

**Cause:** Although this issue was identified in the prior year, the Parks department had not identified all existing contracts for projects that have become federally sourced.

**Recommendation:** Moss Adams recommends Metro further develop a federal contracts review process to ensure appropriate language is included for all Park's contracts that are receiving federal funds. This should include review of current contracts that may require amendments.

**Management's Response:** Management's response is included at "Management's Views and Corrective Action Plan"

**METRO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010**

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**Section IV – Summary Schedule of Prior Federal Award Findings**

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**Finding 2009-01 – Preparation of the Schedule of Expenditures of Federal Awards (SEFA) – Material Weakness in Internal Controls.**

**Condition:** Our testing of the schedule of expenditures of federal awards (SEFA) revealed that two additional grants were federal awards required to be audited under OMB Circular A-133, that were not properly identified by departmental staff as federal awards, and were initially omitted from the SEFA. Central accounting staff responsible for SEFA preparation rely on departmental information and the correct coding of federal awards in the general ledger. The existing processes and controls were insufficient to catch this error by Metro staff in the normal course of performing their accounting and reporting functions. Upon discovery of this, the SEFA was corrected to include these two programs.

**Recommendation:** Moss Adams recommends that Metro develop and implement policies to ensure the preparation of the SEFA is complete and thorough. Such a policy should include mechanisms for the timely and accurate identification of federal funds received from all sources.

**Current Status:** Resolved

**Finding 2009-02 Procurement, Suspension and Debarment – Significant Deficiency in Internal Control and Instances of Noncompliance (Unresolved Finding 2008-02)**

**Condition:** During our testing of procurement, we noted two instances in eleven contracts tested where a contract did not include any of the required federal clauses and certifications. The costs paid by the grant were allowable per the scope of the grant. Metro implemented a review process in the current year and uses a checklist for new and amended contracts to ensure all proper language is included for Planning department projects. However, this change appears to only be effectively implemented for projects applicable to the Planning department. The two instances noted in fiscal year 2009 were related to the Parks department.

**Recommendation:** Moss Adams recommends Metro implement an agency wide tracking and review process of contracts to ensure appropriate language is included for all contracts that are receiving federal funds.

**Current Status:** Unresolved. See Finding 2010-03.

