



Metro

Office of the Auditor
Annual Report

FY 2016-17

Brian Evans
Metro Auditor
September 2017

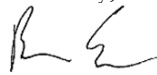
Message from the Metro Auditor

This report summarizes the performance of the Auditor's office over the last fiscal year (FY 2016-17) and provides five-year trends for each of our performance measures. It is an opportunity to demonstrate our mission of accountable, transparent, efficient, and effective government. I use the information to manage resources and make adjustments when needed. Continuous improvement is a common theme in the recommendations we make in audit reports. The annual report is a chance to apply the same approach to our own efforts. I hope you find it informative.

Audits completed this year covered a wide-range of Metro's programs and services including golf course operations, financial planning, preparedness for construction of the Convention Center Hotel, and organizational culture at the Oregon Zoo. These audits identified opportunities to improve Metro's ability to reach its goals, and provide benefits to residents of the region.

This year our 2016 audit of Community Planning and Development Grants received a Knighton Award as one of the best audits produced by a small audit shop. Congratulations to Elliot Shuford and Angela Owens for their work on that audit. The office also contributed to the audit profession in a number of ways last year. Simone Rede and Elliot Shuford each led a training session at audit conferences. Zane Potter and Elliot Shuford's article about our Glendoveer Golf Course was published in the Local Government Auditing Quarterly. In June, I started helping organize a conference that will take place in October that will include presentations about our recent work. All-in-all a very productive year.

Sincerely,



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Metro Auditor

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About the Auditor's Office

The office is led by the Metro Auditor; an elected position serving the entire Metro region. Performance audits are the primary work conducted by the office and follow Generally Accepted Government Auditing Standards. Performance audits provide independent and objective analysis to help management and the Metro Council be accountable to the public, improve program performance, reduce costs, and assist decision-making. The office also oversees the contract for the annual financial audit of Metro's financial statements and administers the Accountability Hotline where employees or the public can report concerns about Metro's programs and services.

Brian Evans is the third elected auditor since the position was created in the Metro Charter in 1995. Prior to being elected, Brian was a Principal Management Auditor. He began working in the Auditor's Office in 2008. The Office includes the elected auditor, four staff auditors, and an administrative assistant:

- Brian Evans, CGAP, CIA, *Metro Auditor*
- Tracy Evans, *Auditor's Administrative Assistant*
- Angela Owens, CFE, *Senior Management Auditor*
- Zane Potter, *Senior Management Auditor*
- Simone Rede, CGAP, *Senior Management Auditor*
- Elliot Shuford, *Senior Management Auditor*

To meet audit standards, auditors are required to complete 80 hours of continuing professional education every two years. Our staff attend forums, workshops, and conferences on performance auditing, as well as participate in an annual retreat to plan our work and enhance communication and teamwork.

In addition to continuing education, auditors contribute to the audit profession by leading training events both internally and at conferences and through webinars. Some employees also serve on committees for the Association of Local Government Auditors, a professional organization committed to supporting and improving local government auditing through advocacy, collaboration, education, and training.

Mission and Values

Our mission is to:

- Ensure that Metro is accountable to the public,
- Ensure that Metro's activities are transparent, and
- Improve the efficiency and effectiveness of Metro programs and services.

We do this by:

- Conducting independent and objective performance audits, and
- Reporting our findings and recommendations to the public.

It is our vision to be relevant and efficient, choosing the right areas to audit and completing audits quickly so Metro can continually improve its services and be accountable to the public. Audit findings and recommendations are presented publicly before the Council and are intended to assist the Council and Chief Operating Officer in making improvements that will better serve the public. Reports are published on the Metro Auditor's web page.

Our values are:

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

Performance measures

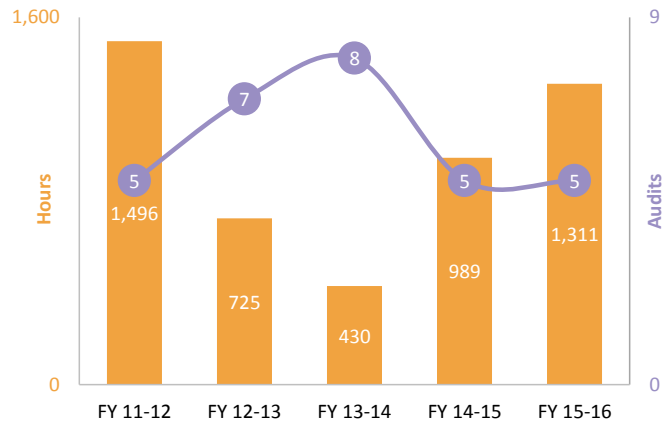
The performance of the Auditor's Office is measured by reviewing results in the following areas:

- Average hours to complete an audit and number completed each fiscal year,
- Audits completed per full time equivalent (FTE) employee,
- Audit hours per department,
- Auditee feedback, and
- Recommendation implementation rate.

Average audit hours and number of audits

Average audit hours and the number of audits completed measure the office's efficiency. In FY 2016-17, five audits were completed. The hours required to complete each audit ranged from 470 to 3,050 hours. The average was 1,331 hours.

Audits vary in length, depending on their scope and complexity. Average hours in FY 2011-12 were higher than other years due to the complexity of an audit completed in that year. The increase this year was due to an audit with a broad scope of work. This led to the same number of audits being completed as last year, but with a higher number of hours devoted to each on average.



The audit reports published in FY 2016-17 included four full audits and one follow-up audit. A total of 36 recommendations were made. The audit reports released were:

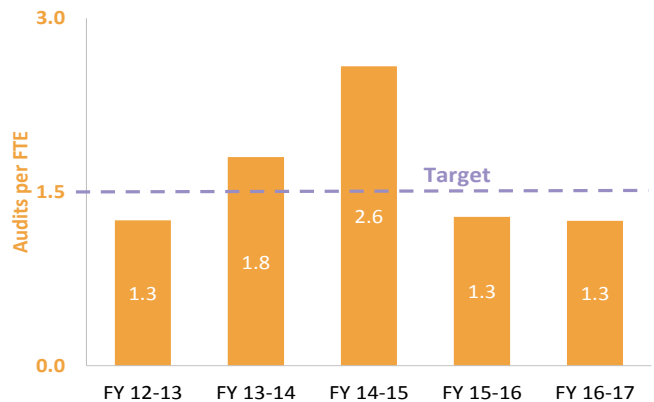
- Glendoveer Golf Course Operating Contract (August 2016)
- Capital Projects Planning (November 2016)
- Organic Waste System Follow-Up Audit (February 2017)
- Oregon Zoo Organizational Culture (February 2017)
- Convention Center Hotel Project Management (March 2017)

Audits per FTE

Another way to measure efficiency is by looking at the number of audits completed per full-time equivalent (FTE) employee. In FY 2016-17, 1.3 audits per FTE were completed, the same as the prior year. The downward trend since FY 2014 -15 was due to larger scope audits that provided more in-depth analysis of several of Metro's departments and programs.

Available staff hours and the scope of the audit determine the number of audits that can be completed each year. The length is affected by the complexity of the subject and size of the program. Generally, the office tries to complete one and a half audits per FTE each year.

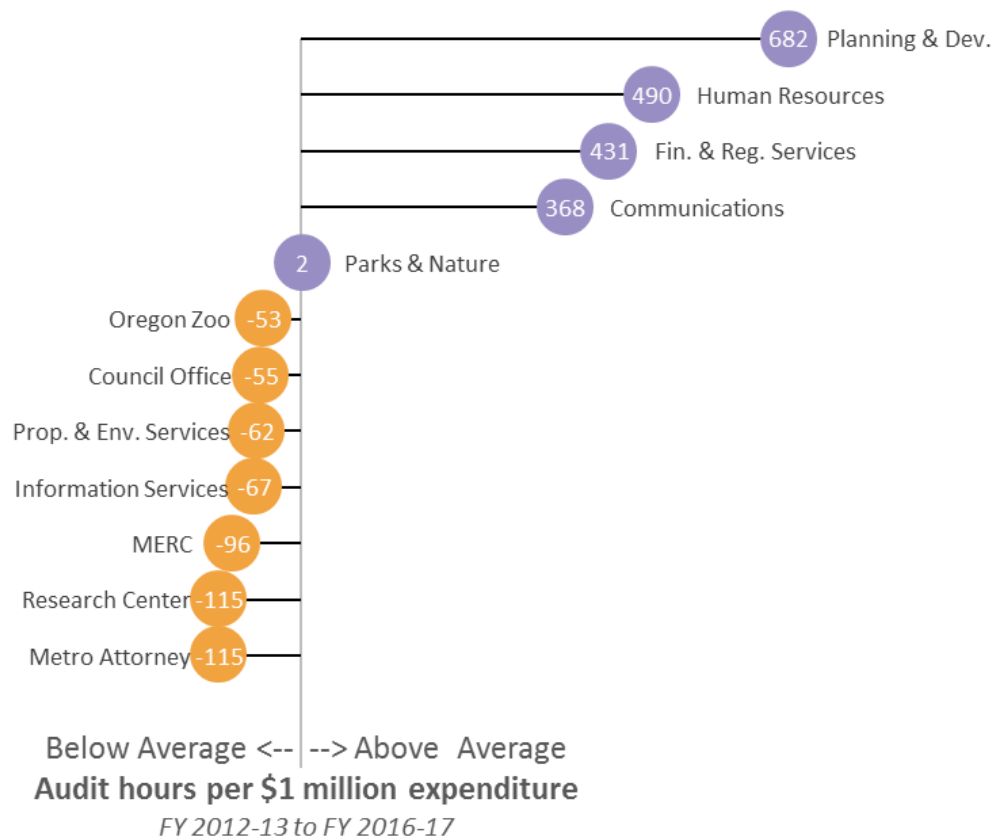
We did not meet that target this year, but there are several audits that will be completed soon which gives me confidence we will meet the target next year.



Audit hours per department

This measure is used to evaluate the office's effectiveness by analyzing how audit hours were distributed among Metro departments. It is calculated by dividing the total audit hours spent in each department by the department's size as measured by annual expenditures. In the last five years, about 115 audit hours were used for each \$1 million spent annually by Metro departments. If our office was able to provide equal coverage, each department would be aligned with the average line. In reality, more time is spent in some departments than others for a variety of reasons, including audit timing and greater risks in some programs and services.

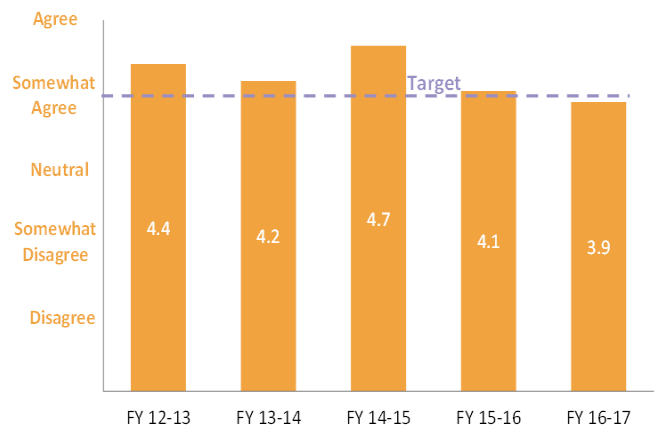
Over the last five years, audit hours have been unevenly distributed between departments based on their level of expenditure. More time was spent in Planning and Development, Human Resources, Finance and Regulatory Services, and Communications relative to their level of expenditure. Conversely, other parts of the organization such as Research Center, Metro Attorney, and the Metropolitan Exposition and Recreation Commission (MERC) had relatively few audit hours compared to their size. While some unevenness is expected, this type of analysis is one consideration when audits are placed on the schedule. This year some audits were scheduled in part to rebalance audit coverage.



Auditee feedback

Surveys are a way to get input on the quality of our work. After an audit is published, we ask those involved to provide feedback through an anonymous survey. Survey questions are designed to get information about the audit process, staff, report, and overall satisfaction.

In FY 2016-17 the average level of agreement about the value of our work was 3.9 out of 5. This indicated satisfaction with our reports, staff, and process. The average number of responses per audit increased this year to four, which was the highest average in the last five years. This indicates our efforts to increase feedback, such as using an online survey tool, have been effective. We will continue to work to increase the survey response rate this year so that we get even more feedback.



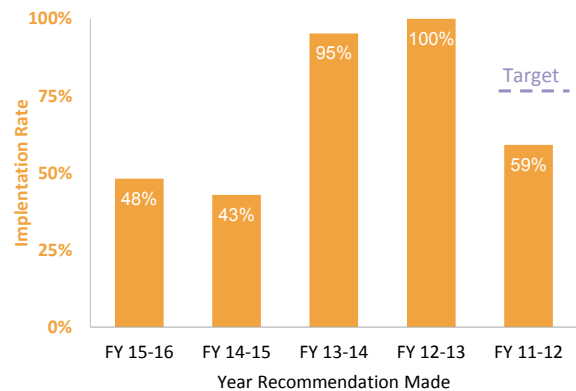
Recommendation implementation rate

The percentage of recommendations that are implemented shows how much impact audits have on the organization. Each year, the office asks program managers to report on the status of recommendations made in the last five years. That information, combined with our conclusions from follow-up audits, is used to track the percent of recommendations implemented after the audit was released.

A positive trend would show the percentage increasing as time from completion increases. The expectation is that at least 75% of the recommendations will be implemented within five

years. The five year target was not met. According to the most recent survey, 59% of our recommendations were implemented for audits released in FY 2011-12. This was caused by all of the recommendations from our audit of Natural Areas Maintenance being in process when the follow-up audit was completed.

Lower implementation rates in FY 2014-15 were the result of little progress being made on the recommendations in our audits of Asset Management and Budget Performance Measures. As in previous years, I will continue to talk with management about barriers to implementing recommendations and initiate follow-up audits as needed to focus attention on remaining risks.



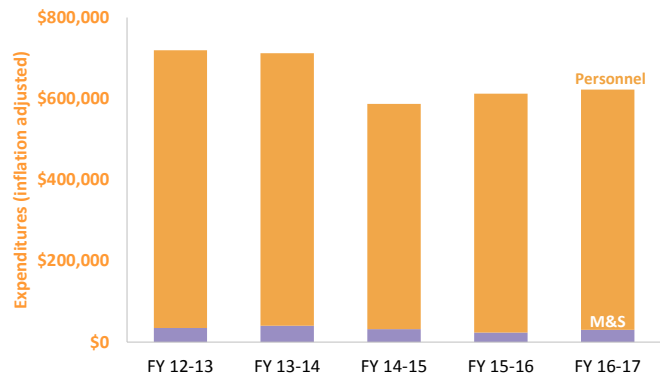
Audit schedule

The following audits are scheduled to begin this fiscal year. Audit topics are selected based on input from Metro Council, department management, audit staff, and the public. In addition, we conduct a risk assessment to identify high priority topics.

Audit Title	Start Date	Expected Completion Date
Payroll	November 2016	October 2017
Social Media Usage	January 2017	October 2017
Public Records Requests	March 2017	November 2017
Zoo Quality of Life Program	March 2017	November 2017
Risk Management Follow-up	October 2017	TBD
Sponsorships Follow-up	November 2017	TBD
Emergency Preparedness	November 2017	TBD
Financial Condition of Metro FY 2008-17	January 2017	TBD
Information Security/Technology	February 2018	TBD

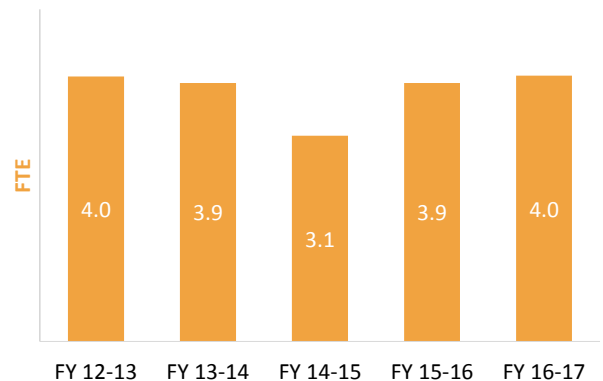
Expenditures

Expenditures were about 2% higher than last year. This was the result of higher materials and services costs for training and contracted services. Spending on personnel increased by less than one percent, which indicates that salary increases were matched by the rising cost of living (inflation).



Staffing available

This graph represents actual staff hours available. In FY 2016-17, there were 8,352 staff hours available, the equivalent of 4 FTE. This was basically unchanged from the previous year.



Accountability Hotline summary

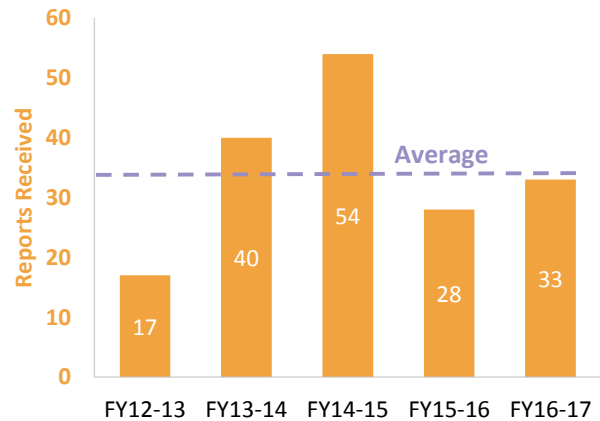
The Accountability Hotline gives employees and the public a way to report waste, inefficiency, or abuse of resources. The Metro Auditor administers the Accountability Hotline in consultation with upper management, the Metro Attorney, and the Human Resources Director. Cases may be handled by Human Resources personnel if disciplinary action could result. In some cases, upper management will assign an investigation to a department director if the report involves a service or program in their department. The Auditor reserves the right to conduct an audit on any report received.

Thirty-three reports were received in FY 2016-17. There is a wide variety in the nature of the reports in terms of specificity and issues identified. As a result, they cannot be categorized or summarized easily. Thirty-one reports were successfully investigated or in the process of being investigated at the end of the fiscal year. The other two provided inadequate information to investigate.

In five of the investigated cases, the information was confirmed, and in 26 cases the information was unfounded or inaccurate. The most frequent action taken in response to a report was to relay information to the person reporting the concern to provide context or additional information about what occurred. Corrective actions were taken in three cases. This year, one audit was completed based on a report to the Accountability Hotline and another audit was started, in part, based on reports to the Hotline.

Reports received

The number of Accountability Hotline cases received increased by about 18% this year. In FY 2016-17, a total of 33 reports were received. That was similar to the average number of reports (34) that have been received over the last five-years



Average days to close a case

According to best practices, cases should be resolved in 30 days or less to be responsive to the person reporting. This standard has been met in each of the last five years.

