

## METRO AUDIT COMMITTEE

### Meeting Minutes

June 28, 2021

Zoom virtual meeting

9:00 am

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#### **Members Present**

Andrew Carlstrom  
Anne Darrow  
Kristine Adams-Wannberg  
Mark Ulanowicz  
Damien Hall  
Brian Kennedy  
Brian Evans

#### **Affiliation**

Chairperson, Citizen Member  
Citizen Member  
Citizen Member  
Citizen Member  
MERC Representative  
Chief Financial Officer, Finance and Regulatory Services  
Metro Auditor

#### **Metro Staff Present**

Caleb Ford  
Somer Erickson  
Tracy Evans  
Simone Rede

Deputy Chief Financial Officer, Finance and Regulatory Services  
Controller, Finance and Regulatory Services  
Metro Auditor's Administrative Assistant  
Principal Management Auditor, Office of the Metro Auditor

#### **External Attendees:**

Ashley Osten  
Leila Annen

Partner, Moss Adams LLC  
Senior Manager, Moss Adams LLC

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1. Chairperson Carlstrom thanked those in attendance and introductions were made. Then he asked for volunteers to take the position of Vice-Chair. Kristine Adams-Wannberg volunteered to become Vice-Chair.
  2. Moss Adams presentation:
    - Ashley Osten welcomed the committee and covered the areas of:
      - Key service team members – Ashley Osten, Engagement Reviewer and Partner; Laurie Tish, Concurring Reviewer and Partner; Leila Annen, Senior Manager, MAAS-IT Consulting; and Janel Smoot, Senior Manager (slide 3).
      - Communications with those charged with governance at Metro (Audit Committee and Metro Council) are the auditor's responsibility under US generally accepted auditing standards. The standards require auditors to communicate about the planned scope and timing of the audit (slide 4).
      - Auditor's responsibilities in accordance with US GAAP (slide 5) is to review financial statements. The only thing the auditors own is their opinion according to AICPA standards. It does not relieve Metro of their responsibilities.
      - Audit Process – Internal Controls (drives how much needs to be done with analytical procedures). Internal control "walk through" has already been completed. What are the key control objectives? What are the activities that you do to control those objectives? (slide 6)
    - Leila Annen covered the area of:

- Taking a look at systems; PeopleSoft Financial and HR, Ungerboeck, and new this year, Weigh Master. The systems are audited for design, security settings, and observations for improvement are given.
- Team has almost finished with their IT audit work. Metro will be reviewing their user access which will be done by the end of August. Audit will continue on September 1 and will look at documentation.
- Metro IT team has been great to work with.
- Ashley Osten continued by covering:
  - Interim audit findings are available to committee members through the Moss Adams secure portal. Management letter comments, if any, and best practices recommendations identified would be there.
  - Analytical Procedures (revenue and expenses, trends, comparisons and independent expectations). Substantive Procedures; confirmation of account balances, vouching to supporting documentation, representations from attorneys and management, and examining objective evidence (slide 6).
  - 2020-21 will be a different year with COVID and other things that may not lend itself to a lot of great analytic procedures. Audit may spend more time on span of procedure standpoint rather than an analytic procedure standpoint.
  - What is Materiality? It's the amount of a misstatement that could influence the economic decisions of users, taken on the basis of the financial statements. It's calculated using certain quantitative (e.g., total assets) and qualitative factors (e.g., covenants, expectations, or industry factors) for each fund (slide 7). This drives how much testing is needed.
  - Significant audit areas (slide 8);
    - ✓ Cash and Investments - Metro holds over \$800M of cash and investments
    - ✓ Revenues and Receivables – occurrence and valuation
    - ✓ Capital Assets – Inventory of items and proper depreciation (confirm into service dates and asset movement)
    - ✓ Bonds Payable – Supportive Housing, Parks and Nature, Natural Areas, Zoo Infrastructure, and Affordable Housing (test a sample of expenditures to be sure they are in line with what is allowable in the bond document and confirm balances)
    - ✓ Compliance with Federal Laws and Regulations and Oregon Minimum Standards (single audit) – done because Metro receives over \$750,000 of federal funds
  - Consideration of Fraud, the team is not required to detect fraud, but to design audit to detect fraud if it does exist. They are looking for significant fraud in high risk areas and introduce an unpredictable procedure around risks. They also conduct personnel interviews and pull non-standard journal entries (slide 9).
- Kristine Adams-Wannberg asked how many grants are reviewed. Ashley responded that one or two grants are looked at each year, usually during final audit work. Somer Erickson is consulted to determine which programs are reviewed.
- Anne Darrow asked if investment risks are reviewed. Ashley answered that they do make sure that Metro's investments do comply with their own investment policy and the valuation is confirmed through Bloomberg. Anne also asked if capital assets have improved. Ashley responded that there were no findings last year and this year looks good with new internal controls in place.
- Ashley continued with:
  - Fraud – they review journal entries for things that seem odd, like account adjustments on a weekend. They test journal entries and management estimates
  - Audit Timing – April 19-23, IT testing (to complete on September 1<sup>st</sup>); June 14-18, remote interim testing; June 28th, entrance meeting with audit committee; October 4-22, final

fieldwork procedures for financial statements and Single audit testing; November 5th, discuss draft financial statements and auditor's reports with management; November 29th, audit committee approval of statements and exit meeting; December, Metro Council approval of auditor's reports (slide 10).

- New Accounting and Audit standards adopted in 2021
  - o GASB 84 – Fiduciary Activities. Establishes standards of accounting and financial reporting for fiduciary activities (slide 12).
  - o GASB 90 – Majority Equity Interests. Establishes standards of accounting and financial reporting for majority equity interests.
  - o GASB 97 – Certain Component Unity Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – paragraphs 4 and 5 effective immediately. Clarifies certain component unit criteria when there is an absence of a governing board as well as the applicability of the financial burden criterion.
- Accounting and Audit standards to be adopted in 2022
  - o GASB 87 – Leases. Establishes standards of accounting and financial reporting for leases by lessees and lessors and establishing a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset (slide 13).
  - o GASB 89 – Accounting for Interest Cost Incurred before the End of a Construction Period. Establishes accounting requirements for interest cost incurred before the end of a construction period.
  - o GASB 92 – Omnibus 2020. Addresses a variety of topics including the effective date of new lease guidance in interim financial reports, reporting intra-entity transfers for defined benefit pension plans or other postemployment benefit plans, reporting assets accumulated for postemployment benefits, certain requirements for postemployment arrangements, measurement of assets and liabilities associated with asset retirement obligations, public entity risk pool reporting, nonrecurring fair value measurements, and terminology used to refer to derivative instruments.
  - o GASB 93 – Replacement of Interbank Offered Rates. Addresses the accounting and financial reporting effects that result from the replacement of an interbank offered rate (IBOR) with other reference rates (slide 14).
  - o GASB 97 - Certain Component Unity Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. Amends the criteria for reporting governmental fiduciary component units to improve consistency and comparability in reporting on fiduciary component units and IRS Section 457 plans.
- Moss Adams offers an array of services; Articles and Alerts, webcasts, and Reports and Guides (slide 16).

### 3. Questions and discussions:

- Anne Darrow asked if the benefits Metro received due to COVID were audited. Ashley responded that Metro didn't receive any significant funds in 2020. Somer said that funding from the state didn't have the proper signatures so there weren't any recorded expenditures this fiscal year. Metro received \$4.1M from the state and \$1.7M grant from the City of Portland. Those items will be included in the audit for the year they were received. Brian Kennedy added that Metro isn't a direct recipient because it is a regional government and money is negotiated from the other governments. There are other

grants Metro has applied for like the Shuttered Venue Operator's grant and some economic development funding. Ashley mentioned they will be looking into the money Metro received from the Coronavirus Relief Fund.

- Kristine Adams-Wannberg asked if there were any concerns of fraud, waste, or abuse at Metro. Ashley responded that they haven't had any concerns at Metro. They work closely with Auditor Evans and are required to report anything they might find.
- Anne Darrow asked about the unpredictable audit area. Ashley said they are required to audit an unpredictable area.
- Somer Erickson gave a call out to Qing Yang who, during COVID, did physical inventory, and helped put together policy around capital assets.

4. In closing, the next committee meeting is scheduled for Monday, November 29, 2021 from 9:30 – 11:00 am.

Adjourn – the meeting adjourned at 9:43 am.

Attachment: Moss Adam Entrance Presentation