

METRO AUDIT COMMITTEE

Meeting Minutes

May 13, 2024

Zoom virtual meeting

9:00 am

Members Present

Kristine Adams-Wannberg
Barbra Littrell
Kingston Sprague
Mark Ulanowicz
Gerritt Rosenthal
Brian Kennedy
Brian Evans

Affiliation

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

Members Absent

Damien Hall

MERC Representative

Metro Staff Present

Caleb Ford
Melissa Weber
Angela Owens
Tracy Evans

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

External Attendees:

Ashley Osten
Leila Annen
Anna Waldren

Partner, Moss Adams LLC
Senior Manager, Moss Adams LLC
Senior Manager, Moss Adams LLC

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1. Chairperson Sprague thanked those in attendance and introductions were made. Barbra Littrell, the new citizen member, shared a little of her background. Kingston asked for volunteers to take the position of Vice-Chair. Kingston explained what was involved being the chairperson and the transition timing of Vice-Chair to Chairperson. Barbra 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; Anna Waldren, Senior Manager; Leila Annen, Senior Manager, MAAS-IT Consulting (slide 3).
 - Communications with those charged with governance at Metro (Audit Committee and Metro Council) are the auditor's responsibility under US Generally Accepted Accounting Principles (GAAP). The standards require auditors to communicate about the planned scope and timing of the audit. First two are covered in this meeting (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.
 - Anna Waldren covered the areas of:

- Audit Process – Internal Controls (walkthroughs with key owners, testing key controls, cash management and IT controls). Analytical Procedures (revenue and expenses, trends, comparisons and other expectations). Substantive Procedures-detail testing (confirmation of account balances, vouch to supporting documentation, representations from attorneys and management, and examining objective evidence). (slide 6)
- 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 (reasonable not absolute assurance). 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. Materiality levels vary for each opinion unit.
- Significant audit areas (slide 8)
 - ✓ Cash and Investments - Metro holds cash and investments, both restricted and nonrestrictive.
 - ✓ Revenues and Receivables – Revenue recognition and valuation of receivables
 - ✓ Capital Assets – Existence and valuation
 - ✓ Bonds Payable –Completeness of bond payable and related financial statement disclosures
 - ✓ Compliance with Federal Laws and Regulations and Oregon Minimum Standards (single audit) – Done because Metro receives federal funds
- Leila Annen covered the area of the information technology audit (slide 9):
 - Taking a look at systems - PeopleSoft Financial and HR, Ungerboeck(USI), and Weighmaster. Added this year is KMIT (Wild Republic), SWIS (Solid Waste Info System), and USEDirect. Doubled the scope of years previous. The systems are audited for design and security settings, and observations for improvement are given.
 - Cybersecurity Questionnaire
 - Follow-up on prior years deficiencies
 - Design and operating effectiveness of IT General Controls- change management (program changes and configuration changes), security and access, and operations related to data transfers.
 - Advanced request list was sent to Metro the week of April 3rd. Fieldwork was conducted April 15-May 10. The team finished with their planned IT audit fieldwork on 5/10/24. Observation memo should be released by May 31st. Final results will available by Audit Committee meeting in November.
- Anna Waldren continued by covering:
 - Consideration of Fraud - The team is not required to detect fraud, but to design audit procedures to identify any indications that fraud might exist. They are looking for significant fraud in high-risk areas and introduce an unpredictable procedure each year designed to assess fraud risk. They talk to Metro Auditor, conduct personnel interviews and pull non-standard journal entries (slide 10).
 - Fraud – They review journal entries for things that seem odd, or unexpected or have management bias. They test journal entries and management estimates.
 - Audit Timing – IT testing was in April; May 13, entrance meeting with audit committee, June 3-7, interim testing; September 30-October 18, final fieldwork procedures for financial statements and Single Audit testing; October 25, receive draft financial statements from management; November, audit committee approval of statements and exit meeting; and December, Presentation to Metro Council (slide 11).

- Ashely Osten shared upcoming standards:
 - No new accounting standards for this year but upcoming standards for 2025 year-end (slide 13)
 - GASB 101, Compensated Absences – liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means.
 - GASB 102, Certain Risk Disclosures- requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of substantial impact. Additionally, this statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.
 - Moss Adams offers an array of services: Articles and Alerts, Webcasts, and Reports and Guides can be found online (slide 14). Also contacts for Moss Adams.

3. Questions and discussions:

- No questions.
- Kristine praised IT department for being ready for the audit. Leila commented that Metro has really been leaning into the feedback in years past. IT had already finished all user access reviews. This was a big enhancement.
- Kingston also commented he was happy to see a slow down on new GASB standards.

4. In closing, the next committee meeting will be set up for a date in November.

Adjourn – the meeting adjourned at 9:28 am.

Attachment: Moss Adam Entrance Presentation