

# METRO AUDIT COMMITTEE

## Meeting Minutes

May 15, 2023

Zoom virtual meeting

9:30 am

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### **Members Present**

Kristine Adams-Wannberg  
Andrew Carlstrom  
Kingston Sprague  
Gerritt Rosenthal  
Damien Hall  
Brian Kennedy  
Brian Evans

### **Affiliation**

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

### **Members Absent**

Mark Ulanowicz

Chairperson, Citizen Member

### **Metro Staff Present**

Caleb Ford  
Melissa Weber  
Tracy Evans

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

### **External Attendees:**

Ashley Osten  
Leila Annen

Partner, Moss Adams LLC  
Senior Manager, Moss Adams LLC

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1. Kristine Adams-Wannberg, filling in for Chairperson Ulanowicz, thanked those in attendance and introductions were made. Kingston Sprague, the new citizen member, shared a little of his background. Kristine asked for volunteers to take the position of Vice-Chair. Auditor Evans explained what was involved being the chairperson. Kingston Sprague 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 (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). What are the key control objectives? What are the activities that you do to control those objectives? 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).
- 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. Materiality levels vary for each opinion unit, but are usually 1%-5%.
  - Significant audit areas (slide 8)
    - ✓ Cash and Investments - Metro holds cash and investments, both restricted and nonrestrictive.
    - ✓ Revenues and Receivables – Occurrence and valuation
    - ✓ Capital Assets – Inventory of items and proper depreciation (confirm into service dates and asset movement).
    - ✓ Bonds Payable – 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.
  - Councilor Rosenthal asked if the land acquisitions would be reflected in capital assets. Ashley said, yes, if there were land acquisitions in the fiscal year, they would be capital assets. Management would know the specifics around the acquisitions. Councilor Rosenthal inquired about the environmental or legal liabilities associated with the purchases. Ashley said that those are evaluated, and management would be asked about those.
  - Leila Annen covered the area of the information technology audit (slide 9):
    - Taking a look at systems - PeopleSoft Financial and HR, Ungerboeck, and Weighmaster. The systems are audited for design and security settings, and observations for improvement are given.
    - The team finished with their planned IT audit fieldwork on 5/8/23. Metro will be reviewing their user access and will look at documentation. No observation memo yet.
    - Additional procedures will ask the question, "What is important?"
    - Moss Adams' team requested a data flow diagram from Metro IT this year. As a result, Moss Adams will include three new systems in the scope of work this year. They will be looking at Zoo revenue and Parks revenue systems and the Solid Waste Information Systems (SWIS). They will be starting their work around design assessment to see what the IT controls are then test them.
    - Andrew Carlstrom asked if Leila's team looked at Metro's adherence to Service Level Agreements (SLA) with software vendors. Leila responded that it is out of scope for their work. They review the specific procedures and protocols that manage they systems themselves.
    - Auditor Evans asked for more information about the addition of new systems this year. Leila explained that just like the addition of Weighmaster in the past, more information was obtained this year about revenue data flows, and they decided these systems could be material to the accuracy of the financial statements. Ashley added that auditors design procedures based on the information they have. The data flow diagram showed them at these other systems were significant and probably should have been included in previous audits. Focusing on the controls around a larger set of systems will now be with the scope for the audit. Auditors learn more every year. Auditor Evans asked about SWIS and its relationship to revenue. Ashley referred to Brian Kennedy to answer. Brian Kennedy said that

Weighmaster manages transactions data from Metro's Transfer Stations. SWIS collects data about the regional system fee and excise tax payments for all the facilities in the region. Data in both systems are similar but cover different parts of the revenue from solid waste.

- Ashley Osten 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 also conduct personnel interviews and pull non-standard journal entries (slide 10).
  - 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 – IT testing was in April; May 15, entrance meeting with audit committee, June 5-9, interim testing; October 2-20, final fieldwork procedures for financial statements and Single Audit testing; October 30, receive draft financial statements from management; November, audit committee approval of statements and exit meeting; and December, Presentation to Metro Council (slide 11).
  - New accounting standards applicable to the 2022-23 audit (slide 13)
    - GASB 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. Improves financial reporting through establishing definitions of public-private and public-public partnership arrangements and availability payment arrangements and providing guidance on accounting and reporting for transactions that meet those definitions. Initially Moss Adams thought this standard may have a significant impact on Metro's audit, but it may not be as applicable as originally expected. Metro is reviewing how it applies and based on conversations with Moss Adams, believes only one or two contracts may be applicable to this standard.
    - GASB 96, Subscription-Based Information Technology Arrangements. Provides guidance on the accounting and financial reporting for subscription-based information technology arrangement for government end users.
  - 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.
- Ashley informed the committee there is a new portal that should be more user friendly. She will get everyone set up for use so the committee can review audit updates prior to the next meeting in November.
- She expects a summary of information from the interim phase of the audit to be available in the portal after June 23.

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

Adjourn – the meeting adjourned at 10:13 am.

Attachment: Moss Adam Entrance Presentation