



## METRO AUDIT COMMITTEE

### Meeting Minutes

November 21, 2024

Virtual Meeting

9:00 AM

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#### Members Present

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

#### Affiliation

Citizen member, Committee Chair  
Citizen member  
Citizen member  
Citizen member  
Metro Councilor  
Chief Financial Officer, Metro  
Metro Auditor

#### Metro Staff Present

Caleb Ford  
Melissa Weber  
Erica Gallucci  
Tracy Evans

Deputy Chief Financial Officer, Finance & Regulatory Services  
Controller, Finance & Regulatory Services  
Accounting Program Manager, Finance & Regulatory Services  
Metro Auditor's Administrative Assistant

#### External Attendees:

Ashley Osten  
Anna Waldren  
Alice Richichi

Partner, Moss Adams LLC  
Senior Manager, Moss Adams LLC  
IT Consulting Group Manager, Moss Adams LLC

#### Absent

Damien Hall  
MERC Commissioner

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1. Chairperson Sprague welcomed everyone and opened the meeting. He then called for the next item on the agenda, an overview of the Annual Comprehensive Financial Report (ACFR) by Brian Kennedy.
  2. Brian Kennedy began by thanking Audit Committee members, Auditor Evans, the Moss Adams team, and the Metro team for putting together the ACFR. Proud to complete the audit and financial statements on time. The ACFR shows how Metro is investing in the community. Proud of another clean audit opinion. No surprises in the results.
  3. Ashley Osten with Moss Adams presented the audit results:
    - Moss Adams made an unmodified (clean) opinion on Metro's financial statements, which is the highest level of assurance possible.
    - Moss Adams also issued other reports since Metro receives and spends federal funds. Internal Control Over Financial Reporting and Compliance with Requirements that could have a Direct and Material Effect on the Major Federal Program and on Internal Control Over Compliance.

This year's review focused on the Federal Transit Cluster. No control findings were made so there was a clean opinion related to the federal single audit. This testing has no materiality threshold so even small discrepancies would have required more review of controls and compliance.

- Metro had no control or compliance findings relating to Oregon Minimum Standards.
- Additional audit work was done for Natural Areas, Affordable Housing, and Parks & Nature bonds. The expenditures sampled showed that the purpose stated in the bond measure was being met.

4. Ashley Osten presented the areas of audit emphasis:

- **Internal control environment:** Financial close and reporting, revenue/receivables, payroll, disbursements, capital assets, and information technology general controls.
- **Management estimates:** Environmental remediation liability, depreciation, legal contingencies, and allowance for doubtful accounts. No issues found.
- **Cash and investments:** Valuation of investments and classification of cash and investments were properly recorded. Review of restricted (bond funds) and non-restricted funds. No issues found.
- **Net Pension Liability:** Testing of Metro's share of the liability for employees' future pension obligations as part of Oregon PERS; employer liability and related deferred inflows/outflows including selections of new hires and contributions made by Metro. No issues found.
- **Bonds activity:** Sampled transactions for compliance with allowable expenditures; reviewed discounts and premiums, debt repayments, and compliance with covenants. No issues found.
- **Capital Assets:** Tested for additions, retirements, and depreciation. No compliance findings.
- **Revenue recognition:** Confirmed property tax revenue and personal and business income tax revenues; confirmed advances made to various jurisdictions for the Affordable Housing and Supportive Housing Services fund; evaluated investment income, and federal grants; considered collectability of receivables. No issues found.
- **Leases:** Tested significant lease contracts recorded which included reviewing the lease agreements and verifying the discount rate was reasonable; tested the completeness of the overall lease amounts recorded by testing a sample of leases that were not recorded at year-end. No issues found.
- **Subscription-based information technology arrangements (SBITA):** Tested significant subscription-based technology arrangements which included reviewing the agreements, verifying the discount rate was reasonable; tested the completeness of the overall subscription amounts and reviewed for any undocumented subscriptions within the expense accounts. No issues found.
- **Net position:** Consideration of classification for unrestricted, restricted, and net investment capital assets. No issues found.

- **Compliance testing for federal funds (single audit):** One major program tested, Federal Transit Cluster. Metro complied with requirements.
5. Anna Waldren with Moss Adams summarized what communications are required from Moss Adams. Audit standards require Moss Adams to communicate with those charged with governance. At Metro it's the Metro Council and the Audit Committee. Their responsibilities to meet these requirements include:
- To express our opinion on whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, and in accordance with U.S. Generally Accepted Auditing Standards. However, our audit does not relieve you or management of your responsibilities.
  - To perform an audit in accordance with generally accepted auditing standards issued by the AICPA and Government Auditing Standards issued by the Comptroller General of the United States, and design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement.
  - To consider internal control over financial reporting and internal control over compliance as a basis for designing audit procedures but not for the purpose of expressing an opinion on its effectiveness or to provide assurance concerning such internal control.
  - To communicate findings that, in our judgment, are relevant to your responsibilities in overseeing the financial reporting process and administering federal awards. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

#### Planned Scope and Timing of the Audit:

- It is Moss Adams' responsibility to determine the overall audit strategy and the audit plan, including the nature, timing and extent of procedures necessary to obtain sufficient appropriate audit evidence and to communicate with those charged with governance an overview of the planned scope and timing of the audit.
- The scope and timing of the audit was communicated at the May 13, 2024 audit committee meeting. There were no changes made to the audit plan.

#### Significant Accounting Policies & Unusual Transactions

- Management has the responsibility for selection and use of appropriate accounting policies. The significant accounting policies used by Metro are described in the footnotes to the financial statements. Throughout the course of an audit, we review changes, if any, to significant accounting policies or their application, and the initial selection and implementation of new policies. There were no changes to significant accounting policies for the year ended June 30, 2024.

Moss Adams believes management has selected and applied significant accounting policies appropriately and consistent with those of the prior year.

#### Management Judgments and Accounting Estimates

- Management's judgments and accounting estimates are based on knowledge and experience about past and current events and assumptions about future events. We apply audit procedures

to management's estimates to ascertain whether the estimates are reasonable under the circumstances and do not materially misstate the financial statements.

Moss Adams deemed all significant management estimates reasonable.

The disclosures in the financial statements are clear and consistent. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

We draw your attention to the following:

- Note II, D – Summary of Significant Accounting Policies
- Note IV, J – Commitments
- Note IV, M – Bonds Payable

#### Difficulties Encountered in Performing the Audit

- The auditors found no significant difficulties while performing the audit.

Significant audit adjustments and unadjusted differences considered by management to be immaterial, was covered.

- There were no corrected audit adjustments. There were two uncorrected audit adjustments. One was to accrue for interest income due from various funds to the Affordable Housing fund (approx. \$230K) identified by management. Second was to accrue for settlement agreement payment related to a claim filed against Metro in February 2024 (\$58K). Neither had a material impact on the financial statements, so management has the authority to decide whether to make corrects. They decided not to.
- Legal proceedings and uncertainties could arise in the ordinary course of business, which are disclosed in the notes to the financial statements.

#### Disagreements with Management

- Metro and Moss Adams did not have any disagreements while the audit was being conducted.

#### 6. Ashley continued the discussion around deficiencies in internal control

- Best practices are not a requirement during the audit, but they are discussed. No material weaknesses were noted.
- Significant deficiencies and non-compliance. None to report.
- Best practice recommendations.
  - Current year best practice recommendations:
    - Capital assets – evaluate when assets are being put in service so they can be capitalized and depreciated properly
    - Accounts payable overpayments – evaluate support behind payment
    - IT deficiencies – discussed later

#### Management's Consultation with Other Accountants

- Management did not consult with other outside accountants during the year.

#### Other Material Written Communications

- Other than the contract, management representation letter, and the management letter, there have been no other significant communications.

#### Material Uncertainties Related to Events and Conditions

- No concern

#### Fraud and Noncompliance with Laws and Regulations

- Not aware of any instances of fraud or noncompliance

#### 7. Alice Richichi gave the information technology overview with scope and results for 2024. Fieldwork was completed in April/May.

- Systems audited:
  - PeopleSoft Financials – accounting functions, general ledger
  - PeopleSoft Human Resource Management – employee records
  - Ungerboeck Event Management (USI) – Oregon Convention Center event management
  - Weighmaster – system used by solid waste transfer stations
  - KMIT
  - SWIS
  - USeDirect
- Internal control deficiencies:
  - PeopleSoft - Administrative permissions (recurring and carried forward from 2019). Segregation of duty conflicts remain present in the PeopleSoft systems due to delivered system account usage. However, as a mitigating effort, management performed in both FY23 and FY24 a review of change activities to validate no unauthorized changes were noted during the period and investigate reasoning and risk if identified.
    - Mitigating controls established during the FY2023 audit continue to address unauthorized change
  - USeDirect – User access review (new to 2024)  
User access review scope extension recommended to address all system users
    - User access reviews did not include review over the following locations/menu areas: Blue Lake, Web Reservations, and Contact Center stores.
- Process improvement opportunities
  - User access reviews (carried forward from 2019). Documentation retention improvement recommended.
    - KMIT – the finalized KMIT review package did not include retention of documentation to support completeness and access of listings utilized.
- Resolved PY Observations
  - Establishing ITGCS – KMIT, SWIS, USeDirect
  - Change documentation - PeopleSoft
  - User access reviews – PeopleSoft, USI

#### 8. Ashley Osten gave an update on new and upcoming changes to accounting standards.

- GASB 101 – Compensated Absences – effective 2025.
- GASB 102 – Certain Risk Disclosures – effective 2025

- GASB 103 – Financial Reporting Model Improvements – effective 2026
- GASB 104 – Disclosure of Certain Capital Assets – effective 2026

9. The committee made the following comments at the conclusion of the presentation.

- Councilor Rosenthal thanked Moss Adams for their thoroughness and their reporting. He commented, boring is better. Thanks for alerting us to small things and that management is dealing with these in an appropriate manner.
- Kristine Adams-Wannberg a question for Alice. IT resource challenges? More staffing resources would be needed to resolve the back-end IT supporting teams.
- Kingston Sprague appreciates the process that financial staff goes through especially in adopting new GASB standards.

10. Brian Kennedy gave comments to management letter and audit results

- Brian Kennedy agreed with the best practice recommendations regarding capital asset and have implemented a new reconciliation process. Account Payables: we agree with recommendation and are retraining for finance staff and department staff. Also, improvement on contract administration practices began at the beginning of FY24-25 (July 1, 2024).

11. Next steps given by Kingston Sprague:

- The ACFR will be presented to Metro Council; December 12<sup>th</sup> at 10:30 am.
- The ACFR would be presented to the MERC Commission February 5th, 2025, 12:30-2:30 PM

12. Auditor Evans commented on the last items:

- He welcomed any audit committee members to attend any of the meetings, if they would like.
- This is Mark Ulanowicz's last meeting on the committee. He was thanked for his service.
- Recruitment will be open at the beginning of 2025 for a public audit committee member. He asked committee members to refer interested parties to the opportunity.
- Moss Adams' contract for financial audit services has reached the end of the five-year agreement and needs to be competitively bid. A request for proposals will be issued in the first part of 2025. He asked for a couple public members to volunteer to serve on the RFP review panel.

13. Adjourned at 9:39 am.