



## METRO AUDIT COMMITTEE

### Meeting Minutes

November 27, 2023

Virtual Meeting

9:00 AM

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#### **Members Present**

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

#### **Affiliation**

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

#### **Metro Staff Present**

Caleb Ford Deputy Chief Financial Officer, Finance & Regulatory Services  
Melissa Weber Controller, Finance & Regulatory Services  
Erica Gallucci Accounting Program Manager, Finance & Regulatory Services  
Carol Bernards Accountant III, Finance & Regulatory Services  
Rachel Tull Chief Information Officer, Metro  
Tracy Evans Metro Auditor's Administrative Assistant

#### **External Attendees:**

Ashley Osten Partner, Moss Adams LLC  
Anna Waldren Senior Manager, Moss Adams LLC  
Alice Richichi IT Consulting Group Manager, Moss Adams LLC

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1. Chairperson Ulanowicz welcomed everyone and opened the meeting with introductions. 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 Auditor Evans, the Moss Adams team, and the Metro team for putting together the ACFR. The ACFR reflects the high standards of financial excellence over the last year. The ACFR tells the story Metro's role in the region. Metro's change and growth in the last 5 years reflected through the Affordable Housing Bond and Supportive Housing Services. Metro is solid financially and is in a stronger position coming out of the pandemic. Metro has done a good job at rebuilding reserves and building back in a conservative way. He went on to recognize the team that put together the ACFR; Caleb Ford, Melissa Weber, Carol Bernards, and Erica Galucci. The teams professionalism is reflected in an on time release of the ACFR.
  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 included an emphasis of matter statement this year to acknowledge changes to Metro’s financial statements resulting from the adoption of GASB 94 and 96.
  - GASB 94 is related to a receivable and deferred inflow of resources related to a couple contracts including food and beverage service and Zoo, P’5, Expo, and the Zoo gift shop. The receivable was approximately \$32.6M. Auditors concluded it was reasonable and disclosures were appropriate.
  - GASB 96 is related to subscription-based IT arrangements. \$1.5M asset and liability was reported associated with this new standard.
- Moss Adams also issued two additional 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. The two were Highway Planning Program (previously a “cluster”) and the Endangered Species Program. No control findings were made so there was clean opinion. This has no materiality threshold so even small discrepancies would have required more review of controls and compliance. It’s a credit to Metro that this wasn’t required.
- 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 ballot measure was being met.
- Councilor Rosenthal asked what a “cluster” was in regards to Highway Planning now being a “project”. Ashley answered that previously the “cluster” is what uniform guidance puts together for things that fit together and are tested as a “cluster.” The terminology changed for this year’s uniform guidance.

4. Ashley Osten presented the areas of audit emphasis:

- **Internal control environment:** 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:** Tested issuance of Series 2023 general obligation refunding bond. 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.

- **Public-private partnership** receivable and deferred inflow of resources – evaluated Metro’s adoption of GASB 94; tested significant contracts that were recorded and verified amounts and disclosures were complete and accurate.
  - **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. Proposed adjustment.
  - **Leases:** Evaluated Metro’s adoption of GASB 87 last year. 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.
  - **Subscription-based information technology arrangements (SBITA):** evaluated Metro’s implementation of GASB 96; 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 (\$1.5M) and reviewed for any undocumented subscriptions within the expense accounts.
  - **Net position:** Consideration of classification for unrestricted, restricted, and net investment capital assets. No issues found.
  - **Compliance testing for federal funds (single audit):** Metro received, Highway Planning Project and Endangered Species Conservation Program. 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 their opinion, perform the audit, consider internal controls, and to communicate findings under US Generally Accepted Auditing Standards and Government Auditing Standards.
  - Testing to reach a reasonable basis for conclusions not absolute assurances. That means they did not review every dollar that was spent.
  - Applying audit procedures to management’s estimates to ascertain whether the estimates are reasonable. Moss Adams deemed all significant management estimates reasonable.
  - Communicating the scope and timing of the audit which took place May 15th. There were no changes made to the audit plan.
  - Reviewing significant accounting policies and unusual transactions. The significant accounting policies used by Metro are described in the footnotes of the financial statements. There were no changes to significant accounting policies for the year ended June 30, 2023. However, Metro did adopt the following standards in the current year: GASB 94, Public-Private and Public-Public Partnerships and Availability Payment, and GASB 96, Subscription-Based Information Technology Arrangements. We believe management has selected and applied significant accounting policies appropriately and consistent with those of the prior year.
  - Management’s judgments and accounting estimates are based on knowledge and experience about past and current events and assumptions about future events. Audit procedures were

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

- The ACFR is a large document and includes a number of disclosures. The ones that are most informative are:
    - Note II, D – Summary of Significant Accounting Policies
    - Note IV, B – Public-Private Partnership Receivable
    - Note IV, J – Commitments
    - Note IV, K – Leases
    - Note IV, L – SBITA
    - Note IV, M – Bonds Payable
  - The auditors found no significant difficulties while performing the audit.
6. Next, areas of significant audit adjustments and unadjusted differences considered by management to be immaterial, was covered.
- There were no corrected audit adjustments. There was one uncorrected audit adjustment. This was to adjust advances and expenses for the Supportive Housing Services fund (approximately \$3.9M) identified by management. Does not have a material impact on the financial statements.
  - Legal proceedings and uncertainties could arise in the ordinary course of business, which are disclosed in the notes to the financial statements.
  - Metro and Moss Adams did not have any disagreements while the audit was being conducted.
  - 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:
      - IT recommendations
    - Update on prior year recommendations:
      - OPEB census will be tested again in 2024
      - User access reviews – repeat
      - Administrative permissions – repeat
  - Management did not consult with other outside accountants during the year.
  - Going concern Metro wide – no matters of concern
  - Not aware of any fraud or noncompliance with laws and regulations.
7. Alice Richichi gave the information technology overview with scope and results for 2023. 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, and USEDirect – first year being assessed
  - Internal control deficiencies:
    - Administrative permissions (recurring and carried forward from 2019). Proactive monitoring of logged financials and personnel related activities recommended. Individuals with development responsibilities were noted to have administrative access

PeopleSoft Financials and HRMS Management. This presents a segregation of duties risk.

- Establishing ITGCS – extending established IT General Controls over to KMIT, SWIS, and USeDirect (new to FY2023).
- Change Management – documentation improvement recommended. PeopleSoft financials and HRMS – changes were not formally tracked via ticket documentation as per established change management best practices at Metro. there was a mitigating detective control established in fiscal year 2023 to address lack of documentation risk (carried forward from FY2022 and escalated to a control deficiency).
- Process improvement opportunities
  - User access reviews (carried forward from 2019). Documentation retention improvement.
    - USI – the review process was established during FY2022. The review process was disaggregated leading to incomplete documentation to support the review being performed.
    - PeopleSoft Financials and HRMS – documentation of who performed the reviews and the dates review was completed was not retained in all cases.
- Resolved PY Observations
  - Password Configurations
  - User access reviews - Weighmaster
- Kristine Adams-Wannberg asked for a little more explanation around change management issues. Alice explained that this primarily focused on the PeopleSoft Financials and PeopleSoft HR. Some changes are being made for regular operations and some are made for more significant changes. It wasn't possible for the auditors to differentiate whether the change is a business as usual or a change that can impact the system. The auditors are asking for more documentation about the purpose of the change and who reviewed it. Rachel Tull, first thanked Moss Adams and her team through the process. On change management, PeopleSoft does keep logs/records of the changes being made. Logs are available but they are working to make them more accessible. Alice noted that Rachel's team is working on a process to closeout out all changes each year to ensure sufficient documentation is retained.

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

- GASB 101 – Compensated Absences – effective 2025. This isn't anticipated to have a significant impact on Metro and they have another full year before it goes into effect.

9. The committee asked the following questions at the conclusion of the presentation.

- Kristine Adams-Wannberg asked how the process of the audit went in comparison to other years. Ashley said with steady accounting team at Metro it was smooth sailing. Everything was executed within the designated timeframe. Staff thought ahead of time about GASB 94 & 96 and the audit went smoother than last year. Brian Kennedy also commented that the staff isn't just consistent but also excellent. The team is rock solid.
- Councilor Rosenthal gave kudos to the financial team, Brian Kennedy and his staff. There is so little to report on which is good.

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

- Brian Kennedy agrees with the management letter comments.

- Kingston Sprague also commented that he did read the ACFR and found it easy to understand. It is well organized and detailed.

11. Next steps given by Auditor Evans:

- The ACFR will be presented to Metro Council; December 7<sup>th</sup> at 10:30 am.
- Auditor Evans noted that the ACFR would be presented to the MERC Commission February 7th, 2024, 12:30-2:30 PM
- He welcomed any audit committee members to attend if they would like.
- Recruitment will be open at the beginning of 2024 for a public audit committee member. He will post the opportunity online, social media and with the Oregon Society of CPAs. He asked committee members refer interested parties to the opportunity or let him know if there are other organizations that should be notified to generate interest. Brian thanked Andrew for continuing to volunteer on the committee.

12. Adjourned at 9:45 am.