



# MOSSADAMS

## Audit Results

## Better Together: Moss Adams & Metro

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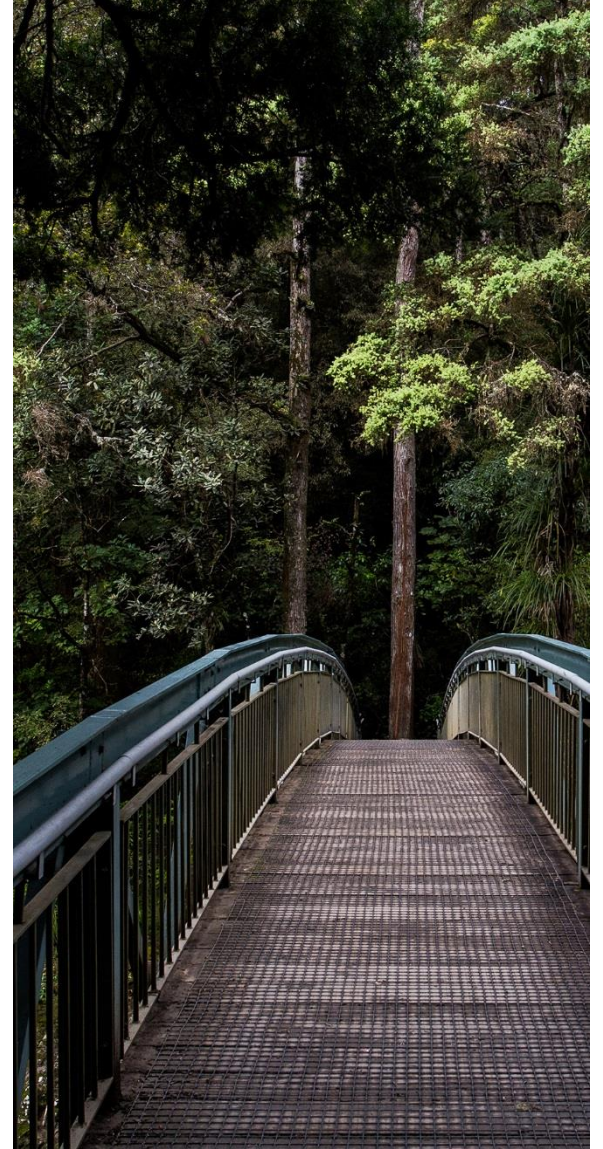
# Agenda

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1. Auditor Opinions and Reports
2. Areas of Audit Emphasis
3. Required Communications with Those Charged with Governance
4. Information Technology Overview
5. Other Information



# Auditor Opinions & Reports



# Auditor Report on the Financial Statement

## Report of Independent Auditors

- Unmodified opinion
- Financial statements are presented fairly in accordance with US GAAP



# Other Auditor Reports – Single Audit

## GAGAS Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

- One significant deficiency over financial reporting identified
  - 2019-001 – Capital Assets
- No compliance findings

## Report on Compliance with Requirements that could have a Direct and Material Effect on the Major Federal Program and on Internal Control Over Compliance in accordance with the Uniform Guidance for Federal Awards (2 CFR Part 200)

- No control findings
- No compliance findings

# Other Auditor Reports – Oregon Minimum Standards and Bond Expenditures

Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements in Accordance with Oregon Municipal Auditing Standards

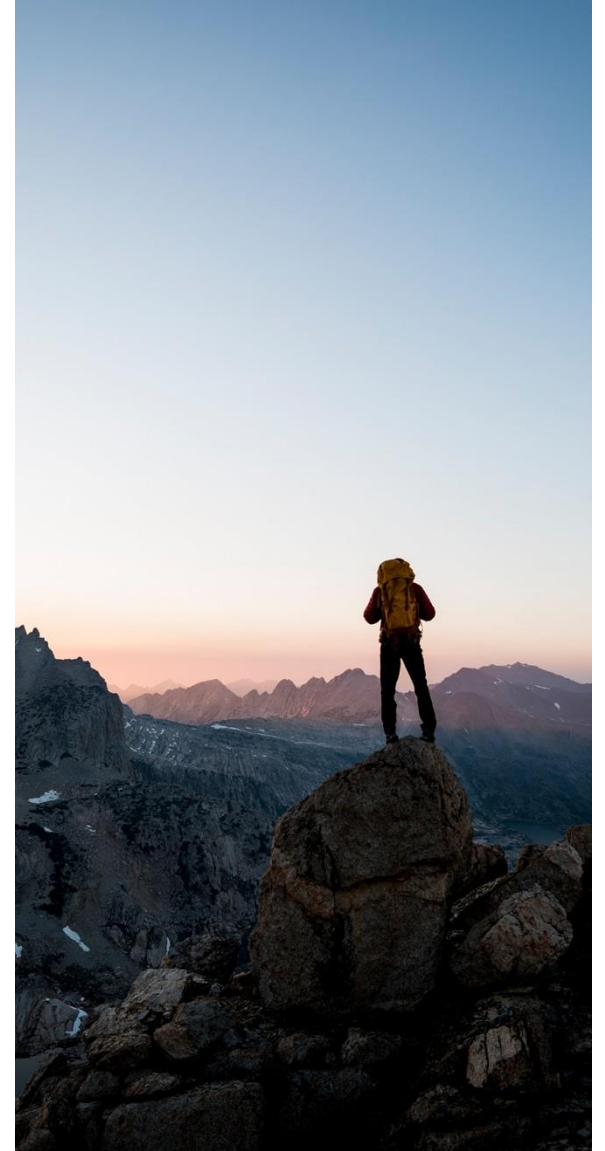
- No control findings
- No instances of non-compliance

Report of Independent Auditors regarding Natural Areas General Obligation Bonds, Oregon Zoo General Obligation Bonds, and the Affordable Housing General Obligation Bonds

- Expenditures tested met the stated purpose in Council Resolutions laying out the intended use of the bond proceeds



# Areas of Audit Emphasis





# Areas of Audit Emphasis

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- Internal control environment – revenue/receivables, payroll, disbursements, capital assets, and information technology general controls
- Management estimates – environmental remediation liability, legal contingencies, depreciation, allowance for doubtful accounts
- Cash and investments – valuation of investments and classification of cash and investments
- Net pension liability – recognition of Metro’s share of the liability for Metro 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
- Bond activity – sampled transactions for compliance with allowable expenditures; reviewed discounts and premiums, debt repayments, and compliance with covenants
- Capital assets – tested additions, retirements, and depreciation
- Revenue recognition – reviewed tax revenue, investment income, and federal grants; considered collectability of receivables
- Net position – consideration of classification for unrestricted, restricted, and net investment in capital assets





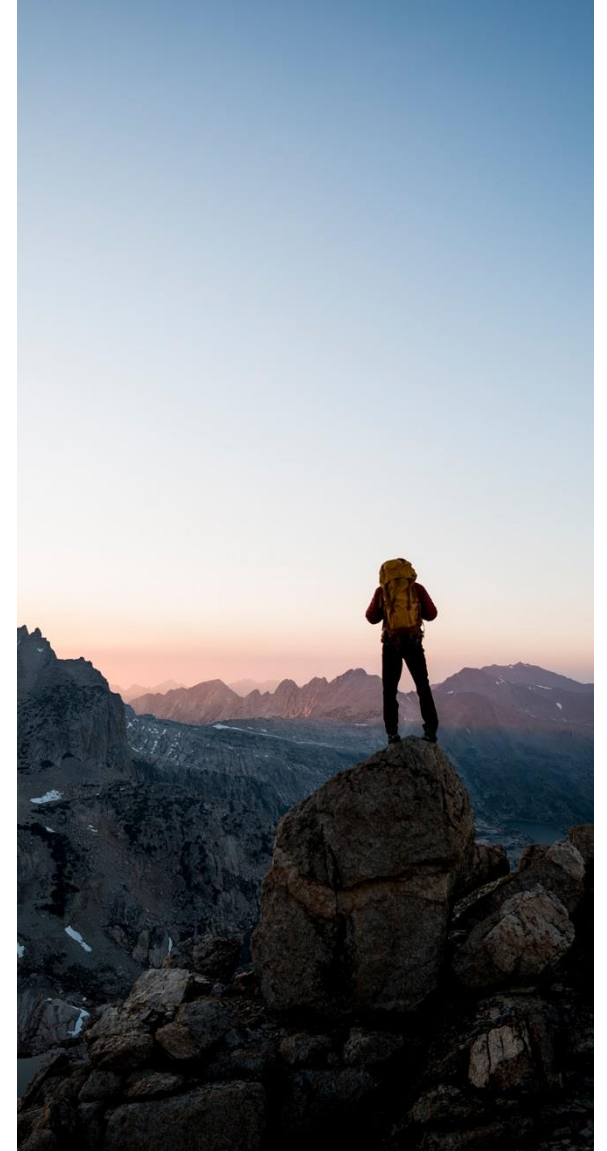
# Areas of Audit Emphasis

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- Single Audit – one major program tested (Federal Transit Cluster Cluster) totaling \$2.2 million
- Unpredictable procedure – reviewed small and unusual expenditures of restricted bond funds



# Communications with Those Charged with Governance



# Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

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1

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. GAAP. However, our audit does not relieve you or management of your responsibilities.

2

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.

3

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.

4

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 & Timing of the Audit

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It is the auditor's 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.

## Our Comments

The planned scope and timing of the audit was communicated to the Audit Committee during the audit entrance meeting on May 30, 2019.

# Significant Accounting Policies & Unusual Transactions

The auditor should determine that the Audit Committee is informed about the initial selection of and changes in significant accounting policies or their application. The auditor should also determine that the Audit Committee is informed about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

## Our Comments

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, 2019; however, Metro did adopt the following standards in the current year: GASB Statement No. 83, *Certain Asset Retirement Obligations* and GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.

We believe management has selected and applied significant accounting policies appropriately and consistent with those of the prior year.

# Management Judgments & Accounting Estimates

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The Audit Committee should be informed about the process used by management in formulating particularly sensitive accounting estimates and about the basis for the auditor's conclusions regarding the reasonableness of those estimates.

## Our Comments

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.

We deemed all significant management estimates reasonable.

# Management Judgments & Accounting Estimates

Our views about qualitative aspects of the entity's significant accounting practices, including accounting policies, accounting estimates, and financial statement disclosures.

## Our Comments

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 D – Summary of Significant Accounting Policies

Note G – Pension Plan

Note H – Other Postemployment Benefits

Note I – Commitments

Note K – Bonds Payable



# Difficulties Encountered in Performing the Audit

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The Audit Committee should be informed of any significant difficulties encountered in dealing with management related to the performance of the audit.

## Our Comments

No significant difficulties were encountered during our audit.

# Significant Audit Adjustments & Unadjusted Differences Considered by Management To Be Immaterial

The Audit Committee should be informed of all significant audit adjustments arising from the audit. Consideration should be given to whether an adjustment is indicative of a significant deficiency or a material weakness in Metro's internal control over financial reporting, or in its process for reporting interim financial information, that could cause future financial statements to be materially misstated.

The Audit Committee should also be informed of uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole.

## Our Comments

There were no corrected audit adjustments.

There were four uncorrected audit adjustments: The first adjustment was proposed to correct the over recognition of depreciation expense in the Zoo fund during the current year totaling \$3.7 million. The second adjustment was proposed to correctly recognize depreciation expense in the Solid Waste fund during the current year totaling \$630K. The third was to accrue for accounts payable for expenses in various funds incurred in FY2019 and paid in FY2020 totaling \$656K. The fourth was to correct for an expense recorded in the Natural Areas fund twice in the prior year and corrected in the current year for \$237K.

# Potential Effect on the Financial Statements of Significant Risks & Exposures & Uncertainties

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The Audit Committee should be adequately informed of the potential effect on the financial statements of significant risks and exposures and uncertainties that are disclosed in the financial statements.

## Our Comments

Metro is subject to potential legal proceedings and claims that arise in the ordinary course of business, which are disclosed in the notes to the financial statements.

# Disagreements with Management

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Disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to Metro's financial statements, or the auditor's report.

## Our Comments

We are pleased to report that there were no disagreements with management.

# Deficiencies in Internal Control

Any material weaknesses and significant deficiencies in the design or operation of internal control that came to the auditor's attention during the audit must be reported to the Audit Committee.

## Our Comments

- **Material weakness**
  - None noted
- **Significant deficiencies & non-compliance**
  - Capital assets
- **Current year best practice recommendations**
  - Payroll
  - Expenditure approval
  - Expenses
- **Update on prior year items**
  - Capital assets – not resolved
  - Payroll – resolved
  - Accounts receivable allowance – resolved
  - Purchasing card controls –resolved

# Management's Consultation with Other Accountants

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In some cases, management may decide to consult about auditing and accounting matters. If management has consulted with other accountants about an auditing and accounting matter that involves application of an accounting principle to Metro's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

## Our Comments

We are not aware of any significant accounting or auditing matters for which management consulted with other accountants.

# Other Material Written Communications

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Report to the Audit Committee significant written communications between the auditor and client management.

## Our Comments

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



# Material Uncertainties Related to Events & Conditions

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Any doubt regarding the entity's ability to continue, **as a going concern**, should be communicated to the Audit Committee.

## Our Comments

No such matters came to our attention.

# Fraud & Noncompliance with Laws and Regulations

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Fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements should be communicated. We are also required to communicate any noncompliance with laws and regulations involving senior management that come to our attention, unless clearly inconsequential.

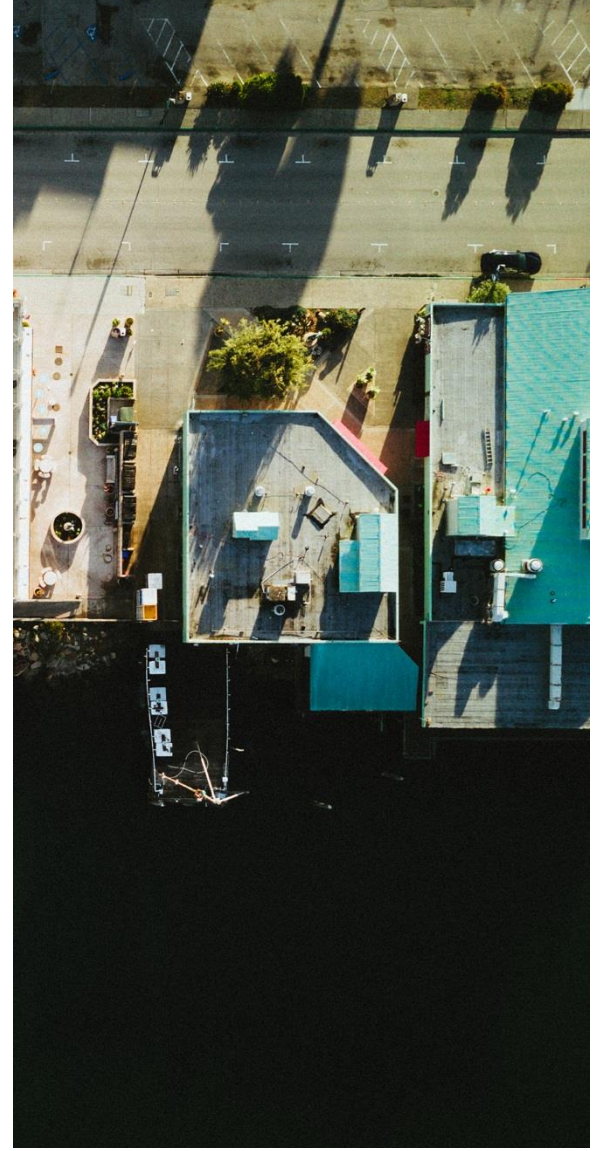
## Our Comments

We have not become aware of any instances of fraud or noncompliance with laws and regulations.





# Information Technology Overview



# Scope and Results for 2019

## Scope

- PeopleSoft Financials
- PeopleSoft Human Resource Management
- Ungerboeck Event Management (EBMS)

## Results

There were no observations noted in 2019 as having a measurable impact on the financial audit or presenting an elevated risk of a financial reporting nature that otherwise were not already addressed through our audit procedures. All observations for 2019 were noted to be process improvement opportunities.

### DEVELOPER ACCESS TO PRODUCTION

- Individuals with development responsibilities were noted to have administrative access to production – given the limitation of IT resources to support PeopleSoft and EBMS, it is understood that access cannot be restricted. Management is encouraged to look into methods for monitoring the users' activity.

### PERIODIC USER ACCESS REVIEW / SYSTEM UPGRADE ACCESS EVALUATION

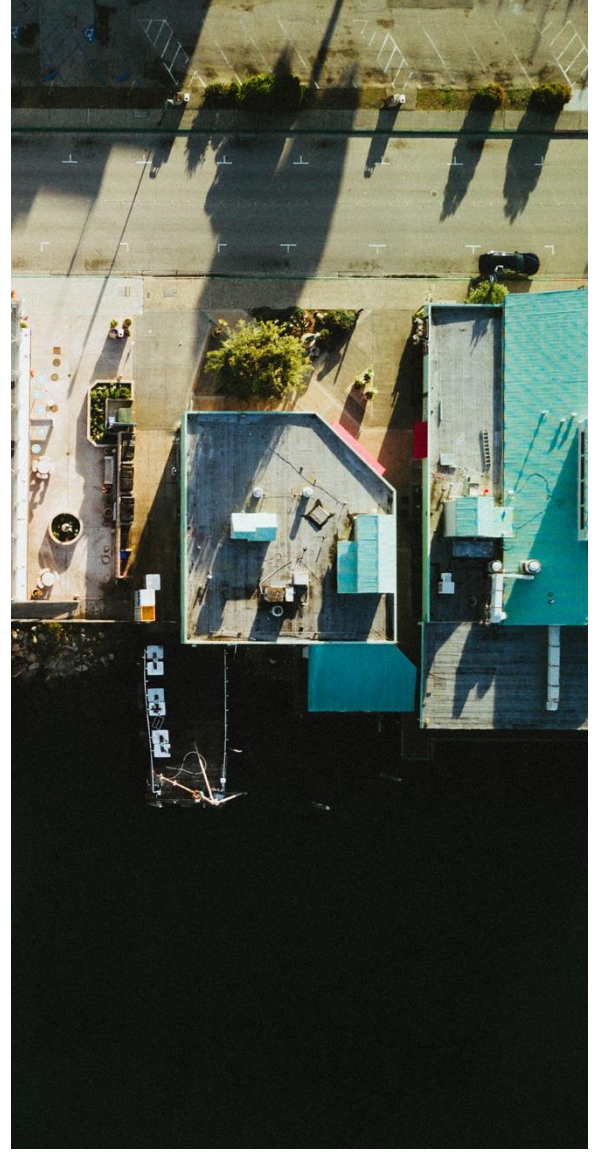
- We were unable to confirm a review of EBMS access was performed in FY19. Management is encouraged to establish a review consistent with that performed over PeopleSoft Financials and HRMS.
- A formal evaluation of potential changes to access permissions was not conducted for any of the system upgrades performed in FY 2019. This relates to PeopleSoft Financials, PeopleSoft HRMS, and EBMS. Management is encouraged to consider this improvement area for future upgrades.

## General Comments

- Excellent engagement from IT
- Continuous improvement opportunities: Segregation of Duties Analysis, IT Risk Assessment, Application Controls, etc.



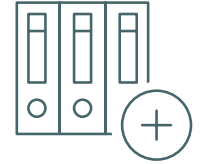
# Accounting Update





# New Standards

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GASB 84, Fiduciary Activities – effective for Metro’s 2020 year-end

*Establishes standards of accounting and financial reporting for fiduciary activities.*

GASB 87, Leases – effective for Metro’s 2021 year-end

*Establishes standards of accounting and financial reporting for leases by lessees and lessors, and establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.*

GASB 90, Majority Equity Interests – effective for Metro’s 2020 year-end

*Establishes standards of accounting and financial reporting for majority equity interests.*

GASB 91, Conduit Debt Obligations – effective for Metro’s 2022 year-end

*Establishes standards for accounting and reporting of conduit debt obligations.*

# Contact Us



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THANK  
YOU