



MOSSADAMS

Audit Results

Better Together: Moss Adams & Metro

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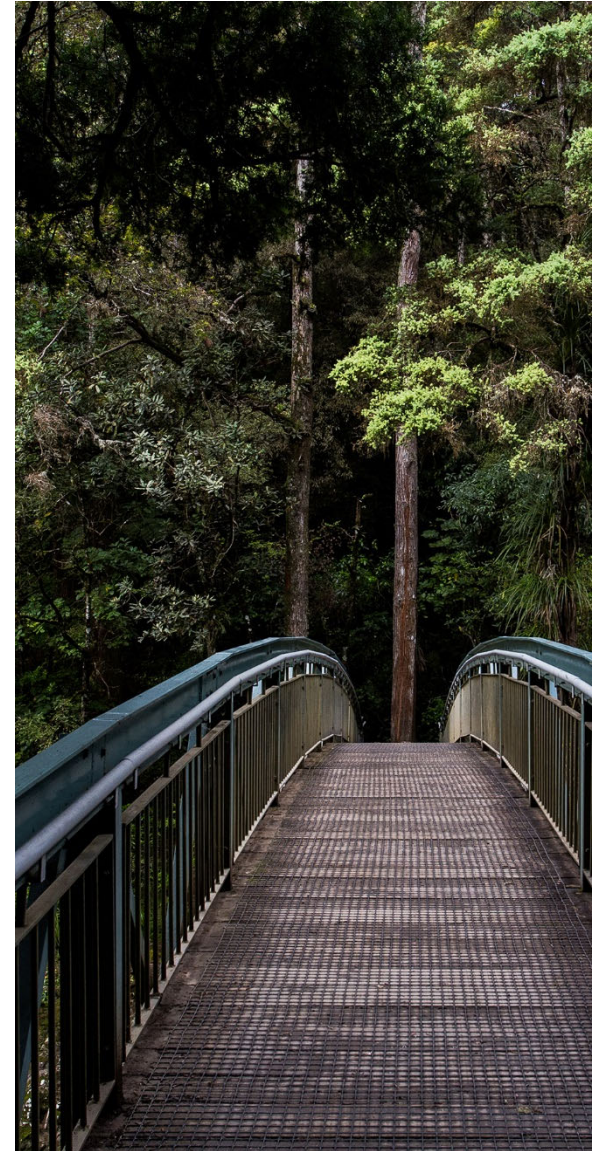


Agenda

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
- Emphasis of matter regarding adoption of GASB Statements No. 94 and 96

Other Auditor Reports – Single Audit

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

- No control findings
- 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

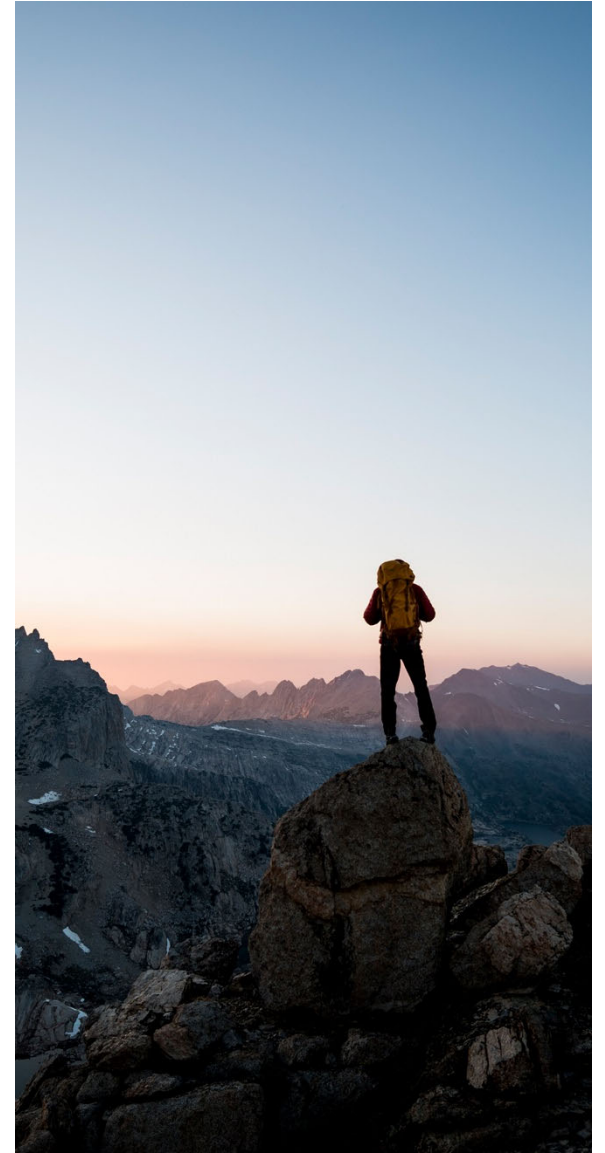
- No control findings
- No compliance findings

Report of Independent Auditors regarding Natural Areas General Obligation Bonds, Affordable Housing General Obligation Bonds, and Parks and Nature 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

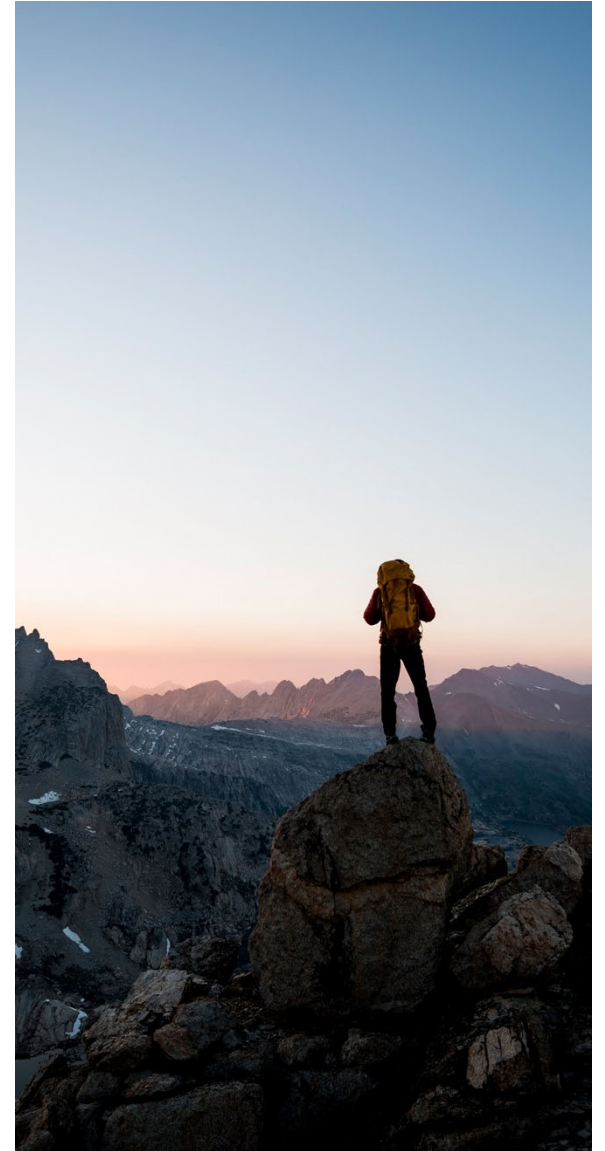
- Internal control environment – financial close and reporting, revenue/receivables, payroll, disbursements, capital assets, and information technology general controls.
- Management estimates – environmental remediation liability, legal contingencies, depreciation, allowance for doubtful accounts.
- Cash and investments – valuation of investments and classification of cash and investments between restricted and unrestricted and current and long-term.
- 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 of resources and outflows of resources including selections of new hires and contributions made by Metro.
- Bond 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.
- Capital assets – tested additions, retirements, and depreciation.
- 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.

Areas of Audit Emphasis

- Revenue recognition – confirmed property tax revenue; confirmed personal and business income tax revenue; confirmed advances made to various jurisdictions for the Affordable Housing and Supportive Housing Services fund; evaluated investment income and agreed amounts recorded to bank confirmations received; evaluated federal grants received and recorded during the year; considered collectability of receivables.
- 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.
- 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 and reviewed for any undocumented subscriptions within the expense accounts.
- Net position – consideration of classification for unrestricted, restricted, and net investment in capital assets
- Single audit – two major programs tested which included the Endangered Species Conservation and Highway Planning and Construction.



Communications with Those Charged with Governance



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

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

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 15, 2023.

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, 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 Judgments & Accounting Estimates

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 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

Difficulties Encountered in Performing the Audit

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.



COMMUNICATION WITH GOVERNING BODY

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 identified as a result of our audit procedures.

There was one uncorrected audit adjustments identified as a result of our audit procedures:

SUMMARY OF UNCORRECTED FINANCIAL STATEMENT MISSTATEMENTS

| Description | Debit (Credit) | | | |
|---|----------------|-------------|--------|--------------|
| | Assets | Liabilities | Income | Expense |
| To adjust advances and expenses for the Supporting Housing Services fund. | \$ (3,888,709) | \$ - | \$ - | \$ 3,888,709 |

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

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

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**
 - None noted
- **Current year best practice recommendations**
 - IT recommendations (discussed on future slide)
- **Update on prior year recommendations**
 - OPEB census – will be tested in 2024
 - User access reviews – repeat
 - Administrative permissions – repeat

Management's Consultation with Other Accountants

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

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.

COMMUNICATION WITH GOVERNING BODY

Material Uncertainties Related to Events & Conditions

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

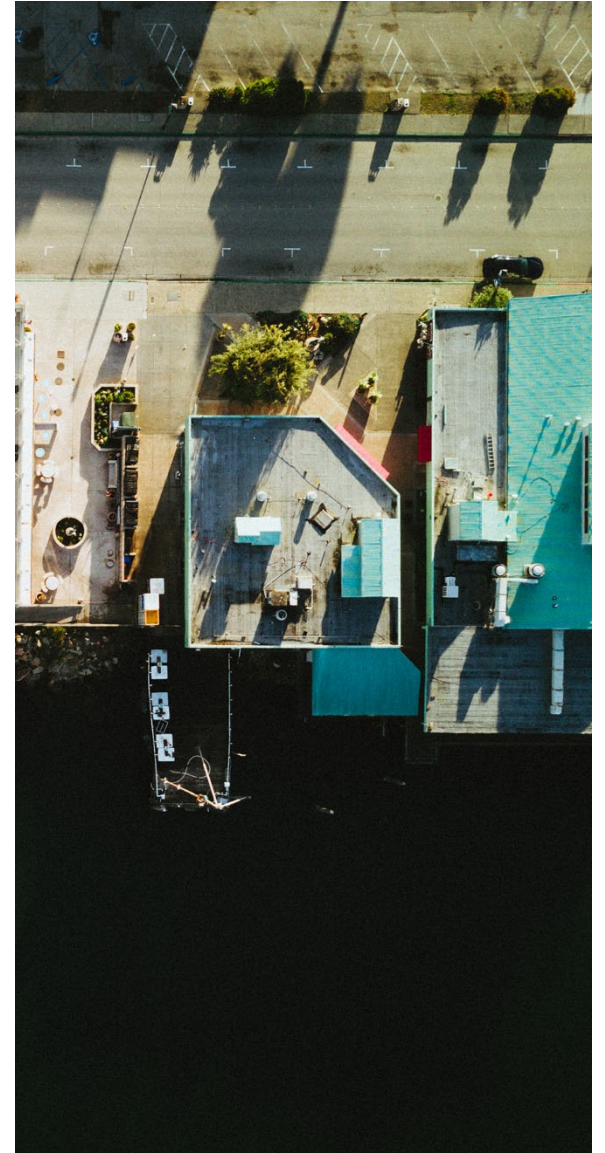
Fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements should be communicated. We are also required to communicate any noncompliance with laws and regulations involving senior management that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





INFORMATION TECHNOLOGY OVERVIEW

Scope and Results for 2023

Scope

- PeopleSoft Financials
- PeopleSoft Human Resource Management
- Ungerboeck Event Management (USI)
- Weighmaster
- *KMIT, SWIS, and USeDirect - first year assessment*

General Comments

- Excellent engagement from IT
- Recognized resource constraints

Internal Control Deficiencies

- **ADMINISTRATIVE PERMISSIONS** (*carried forward from FY2019*) –
Proactive monitoring of logged financial- and personnel-related activities recommended
 - Individuals with development responsibilities have administrative access in PeopleSoft Financials and HRMS, presenting a segregation of duties risk
 - There were no changes in access structures from results confirmed in FY2022; however, there was a mitigating control established during the FY2023 audit to address unauthorized change risk
- **ESTABLISHING ITGCS** (*new to FY2023*) –
Extending established IT General Controls over KMIT, SWIS, and USeDirect systems recommended
 - Established ITGCs related to change management, security and operations are not currently extended over these applications and supporting infrastructure elements
- **CHANGE MANAGEMENT** (*carried forward from FY2022 and escalated to a control deficiency*) –
Documentation retention improvement recommended
 - PeopleSoft Financials, HRMS – changes were not formally tracked via ticket documentation as per established change management best practices at Metro; however, there was a mitigating detective control established in fiscal year 2023 to address lack of documentation risk

Process Improvement Opportunities

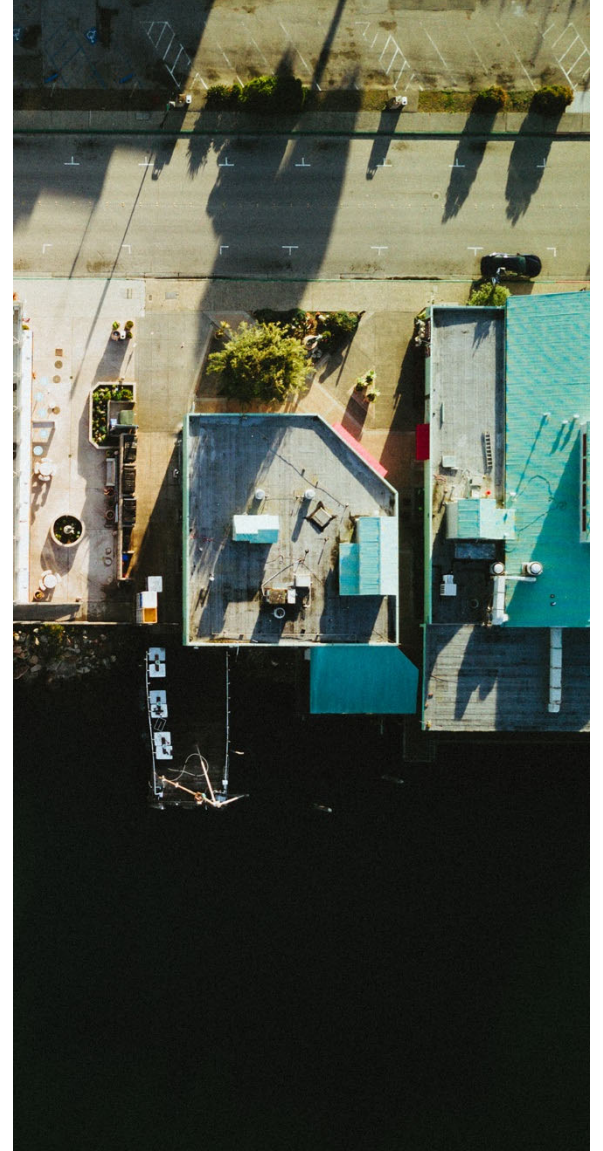
- **USER ACCESS REVIEWS** (*carried forward from FY2019*) –
Documentation retention improvement recommended
 - USI – the review process was established during FY2022 and system owners continue to formalize the review process to improve on disaggregated review responses
 - PeopleSoft Financials, HRMS – documentation of who performed the reviews and the dates review was completed was not retained in all cases. Furthermore, instances were noted where access was not remediated timely to the completion of the review but presented a low risk to the environment.

Resolved PY Observations

- **PASSWORD CONFIGURATIONS**
- **USER ACCESS REVIEWS** - Weighmaster

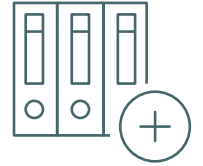


Accounting Update





New Standards



GASB 101, *Compensated Absences* – effective for Metro’s fiscal year 2025.



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THANK
YOU