

**METRO**

***Status of Audit  
Recommendations – 2003***

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**January 2004**

A Report by the Office of the Auditor



**METRO**

PEOPLE PLACES  
OPEN SPACES

**Alexis Dow, CPA  
Metro Auditor**

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METRO

OFFICE OF THE AUDITOR

January 23, 2004

To the Metro Council:

The accompanying report summarizes the **recommendations made by the Office of the Auditor** over the last 5 years and indicates whether **Metro's management team has carried them out.**

Most audit recommendations **have been implemented** and are **contributing** to more efficient and effective operations **throughout Metro and the Metropolitan Exposition-Recreation Commission (MERC).** I am pleased that **Metro and MERC managers and staff** have taken these positive steps under your guidance.

Metro and MERC face some **unmanaged risks and are not taking advantage** of some opportunities to enhance **effectiveness and credibility, because progress on some of the remaining recommendations has been slow.** Areas of particular concern include MERC event settlement and cash reconciliations, Oregon Zoo construction management and information technology.

The last section of this report contains the Chief Operating Officer's response to our recommendation.

We appreciate the cooperation and assistance from the Chief Operating Officer, Michael Jordan, and all Metro departments and MERC and their staff as we prepared this report.

Please contact me if you have any questions or desire additional information.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Alexis Dow', with a long, sweeping flourish extending to the right.

Alexis Dow, CPA  
Metro Auditor

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## Response to the Report

Chief Operating Officer Mike Jordan

## **Chapter 1: Introduction and Overview**

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# Introduction and Overview

## Report objective

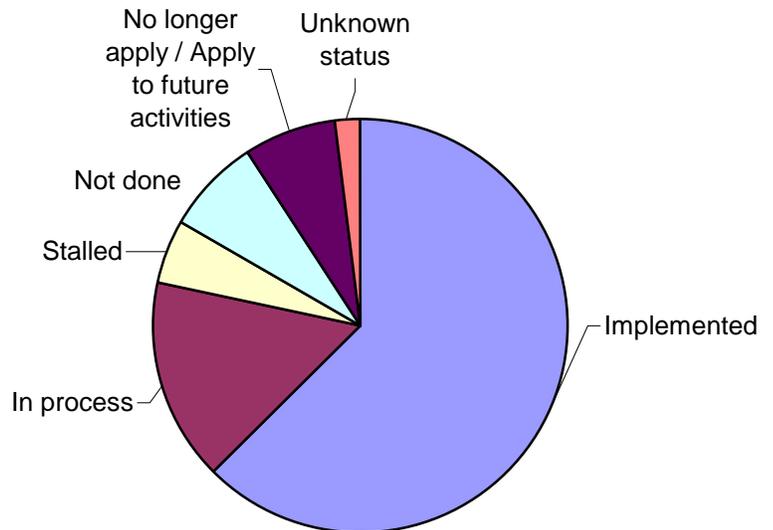
This report is intended to provide the public and the Metro Council with information on the status of past audit recommendations made by the Metro Auditor’s Office. It is organized into three main sections. This introductory chapter provides an overview of how many audit recommendations have been implemented, how many are in process and how many have seen no action. It also contains a recommendation for Metro’s Chief Operating Officer to take a much more active role in monitoring the status of past audit recommendations and encouraging department managers to implement them.

Chapter 2 contains a summary of each audit report with recommendations still outstanding and their status. Chapter 3 lists all audit recommendations published since October 1998 and indicates the implementation status of all recommendations.

## Overview of Metro’s performance in carrying out audit recommendations

Audit recommendations are made to improve the economy, efficiency and effectiveness of Metro operations, and to improve safeguards over public funds and other assets. These benefits can only be realized if recommendations are implemented. Metro has performed well on this front. About 80 percent of recommendations made since October 1998 have either been implemented or are in process of being implemented. All but three recommendations made prior to October 1998 have been implemented or resolved. More specifically, of the 198 recommendations made in the past five years:

- 124 have been implemented
- 31 are in the process of implementation
- 10 are stalled – no progress made in past year
- 15 have seen no action to date
- 4 are in “unknown” status, as we received no information about them
- 14 no longer apply or relate to future activities



We have issued 28 audit reports since October 1998, and 27 of them contained recommendations. In 10 of the 27 reports, all recommendations have been implemented or resolved.

## **Management’s attentiveness to implementing recommendations provides a measure of its effectiveness**

Audit reports have greater value when their recommendations are implemented, and an organization’s willingness and ability to carry out audit recommendations provides one means of measuring management effectiveness. In recognition of this, government organizations should track the status of audit recommendations. A straightforward tool, this approach assumes that the higher the number of recommendations that are accepted and implemented, the better is management’s performance in creating a positive control environment and making improvements that can enhance effectiveness and accountability to the public.

Over the last 5 years Metro’s top managers have accepted 193 of the 198 recommendations made in Metro Auditor reports, and they have implemented 124 or 63 percent of them. This means that Metro is not realizing the benefits of the remaining 37 percent. Further, the rate of audit recommendation implementations has slowed down over the past year. Only 22 out of 97 “open” recommendations have been implemented in the last 14 months. By comparison, management implemented 25 recommendations in the previous year and 40 new recommendations were made. In the past year only 4 recommendations of 37 that are more than 3 years old were implemented. Some managers did not initially provide sufficient information for us to assess the status of recommendations, and one manager did not answer our requests for status information on four recommendations. Taken together, these management responses indicate a need for greater commitment to improving Metro’s internal controls and performance.

## **Inattention to audit recommendations can have significant consequences – an example**

Starting in 2000, Metro’s outside financial statement auditors and the Metro Auditor’s Office made several recommendations for improving Metropolitan Exposition-Recreation Commission (MERC) accounting procedures and practices. The recommendations called for MERC to investigate the causes of differences between book and bank balances, adjust book balances to reflect any unsolvable differences, and assure that bank account reconciliations are performed thoroughly and in a timely manner.

MERC did not act on these recommendations. As a result, the outside auditor and Metro and MERC accounting staff spent considerable time sorting out old unreconciled items relating to accounts such as cash, accounts receivable and catering deposits. This work resulted in over 300 adjustments to 16 general ledger accounts and net changes to account balances ranging from \$57 to over \$827,000. Completing this work delayed Metro’s fiscal year 2003 financial statement audit. The delay in reconciling MERC’s accounts also exposed MERC to the risk of undetected irregularities and relying on inaccurate information for making financial decisions.

## **Implemented audit recommendations benefit Metro – an example**

Metro and MERC adopted several key recommendations contained in two audit reports: our 2001 report on construction management practices over the Great Northwest Project at The Oregon Zoo, and our 1998 review of construction costs incurred to expand the Portland Exposition

Center. Partly as a result, Metro’s most recent large-scale construction project, a \$116 million expansion of the Oregon Convention Center, was completed under its construction budget. In accordance with our recommendations, management improved its oversight of this project’s construction costs by closely scrutinizing indirect construction costs, using the expertise of the project architect to establish the construction contract budget and control large work changes, and effectively applying several other audit recommendations. This outcome exemplifies the benefits that can occur when audit recommendations are carried out timely and appropriately.

## **How we performed follow-up work**

This is the Metro Auditor’s eighth annual report discussing the status of audit recommendations. Since the Metro Audit Office began operations in early 1995, the Office has issued 44 audit reports and made 304 recommendations involving all Metro departments, including MERC.

To determine the status of recommendations still outstanding from our last report and the status of new recommendations made since that report, we:

- Provided each department a list of audit recommendations that were not implemented as of last year’s report and of audit recommendations that have been made since then
- Asked them to categorize each recommendation in terms of whether they consider it implemented, in progress, or not implemented
- Asked them to provide a written narrative justifying the category selected and documentation to support recommendations they consider implemented
- Reviewed their responses and supporting documentation and made selective inquiries to gain a clear understanding of actions taken and to ensure that the status is accurate.

The first three of these steps were coordinated through Metro’s Chief Operating Officer. After all four of these steps were completed, we prepared this report and reviewed it with the Chief Operating Officer.

## **Recommendation**

### **Management should develop a process for assuring that audit recommendations are properly implemented**

Metro management’s acceptance of audit recommendations means they agree that the recommendations will improve Metro’s operations. One way to help ensure that these identified improvements occur is to establish a process to track the status of audit recommendations.<sup>1</sup> Such a process is not yet in place at Metro.

Historically, management has relied on the Auditor’s Office to track progress on audit recommendations. The Auditor’s Office performed this function for two reasons – first, to

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<sup>1</sup> Government Auditing Standards state that management is responsible for addressing audit findings and recommendations and for establishing and maintaining a process to track the status of such findings and recommendations – *Government Auditing Standards, 2003 Revision*, section 1.18.

encourage managers to implement recommendations, and second, to report on the status of recommendations.

Metro's Chief Operating Officer should begin to fulfill management's responsibility to provide the management impetus and oversight important to assure that accepted recommendations are properly implemented in order to better realize improved Metro operations. This can be accomplished by establishing a process to track progress made on audit recommendations. The process put into place should enable others, such as the Metro Council and Auditor's Office, to easily obtain reliable information on the implementation status of audit recommendations and to verify that recommendations have actually been implemented, with the evidence of implementation organized and maintained in a single, central location.

## **Chapter 2: Summary of Recommendations Requiring Further Action – Background and Status**

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## Financial Statement Audit Management Recommendations

April 2003

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As part of its audit of Metro's FY 2002 financial statements, Grant Thornton LLP assessed Metro's internal financial controls in order to determine appropriate auditing procedures. While they found that Metro's financial controls were generally adequate, they made six recommendations to improve them.



### Remaining Recommendations (of 6 total):

1. Develop written policies and procedures for identifying and accounting for fixed asset transfers and retirements.
2. Consider using a cash register to more efficiently record and control latex paint sales.
3. Develop written policies and procedures to track paint inventory and control donations of paint to charities.
4. Review existing purchase order policies with all purchasing personnel to ensure that they prepare purchase orders before purchases are made.

***Some progress has been made:*** Accounting Services has not developed written policies and procedures for accounting for fixed asset changes as recommended by Metro's financial auditors every year from 1999 through 2002. We were told that additional staffing approved by the Council will begin work on the fixed asset inventory, and the estimated completion date is June 2004.

The Solid Waste Department plans to install a cash register for latex paint sales by December 2003 and develop paint inventory procedures by July 2004.

Purchase order policies have not been reviewed with Metro employees involved with making purchases. As a result, Metro employees continue to make some purchases prior to preparing purchase orders and getting them authorized in accordance with agency policies.

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## Review of Controls Over Revenue from Glendoveer Golf Course

March 2003

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We audited management's controls over the revenue Metro receives from the Glendoveer Golf Course to determine whether Metro is receiving appropriate payments and whether the revenue is properly safeguarded. A private concessionaire operates the two 18-hole golf courses and adjacent pro shop, driving range, indoor tennis courts and other facilities. Metro and the concessionaire divide the revenue under two agreements, one covering the golf courses, the second covering the other facilities. Metro receives nearly \$900,000 a year in revenue, mostly from greens fees.

We found that payments have generally been accounted for accurately, but improvements can be made in three main areas:

- Metro may be entitled to more rent than previously realized due to unclear and misinterpreted lease language.
- Controls over operations, particularly for handling cash, can be improved both by the concessionaire and by Metro.
- Information and procedures for evaluating controls and compliance with agreement terms can be improved and more timely.



### Remaining Recommendations (of 6 total):

1. Develop and document a plan for assuring that Metro receives proper rent payments, including:
  - defining more clearly how rent will be computed
  - obtaining more detailed information for computing rent
  - determining if the concessionaire has reasonable controls over revenue and expenses affecting rent calculations.
2. Improve the effectiveness of the annual financial and compliance audit by better defining the purpose and scope of work to be performed and making the audits timelier.
3. Improve Parks Department cash handling procedures by separating the duties of receiving cash and preparing deposits, keeping a log of cash receipts, and documenting the department's cash-handling procedures at Metro headquarters, especially the chain of custody for the cash.

***In progress:*** Metro has negotiated a contract amendment with the golf course concessionaire clarifying how rent will be calculated, and it is receiving more detailed information for determining rent. The concessionaire's internal controls over revenues and expenses related to determining rent will be evaluated in September 2003. The annual financial audit of Glendoveer is planned for February 2004, very timely in relation to the past. Parks Department staff is currently updating cash control procedures for cash received at Metro Regional Center.

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## Transfer Station Revenue Controls

**October 2002**

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This audit of Metro's two waste transfer stations was conducted to determine whether appropriate controls and practices are in place to collect, record and safeguard revenues and provide accurate information for billing haulers. Each working day, hundreds of commercial waste haulers and private citizens take waste to Metro's two solid waste transfer stations. These transfer stations are Metro's largest operation, with revenues over \$50 million in FY 2003.

The audit found that Metro has a set of controls in place to help minimize risk in all three areas we reviewed, but these controls can be strengthened by taking action on a number of fronts.



### **Remaining Recommendations (of 8 total):**

1. Strengthen cash controls over sales of recycled paint by improving inventory practices, depositing cash more frequently, and further restricting access to safe keys.
2. Develop and implement a plan to assure computer systems can continue to operate in the event of a disaster or emergency.

***In progress:*** Metro's Solid Waste Department has made significant progress toward implementing the eight recommendations from this audit. Only two recommendations remain. Cash controls will be improved after Solid Waste begins using a different system to manage cash and paint inventory. They expect that the transition to this system will be completed by July 2004. The Solid Waste Department expects to complete a plan for assuring that the transfer station computers will operate in an emergency by June 2004.

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## Financial Statement Audit Management Recommendations

June 2002

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As part of its audit of Metro's financial statements, KPMG LLP reviewed Metro's financial controls. While they noted no material weaknesses regarding Metro's financial control systems and their operation, KPMG had a number of concerns related to Metro's information systems, accounting and administration. KPMG made six new recommendations about information technology controls and two new recommendations about Metro's accounting and administration practices.



### Remaining Recommendations (of 11 total):

#### Information Systems Issues

1. Establish stronger password controls for the PeopleSoft-based information system when Metro upgrades to version 8 of this software.
2. Conduct a network security assessment and vulnerability analysis of network and remote access connections.
3. Segregate system users in development, test and production environments for changes made to application and interface programs.
4. Store system backup tapes at a secure offsite location on a more frequent basis, i.e. daily.
5. Test backup tapes periodically to ensure data is recoverable and the media has not deteriorated.
6. Launch a more robust Information Technology (IT) Disaster Recovery and Business Continuity initiative to mitigate risks.

#### Accounting and Administrative Issues

7. Perform an inventory of fixed assets bi-annually and tag assets with identification numbers.
8. Establish procedures to reconcile fixed asset detail to the accounting system at least quarterly.

**Many are in progress:** The Accounting Services and Information Technology Divisions have taken steps to implement most of these recommendations. The Information Technology Division has identified the steps it needs to take to develop a strategic plan, but it has not actually developed the plan. Information Technology intends to begin a comprehensive review of the existing disaster recovery plan in the current fiscal year. Accounting Services has been unable to implement the fixed asset recommendations even though Metro's external financial auditors made these recommendations multiple times between 1999 and 2001. Management believes that additional staff position approved by the Council will enable it to complete a fixed asset inventory by June 2004.

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## Portland Center for the Performing Arts Event Settlement Activities: System Works, Some Enhancements Are Needed

**June 2002**

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We evaluated the processes used by the Metropolitan Exposition-Recreation Commission (MERC) and the Portland Center for the Performing Arts (PCPA) to calculate and bill the amounts promoters and others owe for renting the PCPA's facilities – a process known as event settlement. The PCPA hosts about 900 arts and cultural performances each year, and in FY 2001 rental revenue from these events totaled about \$3.2 million. Its theaters and other spaces are rented to commercial promoters, and nonprofit arts groups. The PCPA is owned by the City of Portland and operated by the MERC Commission, a Metro unit.

Overall, the event settlement system was functioning adequately. Management processes were in place to ensure that settlements are complete and accurate, appropriate rental and labor rates were applied, and deposits were sent to the bank and recorded in a timely manner. Even so, opportunities for improvement existed in three areas:

- streamlining information systems
- developing additional policies and procedures to manage and control cash, billings and accounts receivable
- investigating and resolving discrepancies in bank balances.



### Remaining Recommendations (of 8 total):

1. Investigate options for improving MERC's event management information system, and assess the costs and benefits of integrating this system with Metro's PeopleSoft-based financial applications.
2. Develop a written project plan for carrying out the changes planned as a result of the above recommendation .
3. To help assure that planned event settlement process improvements are implemented effectively, MERC should seek assistance from someone experienced in implementing and operating the Concentrics' event management software.
4. Develop new policies that:
  - identify the frequency of event revenue transfers to Metro and how the transfer amounts should be calculated
  - define the kinds of disbursements that may be made out of MERC's special deposit (bank) accounts
  - will ensure bank reconciliations are performed timely and adequately.
5. Complete the development of and obtain management approval for procedures that:
  - ensure PCPA staff sends event billing information to MERC administration promptly
  - ensure PCPA adequately identifies and records all services provided for the event before billing information is forwarded to MERC administration for invoicing

- assign responsibility for initiating rental rate updates and for promptly communicating new rates to staff
  - describe how staff should follow up on overdue accounts
  - establish how interest on overdue accounts should be calculated and how interest revenue should be recorded.
6. Organize policies and procedures for easy access and retrieval by staff.
  7. Identify responsibilities of MERC and Metro staff for reconciling bank accounts related to event settlements.

***Most are not yet done:*** MERC is currently investigating options for reducing the number of steps needed to complete event settlements, but it has not performed a cost/benefit analysis of integrating the Concentrics event management system with Metro's PeopleSoft-based financial management system, and no written plan has been developed to guide staff in how these systems changes will be carried out. MERC's main event-management-related focus during the last year has been on improving its Kronos labor time-tracking system.

In addition, little progress has been made to develop the recommended policies and procedures, and bank accounts are still not reconciled on timely basis. MERC's inability to reconcile certain cash and accounts receivable accounts caused delays in the progress of Metro's financial statement audit and required additional resources for completion of the audit by both Metro staff and staff of the outside independent audit firm.

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## Oregon Zoo: Construction Management

### September 2001

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We studied the accomplishments of and work remaining on the Great Northwest Project at the Oregon Zoo, and evaluated the system used to manage this major construction project.

The Great Northwest Project, a multifaceted effort to improve the zoo, grew out of a \$28.8 million bond measure approved by voters in 1996. The Project was to consist of four phases and to be completed in the spring of 2001. As of April 2001, three of the phases were completed and \$30.7 million had been spent. The available funds had grown to \$35.6 million, but the final phase was expected to cost around \$7 million. Metro expected donations to fill the gap.

The bond measure had three overall goals: helping the zoo achieve higher attendance and revenues, reducing its reliance on property taxes, and improving the zoo's accessibility and exhibits. Neither Metro nor the Oregon Zoo translated these broad goals into a set of operational goals. Therefore, we were unable to evaluate whether the zoo actually received the expected benefits from the bond funds.

Zoo and Metro officials took a number of actions to help ensure that the Project would be well managed, but adherence to a more comprehensive project management framework would have improved performance in many ways. If Metro and the Zoo decide to complete the remaining elements of the Project, the framework described in the report can improve construction management. In fact, the framework is appropriate for any large project that Metro may undertake in the future.



### Remaining Recommendations (of 9 total):

#### Completing the Great Northwest Project

1. Define and document the authority, roles and responsibilities of those involved with the remainder of the project.
2. Develop a project plan that includes:
  - a procedure for setting and revising project scope
  - a documented assessment of significant project risks and how they will be managed
  - a time management system with key activities, responsible parties and timelines
  - performance measures linked to the bond measure addressing project scope, cost, schedule and quality goals
  - timely updates to stakeholders on project performance, progress and status.

***Little progress has been made:*** The Zoo has defined the major roles and responsibilities of various teams that are working on the Great Northwest Project, but it has not yet established authority levels or the roles of individual employees who are involved in the project. The Zoo has not developed a detailed plan for completing the Great Northwest Project in accordance with the above recommendation.

Improving Project Management Practices Metro-Wide

3. Define and document the authority, roles and responsibilities of the organizations and positions that are involved in overseeing major projects.
4. Develop a system for reviewing, approving and revising the cost, scope, schedule and priorities of major projects.
5. Designate a "Project Coordinator" in departments that manage a significant number of projects.
6. Develop a system of procedures and controls to ensure for each project that:
  - roles, responsibilities and authorities of project managers and project team members – including contractors – are clearly defined and communicated
  - project managers are adequately qualified and trained, and regularly evaluate their performance
  - goals are clearly defined and measurable
  - project scope and priorities provide the best means of achieving project goals
  - the project scope can be carried out within its budget
  - the project budget is complete and includes a contingency for unforeseen problems
  - a written project management plan is written and monitored
  - project milestones and performance indicators are established
  - information on project progress, performance, scope changes and other issues is regularly communicated to stakeholders.

***Progress toward most of these recommendations has stopped:*** During 2002 Metro provided project management training to about 17 employees. In addition, the Assistant Director of the Administrative Services Department (now known as the Business Support Department) developed project management guidelines, which were given to the employees who received the training.

Since the end of 2002, no progress has been made to carry out these recommendations. In fact, no one appears to be responsible for further developing Metro's project management system now that the Assistant ASD Director has left Metro. We attempted to obtain the views of Metro's Chief Operating Officer on these matters, but he did not respond to our inquiries.

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## Food Service: Evaluation of Contract and Financial Controls

### June 2001

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We audited the Metropolitan Exposition-Recreation Commission's (MERC) \$8 million annual food service operation to determine whether it is based on a contract that reasonably protects Metro's financial interests and whether MERC's management controls over the concessionaire's (Aramark) financial activities reasonably protect public funds.

We found that the contract type is appropriate for MERC's food service operation and that contract provisions are adequate to:

- hold the concessionaire accountable for providing quality services
- provide Metro the revenue to which it is entitled
- ensure fair and accurate compensation to the contractor.

MERC's management controls, however, can be improved. MERC needs to

- develop ways to evaluate the concessionaire's financial performance
- evaluate the concessionaire's internal controls over cash and inventory to reasonably ensure that revenue is protected and errors and fraud are detected.

Such controls are essential, particularly in view of recent thefts and turnover in staff responsible for concessionaire oversight.

MERC management is aware of the need to improve control procedures and safeguards over food service operations and has made major strides in doing so.



### Remaining Recommendations (of 4 total):

1. Develop ways to formally evaluate concessionaire financial performance.
2. Evaluate and test each year concessionaire's internal controls over revenue, expenses and inventory.
3. Document concession management and oversight policies and procedures in management directives, administrative policies and an operating manual.

***In progress:*** MERC commissioned a benchmarking study and now rates Aramark's financial performance, but it has not developed written procedures that describe how the performance measurement system is supposed to be carried out or who is responsible for the system.

MERC has begun observing Aramark's cash-handling practices, but it has not evaluated the adequacy of those practices. In addition, surprise cash counts have not been conducted and no procedure exists to assure that Aramark's inventory counts are accurate. Oversight policies and procedures are being developed and documented.

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## Financial Statement Audit Management Recommendations

March 2001

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As part of its audit of Metro's FY 2000 financial statements, Deloitte & Touche LLP reviewed Metro's financial controls in order to determine appropriate auditing procedures. While they found no material control weaknesses, they did identify some control and administrative issues that merit management's attention. Deloitte made one new recommendation to strengthen computer server security and two new recommendations to improve accounting practices.



### Remaining Recommendations (of 12 total):

#### Information Systems

1. Develop an information technology strategic plan that is linked to Metro's operating plan.
2. Develop a plan for ensuring that Metro's key computer systems can continue to operate in the event of an emergency or disaster.

#### Accounting and Administration

3. Perform a complete physical inventory of all fixed assets biannually.
4. Establish an allowance for potentially uncollectible accounts based on an analysis of the age of accounts receivable.
5. Adjust for cash account reconciling items in a timely manner, including all MERC accounts.

***Progress on the remaining recommendations has been slow:*** The Information Technology Division developed the framework for an information systems strategic plan, but it has not completed the plan. Information Technology plans to begin a comprehensive review of the existing disaster recovery plan in the current fiscal year.

The Accounting Services Division said it will complete a fixed asset inventory by June 2004, and it has implemented the accounts receivable and cash account recommendations. However, MERC has taken no actions to implement the accounts receivable and cash account recommendations.

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## Contracting: A Framework for Enhancing Contract Management

December 2000

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Metro had more than \$1 billion in contractual obligations outstanding in 2000. This report presents a comprehensive framework for improving Metro's approach to managing its contracts. The recommendations in this report, when fully implemented, will help management identify how Metro can reduce contract risks; improve contract costs, schedules and deliverables; and enhance protection of public funds.

We found Metro's procedures are generally in line with best practices for selecting the most qualified contractor, but can be improved in other areas. Areas requiring improvement are: specifying contract requirements, paying fair and reasonable costs, and overseeing contractor performance.



### Remaining Recommendations (of 8 total):

1. Improve contract oversight by establishing a management reporting system geared toward providing oversight information to top management and departmental managers.
2. Enhance departmental quality control by:
  - designating a formal "Contract Coordinator" in each department responsible for assuring that contracts are properly planned and monitored
  - establishing minimum agency-wide qualifications for project managers and other contracting personnel
  - formally evaluating the performance of project managers and other contracting personnel in relation to their contracting duties and responsibilities.
3. Provide better support to project managers and other contracting personnel by developing procedures, guidelines and training in:
  - determining appropriate contract type
  - establishing scope of work requirements and performance standards
  - monitoring and evaluating contractor performance
  - evaluating contractor proposed prices and billings
  - conducting risk assessments.

**Most Are In Progress:** Contract coordinators are designated for all departments. For those positions that are predominately contract coordination, minimum qualifications are established in the job descriptions of those positions. For positions where contract coordination is a minor function, that is not the case.

Procedures and training will be completed by June 2004, according to management's estimates.

The remaining recommendations pertain to the need for Metro to develop a project management system, as recommended in our September 2001 report on Construction Management at the Oregon Zoo. Metro no longer has anyone assigned to develop this system, and its Chief Operating Officer declined to provide any information on these remaining recommendations.

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## Open Spaces Acquisitions

### June 2000

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We examined the acquisition processes and progress of the Open Spaces Program, approved by voters in 1995 giving Metro authority to issue more than \$135 million in bonds primarily for acquiring land. Program goals include acquiring nearly 6,000 acres of open space in 14 target areas in the three-county area, and establishing about 45 miles of greenways and trail corridors.

Metro achieved its 6,000-acre goal. Beneath this overall result we found that the issue of regional balance may merit attention as land acquisitions and trail and greenway development exceed program goals in some target areas but lag in others.

To help Metro and the public better chart the Program's remaining course we recommended:

- establishing a system to help maintain the regional balance envisioned in the bond measure
- expanding information in reports provided to the Metro Council and the public to enable readers to evaluate whether goals are being met and whether expenditure patterns are consistent with expectations as described in the bond measure
- making some procedural changes to strengthen the appraisal process, improve documentation of due diligence work and clarify policies for obtaining Metro Council approval.



### Remaining Recommendations (of 8 total):

1. Eliminate, by Council action, a provision in the Program Work Plan that allows staff to direct appraisal assumptions. This is unnecessary because appraisers already consider the highest and best potential use for a property.
2. Obtain clarification from the Council regarding Program Work Plan directives requiring Council approval to purchase properties with unusual circumstances.

**Not done:** With respect to the two remaining recommendations, management said that the Council does not wish to make the suggested changes to the Program Work Plan. Management indicated that Metro's General Counsel now directs all appraisal assumptions, and consequently they believe that a Work Plan change is unnecessary. We continue our position that making the suggested changes to the Work Plan would improve the integrity and credibility of land appraisals performed for the program and clarify the circumstances that require land purchases to be approved by the Council.

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## Accounting and Finance Benchmarks and Opportunities

### January 2000

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This report compared or “benchmarked” Metro’s accounting and finance processes against those of more than 800 private and public organizations. We identified top performers and looked at the activities that contributed to their standing.

Our work shows that Metro’s accounting and finance division excels in certain areas, such as investment in technology. However, investment in overall accounting and finance activities – about \$3.1 million in FY 1998 – is low, hence important work is not being done and known inefficiencies are going uncorrected.



#### **Remaining Recommendations (of 6 total):**

1. Document accounting and financial policies and procedures.
2. Establish materiality levels for journal entries and allocations.
3. Make full use of e-business applications for improving financial processes.

***In progress:*** Some policies and procedures, such as those applicable to handling cash receipts, have been documented. Overall accounting policies are documented in footnotes to the Metro’s Comprehensive Annual Financial Report, and accounting policy changes required by GASB Statements 34 through 39 have been completed. Further policy and procedure development will continue into FY 2004. Work is ongoing to establish materiality thresholds for journal entries, but department staffs have been unsupportive. Accounting Services will review this issue with Metro’s new Chief Financial Officer. The upgrade to Metro’s primary financial system software, PeopleSoft version 8, will contain e-business applications, but their full utilization will depend on availability of staff.

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## Financial Statement Audit Management Recommendations

### January 2000

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As part of its audit of Metro's FY 1999 financial statements, Deloitte & Touche LLP analyzed Metro's financial controls. While they found that Metro's controls were generally sound, they recommended some improvements to Metro's information systems, accounting practices, and administrative procedures.



### Remaining Recommendations (of 11 total):

#### Information Systems

1. Develop an IT strategic plan that is linked to Metro's operating plan.
2. Develop a plan for assuring that Metro's primary computer systems can continue to operate in the event of a disaster or emergency.

#### Accounting and Administrative

3. Perform a complete physical inventory of all fixed assets biannually.
4. Establish an allowance for potentially uncollectible accounts based on an analysis of the age of accounts receivable.
5. Adjust for cash account reconciling items in a timely manner, including all MERC accounts.
6. Update Metro's policies and procedures manuals to reflect implementation of the PeopleSoft financial management software applications.

***Most are in progress:*** The Finance and Business Support departments have taken steps to implement most of these recommendations. The Business Support Department has made progress in developing the framework for an information systems strategic plan, but has not executed an action plan to complete the plan. Business Support plans to initiate a comprehensive review of the existing disaster recovery plan in FY 2004.

The Finance Department has implemented the accounts receivable and reconciling recommendations for all receivables, and plans to have a new employee inventory fixed assets. MERC has taken no actions to implement the accounts receivable and reconciling recommendations.

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## Information Technology Benchmarks and Opportunities

### December 1999

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We compared or “benchmarked” Metro’s Information Technology functions against those of more than 100 private and public organizations. We identified top performers and looked at the activities that contributed to their standing.

Our work showed that Metro's information management team excels in certain areas, such as quick resolution to problems called into the help desk. It also shows that Metro lags in other areas, such as system redesign and development, standardization of IT resources, and user support and training.

We made five recommendations for improving Information Technology operations. All but one have been implemented. Our recommendations have led to improvements in:

- Information Technology updating the focus of its efforts, better foreseeing trends in network enterprise and desktop use and developing systematic measures to avoid problems
- Information Technology managers simplifying processes and standardizing its resources
- Information Technology providing adequate end-user training and support.

Implementing our one remaining recommendation will result in Metro having a comprehensive plan to reduce risks of losing or compromising data due to various security issues, including component failures and obsolescence.



#### **Remaining Recommendations (of 5 total):**

1. Develop a comprehensive IT risk management strategy, including physical security, logical security, data integrity, system and component failure, and technical or market obsolescence.

***In progress:*** The Information Technology Division has made no further progress in addressing this recommendation, as completion of an IT Strategic Plan is a necessary precursor to creating an effective risk management strategy. The IT Division has made progress in developing the framework for an information systems strategic plan, but has not executed an action plan to complete the plan.

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## Purchasing Benchmarks and Opportunities

### May 1999

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This report benchmarked Metro’s purchasing functions against the purchasing functions of more than 100 private and public organizations. We identified several areas for improvement and made specific recommendations for improving Metro’s purchasing processes that have resulted in staff spending less time on purchasing processes and better control over items purchased.

Recommendations included updating purchasing requirement thresholds, streamlining purchase processing, increasing computer systems use for purchase processing, increasing centralization of some purchasing activities, instituting a vendor performance measurement system, and establishing internal teams to study purchasing activities to improve cost effectiveness.



### Remaining Recommendations (of 6 total):

1. Institute formalized vendor performance standards and include reference to monitoring and performance measures in master contracts.

*In progress:* Metro established a Contract Consultant Team to address the need for contractor performance standards cited in both this audit report and our subsequent audit, “Contracting: A Framework for Enhancing Contract Management.” The team meets semi-monthly and is focusing on establishing a performance evaluation process, which it plans to put in place by June 2004.

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## Financial Statement Audit Management Recommendations

March 1999

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As part of its audit of Metro's financial statements, Deloitte & Touche LLP reviewed Metro's internal controls. While noting no significant control weaknesses affecting the financial statements, it did identify some control issues and recommend ways to address them. These control issues pertain to Metro accounting and administrative procedures.



### Remaining Recommendations (of 5 total):

1. Prepare an aging analysis of all accounts receivable, maintain an allowance for doubtful accounts receivable, and give Accounting Services the authority to record the allowance for doubtful accounts for financial reporting purposes.
2. Perform a complete inventory of all fixed assets at least biannually and tag all assets with identification numbers.

***In progress:*** The first recommendation has been implemented for all receivables except for MERC. Metro plans to assign a new hire in the Finance Department the task of coordinating a fixed asset inventory.

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## InfoLink Project Review

### December 1998

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The Metro Auditor contracted with Pacific Consulting Group, Inc. to evaluate three aspects of the InfoLink project – the replacement of Metro’s 10-year-old mainframe-based computer system that ran on obsolete software and was not expected to process data correctly after December 31, 1999. The three areas of review were project planning and management, the procurement process and project implementation.

Although Metro staff had done an exceptional job to date, much work remained to be done,

- Only five of eleven planned PeopleSoft applications are installed. The others are significantly behind schedule.
- Delays in training many end users limits the ability of these employees to obtain information from InfoLink that would help them to do their jobs. This lack of training contributed to low satisfaction ratings in recent focus groups.
- Processes need to be reengineered to eliminate duplicate data entry and records.
- PeopleSoft upgrades each application approximately once a year. These upgrades require an adequate number of staff with appropriate skills.

The consultant made several recommendations that have helped management take actions that improved system reliability, increased employee satisfaction with the management information system and provided departments with better reports and other tools for managing their budgetary responsibilities. Remaining recommendations, when fully implemented, will result in more efficient and effective management of Metro’s information technology projects.

The report also includes recommendations for planning future information system projects, such as setting up vendor contracts based on delivery of services rather than time and materials.



### Remaining Recommendations (of 28 total):

1. Prepare user manuals covering the workflow process required with the InfoLink system. Manuals should have a common “look and feel.”
2. Follow these nine recommendations on future IT projects:
  - Develop and maintain detailed project plans, including resource assignments, for all major IT projects.
  - Include the cost of internal Metro staff in cost estimates to more accurately capture the total cost of carrying out IT projects.
  - Adopt a formal system development and implementation methodology, with specified project deliverables, for all major IT projects.

- Prepare written reports summarizing the software evaluation and selection phase for review and approval by the IT Steering Committee and senior management.
- Prepare a feasibility study, including detailed cost-benefit analyses, for all major proposed changes in the IT infrastructure of Metro, such as the implementation of new computing architectures or software projects.
- Conduct formal certification tests prior to software license payments. Make final software license payments after final acceptance of the system by Metro.
- Require consulting contracts for software implementation services to be deliverable-based.
- Review all major IT projects at least annually to determine if they continue to meet Metro's overall objectives.
- Review projected benefits of IT projects on an ongoing basis to evaluate the overall need to continue the project or make necessary modifications.

***In progress:*** User manuals have not been developed. Metro can address the remaining recommendation when it undertakes another major IT project.

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## Survey of Controls Over Cash Receipts at Remote Locations

**October 1998**

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This survey identified Metro's cash collection sites and documented the internal control policies and procedures purportedly in place at the sites. We did not test controls in detail, but we made several observations leading to recommendations for better safeguarding cash from loss or theft and for improving procedures for invoicing customers and tracking revenue from contracts.

Metro collected about \$28 million at various sites outside of its Accounting Division in FY 1997. We identified 14 sites where these collections are made. Cash is collected at more than one location on each site – we estimated a total of 85 to 100 such locations.

By implementing our remaining recommendations, Metro will better ensure that remote sites are using proper cash handling practices and that cash is adequately safeguarded. In addition, revenue from contracts, such as rents and leases, will be better tracked and accounted for.



### **Remaining Recommendations (of 9 total):**

1. Provide written guidelines to department managers to use in preparing or updating cash handling policies and procedures.
2. Ensure that department managers provide each cash-handling area in their department with current detailed written cash handling policies and procedures which conform to the guidelines issued by the Accounting Division.
3. Review the volume of cash transactions at cash handling areas to determine if cash registers should be used to provide better recording control of cash received.
4. Ensure that all revenue contract payments, such as rents and lease payments that are received in regular, predetermined amounts are set up as receivables with payments monitored by and coming directly to the Accounting Division.

***In progress:*** The Metro Council approved a staff position for the Finance Department. This new staff position will, among other tasks, begin to address cash control issues at Metro. Written guidelines will be the first priority.

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## Review of General Information System Controls

**September 1998**

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As part of the audit of Metro's financial statements for FY 1998, Metro's contract auditor, Deloitte & Touche, reviewed the Business Support Department's general information system internal controls over certain administrative functions. The review resulted in several recommendations for improvement over:

- staffing
- information systems security policies and procedures
- disaster planning for Metro's computer system
- the computer help desk system.

Recommendations already implemented have improved information system security and increased employee satisfaction with the InfoLink system. An information systems security policy has been completed and security procedures are nearing completion. The Information Technology (IT) Division is using specialized help desk management software, which has improved its ability to correct users' computing problems and identify recurring problems.



### **Remaining Recommendations (of 8 total):**

1. Develop and document a comprehensive disaster recovery plan.
2. Review existing service level agreements (hardware and software) for length of coverage and replacement terms.

**Not Done:** Management intends to develop a disaster recovery and business continuity plan after it completes a strategic plan for information services. The Information Technology Division has developed the framework for an information system strategic plan but has not completed the plan. The disaster recovery/business continuity plan will include a review of vendor service level agreements for hardware and software support to ensure that Metro can continue using PeopleSoft applications in the event its primary data processing facilities become inoperable.

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## Oregon Convention Center Purchasing Practices

**March 1997**

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We reviewed Oregon Convention Center purchasing practices to evaluate the effectiveness of management controls, determine whether policies and procedures ensure supplies and services are obtained at competitive prices and identify opportunities to streamline Convention Center purchasing processes. We made several recommendations for:

- updating Metropolitan Exposition-Recreation Commission (MERC) purchasing policies and procedures
- strengthening internal controls to ensure purchases are made at competitive prices and MERC policies are followed
- saving money through buying in larger volumes
- simplifying purchasing and payment approval processes.

Our remaining recommendations, when implemented, will result in more efficient purchasing processes and improved control over vendor invoices.



### **Remaining Recommendations (of 15 total):**

1. Instruct vendors to send invoices directly to Metro's accounts payable section.

***Not done:*** The convention center still receives invoices directly from vendors and indicated that it does not plan to change this practice. We continue to believe that vendors should be asked to send their invoices directly to Metro's accounts payable section to improve internal control and to ensure that expenses are recorded to MERC's financial statements accurately and timely.

## **Chapter 3: Status Summary of All Recommendations**

This chapter summarizes recommendations made by the Auditor’s Office since the office was established in 1995. The recommendations start with the most recently issued report.

Most recommendations have either been implemented or their implementation is under way. A “✓” indicates the recommendation was implemented. The notation “In progress” indicates the relevant organization has begun implementing or has partially implemented the suggestion. “Progress stalled” indicates that no action has been taken to implement the recommendation in the past year. The four other categories are: 1) “Not done”, where no action has been taken, 2) “Withdrawn”, representing recommendations that are no longer applicable, 3) “Applies to future activity” when the recommendation is proactive, and 4) “Status unknown” when we received no information about them.

For further information on audit reports with outstanding recommendations, refer to Chapter 2, where these reports are summarized and more detail is provided on remaining recommendations and steps taken toward implementation.

**Financial Audit Recommendations April 2003**

- |  |             |
|--|-------------|
| 1. Re-evaluate Metro’s practice of accounting for 401(k) assets and liabilities in a fiduciary fund.   | ✓           |
| 2. Develop written policies and procedures for identifying and accounting for capital assets transfers and retirements.  | In progress |
| 3. Consider adding a cash register at Metro’s paint recycling facility to more efficiently record and control paint sales.   | In progress |
| 4. Develop policies and procedures to track paint inventory and control paint donations  | In progress |
| 5. Review purchasing policies to ensure that purchase orders are prepared before purchases are made.   | Not done    |
| 6. Institute controls to ensure that federal grants awarded to Metro or the Oregon Zoo Foundation are accounted for by the entity applying for and expending the federal monies. | ✓           |

**Glendoveer Golf Course Revenue Controls March 2003**

- |  |             |
|--|-------------|
| 1. Develop and document a plan for assuring that Metro receives proper rent payments.                      | In progress |
| 2. Improve the effectiveness of the annual financial and compliance audit                                  | In progress |
| 3. Routinely reconcile greens fees and rent payments with the concessionaire’s financial statements.       | ✓           |
| 4. Work with the concessionaire to improve cash controls at the golf course.                               | ✓           |
| 5. Improve cash handling procedures in the Parks Department at Metro headquarters.                         | In progress |
| 6. Reimburse the concessionaire for an overpayment of greens fees that occurred during calendar year 2000. | ✓           |

**Transfer Station Revenue Controls October 2002**

- |   |   |
|---|---|
| 1. More fully use the capabilities of the automated weighing system.            | ✓ |
| 2. Develop reports and procedures to improve operations and monitor activities. | ✓ |

- |  |             |
|--|-------------|
| 3. Change operations to ensure transfer station users do not enter and leave without weighing in.  | ✓           |
| 4. Strengthen cash controls over sales of recycled paint.  | In progress |
| 5. Document all practices in written policies and procedures.  | ✓           |
| 6. Develop written plan to assure that the automated weighing system could continue to be used in the event of an emergency or a disaster. | In progress |
| 7. Integrate the automated weighing system more fully with Metro's information technology policies.  | ✓           |
| 8. Develop reports to detect unauthorized or inappropriate changes to files or transaction data.   | ✓           |

**Solid Waste Management Framework July 2002**

- |   |   |
|---|---|
| 1. Metro's Solid Waste and Recycling Department should maintain the solid waste management framework outlined in this audit report. | ✓ |
|---|---|

**Financial Audit Recommendations June 2002**

- |   |                  |
|---|------------------|
| 1. Establish stronger password controls for the PeopleSoft-based information system when Metro upgrades to version 8 of this software.  | In progress      |
| 2. Conduct a network security assessment and vulnerability analysis of network and remote access connections.   | Not done         |
| 3. Segregate system users in development, test and production environments for changes made to application and interface programs.  | Progress stalled |
| 4. Store system backup tapes at a secure offsite location on a more frequent basis (daily).   | Progress stalled |
| 5. Store on-site backup tapes in a fireproof vault or cabinet.  | ✓                |
| 6. Test backup tapes periodically to ensure data is recoverable and the media has not deteriorated.   | Not done         |
| 7. Launch a more robust IT Disaster Recovery and Business Continuity Initiative to mitigate risks.  | Not done         |
| 8. Review and monitor user access to the PeopleSoft applications on a regular basis.  | ✓                |
| 9. Clarify responsibilities of Metro and the Oregon Zoo Foundation in regards to federal grants.  | ✓                |
| 10. Perform an inventory of fixed assets bi-annually and tag assets with identification numbers. <i>Repeat of recommendation made by financial auditors in 1999, 2000, and 2001.</i>      | In progress      |
| 11. Establish a procedure to reconcile fixed asset detail to the accounting system at least quarterly. <i>Repeat of recommendation made by financial auditors in 1999, 2000 and 2001.</i> | In progress      |

**PCPA Event Settlements June 2002**

- |  |             |
|--|-------------|
| 1. Investigate options to improve MERC's event management information system and assess costs/benefits of integrating with Metro's financial applications.                     | In progress |
| 2. Develop written plan for carrying out the changes resulting from above recommendation.  | Not done    |
| 3. Seek assistance from someone with experience operating and implementing the Concentrics' event management software to help assure improvements are implemented effectively. | ✓           |

- |    |   |                            |
|----|---|----------------------------|
| 4. | If Concentrics' software is used for accounting purposes, improve data security and ensure the system can be operated when primary system administrators are absent.  | Applies to future activity |
| 5. | Develop new policies that: <ul style="list-style-type: none"> <li>• Identify frequency of event revenue transfers to Metro and how the transfer amounts should be calculated.</li> <li>• Define the kinds of disbursements allowable from special deposit accounts.</li> <li>• Identify procedures for writing off aging accounts receivable including authorization and reporting.</li> <li>• Ensure bank reconciliation is done adequately and timely.</li> <li>• Obtain approval of policies by the MERC Commission or its General Manager.</li> </ul>   | In progress                |
| 6. | Complete the development of and obtain management approval for procedures that: <ul style="list-style-type: none"> <li>• Ensure PCPA staff sends event billing information to MERC administration promptly.</li> <li>• Ensure PCPA staff adequately documents all event services before billing paperwork is forwarded to MERC administration.</li> <li>• Assign responsibility for initiating rental rate updates and for promptly communicating new rates to staff.</li> <li>• Describe how staff should follow-up on overdue accounts receivable.</li> <li>• Describe the process for charging interest on overdue accounts and for recording interest revenue.</li> </ul> | In progress                |
| 7. | Organize policies and procedures for easy access and retrieval by staff.  | In progress                |
| 8. | Identify responsibilities of MERC and Metro staff for reconciling the event settlement bank account.  | In progress                |

**Solid Waste Hauling Contract: Change Order #24 Review** March 2002

No recommendations were made.

**Oregon Zoo: Construction Management** September 2001

- |    |   |                |
|----|---|----------------|
| 1. | Define and document authority, roles and responsibilities of those involved with the remainder of the project.  | Not done       |
| 2. | Develop a list of priorities for remaining affordable elements of the project.  | ✓              |
| 3. | Develop a plan to complete the project that includes: <ul style="list-style-type: none"> <li>• A procedure for setting and revising scope</li> <li>• A documented assessment of significant risks and management strategy</li> <li>• A time management system with key activities, parties and timelines</li> <li>• Performance measures for scope, cost, schedule and quality goals</li> <li>• Timely updates to stakeholders on progress and status.</li> </ul> | Not done       |
| 4. | Define and document Metro-wide the authority, roles and responsibilities of organizations and positions involved in overseeing major projects.  | Status unknown |
| 5. | Develop a Metro-wide system for reviewing, approving and revising the cost, scope, schedule and priorities for major projects.  | Status unknown |
| 6. | Designate a "Project Coordinator" in Metro departments and units that conduct a significant number of projects; they should be trained and empowered.   | Status unknown |

- |    |   |                |
|----|---|----------------|
| 7. | Develop a Metro-wide system that would contain the elements of an effective project management framework.   | Status unknown |
| 8. | Before undertaking CM/GC construction work, obtain a written opinion from a construction consultant that project scope and budget are in balance.   | ✓              |
| 9. | Before undertaking CM/GC construction work, obtain a written opinion from a construction consultant that the proposed Guaranteed Maximum Price and reimbursable expenditures budget are reasonable. | ✓              |

**MERC Food Service Contract June 2001**

- |    |   |             |
|----|---|-------------|
| 1. | Establish a formal process for evaluating concessionaire financial performance.   | In progress |
| 2. | Evaluate and test the concessionaire's internal controls over revenue, expenses and inventory annually.   | In progress |
| 3. | Document concession management and oversight policies and procedures in management directives, administrative policies and an operating manual. | In progress |
| 4. | Maintain relevant food service operation documentation in a readily available location.   | ✓           |

**Transit-Oriented Development Program March 2001**

- |    |   |   |
|----|---|---|
| 1. | Continue to develop a clear and cohesive measurement framework.   | ✓ |
| 2. | Simplify the measurement process by focusing on TOD's most important objectives and prioritizing effectiveness measures.                                      | ✓ |
| 3. | Update data used to measure performance, including base-line data on completed projects, and define the method, frequency and reliability of data collection. | ✓ |

**Financial Statement Audit Management Recommendations March 2001**

- |     |  |                  |
|-----|--|------------------|
| 1.  | Complete a thorough software security assessment and implement a risk-management solution for the Novell servers.  | Withdrawn        |
| 2.  | Develop an IT strategic plan linking information systems to Metro's operating plan.  | Progress stalled |
| 3.  | Develop a business-wide continuity plan for computing operations, including disaster recovery.   | Not done         |
| 4.  | Use the existing Information Systems Steering Committee for routine communications between IMS and DRC to further ensure use of common standards.  | ✓                |
| 5.  | Review administrative access to information systems and restrict unnecessary access to strengthen system security.   | ✓                |
| 6.  | Increase Metro oversight of MERC during periods with high turnover of higher-level management and accounting staff. MERC should attempt to increase retention among this group of employees. | ✓                |
| 7.  | Reconcile general ledger account balances to Zoo Foundation contributions at least quarterly.  | ✓                |
| 8.  | Study GASB Statement 34 and create an action plan for implementation.  | ✓                |
| 9.  | Perform a complete physical inventory of all fixed assets biannually. <i>Repeat of financial auditor recommendations in 1999 and 2000.</i>   | Progress stalled |
| 10. | Establish an allowance for potentially uncollectible accounts receivable. <i>Repeat of financial auditor recommendations in 1999 and 2000.</i>   | Progress stalled |
| 11. | Adjust for cash account reconciling items in a timely manner, including all MERC accounts. <i>Repeat of financial auditor recommendations in 1999 and 2000.</i>                              | In progress      |

12. Identify one Metro employee to approve all grants and be the contact person on grant applications. ✓

**Contracting Framework December 2000**

1. Define and document contracting authority, roles and responsibilities. ✓
2. Strengthen the Contract Office role in guiding and reviewing contracting activities. ✓
3. Conduct formal risk assessments to identify contracts requiring close monitoring and audits. ✓
4. Establish a management reporting system to provide oversight information to top management. Not done
5. Enhance quality control by: In progress
- Designating a Contract Coordinator in each department to assure contracts are properly planned and monitored
  - Establishing minimum qualifications for contracting personnel
  - Formally evaluating contracting personnel performance.
6. Provide better support to contracting personnel by developing procedures, guidelines and training in: In progress
- Determining appropriate contract type
  - Establishing scope of work requirements and performance standards
  - Monitoring and evaluating contractor performance
  - Evaluating contractor proposed prices and billings
  - Conducting risk assessments.
7. Capitalize on the experience of some Metro contracting personnel by forming interdepartmental workgroups to develop procedures, guidelines and training programs. ✓
8. Consider using performance-based service contracting methodology on a pilot basis. ✓

**Portland Oregon Visitors Association Contract September 2000**

1. Evaluate performance indicators proposed by POVA to see if they are acceptable and if others should be added. ✓
2. Define what constitutes an acceptable quality level for each service provided. ✓
3. Establish a plan for measuring POVA's performance using these indicators. ✓

**Oregon Zoo: Service Efforts and Accomplishments August 2000**

1. Develop SEAs consistent with division missions, goals and objectives. ✓
2. Analyze implications and develop strategies to address relatively flat attendance. ✓
3. Establish a program to deal with declines in preventive maintenance efforts. ✓

**Open Spaces Acquisitions June 2000**

1. Accomplish Program objectives. ✓
2. Obtain Metro Council guidance on regional balance and establish a system to ensure balance is maintained. ✓
3. Improve reports to the Metro Council and the public. ✓
4. Assign all appraisal work through the General Counsel's Office. ✓
5. Make all relevant information available to appraisers and reviewers. ✓

- |   |          |
|---|----------|
| 6. Eliminate, by Council action, a provision in the Program Work Plan that allows staff to direct appraisal assumptions                                       | Not done |
| 7. Obtain clarification from the Council regarding Program Work Plan directives requiring Council approval to purchase properties with unusual circumstances. | Not done |
| 8. Document due diligence problems and their resolution.  | ✓        |

**Accounting and Finance Benchmarks and Opportunities** January 2000

- |  |             |
|--|-------------|
| 1. Evaluate Metro’s accounting and financial services to assure adequate support of management and protection of Metro’s financial standing. | ✓           |
| 2. Document accounting and financial policies and procedures.  | In progress |
| 3. Establish materiality level for journal entries and allocations.  | In progress |
| 4. Simplify accounting for purchasing card transactions.   | ✓           |
| 5. Require all vendor invoices be sent directly to Accounting Services Division.   | ✓           |
| 6. Fully utilize e-business applications to improve financial processes.   | In progress |

**InfoLink Review Update** January 2000

- |   |           |
|---|-----------|
| 1. Conduct a strategic planning session for modules of InfoLink not yet implemented to develop a detailed project plan. | Withdrawn |
| 2. Reevaluate adequacy of functional and technical staff support.   | ✓         |

**Check Fraud Protection** January 2000

- |                                 |           |
|---------------------------------|-----------|
| 1. Adopt a Positive Pay system. | Withdrawn |
|---------------------------------|-----------|

**Financial Statement Audit Management Recommendations** January 2000

- |   |                  |
|---|------------------|
| 1. Develop an IT strategic plan linking information systems to Metro’s operating plan.  | Progress stalled |
| 2. Develop a business-wide continuity plan for computing operations including disaster recovery.  | Not done         |
| 3. Use existing Information Systems Steering Committee to communicate between IMS and DRC to further ensure use of common standards and coordination of new purchases, infrastructure changes and operating procedures. | ✓                |
| 4. Install performance monitoring tools for timely diagnosis of potential computing problems.   | ✓                |
| 5. Review root and administrative access to information systems and establish procedures to restrict unnecessary access.  | ✓                |
| 6. Obtain an understanding of GASB Statement 34 and create an implementation plan.  | ✓                |
| 7. Perform a complete physical inventory of all fixed assets biannually. <i>Repeat of financial auditor recommendation in 1999.</i>   | In progress      |
| 8. Establish an allowance for potentially uncollectible accounts based on an aging analysis. <i>Repeat of financial auditor recommendation in 1999.</i>   | Progress stalled |
| 9. Adjust for cash account reconciling items in a timely manner, including all MERC accounts.   | Progress stalled |
| 10. Update Metro’s policies and procedures manuals to reflect implementation of PeopleSoft.   | Not done         |
| 11. Update the Transportation Planning Federal Regulation listing attached to requests for proposals to address conflict of interest.   | ✓                |

**Information Technology Benchmarks and Opportunities December 1999**

- 1. Agree on the strategic role of IT; define IT's role in accomplishing Metro's mission, its critical success factors and related key strategies. ✓
- 2. Enhance effectiveness of the IT group. ✓
- 3. Maximize benefits of existing and future IT investment by providing adequate end-user training and support. ✓
- 4. Simplify processes and standardize IT resources. ✓
- 5. Develop a comprehensive IT risk management strategy, including physical and logical security, data integrity, system and component failure, and technical or market obsolescence. Progress stalled

**MERC Parking Revenue: Better Controls Are Needed September 1999**

- 1. Designate a Convention Center employee to supervise and monitor parking operations on a daily basis. ✓
- 2. Establish procedures to document each parking transaction. ✓
- 3. Reconcile deposits to supporting documentation. ✓
- 4. Assure that contractor documents are complete, accurate and legible. ✓
- 5. Have a MERC employee read vehicle counters at appropriate times and report readings to the Convention Center's parking supervisor. ✓
- 6. Establish an auditable way to document vehicles exempt from paying at Expo and the Convention Center. ✓
- 7. Require every vehicle to display a ticket or pass on their dashboard. ✓
- 8. Place signs at every entrance directing patrons to display their ticket or pass on dashboard; print this statement on all tickets and passes. ✓
- 9. Require parking lot contractors to make and document contractually required lot audits and attendant surveillances. ✓
- 10. Provide City Center Parking an office in the Convention Center to count receipts, prepare deposits and for other supervisory duties. ✓
- 11. Require City Center Parking to prepare deposits the day of an event and place them in the MERC drop safe that day. ✓
- 12. Establish armored car services at the Expo Center for Monday, Thursday and Saturday. ✓
- 13. Charge employees a market-based monthly fee to park in leased lot. ✓
- 14. Hire a consultant to help develop revenue controls for the new Convention Center parking facility and to evaluate the need for more sophisticated controls at the Expo Center. ✓

**Human Resources Benchmarks and Opportunities July 1999**

- 1. Evaluate reasons for and alternatives to Metro's large number of job grades and titles. ✓
- 2. Establish an internal HR improvement team to periodically evaluate performance, effectiveness and opportunities. ✓
- 3. Identify and evaluate options to reduce the HR administrative burden. ✓
- 4. Emphasize HR Department as a strategic partner in areas such as organizational structure, staff development and team development. ✓

**Household Hazardous Waste Program May 1999**

- 1. Price recycled paint at market. As a minimum, set prices to absorb cost of depreciating the latex paint facility and variable costs. ✓
- 2. Actively market recycled latex paint to other governments. ✓

**Purchasing Benchmarks and Opportunities May 1999**

- 1. Revise Metro Code to increase contracting requirement thresholds and significant impact standard. ✓
- 2. Simplify and streamline purchasing card processes. ✓
- 3. Evaluate potential for purchasing efficiencies through expanded use of existing system capabilities and upgrades that can be cost justified. ✓
- 4. Evaluate benefits from increased centralization of purchasing processes. ✓
- 5. Institute formalized vendor performance standards. Include reference to monitoring and performance measures in contracts. In progress
- 6. Establish internal teams to identify opportunities to streamline purchasing practices. ✓

**Financial Statement Audit Management Recommendations March 1999**

- 1. Mandate use of online purchase orders. ✓
- 2. Consult with Accounting Services when changes are proposed in Metro's accounting and financial reporting. ✓
- 3. Prepare an aging analysis of all accounts receivable, maintain an allowance for doubtful accounts receivable and give ASD authority to record the allowance for bad debts for financial reporting purposes. Progress stalled
- 4. Inventory all fixed assets biannually and tag all assets. In progress
- 5. Track retainage on all construction contracts during the year. ✓

**InfoLink Project Review December 1998**

- 1. Identify critical staff resources in IMS and user departments to assist on various tasks. Dedicate resources full time to specific tasks where possible and hire temporary staff to fill positions usually filled by user department staff assigned to the InfoLink project team. ✓
- 2. Implement new reports for user departments in first quarter of 1999. ✓
- 3. Conduct comprehensive training for user departments in new reports and online entry of requisitions (including budget checking) in first quarter of 1999. ✓
- 4. Develop a formal work plan for implementation of PeopleSoft 6.0 upgrade for General Ledger, Purchasing and Accounts Payable modules. ✓
- 5. Upgrade the three financial modules to PeopleSoft Version 6.0. ✓
- 6. Implement Accounts Receivable and Billing modules following upgrade to PeopleSoft Version 6.0. ✓
- 7. Reevaluate requirements for four other PeopleSoft modules (i.e. Budget, Project Costing, etc.) to determine if there is a current need and if they substantially meet Metro's requirements. Withdrawn
- 8. Implement upgrades to PeopleSoft Human Resource and Payroll modules once new releases are stabilized. ✓
- 9. Proceed with a phased implementation in 2000 if there is a need for Budget, Project Costing, Time and Labor, or Asset Management PeopleSoft modules. ✓

- |   |          |
|---|----------|
| 10. Negotiate with PeopleSoft for a credit for licensed, but unused software modules.   | ✓        |
| 11. Clearly define, document and communicate project team member roles to both the project team and user departments.   | ✓        |
| 12. Develop work plan for implementing Accounts Receivable and Billing modules coordinated with financial module upgrade.                                     | ✓        |
| 13. Conduct a staffing review of both Accounting and Information Management Systems divisions in light of PeopleSoft implementation.                          | ✓        |
| 14. Assess staffing requirements to support PeopleSoft applications within IMS to determine if Metro can provide support in the future.                       | ✓        |
| 15. Include funds to support future upgrades to PeopleSoft in the annual budget and the long-range IT plan.   | ✓        |
| 16. Implement a policy to provide employees an incentive to stay after receiving specialized training.  | ✓        |
| 17. Improve service and support for users of the InfoLink system.   | ✓        |
| 18. Prepare user manuals covering the workflow process required with the InfoLink system. Manuals should have common “look and feel.”                         | Not done |
| 19. Develop operating procedures in IMS to document software modifications and vendor supplied software corrections.  | ✓        |
| 20. Follow these nine recommendations on future IT projects:  |          |
| • Develop and maintain detailed project plans, including resource assignments, for all major IT projects.   |          |
| • Include internal Metro staff in IT projects cost estimates to more accurately portray total cost of ownership.  |          |
| • Adopt formal system development and implementation methodology, with specified project deliverables, for all major IT projects.                             |          |
| • Prepare written reports summarizing the software evaluation and selection phase for review and approval by the IT Steering Committee and senior management. |          |
| • Prepare a feasibility study, including detailed cost-benefit analyses, for all major proposed changes in Metro’s IT infrastructure.                         |          |
| • Conduct formal certification tests prior to software license payments. Make final software license payments after final acceptance of the system by Metro.  |          |
| • Require consulting contracts for software implementation services to be deliverable-based.  |          |
| • Review major IT projects at least annually to determine if they continue to meet Metro’s overall objectives.  |          |
| • Review projected benefits of IT projects on an ongoing basis to evaluate the need to continue the project or make necessary modifications.                  |          |

*These nine can be implemented when Metro undertakes another IT project.*

**Internal Controls Review of PeopleSoft Purchasing and Human Resources Applications December 1998**

- |   |   |
|---|---|
| 1. Limit access to production computer programs of PeopleSoft modules to the UNIX and local-area-network (LAN) security administrators. | ✓ |
| 2. Implement separate computing environments for production, test and development of PeopleSoft modules.                                | ✓ |

- |  |   |
|--|---|
| 3. Develop and implement formal policies and procedures for managing program changes.  | ✓ |
| 4. Evaluate purchase of commercial “librarian” software to manage movement of programs through development, test and production.                       | ✓ |
| 5. Reduce number of staff with “superuser” access to PeopleSoft to administrators for HP and LAN security, the database, and PeopleSoft.               | ✓ |
| 6. Develop and implement written policies and procedures for system access.  | ✓ |
| 7. Update user identification and password codes in conjunction with implementation of the PeopleSoft 6.0 upgrade.                                     | ✓ |
| 8. Reduce the number of security classes for financial and human resource applications in conjunction with the PeopleSoft 6.0 upgrade.                 | ✓ |
| 9. Define organizational responsibilities for use of PeopleSoft applications and train users in roles and responsibilities associated with the system. | ✓ |
| 10. Develop written procedures for reviewing and verifying system reports, correcting errors, and operating PeopleSoft applications.                   | ✓ |
| 11. Develop formal procedures to ensure that employee network and application access is revoked before or at employee separation.                      | ✓ |
| 12. Review access rights to the purchasing application to ensure that the rights granted to individuals remain appropriate.                            | ✓ |
| 13. Develop procedures to authorize and document access to PeopleSoft applications.  | ✓ |
| 14. Require employees to create more complex passwords for access to PeopleSoft applications.  | ✓ |
| 15. Develop formal policies and procedures for UNIX root password access.  | ✓ |

**Survey of Controls Over Cash Receipts at Remote Locations** October 1998

- |   |             |
|---|-------------|
| 1. Provide written guidelines to department managers to use in preparing or updating cash handling policies and procedures.   | In progress |
| 2. Ensure that department managers provide each cash-handling area in their department with current detailed written cash handling policies and procedures which conform to Accounting Division guidelines. | In progress |
| 3. Ensure that managers at each cash handling area change safe combinations, security alarm codes and keys to locked areas holding cash when employees with access leave Metro or transfer to another job.  | ✓           |
| 4. Review physical security of cash at locations lacking safes or other secure areas to store cash. Provide increased security, if needed.  | ✓           |
| 5. Consider using cash registers to provide better recording control in areas with a high volume of cash transactions.  | Not done    |
| 6. Place signs at cash registers advising the public that staff are required to give customers a receipt.   | ✓           |
| 7. Ensure that all revenue contract payments are monitored by and coming directly to the Accounting Division.   | In progress |
| 8. Follow established procedures for sending invoices to customers, including having the Accounting Division to perform this function.  | ✓           |
| 9. Develop and apply procedures to reasonably assure that Metro is receiving the correct amount of cash from contractors who handle large amounts of cash receipts generated at Metro facilities.           | ✓           |

**Reports Issued Before October 1998**

The following three recommendations are still outstanding from reports issued before October 1998:

1. Develop and document a comprehensive disaster recovery plan  
*Review of General Information System Controls, September 1998*
2. Review existing service level agreements (hardware and software) for length of coverage and replacement terms  
*Review of General Information System Controls, September 1998*
3. Instruct vendors to send MERC invoices directly to Metro Accounts Payable  
*Oregon Convention Center Purchasing Practices, March 1997*

With the exception of the above, there are no recommendations outstanding for the following reports:

- **Review of General Information System Controls** September 1998
- **Expo Center Expansion: Construction Cost Management** March 1998
- **Urban Growth Boundary Planning Processes and Decisions Can Be More Credible** September 1997
- **RLIS Data: Customer Survey and Implications** September 1997
- **Waste Reduction Grant Programs** August 1997
- **Oregon Convention Center Purchasing Practices** March 1997
- **Comments on Solid Waste Rate Reform Project** October 1996
- **Franchise Management** August 1996
- **Investment Management Program** August 1996
- **Grant Management** July 1996
- **Metro’s Open Spaces Program** June 1996
- **Review of Metro’s Solid Waste Enforcement Unit** February 1996
- **Administration of Existing Contract for Waste Disposal Services** January 1996
- **Glendoveer Cellular Site Lease** October 1995
- **Observations Relating to Loaned Employees and Metro’s Code of Ethics** September 1995
- **Observations Relating to the Outreach and Educational Program’s Salmon Festival** September 1995

## **Response to the Report**

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**Audit: Status of Audit Recommendations**

**Date: December 2003**

## AUDIT RESPONSE

### Recommendation 1

Develop a process to track progress made on audit recommendations. The process put into place should enable others, such as the Metro Council and the Auditor's Office, to obtain reliable information on the implementation status of audit recommendations and to verify that recommendations have actually been implemented, with the evidence of implementation organized and maintained in a single, central location.

### Agree

Yes

No  (specify reasons for disagreement)

### What action will be taken (if any)?

The Chief Operating Officer will work with the Chief Financial Officer to create a central file to record and document implementation of Audit recommendations.

### Who will take action?

The Chief Operating Officer in cooperation with the Chief Financial Officer

### When will action be accomplished?

By the end of Fiscal 03-04

### Follow-up necessary to correct or prevent reoccurrence.

N/A



# Metro Auditor Report Evaluation Form

**Fax... Write... Call...  
Help Us Serve Metro Better**

Our mission at the Office of the Metro Auditor is to assist and advise Metro in achieving honest, efficient management and full accountability to the public. We strive to provide Metro with accurate information, unbiased analysis and objective recommendations on how best to use public resources in support of the region's well-being.

Your feedback helps us do a better job. If you would please take a few minutes to fill out the following information for us, it will help us assess and improve our work.



**Name of Audit Report:**           Status of Audit Recommendations – 2003          

Please rate the following elements of this report by checking the appropriate box.

	<b>Too Little</b>	<b>Just Right</b>	<b>Too Much</b>
Background Information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Details	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Length of Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Clarity of Writing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Potential Impact	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Suggestions for our report format: \_\_\_\_\_  
\_\_\_\_\_

Suggestions for future studies: \_\_\_\_\_  
\_\_\_\_\_

Other comments, ideas, thoughts: \_\_\_\_\_  
\_\_\_\_\_

Name (optional): \_\_\_\_\_

**Thanks for taking the time to help us.**

Fax: 503.797.1831  
Mail: Metro Auditor, 600 NE Grand Avenue, Portland, OR 97232-2736  
Call: Alexis Dow, CPA, Metro Auditor, 503.797.1891  
Email: dowa@metro.dst.or.us

**Suggestion Hotline:** 503.230.0600, MetroAuditor@metro.dst.or.us

# Metro

## People places • open spaces

Clean air and clean water do not stop at city limits or county lines. Neither does the need for jobs, a thriving economy and good transportation choices for people and businesses in our region. Voters have asked Metro to help with the challenges that cross those lines and affect the 24 cities and three counties in the Portland metropolitan area.

A regional approach simply makes sense when it comes to protecting open space, caring for parks, planning for the best use of land, managing garbage disposal and increasing recycling. Metro oversees world-class facilities such as the Oregon Zoo, which contributes to conservation and education, and the Oregon Convention Center, which benefits the region's economy.

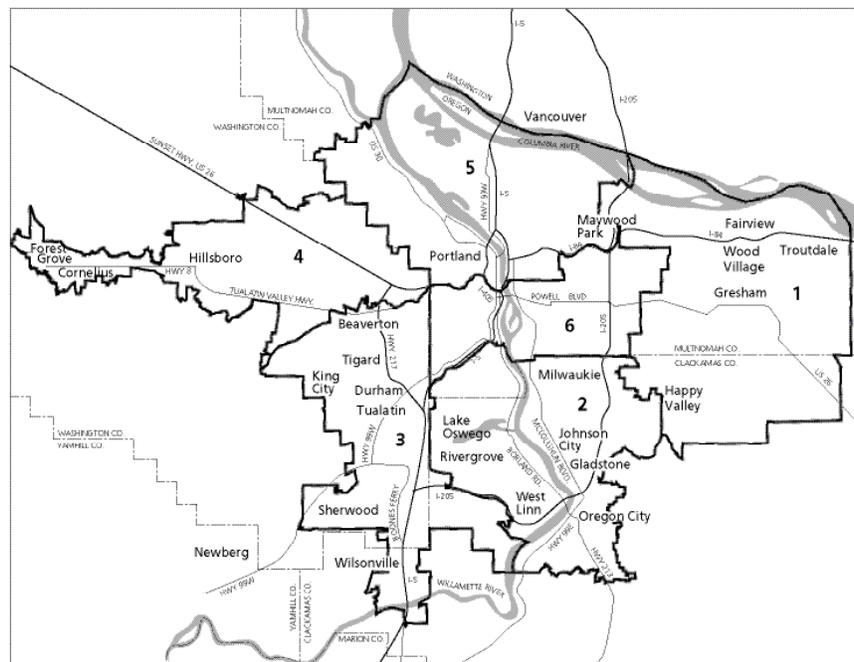
### Your Metro representatives

Metro Council President – David Bragdon

Metro Councilors – Rod Park, deputy council president, District 1; Brian Newman, District 2; Carl Hosticka, District 3; Susan McLain, District 4; Rex Burkholder, District 5; Rod Monroe, District 6.

Auditor – Alexis Dow, CPA

**Web site: [www.metro-region.org](http://www.metro-region.org)**



**Council districts**

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**Metro Auditor Alexis Dow, CPA**  
**(503) 797-1891**

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