

**Metro**

***Status of Audit  
Recommendations – 2006***

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**November 2006**

A Report by the Office of the Auditor



**METRO**

PEOPLE PLACES

OPEN SPACES

**Alexis Dow, CPA**

**Metro Auditor**

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**METRO**

**AUDITOR**

**ALEXIS DOW, CPA**

November 27, 2006

To the Metro Council and Metro-area Citizens:

The accompanying report summarizes the recommendations made by the Metro Auditor and indicates whether Metro's management team has carried them out.

Metro has a strong history of implementing our audit recommendations. Most 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.

Recent progress has slowed. Improvements resulting from implemented recommendations can take many forms, including saving money, using resources more efficiently, protecting assets, and better assuring that program goals and project objectives are met. By implementing our recommendations, Metro and MERC can better face unmanaged risks and take advantage of opportunities to enhance effectiveness and credibility.

We appreciate the cooperation and assistance from Chief Operating Officer Michael Jordan, all Metro departments and MERC and their staff as we prepared this report. The last section of this report contains Mr. Jordan's comments.

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

Very truly yours,

A handwritten signature in cursive script that reads "Alexis Dow".

Alexis Dow, CPA  
Metro Auditor

# Table of Contents

## **Chapter 1 – Overview and Background**

Report background and objective	1
Overview of Metro's action on recommendations	1
Implemented audit recommendations improve internal control, reduce risks and add value	2
"In Progress" recommendations also demonstrate commitment to improvement	2
Inattention to audit recommendations exposes Metro to risks	3
Scope of work performed	3

## **Chapter 2 – Recommendations Requiring Further Action** 5

## **Chapter 3 – Summary of Recommendations and Status** 34

## **Response to the Report – Chief Operating Officer Michael Jordan**

## **Chapter 1: Overview and Background**

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# Overview and Background

## Report background and objective

The Metro Code directs the Metro Auditor “to make continuous investigations of the operations of Metro.”<sup>1</sup> Our mission is to assist and advise Metro in achieving honest, efficient management and full accountability to the public, and 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.

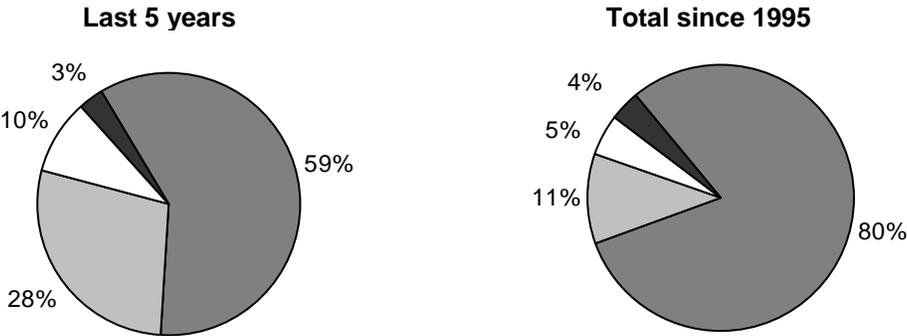
In efforts to fulfill our mission, we have issued 24 audit reports in the past five years (since June 2001), with a total of 129 recommendations. Audit recommendations are made to encourage improvement in the economy, efficiency and effectiveness of Metro operations, and to improve safeguards over public funds and other assets.

Government Auditing Standards state that officials of the audited entity are responsible for addressing the findings and recommendations of auditors, and for establishing and maintaining a process to track the status of such findings and recommendations.<sup>2</sup> An organization’s willingness and ability to carry out audit recommendations are important indicators of management effectiveness. This report is intended to provide the public and the Metro Council with information on Metro’s progress in implementing our audit recommendations.

## Overview of Metro’s action on recommendations

Metro has a strong history of implementing audit recommendations. Of the 368 audit recommendations issued since 1995, 80%<sup>3</sup> have been implemented. Another 11% are considered to be in progress. However, progress on implementing audit recommendations has slowed considerably in the last five years – only 59% of the 125 recommendations made in that time period have been implemented.

The following charts illustrate and compare the progress made in the last five years against progress made since the creation of the Metro Auditor’s Office in 1995.



<b>Last 5 Years</b>	■ Implemented (74)	■ In Progress (35)	□ Not Implemented (11) or Stalled (1)	■ Future Activity (4)
<b>Total since 1995</b>	■ Implemented (295)	■ In Progress (41)	□ Not Implemented (18) or Stalled (1)	■ Future Activity (13)

<sup>1</sup> Metro Code, Chapter 2.15.010, January 2003 Edition.  
<sup>2</sup> Government Auditing Standards, 2003 Revision, section 1.18.  
<sup>3</sup> The recommendations withdrawn since 1995 due to changed circumstances (14 total) are omitted from the calculations.

## **Implemented audit recommendations improve internal control, reduce risks and add value**

Implemented audit recommendations may result in more efficient use of resources, asset protection, reduction in risks through more effective controls, and ensuring that program goals and objectives are met.

### Glendoveer Golf Course Revenue Control

Our audit *Review of Controls over Revenue from Glendoveer Golf Course* (March 2003), identified control weaknesses in Metro's Regional Parks and Greenspaces Department's cash handling procedures for funds received at Metro Regional Center. One recommendation was that the Parks Department improve cash handling procedures for funds received at Metro Regional Center by:

- separating the duties of receiving cash and preparing deposits
- keeping a log of receipts
- documenting the chain of custody when transferring deposits to the Accounting Services Division
- documenting the Parks Department's cash handling procedures at Metro Regional Center.

In light of the audit recommendation, the Parks Department reviewed their cash handling procedures and has implemented the following changes to comply with these recommendations:

- The amount of cash and checks received at Metro Regional Center has been reduced. This was accomplished by relocating the parks reservation processing from Metro Regional Center to Blue Lake Park where most of the reservations are made.
- Payments for reservations are transacted through a cash register and balanced using appropriate cash handling procedures.
- The Parks Department has contacted sources of recurring revenue (i.e. State of Oregon) and requested that these payments go directly to Metro Accounts Receivable for processing rather than to the Parks Department.
- On occasion, small amounts of cash and checks are received by the Parks Department. These amounts are sporadic and unplanned, typically under \$100 per month. These funds are taken to the Metro Accounting Department for processing and deposit. Since the Parks Department no longer prepares deposits, separation of duties is in place. Moreover, all transfers of cash and checks are receipted, thus developing the evidence of a chain of custody.
- Cash handling procedures for Parks Department administration have been developed and documented.

We believe the implementation of these recommendations will help ensure controls are in place to mitigate the risk of loss due to mishandling of funds.

### **“In Progress” recommendations also demonstrate commitment to improvement**

While recommendations are not always easy to implement, progress on implementation shows management's commitment to improving operations and efficiencies. Moreover, addressing issues adds value to the organization and assists in ensuring effective internal controls are in place.

The *Accounts Payable ACL Audit* (June 2003), identified opportunities to improve controls with the use of purchasing cards and to expand the use of these cards for small dollar purchases to increase the efficiency of the purchasing process.

Personnel within Metro’s Accounts Payable Department have met with Bank of America representatives to review procedural controls, ensure that the interface with the new PeopleSoft ERP system is appropriate when conversion occurs next year, and improve the ease of use for purchasing card holders. Internally, Metro continues to strengthen training for purchasing card approvers and processors.

Use of the purchasing card for small dollar purchases for goods has continued to expand with good results. Appropriate use of purchasing cards can enhance efficiencies and improve processing time for purchasing and accounts payable. Savings can be realized through the reduction or elimination of costs associated with forms, envelopes, postage and labor.

**Inattention to audit recommendations exposes Metro to risks**

While the Portland area is susceptible to terrorists and a variety of natural disasters, earthquakes worry emergency planners the most. Unlike Hurricane Katrina, there would be no warning. Disasters and incidents such as earthquakes, floods, gas leaks, fires, volcanic eruptions, bombings and terrorist activities do occur. It is not a matter of if, *but when*, a major disaster will occur. Events such as these highlight the need for a comprehensive Information System Disaster Recovery/Business Continuity Plan.

How quickly Metro’s Information Technology Department can get back to business after a fire, flood or catastrophic event depends on emergency planning today. The lessons of the 1993 World Trade Center bombing, the 1995 Oklahoma City bombing and the September 11, 2001 terrorist attacks demonstrate the importance of being prepared.<sup>4</sup> An Information System Disaster Recovery/Business Continuity Plan provides an organization with the foundation to allow for an orderly recovery of systems and operations.

Without a formal, entity-wide strategic plan to recover from a significant disaster or other major unplanned interruption, it will be difficult for Metro to restore normal public service operations, business processes, and information systems in a timely manner. We encourage Metro to undertake the process of implementing this recommendation in the coming year. We understand the issues involved are very complex and funding will be a challenge, but we believe, as the external auditors have suggested for years now, that Metro should have a Disaster Recovery/Business Continuity Plan in place.

**Scope of work performed**

This is the Metro auditor’s eleventh annual report discussing the status of audit recommendations. Since the Metro Auditor’s Office began operations in early 1995, the office has issued 59 audit reports and made 368 recommendations involving all Metro departments, including the Metropolitan Exposition Recreation Commission (MERC), a subsidiary of Metro.

To determine the status of recommendations still outstanding from our last report and the status of new recommendations made since that time, Metro’s Chief Operating Officer was:

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<sup>4</sup> U.S. Department of Homeland Security, Ready Business.

## Status of Audit Recommendations – 2006

- provided 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 to categorize each recommendation in terms of whether management considers it implemented, in progress or not implemented
- asked that detailed documentation to support recommendations management considers implemented or in progress be provided, along with a written narrative justifying the category selected.

Management's response and supporting documentation were reviewed and selective inquiries were made to gain a clear understanding of actions taken to ensure that the Auditor concurs that the reported status is accurate.

This report was then compiled and reviewed with the Chief Operating Officer.

## **Chapter 2: Recommendations Requiring Further Action**

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## MERC Facilities Efficiently Maintained – Maybe Too Efficiently

### May 2006

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This study evaluated the Metropolitan Exposition Recreation Commission’s (MERC) facility care and capital improvement processes for the Oregon Convention Center, the Portland Center for the Performing Arts and the Portland Metropolitan Exposition Center. The cost of MERC facilities care activities benchmark below that of other facilities across the nation. While low cost is generally a positive, some improvements in facility care practices and capital improvement funding should be made.



#### Remaining recommendations (of 7 total)

1. Evaluate the adequacy of staffing for janitorial and maintenance activities.
2. Add electrical expertise where needed.
3. Establish a system to track preventive maintenance.
4. Adopt a predictive maintenance program for electrical and mechanical systems using infrared thermography.

***In Progress:*** MERC has performed a workload analysis to determine staffing needs and is in the process of hiring two housekeeping and set-up personnel for the convention center. The exposition center has added .20-FTE to its FY 2007 budget for electrical work. However, the electrician the exposition center plans to use has a full time job at another MERC facility and asserts he really does not have time to spend the equivalent of one day a week at the exposition center. Consequently, we consider the recommendation “in progress.”

A module within MERC’s Event Business Management System was recently purchased and installed to track normal maintenance cycles and preventive maintenance projects, but it is not yet being fully used. In addition, MERC has researched the purchase of an infrared system. A funding request will be initiated in the 2007 budget cycle; if approved, an infrared system will be purchased in 2008.

5. Identify a reliable funding source for capital renewal and replacement at each facility.
6. Consider clarifying spending criteria on capital funding agreements currently in existence.

***Not Implemented:*** MERC management agrees with our recommendation to identify a reliable funding source for capital renewal and replacement; however, as facilities operate at near breakeven and below their fund balance goals, reserves for capital renewal and replacement projects are not being accrued.

Although MERC management agrees with our recommendation to clarify capital funding agreements, they desire to wait until there is a need to make “substantial changes” to the agreement with the City of Portland before action is taken. According to MERC management, “the parties to this agreement knew that the language was less than perfect at the time, but at that stage in the negotiations, it was not significant to keep the agreement open.”

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## System for Managing Contracts Can Be Improved

January 2006

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We evaluated the Metro Planning Department's system for managing transportation consulting contracts. In fiscal year 2006, the Planning Department budgeted about \$4.9 million for contracted professional services, mostly for transportation consulting.

We found that a \$1.2 million transportation-consulting contract achieved favorable outcomes. However, the audit identified important ways for Metro to improve how it manages contracts.



### Remaining recommendations (of 5 total)

1. Define contract administration roles and responsibilities.
2. Develop a more complete set of procedures to guide staff on contracts.
3. Clearly identify the role of the Metro Attorney in the contracting process.
4. Implement remaining recommendations from Metro Auditor December 2000 report on contracting practices.

***In Progress:*** The Grants Management Analyst and Project Manager are responsible for ensuring that the services billed for have been provided. A Procurement and Contracts Manager has recently been hired who will be responsible for planning, organizing and directing Metro's procurement program. In addition, this individual will be responsible for reviewing the recommendations from the December 2000 audit report and using this information to make improvements in Metro's contracting practices.

The Office of Metro Attorney has discussed its role in the Metro contracting process with staff from the Contracts Department and will coordinate communication with the new Procurement and Contracts Manager to produce a Statement of Legal Sufficiency Review, which will provide guidance to Metro staff regarding criteria used for and factors excluded from Office of Metro Attorney's legal sufficiency approval of public contracts.

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## **Outsourced Retail Operations – Some Benefits Realized; Better Zoo Oversight Needed**

**January 2006**

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We undertook a review of the Oregon Zoo's contract with Aramark and concluded there is a strong potential for growth in zoo retail operations. In addition, retail performance was compared against expected benefits Metro projected when deciding to outsource retail services for the Zoo. Actual results are significantly short of those projections.



### **Remaining recommendations (of 8 total)**

1. Internet sales efforts should be expanded.
2. The Zoo's outdated point-of-sale system should be replaced.

***In Progress:*** Aramark recently launched an attractive and user-friendly web page, with the goal of increasing website purchases. Other measures taken to promote the retail website include printing the web address on sales receipts and all publications, and partnering with the Oregon Zoo Foundation to increase sales. In January 2007, the results of an online survey will be evaluated and suggestions will be used to make additional improvements to the website. The Oregon Zoo and Aramark continue to discuss replacement of the point-of-sale system.

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## Eliminate or Revise the Regional System Fee Credit Program

**August 2005**

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In this 2005 Bronze Knighton Award-winning report, we reviewed Metro's Regional System Fee Credit Program, which grants credits to private companies that pull recyclable material from the solid waste they receive rather than sending it to the landfill. The program cost Metro approximately \$617,000 in 2005 and \$1 million annually for the previous four years.



Knighton  
Award  
Winner

We recommended the program be eliminated. Recovery companies do contribute to waste recovery in the region. However, a trend of declining recovery rates and the existence of other economic incentives for recovery of recyclable materials suggest alternative activities may be more desirable.

The report recognized that other factors may justify maintaining a variation of the program and recommended several administrative improvements.



### Remaining recommendations (of 7 total):

1. Metro Council should eliminate the Regional System Fee Credit Program or revise it substantially.
2. The program's goal should be redefined, and appropriate measures developed to evaluate program accomplishments.
3. Administrative procedures should be strengthened.
4. Eligibility criteria should be simplified.

***In Progress:*** The Solid Waste and Recycling Department is working on a Dry Waste Recovery Initiative which will allow for the elimination of the Regional System Fee Credit Program, as well as boost the regional recovery rate and accomplish other recycling and conservation objectives. Metro Council approval is anticipated in January 2007. As the new program is implemented, the Solid Waste and Recycling Department will fine-tune the measurement, monitoring, and enforcement of this program, as well as create detailed administrative procedures.

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## Financial Statement Audit Management Recommendations

April 2005

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As a by-product of its audit of Metro's FY 2004 financial statements, Grant Thornton LLP made observations related to Metro's internal control and other accounting, administrative and operating matters.



### Remaining recommendation (of 1 total):

1. Establish a process to prepare and review network security logs and document that review.

*Stalled:* There has been no change or progress made on this recommendation. Metro's Information Technology department has installed an open service network monitoring system, along with other extensive security controls. Systems administrators are responsible for monitoring network performance, with an array of security modules and protocols in place. However, documentation of procedures and processes are still needed to complete this recommendation.

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## Community Enhancement Grant Processes Need Improvement

February 2005

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We evaluated Metro's system for managing community enhancement grant contracts in response to a citizen allegation that Metro enhancement grant funds were inappropriately spent. We reviewed issues pertaining to contract development, contract administration and internal controls. While we found that the questioned expenditure of grant funds substantially met contract requirements, we concluded that Metro's system for managing the grant program needs strengthening. Three recommendations were provided for improving management of this program.



### Remaining recommendations (of 3 total):

1. Expand grant management procedures to better guide staff on how grants should be initiated, authorized and overseen.

***In Progress:*** The Grant Coordinator continues to research best management practices for grant programs that will be reviewed and possibly put into practice at a later date. New procedures have been documented and implemented to provide guidance on how grants should be initiated, authorized, and managed, including:

- requiring grant applicants to submit estimated project budgets that include percentage of funds earmarked for administrative use
- providing grant management controls to all grant applicants, highlighting responsibilities and expectations of grantee.

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## Management of Relationship with Oregon Zoo Foundation Needs Improvement

September 2004

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We examined the relationship between the Metro-owned and operated Oregon Zoo and the independent Oregon Zoo Foundation in this 2004 *Knighton Award for Best Audit* award recipient. Metro Councilors asked us to determine whether financial activities between the two organizations were conducted in an accountable and transparent manner, allowing for meaningful oversight by Metro management and the Metro Council. We identified several problems that indicated the system for controlling this relationship was weak. We believe Metro will have to change how the relationship is conducted to ensure that the Oregon Zoo’s activities are consistent with Metro policy objectives, organizational goals and established procedures.



### Remaining recommendations (of 7 total):

1. Define the information and reports needed by Metro to perform oversight responsibility and take steps to ensure that the Zoo and Foundation make this information available.
2. Enhance the role of the contract office to ensure that high risks, contract performance and compliance with policies and procedures are monitored.
3. Implement the full range of recommendations made in the Metro Auditor report of December 2000, *Contracting: A Framework for Enhancing Contract Management*.

***In Progress:*** Financial statements of the Oregon Zoo Foundation have been submitted for years 2003, 2004, and 2005. However, documentation describing the activities and the accomplishments of the Oregon Zoo Foundation were not submitted. A Procurement and Contracts Manager has recently been hired who will be responsible for planning, organizing and directing Metro’s procurement program and providing oversight of contracts and contractor performance. In addition, this individual will be responsible for reviewing the recommendations from the December 2000 *Contracting* audit report and using this information to make improvements in Metro’s contracting practices.

4. Renegotiate Metro’s contractual agreement with the Foundation to better define major duties and processes, including compensation terms.
5. Take appropriate action to hold the Zoo Director accountable for departures from Metro’s regulations relating to construction of the Condor breeding facility.

***Not Implemented:*** According to Metro’s Chief Operating Officer’s response to this recommendation, “The contractual agreement between the Metro Council and the Oregon Zoo Foundation is the policy articulation of the relationship and thus changes to the agreement are under the purview of the Metro Council.”

Regarding holding the Zoo Director responsible for departures from Metro’s regulations relating to construction of the Condor breeding facility, the Chief Operating Officer’s office stated, “This matter has been dealt with, no further action will be taken.”

We found no evidence that either of these recommendations have been considered.

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## Telecommunications Joint Project

June 2004

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The Metro Auditor, together with Metro's Chief Financial Officer, engaged Solberg/Adams LLC to audit the billings, contracts, customer service records and other information related to Metro's telecommunication expenses. Solberg/Adams identified several opportunities where Metro could save money, partly from refunds of incorrectly assessed excise taxes and from adopting more cost-effective telecommunication practices.



### Remaining recommendations (of 5 total):

1. Adjust AT&T Wireless plans to reduce unnecessary costs.

*Not Implemented:* Metro requires key employees to have cell phones for Metro business. These employees are not required to use a uniform wireless carrier, and can therefore select their own cell phone service provider. This is a one-time action that can result in savings to Metro. We encourage management to complete this recommendation and adequately document the steps taken and requirements for providing cell phones to Metro employees.

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## Financial Statement Audit Management Recommendations

March 2004

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As part of its audit of Metro's FY 2003 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 did make two recommendations for improving certain deficiencies relating to the Metropolitan Exposition Recreation Commission (MERC).



### Remaining recommendation (of 2 total):

1. MERC should draft detailed bank account reconciliation policies and procedures that include:
  - statement of policy and purpose
  - general description of each cash account including the unique aspects of each
  - specified procedures requiring:
    - monthly reconciliations
    - stated due date for the reconciliations
    - investigation of all significant differences
    - supervisory review of all reconciliations
    - supervisory approval of all proposed adjustments resulting from the reconciliations.

***Not Implemented:*** According to discussion with MERC representatives, written reconciliation procedures have not been developed due to the bank revising the format of the electronic statements which are provided to MERC. However, a supervisor does review and sign off on the reconciliations once MERC personnel have completed them.

We still recommend that written procedures be drafted so that employees have knowledge of expectations and processes to be performed while reconciling the bank accounts.

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## Status of Audit Recommendations – 2004

### January 2004

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Government Auditing Standards state that it is the responsibility of managers of governmental entities to establish and maintain a process to track the implementation status of auditor findings and recommendations (Section 1.18, 2003 Revision). For this reason, we recommended in the 2004 Status of Audit Recommendations report that Metro's Chief Operating Officer begin to fulfill this responsibility to provide the management impetus and oversight to assure that recommendations are properly implemented.

Metro management's acceptance of audit recommendations means they agree that the recommendations will improve Metro's operations. One way for management to ensure these identified improvements occur is to establish a process for tracking the status of audit recommendations, ensuring that action taken by the departments is appropriate to the recommendation and that supporting documentation exists. The process should enable others, such as the Metro Council and Auditor, to easily obtain reliable information on the implementation status of audit recommendations and to verify that recommendations have actually been implemented. Evidence of implementation should be organized and maintained in a single, central location.



#### **Remaining recommendation (of 1 total):**

1. Metro management should develop a process for assuring that audit recommendations are properly implemented.

***In Progress:*** Procedures have been developed to establish a process for tracking the status of audit recommendations; however, they are not fully effective. While progress has been made, additional steps need to be taken to ensure Metro departments comply with time deadlines and provide adequate documentation to address the recommendation.

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## MERC's Accountability Processes Need to be Strengthened

October 2003

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This report discusses issues related to Metro/Metropolitan Exposition Recreation Commission (MERC) governance and accountability. We believe the Metro Council and the MERC Commission should consider our recommendations for measuring, reporting and monitoring its pay-for-performance compensation program and the reasonableness of MERC's administration of its policies and procedures for the program.



Knighton  
Award  
Winner



### Remaining recommendations to the MERC Commission (of 3 total):

1. Direct MERC management to establish and report on specific program goals and performance measures to provide a basis for evaluating program accomplishments.
2. Assure that compensation policies are prudent, equitable, transparent and consistently applied.
3. Direct MERC management to establish a clear linkage between employee pay and MERC's operational and financial performance.

*In Progress:* A consultant has been hired to perform an assessment of MERC's performance evaluation and pay process, job classifications and compensation criteria.

### Remaining recommendations to METRO (of 2 total)

1. Establish a formal process for considering and reconciling unresolved issues of mutual interest to Metro and the MERC Commission (i.e. MERC's administration of its compensation program).

*In Progress:* Meetings were held twice in 2006 (February and June) between the Metro Council and the MERC Commission. Meetings are a step in the right direction; however, we believe that a joint Metro/MERC Committee, consisting of a few Council and MERC commission members be established to assist in the resolution of differences between both organizations.

2. Establish specific guidelines and requirements for the MERC Commission to follow in exercising its responsibilities in an accountable manner.

*Not Implemented:* Specific guidelines and requirements that the MERC Commission should communicate to the Metro Council, including program goals, policies, procedures and monitoring programs have not been established. We recommend formalizing guidelines and requirements.

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## MERC's Employee Performance Agreements Need Improvement

October 2003

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This report focuses on how the Metropolitan Exposition Recreation Commission (MERC) could improve employee performance agreements. Performance agreements are the pivotal tool for any pay-for-performance program – they spell out the criteria under which employees will be evaluated and upon which they will receive any performance-based adjustments to their pay. The report's findings and recommendations apply to MERC's current program and offer a framework for Metro to consider in planning and implementing any compensation program using employee agreements.



### Remaining recommendation (of 3 total):

1. Have an independent human resource consultant review employee performance agreements at the beginning of the next evaluation cycle.

***In Progress:*** A consultant has been hired to perform an assessment of MERC's performance evaluation and pay process, job classifications and compensation criteria.

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## Oregon Convention Center Expansion: Review of Management's System for Controlling Costs

August 2003

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The Oregon Convention Center (OCC) built a \$100 million expansion to enhance the existing facility to keep Portland competitive with other cities' convention centers. The OCC is managed by the Metropolitan Exposition Recreation Commission (MERC); a unit of Metro that was also responsible for overseeing the expansion project. The objective of this audit was to determine if the expansion project team installed an effective set of procedures to ensure that it reimbursed the Construction Manager/General Contractor (CM/GC) only for services that were allowed under the contract and that services were reasonably priced and necessary to achieving the project's objectives.

We found that MERC's oversight was generally carried out effectively. The project came in on time and under budget. The success of the project notwithstanding, we offer several recommendations for strengthening some of the procedures relating to these types of projects.



### Remaining recommendations (of 9 total):

1. Ensure accountability for travel costs.
2. Ensure construction materials are acquired at competitive prices.
3. Ensure confidentiality of subcontractor bids.
4. Improve management of contract and project risks through a risk management plan prepared by appropriate managers.

**Future Activity:** The above four recommendations cannot be implemented until Metro/MERC undertake another construction project using the Construction Manager/General Contractor approach to approving contracts.

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## Accounts Payable ACL Audit

June 2003

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Problems such as the corporate malfeasance that has plagued the American economy over the last few years are not limited to the private sector. Fraud in governments regularly comes to light as well. Therefore, more emphasis is given to the importance of transaction testing and an increased focus is placed on governance responsibilities to ensure a sound structure of controls and oversight to protect public interests. The Metro Auditor engaged a contractor to perform specific tests of accounts payable and payroll transactions and to analyze data associated with these tests.

Several recommendations were made to strengthen controls, streamline processes and optimize existing controls.



### Remaining recommendations (of 9 total):

1. Review the purchasing card program to ensure that controls are appropriate, and purchasing opportunities for the program are optimized.
2. Expand the use of purchasing cards for small dollar purchases to increase the efficiency of the purchasing process. Optimize the controls available through the program.

***In Progress:*** Metro continues to strengthen its training for purchasing card processors and approvers. The current purchasing card program will be replaced in December 2007. As part of the upcoming conversion planning, the purchasing card administrator has met with bank representatives to review the procedural controls, the interface with the PeopleSoft ERM system utilized within Metro, and the ease of use for purchasing card holders.

Although the small dollar purchase of goods has continued to expand with good results, use of purchasing cards for services remains problematic where the services are provided by entities subject to IRS 1099 reporting. Metro awaits resolution between the banking industry and the IRS of problematic service type transactions.

3. Establish a policy limiting the amount of time a vendor can remain in active status since the last time they were used and inactivate vendors who do not fall within the policy of “active” vendors.

***Stalled/Not Implemented:*** The inactivation of past vendors must be fully synchronized with the archiving function within the PeopleSoft ERM system and has not been fully tested. While the Accounts Payable Department is not moving forward on this recommendation at this time, some progress has been made. Departments within Metro are communicating to the Accounts Payable Department one-time payments, which allow the vendor to be created and inactivated almost concurrently.

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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.

***In Progress:*** Agency-wide policies and procedures to account for fixed assets have been drafted. The draft documents have been provided to the Chief Financial Officer and finance staff for their review and feedback. The review has been delayed due to the ongoing reorganization of various finance functions with Metro. Upon finalization and completion of the reorganization, the procedures will be reviewed and finalized.

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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 for the fiscal year ending June 30, 2001, 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 several recommendations regarding information technology controls and accounting and administrative practices.



#### Remaining recommendations (of 11 total):

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

***In Progress:*** The 2006-07 budget contained an authorization for the acquisition of a Fixed Asset module for use within the PeopleSoft System. In October 2006, a project team began the design requirements and expects to complete design and acquisition this year with implementation in 12-15 months. A physical inventory is planned as part of the implementation. In addition, agency-wide policies and procedures have been drafted and provided to the Chief Financial Officer and finance staff for their review and feedback. The review has been delayed due to the on-going re-organization of various finance functions with Metro, but upon finalization and completion of the re-organization, the procedures will be reviewed and implemented.

3. Conduct a network security assessment and vulnerability analysis of network and remote access connections.
4. Launch a more robust Information Technology Disaster Recovery and Business Continuity initiative to mitigate risks.

***Not Implemented:*** A network security assessment and vulnerability analysis of network and remote access connections should be conducted as the initial step in preparing an Information Technology Disaster Recovery and Business Continuity Plan. A Disaster Recovery and Business Continuity Plan, specific to the Information Technology Department, is imperative to mitigate risks of data loss and to ensure the ability to continue to perform services for the community. This is not a simple task, and requires dedication of resources – time, money and personnel – to accomplish. We again encourage Metro to seriously consider providing the necessary funding to develop a Disaster Recovery and Business Continuity Plan.

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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 commercial promoters, nonprofit arts groups, and others owe for renting the PCPA's facilities – a process known as event settlement. The PCPA hosts hundreds of arts and cultural performances each year, and in FY 2001 rental revenue from these events totaled about \$3.2 million. The PCPA is owned by the City of Portland and operated by the MERC Commission, a Metro unit.

We found that overall the event settlement system was functioning adequately. Management processes were in place to ensure that settlements were 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. Develop new policies that:
  - identify the frequency of event revenue transfers to Metro and how the transfer amounts should be calculated
  - define the types of disbursements that may be made out of MERC's special deposit (bank) accounts
  - identify when aging accounts receivable should be written off and how such write-offs should be authorized and reported.
2. 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 communicating new rates to staff
  - describe how staff should follow up on overdue accounts
  - establish how interest on overdue accounts should be calculated and recorded.

***In Progress:*** MERC is making progress on these recommendations, but there is still work to be performed. Business processes within MERC are changing with the implementation of Event Business Management System software. As a result, it is recommended that written procedures be developed to clearly define roles and responsibilities to assist staff in performing their job functions appropriately.

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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.

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. The recommended framework is appropriate for any large project Metro may undertake in the future.



#### Remaining recommendations (of 9 total):

The following recommendations apply to Metro on an agency-wide basis.

1. 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 their performance is regularly evaluated.
  - Goals are clearly defined and measurable.
  - Project scope and priorities provide the best means of achieving project goals.
  - Project scope can be carried out within its budget.
  - Project budget is complete and includes a contingency for unforeseen problems.
  - A project management plan is documented and monitored.
  - Project milestones and performance indicators are established.
  - Project status, performance, scope changes and other issues are regularly communicated to stakeholders.

2. Designate a "Project Coordinator" in departments that manage a significant number of projects.

***In Progress:*** A Procurement and Contracts Manager has recently been hired who will be responsible for planning, organizing and directing Metro's procurement program and overseeing capital improvement projects specific to the Metro Regional Services facility.

3. Define and document Metro-wide the authority, roles and responsibilities of the organizations and positions involved in overseeing major projects, including department managers, the Chief Operating Officer and the Metro Council.

***Not Implemented:*** No progress has been made on this recommendation.

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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.



### Remaining recommendations (of 4 total):

1. Annually evaluate and test concessionaire's internal controls over revenue, expenses and inventory.
2. Document concession management and oversight policies and procedures in management directives, administrative policies and an operating manual.

***In Progress:*** Progress has been made in implementing these recommendations by installing a point-of-sale system at the Oregon Convention Center and Portland Center for Performing Arts facilities. In addition, spreadsheets are prepared indicating the amounts of proceeds from concessions and event catering. These spreadsheets are used to perform analysis and track trends. Meetings are held monthly between MERC Management and Aramark to discuss any variances that need further explanation.

We still recommend that a CPA firm be hired by MERC to evaluate and test controls over Aramark's revenue, expenses and inventory reporting and that written administrative policies be prepared as a means of documenting concession management procedures.

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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, such as strengthening computer server security and improving accounting practices.



#### Remaining recommendations (of 12 total):

1. Perform a complete physical inventory of all fixed assets biannually.

*In Progress:* The 2006-07 budget contains an authorization for the acquisition of a Fixed Asset module for use within the PeopleSoft System. In October 2006, a project team began the design requirements and expects to complete design and acquisition this year with implementation in 12-15 months. A physical inventory is planned as part of the implementation.

2. Develop a plan for ensuring that Metro's key computer systems can continue to operate in the event of an emergency or disaster.

*Not implemented:* No progress has been made towards implementing this recommendation.

Having an Information Technology Disaster Recovery and Business Continuity Plan is imperative to mitigate risks of data loss and to ensure the ability to continue to perform services for the community. We again encourage Metro to seriously consider providing the necessary funding to develop a Disaster Recovery and Business Continuity Plan for the information technology function within Metro.

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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 2000 *Knighthon Award for Best Audit* 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.



Knighthon  
Award  
Winner

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. 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.
  
2. 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.

***In Progress:*** A Procurement and Contracts Manager has recently been hired who will be responsible for planning, organizing and directing Metro's procurement program and overseeing capital improvement projects specific to the Metro Regional Services facility. Additional job responsibilities consist of developing, analyzing and recommending functional improvements to the department management team, and, as needed, to Metro's upper management structure in all division areas.

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## Open Spaces Acquisitions

### June 2000

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We examined the progress and acquisition processes 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 included 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 exceeded its 6,000-acre goal, but we found that the issue of regional balance merited attention, as land acquisitions and trail and greenway purchases were above program goals in some target areas while significantly below 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 to enable the Metro Council and the public to evaluate whether goals were being met and expenditure patterns were 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 provision is unnecessary as appraisals already consider the highest and best potential use for a property.
2. Obtain clarification from the Council regarding Program Work Plan directives as to which “unusual circumstances” require Council approval prior to land purchases.

***Not implemented:*** No progress has been made towards implementing these recommendation.

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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):

1. Perform a complete physical inventory of all fixed assets biannually.

*In Progress:* The 2006-07 budget contains an authorization for the acquisition of a Fixed Asset module for use within the PeopleSoft System. In October 2006, a project team began the design requirements and expects to complete design and acquisition this year with implementation in 12-15 months. A physical inventory is planned as part of the implementation.

2. Develop a plan for assuring that Metro's primary computer systems can continue to operate in the event of a disaster or emergency.

*Not Implemented:* No progress has been made towards implementing this recommendation.

Having an Information Technology Disaster Recovery and Business Continuity Plan is imperative to mitigate risks of data loss and to ensure the ability to continue to perform services for the community. We again encourage Metro to seriously consider providing the necessary funding to develop a Disaster Recovery and Business Continuity Plan for the information technology function within Metro.

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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 Technology team excels in certain areas, such as quick resolution to problems called in to the Help Desk. It also showed that Metro lags in other areas, such as system redesign and development, standardization of Information Technology 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.



#### Remaining recommendation (of 5 total):

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

***Not Implemented:*** No progress has been made to address this recommendation. We encourage management to implement this remaining recommendation, which 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.

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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 used 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 recommendation (of 6 total):

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

***In Progress:*** A Procurement and Contracts Manager has recently been hired who will be responsible for planning, organizing and directing Metro's procurement program and overseeing capital improvement projects specific to the Metro Regional Services facility. Additional job responsibilities consist of developing, analyzing and recommending functional improvements to the department management team, and, as needed, to Metro's upper management structure in all division areas.

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## Financial Statement Audit Management Recommendations

March 1999

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As part of its audit of Metro's fiscal year 1998 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 recommended ways to address them. These control issues pertain to Metro accounting and administrative procedures.



### Remaining recommendation (of 6 total):

1. Perform a complete inventory of all fixed assets at least biannually and tag all assets with identification numbers.

*In progress:* The 2006-07 budget contains an authorization for the acquisition of a Fixed Asset module for use within the PeopleSoft System. In October 2006, a project team began the design requirements and expects to complete design and acquisition this year with implementation in 12-15 months. A physical inventory is planned as part of the implementation.

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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 excellent job to date, the consultant made several recommendations to improve system reliability, increase employee satisfaction with the system and provide better management reporting tools. The report also included recommendations for planning future information system projects, such as setting up vendor contracts based on delivery of services rather than time and materials.



#### Remaining recommendation (of 28 total):

1. Follow these nine recommendations on future Information Technology (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.

**Future Activity:** These issues can be addressed when the Information Technologies Department undertakes another IT project.

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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 fiscal year 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.



#### 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 Implemented:* No progress has been made on these recommendations.

**Chapter 3: Summary of Recommendations and Status**

This chapter summarizes recommendations made by the Auditor’s Office since the office was established in 1995. Most recommendations have either been implemented or their implementation is under way. Chapter 2 contains more detail on remaining recommendations and steps taken toward implementation.

For this summary, we are using four categories of progress for recommendations. Implemented, in progress, stalled or not implemented, and other. We have grouped the classification of recommendations into categories that we think provide the best interpretation of the current status. Recommendations for which no further progress has been made in the last year (stalled) are grouped with those not yet implemented and the “other” category includes recommendations relating to a future activity or those withdrawn due to changed circumstances.

	Implemented	In Progress	Stalled / Not Implemented	Other
<b>MERC Facilities Efficiently Maintained, Maybe Too Efficiently – May 2006</b>				
1. Perform a workload analysis of janitorial and maintenance staffs.		✓		
2. Add a journeyman electrician at the exposition center and take steps to secure properly qualified personnel at the performing arts center.		✓		
3. Track time spent on facility care, event service activities and capital maintenance projects.	✓			
4. Track maintenance to ensure it is being performed adequately and in a timely manner and progress is updated regularly.		✓		
5. Adopt a predictive maintenance program using infrared thermography for electrical and mechanical systems at all MERC facilities.		✓		
6. Identify an adequate, stable and reliable funding source for capital renewal and replacement projects at each MERC facility.			✓	
7. Clarify use of capital funds at the performing arts center. Evaluate risks associated with not obtaining a formal written understanding with the City of Portland as to the acceptability of charging salaries and benefits against City-provided funding for capital improvements.			✓	
<b>System for Managing Contracts Can Be Improved – January 2006</b>				
1. Define contract administration roles and responsibilities: <ul style="list-style-type: none"> <li>• Ensure contracts are clearly written and include all terms and conditions</li> <li>• Identify contract risks and ensure processes are in place</li> <li>• Ensure invoices comply with contract terms and services billed were provided</li> <li>• Ensure contract files contain required records that are well-organized.</li> </ul>		✓		
2. Develop a more complete set of procedures to guide staff on contracts.		✓		
3. Clearly identify the role of the Metro Attorney in the contracting process.		✓		
4. Consider reviewing the consultant's labor and overhead rates.	✓			
5. Implement remaining recommendations from Metro Auditor December 2000 report on contracting practices.		✓		

**Outsourced Retail Operations – Some Benefits Realized; Better Zoo Oversight Needed – January 2006**

1. Update Aramark’s detail of capital improvements.
2. Consider replacement of the point-of-sale system.
3. Expend available marketing funds to increase retail sales.
4. Educate and monitor the zoo’s maintenance department.
5. Enhance the retail website.
6. Survey zoo visitors on their shopping experience.
7. Provide required insurance coverage.
8. Monitor contract terms.

Implemented	In Progress	Stalled / Not Implemented	Other
✓			
	✓		
✓			
✓			
	✓		
✓			
✓			
✓			

**Eliminate or Revise Regional System Fee Credit Program – August 2005**

1. Metro Council should eliminate the Regional System Fee Credit Program or revise it substantially.
2. The program’s goal should be redefined and appropriate measures developed to evaluate program accomplishments.
3. Eligibility criteria should be simplified.
4. Consider eliminating all inert materials from materials that can be included in recovery rate calculations.
5. Administrative procedures should be strengthened.
6. A process should be developed to review inconsistencies and discrepancies.
7. Policies should be changed to prevent facilities from withholding payment on amounts due.

Implemented	In Progress	Stalled / Not Implemented	Other
	✓		
	✓		
	✓		
✓			
	✓		
✓			
✓			

**Financial Audit Recommendations – April 2005**

1. Establish a process to prepare and review network security logs and document that review.

Implemented	In Progress	Stalled / Not Implemented	Other
		✓	

**Community Enhancement Grant Processes Need Improvement – February 2005**

1. Expand grant management procedures to better guide staff on how grants should be initiated, authorized and overseen. Identify which costs are reimbursable, limiting overhead-type expenditures.
2. Set up better systems to measure and report grant performance.
3. Maximize value of enhancement grant programs by linking their goals to Metro’s strategic goals.

Implemented	In Progress	Stalled / Not Implemented	Other
	✓		
✓			
✓			

**Management of Relationship with Oregon Zoo Foundation Needs Improvement – September 2004**

	Implemented	In Progress	Stalled / Not Implemented	Other
1. Renegotiate Metro’s contractual agreement with the Foundation to better define major duties and processes, including compensation terms.			✓	
2. Take appropriate action to hold the Zoo Director accountable for departures from Metro’s regulations relating to the construction of the Condor breeding facility.			✓	
3. Review the contractual relationship with the Foundation to assure that all major risks are identified and procedures are in place to mitigate them.	✓			
4. Define the information and reports needed by Metro to perform oversight responsibility and take steps to ensure that the Zoo and Foundation make this information available.		✓		
5. Establish appropriate procedures to independently monitor Metro’s contractual relationship with the Foundation. The Zoo Director is a party to both sides of the contractual agreement and independent monitoring of compliance with terms of the agreement is needed.	✓			
6. Enhance the role of the contract office to ensure that high risks, contract performance and compliance with policies and procedures are monitored.		✓		
7. Implement the full range of recommendations made in the Metro Auditor report of December 2000, <i>Contracting: A Framework for Enhancing Contract Management</i> .		✓		

**Telecommunications Joint Project – June 2004**

1. Apply federal tax exemption based on governmental body status.	✓			
2. Adjust AT&T wireless plans to reduce unnecessary costs.			✓	
3. Replace AT&T local service T-1s with X5 local service T-1s to achieve lower access rates and lower long distance rates.	✓			
4. Elect 60 month term pricing on tie line.	✓			
5. Disconnect telecommunication service lines no longer in use.	✓			

**Financial Audit Recommendations – March 2004**

1. MERC should reconcile cash accounts as soon as the bank statement is available.	✓			
2. MERC should establish formal reconciliation policies and procedures.			✓	

**Status of Audit Recommendations – January 2004**

1. Management should implement a process for tracking audit recommendations and assuring that they are properly implemented.		✓		
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**MERC’s PFP Program Implementation is Not a Model for Metro – October 2003**

1. Conduct a needs assessment to clearly define why the new system is needed.	✓			
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	Implemented	In Progress	Stalled / Not Implemented	Other
2. Consider the costs of installation in relation to anticipated benefits.				✓
3. Assure that the program performance measurement and reporting systems are intrinsic to the new system.	✓			
4. Provide strong oversight and accountability to assure that the program consistently meets defined goals and objectives and make mid-course corrections as needed.	✓			

**MERC’s Accountability Processes Need to be Strengthened – October 2003**

1. Establish and report on specific program goals and performance measures to provide a basis for evaluating program accomplishments.		✓		
2. Take steps to assure that compensation policies are prudent, equitable, transparent and consistently applied.		✓		
3. Establish a clear linkage between employee pay and MERC’s operational and financial performance.		✓		
4. Establish specific guidelines and requirements for the Commission to follow in exercising its responsibilities in an accountable manner.			✓	
5. Establish a formal process for considering and reconciling unresolved issues of mutual interest to Metro and the MERC Commission.		✓		

**MERC’s Employee Performance Agreements – October 2003**

1. Simplify and focus employee performance agreement goal statements.	✓			
2. Establish further training on employee performance agreements.	✓			
3. Have an independent HR consultant review employee performance agreements at the beginning of the next evaluation cycle.		✓		

**Oregon Convention Center Expansion – August 2003**

1. Formally review greater portion of subcontract changes costing less than \$75,000.	✓			
2. Ensure the CM/GC is paid only for authorized subcontract work.				✓
3. Ensure accountability for travel costs.				✓
4. Ensure construction materials are acquired at competitive prices.				✓
5. Ensure rates for rented equipment are competitive and reflect actual costs.	✓			
6. Ensure the CM/GC is paid for only those services that were actually received and necessary for the project.				✓
7. Resolve outstanding billing issues.	✓			
8. Ensure confidentiality of subcontractor bids.				✓
9. Improve management of contract project risks.				✓

**Accounts Payable ACL Audit – June 2003**

	Implemented	In Progress	Stalled / Not Implemented	Other
1. Ensure that purchasing card program controls are appropriate, and purchasing opportunities for the program are optimized.		✓		
2. Empower the Purchasing department through increased centralization for purchases.	✓			
3. Develop a quality assurance process to periodically perform duplicate payment analysis.	✓			
4. Continue to review vendor invoices in detail to identify discounts offered.	✓			
5. Establish a policy that limits how long an inactive vendor can remain in active status.			✓	
6. Review vendors without street addresses to determine validity. Require the use of vendor set-up form when establishing new vendor accounts.	✓			
7. Develop policies and procedures regarding new vendor setup. Transfer responsibility of vendor setup from Accounting to Purchasing.	✓			
8. Establish a policy that vendor name changes require a new setup rather than changing the existing setup to reflect the new name of the vendor.	✓			
9. Expand the use of Purchasing Cards for small dollar purchases to increase efficiency of the purchasing process.		✓		

**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 fixed asset transfers and retirements.		✓		
3. Consider adding a cash register at Metro's paint recycling facility to more efficiently record and control paint sales.	✓			
4. Develop policies and procedures to track paint inventory and control paint donations.	✓			
5. Review purchasing policies to ensure that purchase orders are prepared before purchases are made.	✓			
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.	✓			
2. Improve the effectiveness of the annual financial and compliance audit.	✓			

	Implemented	In Progress	Stalled / Not Implemented	Other
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.	✓			
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.	✓			
5. Document all practices in written policies and procedures.	✓			
6. Develop a written plan to assure that the automated weighing system could continue to be used in the event of an emergency or a disaster.	✓			
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.	✓			
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**Financial Audit Recommendations – June 2002**

1. Establish stronger password controls for the PeopleSoft-based information system when Metro upgrades to version 8.4 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 (daily).	✓			
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.	✓			

	Implemented	In Progress	Stalled / Not Implemented	Other
7. Launch a more robust IT Disaster Recovery and Business Continuity Initiative to mitigate risks.			✓	
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>		✓		
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>		✓		

**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.	✓			
2. Develop written plan for carrying out the changes resulting from above recommendation.	✓			
3. Seek assistance from someone with experience operating and implementing the ConCentRIC's event management software to help assure improvements are implemented effectively.	✓			
4. If ConCentRIC's software is used for accounting purposes, improve data security and ensure the system can be operated when primary system administrators are absent.				✓
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>		✓		
6. Complete 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>		✓		

	Implemented	In Progress	Stalled / Not Implemented	Other
7. Organize policies and procedures for easy access and retrieval by staff.	✓			
8. Identify responsibilities of MERC and Metro staff for reconciling the event settlement bank account.	✓			

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

No recommendations were made.

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**Oregon Zoo: Construction Management – September 2001**

1. Define and document authority, roles and responsibilities of those involved with the remainder of the project.	✓			
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>	✓			
4. Define and document Metro-wide the authority, roles and responsibilities of organizations and positions involved in overseeing major projects.			✓	
5. Develop a Metro-wide system for reviewing, approving and revising the cost, scope, schedule and priorities for major projects.	✓			
6. Designate a “Project Coordinator” in Metro departments and units that conduct a significant number of projects; they should be trained and empowered.		✓		
7. Develop a Metro-wide system of procedures and controls that would contain the elements of an effective project management framework.		✓		
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.	✓			
2. Evaluate and test the concessionaire’s internal controls over revenue, expenses and inventory annually.		✓		
3. Document concession management and oversight policies and procedures in management directives, administrative policies and an operating manual.		✓		
4. Maintain relevant food service operation documentation in a readily available location.	✓			

	Implemented	In Progress	Stalled / Not Implemented	Other
<b>Transit-Oriented Development Program – March 2001</b>				
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.	✓			
<b>Financial Statement Audit Management Recommendations – March 2001</b>				
1. Complete a thorough software security assessment and implement a risk-management solution for the Novell servers.				✓
2. Develop an IT strategic plan linking information systems to Metro's operating plan.	✓			
3. Develop a business-wide continuity plan for computing operations, including disaster recovery.			✓	
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>		✓		
10. Establish an allowance for potentially uncollectible accounts receivable. <i>Repeat of financial auditor recommendations in 1999 and 2000.</i>	✓			
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>	✓			
12. Identify one Metro employee to approve all grants and be the contact person on grant applications.	✓			

## Reports Issued Prior to January 2001

The following 11 recommendations are still outstanding from reports issued before January 2001:

- |  | Implemented | In Progress | Stalled / Not Implemented | Other |
|--|-------------|-------------|---------------------------|-------|
| 1. Enhance quality control by designating a contract coordinator in each department to assure contracts are properly planned and monitored, establishing minimum qualifications for contracting personnel and formally evaluating contracting personnel performance.<br><i>Contracting Framework – December 2000</i> |             | ✓           |                           |       |
| 2. Provide better support to contracting personnel by developing procedures, guidelines and training.<br><i>Contracting Framework – December 2000</i>  |             | ✓           |                           |       |
| 3. Eliminate, by Council action, a provision in the Program Work Plan that allows staff to direct appraisal assumptions.<br><i>Open Spaces Acquisitions – June 2000</i>  |             |             | ✓                         |       |
| 4. Obtain clarification from the Council regarding Program Work Plan directives requiring Council approval to purchase properties with unusual circumstances.<br><i>Open Spaces Acquisitions – June 2000</i>   |             |             | ✓                         |       |
| 5. Develop a business-wide continuity plan for computing operations including disaster recovery.<br><i>Financial Statement Audit Management Recommendations – January 2000</i>   |             |             | ✓                         |       |
| 6. Perform a complete physical inventory of all fixed assets biannually. <i>Repeat of financial auditor recommendation in 1999.</i><br><i>Financial Statement Audit Management Recommendations – January 2000</i>  |             | ✓           |                           |       |
| 7. Develop a comprehensive IT risk management strategy, including physical and logical security, data integrity, system and component failure, and technical or market obsolescence.<br><i>Information Technology Benchmarks and Opportunities – December 1999</i>   |             |             | ✓                         |       |
| 8. Institute formalized vendor performance standards and include reference to monitoring and performance measures in master contracts.<br><i>Purchasing Benchmarks and Opportunities – May 1999</i>  |             | ✓           |                           |       |
| 9. Inventory all fixed assets biannually and tag all assets.<br><i>Financial Statement Audit Management Recommendations – March 1999</i>   |             | ✓           |                           |       |
| 10. Develop and document a comprehensive disaster recovery plan.<br><i>Review of General Information System Controls – September 1998</i>  |             |             | ✓                         |       |
| 11. Review existing service level agreements (hardware and software) for length of coverage and replacement terms.<br><i>Review of General Information System Controls – September 1998</i>  |             |             | ✓                         |       |

The following nine recommendations relate to future IT projects:

1. Develop and maintain detailed project plans, including resource assignments, for all major IT projects.
2. Include internal Metro staff in IT projects cost estimates to more accurately portray total cost of ownership.
3. Adopt formal system development and implementation methodology, with specified project deliverables, for all major IT projects.
4. Prepare written reports summarizing the software evaluation and selection phase for review and approval by the IT Steering Committee and senior management.
5. Prepare a feasibility study, including detailed cost-benefit analyses, for all major proposed changes in Metro’s IT infrastructure.
6. Conduct formal certification tests prior to software license payments. Make final software license payments after final acceptance of the system by Metro.
7. Require consulting contracts for software implementation services to be deliverable-based.
8. Review major IT projects at least annually to determine if they continue to meet Metro’s overall objectives.
9. Review projected benefits of IT projects on an on-going basis to evaluate the need to continue the project or make necessary modifications.

Implemented	In Progress	Stalled / Not Implemented	Other
			✓
			✓
			✓
			✓
			✓
			✓
			✓
			✓
			✓

*InfoLink Project Review – December 1998*

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

**Finance and Administrative Services**

- Financial Statement Audit Management Recommendations January 2000
- Check Fraud Protection January 2000
- InfoLink Review Update January 2000
- Accounting and Finance Benchmarks and Opportunities January 2000
- Contracting: A Framework for Enhancing Contract Management December 2000
- Information Technology Benchmarks and Opportunities December 1999
- Purchasing Benchmarks and Opportunities May 1999
- Financial Statement Audit Management Recommendations March 1999
- InfoLink Project Review December 1998
- Internal Controls Review of PeopleSoft Purchasing and HR Applications December 1998
- Survey of Controls Over Cash Receipts at Remote Locations October 1998
- Review of General Information System Controls September 1998
- Investment Management Program August 1996

**Human Resources**

- Human Resources Benchmarks and Opportunities July 1999
- Observations Relating to Loaned Employees and Metro’s Code of Ethics September 1995

**Metropolitan Exposition Recreation Commission (MERC)**

- Portland Oregon Visitors Association Contract September 2000
- MERC Parking Revenue: Better Controls Are Needed September 1999
- Expo Center Expansion: Construction Cost Management March 1998
- Oregon Convention Center Purchasing Practices March 1997

**Oregon Zoo**

- Oregon Zoo Service Efforts and Accomplishments August 2000

**Planning**

- RLIS Data: Customer Survey and Implications September 1997
- Urban Growth Boundary Planning Processes and Decisions Can Be More Credible September 1997
- Grant Management July 1996

**Regional Parks and Greenspaces**

- Open Spaces Acquisitions June 2000
- Metro's Open Spaces Program June 1996
- Glendoveer Cellular Site Lease October 1995
- Observations Relating to Outreach & Educational Program's Salmon Festival September 1995

**Solid Waste and Recycling**

- Household Hazardous Waste Program May 1999
- Waste Reduction Grant Programs August 1997
- Comments on Solid Waste Rate Reform Project October 1996
- Franchise Management August 1996
- Review of Metro's Solid Waste Enforcement Unit February 1996
- Administration of Existing Contract for Waste Disposal Services January 1996

# **Response to the Report**

Metro Chief Operating Officer Michael Jordan

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**METRO**

November 21, 2006

The Honorable Alexis Dow  
Metro Auditor  
600 NE Grand Avenue  
Portland, OR 97232

RE: Chief Operating Officer's Response to 2006 *Status of Audit Recommendations*

Dear Ms. Dow:

Thank you for the opportunity to review your report on the status of audit recommendations. I am pleased to learn that management has implemented or is in the process of implementing 91% of the 368 audit recommendations made since 1995. I expect to see good progress made on most of the remaining recommendations during the coming year.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Jordan". The signature is fluid and cursive, with a long horizontal stroke at the end.

Michael Jordan  
Chief Operating Officer



# 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 2006, November 2006

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