

BEFORE THE COUNCIL OF THE
METROPOLITAN SERVICE DISTRICT

FOR THE PURPOSE OF RESPONDING) RESOLUTION NO. 80-211
TO FY 1980 AUDIT REPORT)
) Introduced by the Council
) Coordinating Committee

WHEREAS, State law requires the governing body of each municipal corporation to respond to comments and disclosures noted in the year end audit report; and

WHEREAS, The audit for FY 1980 contains comments in the following area requiring a response; now, therefore,

BE IT RESOLVED,

1. That the staff be directed to more closely monitor the budget to assure that expenditures do not exceed the amount for the major appropriation categories in each fund.

2. That procedures be established to assure that as new investments are made that all demand deposits are sufficiently collateralized.

3. That all grant reporting schedules are met as soon as the new accounting system is operational in January, 1981.

4. That all interest on investments earned on federal grants continue to be applied to approved projects activities or in reducing project costs.

5. That steps be taken to assure that necessary changes in the Unified Work Program are made prior to the end of the fiscal year.

ADOPTED by the Council of the Metropolitan Service District this 18th day of December, 1980.


Presiding Officer

Res
80-211

A G E N D A M A N A G E M E N T S U M M A R Y

TO: Council Coordinating Committee
FROM: Executive Officer
SUBJECT: FY 1980 Audit Report

I. RECOMMENDATIONS:

- A. ACTION REQUESTED: Adopt Resolution responding to comments made in the FY 1980 Audit Report.
- B. POLICY IMPACT: No policy decision changes are required in the current year budget since all year end fund balances are reported higher than anticipated or substantially the same.
- C. BUDGET IMPACT: A summary of the changes in fund balance is attached. A review of these changes will be made during the supplemental budget process and recommendations made on the appropriation of the increased funds.

II. ANALYSIS:

- A. BACKGROUND: Independent audit of Metro's financial records is required by the State law and must be transmitted to the State Treasurer's office by December 31 of each year, along with a resolution from the Council responding to problem areas noted in the report. This report is the second and final part of the total FY 80 Audit Review. The Council received the Report to Management last August which commented on the management of the accounting system. The final report contains the financial statements for the fiscal year.
- B. ALTERNATIVES CONSIDERED: The audit itself is required by State law. The comments made in the management letter indicated the corrective action required. If this action is not taken, Metro could be subjected to an unfavorable report in the future.
- C. CONCLUSION: The problem areas raised by the audit are being resolved as indicated in the Resolution responding to the audit report.

CS/ss
1351B/188



METROPOLITAN SERVICE DISTRICT
527 S.W. HALL ST., PORTLAND, OR. 97201, 503/221-1646

MEMORANDUM

Date: December 10, 1980
To: Metro Council
From: Executive Officer
Regarding: Summary of FY 80 Audit Report

1. Changes in Fund Balance:

The following is a comparison of budgeted fund balances to audited fund balances:

<u>FUND</u>	<u>BUDGETED</u>	<u>ACTUAL</u>	<u>CHANGE</u>
General Fund	\$ 250,000	\$ 318,411	\$ 68,411
Solid Waste Operations	1,252,210	1,233,273	(18,937)
Solid Waste Capital	2,962,100	3,814,715	852,615
Solid Waste Debt	0	0	0
Zoo Fund	2,010,277	2,531,757	521,480
Drainage Fund	8,741	*8,737	(4)
Transportation Technical Assistance Fund	0	0	0
Criminal Justice Assistance Fund	0	0	0
TOTAL	\$6,483,328	\$7,906,893	\$1,423,565

*The audit shows a actual fund balance in the Drainage Fund of \$1,221. The difference of \$7,516 is from a balance remaining on a contract from the city of Tualatin for \$8,664 and monies of \$1,148 owed to Metro from the city of Tualatin. The \$7,516 can be appropriated for future expenditures on the city of Tualatin project.

2. Response to Audit Comments:

These comments refer to the audit comments and disclosures section, page 44.

a. Budgeting and Compliance:

Comment: The Zoo Fund Capital Outlay expenditures exceeded the appropriated amount by \$5,118 (p. 46, Section III).

Action: All funds will be closely monitored to assure that expenditures do not exceed the budgeted amount. Departments will be notified within two months prior to the end of the fiscal year of potential problem areas.

b. Collateral Secured Depository Balances:

Comment: The audit disclosed that collateral securing the District's demand deposits held by U.S. National Bank of Oregon and First National Bank of Oregon was inadequate at various times during the year (p. 47, Section V).

Action: At this time all demand deposits have been sufficiently collateralized. As new investments are made procedures at both banks have been set up to automatically secure all demand deposits.

c. Programs Funded from Outside Sources:

Comment: Grant reports were not always reported on a timely basis (p. 47, Section VII).

Action: The staff will have the ability to file financial reports according to schedule when the new accounting system is fully operational in January of 1981.

Comment: Minimum cash balances were not maintained in the Criminal Justice Assistance Fund, grant terms have been violated on interest earned on cash balances (p. 48, Section VII).

Action: A provision in the grant terms states "Interest and all other income should be applied to project purposes or in reduction of project costs." The interest earned will be applied to in-house planning in the Criminal Justice Division. The Oregon Law Enforcement Council has recently audited the District and has found no problem with using the interest income for the in-house planning purposes.

d. Comment: UMTA's approval of the revised Unified Work Program involving the propriety of approximately \$72,000 in grant revenues had not been received (p. 48, Section VII, A).

Memorandum
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Action: UMTA has examined the revised FY 79 and FY 80 Unified Work Program and has verbally approved the revisions contingent on the Metro's Council approval. The revisions are on the December 18, 1980, Council agenda.

CS:ss
1353B/192