

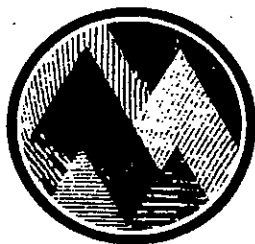
# **METRO**

## **Survey of Potential Audits**

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**June 1995**

**A Report by the Office of the Auditor**



**METRO**

**Alexis Dow, CPA**  
**Metro Auditor**

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METRO

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June 28, 1995

Mike Burton, Executive Officer  
Councilor Ruth McFarland, Presiding Officer  
Councilor Jon Kvistad  
Councilor Patricia McCaig  
Councilor Susan McLain  
Councilor Rod Monroe  
Councilor Don Morissette  
Councilor Ed Washington

Re: Survey of Potential Audits

Dear Mr. Burton and Councilors:

The accompanying Survey of Potential Audits lists those areas which the Office of the Auditor has identified as possible audits to be undertaken in the coming year. In recognition of the Council's policy-making role and the Executive's roles to carry out those policies and oversee the day-to-day operations of Metro, I seek your comments and suggestions. Your views are very important to me in the process of selecting audits to be performed.

The staff of the Auditor's Office surveyed each of Metro's operations, including supporting services, during the past several weeks. The survey was accomplished by reading materials produced in connection with the December 1994 Executive Officer Transition meetings and the 1995-1996 budget process. In addition, we interviewed each department head and Finance Department budget analysts regarding Metro operations.

The purpose of our survey was two-fold. Its primary purpose was to identify areas for audit which would likely produce tangible benefits for Metro. Its secondary purpose was educational. The survey process allowed the Auditor's Office staff to

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become more knowledgeable about Metro activities and operations, and it introduced Metro managers to the scope and purpose of the recently created Auditor's Office.

The next step in achieving the primary goal of selecting audits is to solicit your input as to priorities and concerns. Accordingly, I submit to you the enclosed Survey of Potential Audits. These lists are prioritized on a preliminary basis to facilitate your review. Additional areas for audit may be added based on your input. I will contact you soon to discuss your priorities, concerns and any thoughts you may have regarding this matter.

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

Yours very truly,

Alexis Dow, CPA  
Metro Auditor

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## **FINANCE DEPARTMENT**

### **Suggested Audit Areas**

#### **Accounting Division**

**1. *Review invoicing, accounts receivable, credit and collections:***

- Determine if invoicing is performed timely and accurately.
- Evaluate whether contract revenue is collected in accordance with contract provisions.
- Determine if cash receipts are deposited and recorded in a timely manner, and funds are adequately safeguarded.
- Assess whether the method for billing, collecting and tracking accounts is efficient.
- Evaluate whether credit policy and procedures are appropriate and followed.

The Accounting Division manages invoicing and accounts receivable for all of Metro except MERC. At the end of FY 1993-4 Metro net receivables were \$15,565,000.

#### **Financial Planning Division**

**2. *Review debt management and debt issuance policies and procedures:***

- Determine if Metro acquires needed capital funds at the lowest possible overall cost.
- Evaluate if Financial Planning takes advantage of all reasonable opportunities to reduce debt costs within constraints imposed by bond indentures and applicable laws and regulations.

At the end of FY 1993-4 Metro had \$119.2 million in bond debt outstanding. Additional debt to finance the Greenspaces program will increase this by approximately \$135 million.

### **Risk and Contracts Management Division**

#### **3. *Evaluate Metro contracting and purchasing policies and procedures:***

- Determine status of recommendations made by outside consultants during the past three years.
- Identify opportunities to improve the efficiency and effectiveness of, and user satisfaction with, the current purchasing and contracting processes.
- Perform high level assessment of Metro departments' compliance with current policies and procedures.
- Determine if the Risk and Contracts Management Division's role is clearly defined and meets the needs of other Metro departments.

### **Information Management Services Division**

#### **4. *Review Creative Services operations:***

- Assess adequacy of controls that ensure work is performed efficiently and timely.
- Compare Creative Services' processes, capabilities, service level and costs to graphics operations in other local governments and in private industry.
- Evaluate appropriateness of goals and standards, and the process used to ensure they are achieved.
- Determine if management has an effective system for measuring whether internal and external publications, pamphlets, marketing materials, etc. reach their targeted audiences and achieve the desired results.

- Evaluate the process for selecting and authorizing the publications, marketing materials, advertising, materials to be printed.

Creative Services has a FY 1995-6 budget of \$416,000.

## **Finance Department - Other Audit Areas**

1. Review payroll processes.
2. Review accounts payable processes.
3. Review controls over fixed assets.
4. Review Accounting Division's closing and reporting processes.
5. Review Metro budget process.
6. Evaluate the effectiveness of Risk and Contracts Management's loss prevention programs.
7. Review Metro insurance coverage and strategies.
8. Review Metro's cash management and investment policies and procedures.
9. Review Metro's records management and records retention program.
10. Assess photocopying services at Metro Regional Center.



## MERC

### Suggested Audit Areas

**1. Review Oregon Convention Center parking operations:**

- Evaluate controls ensuring all parking revenue earned is collected, deposited in a timely manner, and accurately reported.
- Determine if the OCC and the parking contractor are complying with the terms of the parking management contract.
- Assess the effectiveness of the process used to award the parking contract in maximizing profit consistent with providing acceptable customer service.
- Evaluate process for setting parking rates.

FY 1995-6 budgeted revenue is \$676,000 and related expenditures are \$60,000.

**2. Review Oregon Convention Center concessions and catering operations:**

- Identify potential opportunities to improve revenue, profitability and customer satisfaction.
- Determine if internal controls are sufficient to ensure compliance with concessions and catering contract.
- Determine if revenues are promptly deposited and accurately reported.
- Evaluate whether the vendor selection process achieves desired objectives and determine if process is followed.

The FY 1995-6 budget shows anticipated concessions and catering revenue of \$4.35 million, and expenditures of \$2.90 million.

**3. Evaluate controls over facility rent revenues at the Performing Arts Center:**

- Assess the effectiveness of the process used to set deposit requirements, rates and other revenue-related policies.
- Determine if all potential revenues are captured, deposited in a timely manner and accurately reported.
- Assess adequacy of controls over settlement accounts.

FY 1995-6 budgeted PCPA revenues are: facility rental - \$760,000; labor reimbursements - \$1,944,000; sales commissions - \$150,000; users' fee - \$950,000.

**4. Review Expo Center concessions management:**

- Determine if MERC and the concessions contractor are complying with the terms of the concessions contract.
- Determine if all revenues are captured, promptly deposited and accurately reported.
- Evaluate vendor selection process for effectiveness in providing MERC with the highest overall profit consistent with established customer satisfaction and quality standards.

Projected FY 1995-6 concessions revenue is \$1.2 million and related expenses are \$770,000.

## **MERC - Other Audit Areas**

1. Assess the effectiveness of the process for collecting the hotel/motel tax. Part of hotel/motel taxes support the Oregon Convention Center.
2. Review Oregon Convention Center retail shop business operations.
3. Evaluate controls over Oregon Convention Center revenues derived from facility rental, equipment rental and labor reimbursements.
4. Determine the effectiveness of Oregon Convention Center marketing programs.
5. Evaluate the adequacy and effectiveness of Oregon Convention Center purchasing and contracting processes.
6. Review Civic Stadium concessions operation.
7. Review internal controls over revenues generated from facility rental, labor reimbursements, commissions, users' fees and advertising sales at the Civic Stadium.
8. Review Performing Arts Center concessions administration.
9. Evaluate the effectiveness of Performing Arts Center purchasing and contracting functions.
10. Review internal controls over revenues generated from facility rental and labor reimbursements at the Expo Center.
11. Review Expo parking administration.
12. Evaluate Expo purchasing and contracting functions.
13. Evaluate effect on demand for MERC facilities caused by the opening of Oregon Arena Corporation facilities.

## **OFFICE OF THE GENERAL COUNSEL**

### **Suggested Audit Areas**

Due to the relatively small size and budget of the General Counsel's Office, we are not suggesting that any audits be performed in this department in the coming year. However, an audit may be scheduled if we receive new information indicating that the risks or controls pertaining to this function have changed. Potential audit areas could include:

- Compare the operating practices of the Metro General Counsel's Office with the procedures and practices of other local government legal departments to identify potential opportunities to improve effectiveness, client satisfaction and productivity.
- Assess whether the General Counsel's system for authorizing and controlling legal work promotes efficient and effective usage of the lawyers' time.
- Determine if the General Counsel's role in drafting and reviewing Metro contracts is adequately defined, appropriate, and effectively carried out.

## **OUTREACH, GOVERNMENT LIAISON AND PUBLIC RELATIONS**

### **Suggested Audit Areas**

The combined functions of outreach, government liaison and public relations were formerly known as the Department of Government and Public Relations. These functions are no longer contained in a separate division but are now an integral part of the Office of the Executive Officer. The outreach, government liaison and public relations portion of the Executive Office is currently re-defining its role, goals and activities. The Office of the Auditor has decided to defer further analysis until the mission of this function has been defined.

## PERSONNEL DIVISION

### Suggested Audit Areas

**1. Evaluate the lack of integration of Metro and MERC personnel functions:**

- Identify the type, extent and effects of duplication of personnel practices.
- Evaluate the desirability for standardization of personnel rules.
- Study and identify ways of streamlining the compensation/classification systems.
- Evaluate the drawbacks resulting from the inability of employees to transfer between the entities without loss of benefits.
- Evaluate MERC's position that it maintain independent power and authority over its personnel.

Problems in these areas were identified in the Centralization/Decentralization Study for the Metropolitan Service District in 1991 and by Metro's independent auditors in 1992. The problems still exist. Because of current City/Metro Facilities Consolidation deliberations, resolution of the problems are "on hold." The Office of the Auditor could (1) be proactive in this area by providing independent and objective information relevant to these deliberations, or (2) wait until the consolidation policies are decided before undertaking the above-described evaluation.

## **Personnel Division - Other Audit Areas**

1. Evaluate the need for a "position inventory control system" to manage changes of positions and people.
2. Evaluate the effectiveness of the current "delegated personnel system" which pushes recruitment and hiring decisions to the lowest possible level.

## **PLANNING DEPARTMENT**

### **Suggested Audit Areas**

**1. *Provide an independent analysis of Planning's "road fee" tax proposal:***

- Evaluate the documentation supporting Planning's need for a road fee tax.
- Validate the conclusions and recommendations.
- Review, analyze and comment on the proposed ballot measure.

**2. *Evaluate, refine and validate Planning's estimates of transportation funding needs for the next 20 years:***

- Evaluate the documentation supporting the Transportation Planning Division's study of needs.
- Validate the conclusions and recommendations.
- Discuss alternatives and strategies with the Division.

**3. *Review the funding sources for Planning's Data Resource Center:***

- Identify and document the sources and extent of funding from local jurisdictions and businesses in FY 1994-95.
- Project the sources and extent of such funding in FY 1995-96.
- Determine whether there will be a shortfall in funding from those sources as compared to the previous year.
- Determine and evaluate Planning's strategies for any shortfalls.



## **Planning Department - Other Audit Areas**

1. Review the steps required for initiating and executing a Metro contract related to planning, and evaluate how the requirements can be more clearly defined and integrated with state and federal contract procedures.
2. Evaluate whether the Data Resource Center should be doing all of the forecasting and modeling that it does and whether there may be efficiencies in contracting for some of the work with the private sector.

## PROPERTY SERVICES DIVISION

### Suggested Audit Areas

**1. *Review Metro Regional Center parking operations:***

- Assess adequacy of controls over revenues and expenditures.
- Determine if Metro and parking contractor are in compliance with the terms of the parking management contract.
- Evaluate the adequacy of the process used to set parking rates.
- Identify potential opportunities to increase parking revenue and profitability.

FY 1995-6 budgeted parking structure revenues are \$153,000, and employee parking revenues are projected to be about \$79,000.

## **Property Services Division - Other Audit Areas**

1. Evaluate the effectiveness of Property Services Division's management of phone services and costs.
2. Review Metro Regional Center vehicle management.
3. Review administration of Metro Regional Center facilities.
4. Review effectiveness of processes used to promote energy conservation at Metro Regional Center.

## REGIONAL PARKS AND GREENSPACES

### Suggested Audit Areas

1. ***Monitor the department's administration of the Green Spaces Bond proceeds:***
  - Determine how the department intends to administer the proceeds and evaluate the surrounding internal and management controls.
  - Evaluate the strategies being used for acquiring the properties, including in-house capabilities, contracts or other agreements with non-profit or for-profit organizations, and intergovernmental agreements or contracts.
  - Evaluate the department's policies, practices, and procedures for acquiring real property to determine that they include appropriate safeguards to ensure that properties are acquired for fair value, are free of encumbrances, and that any potential conflicts of interest are disclosed.
  
2. ***Review the department's grounds maintenance functions:***
  - Determine if it is necessary that grounds maintenance be done by departmental employees.
  - Compare Metro's grounds maintenance function with similar functions used by other parks authorities.
  - Evaluate whether any of Metro's grounds maintenance work could be done at lower cost by private sector contractors.
  - Determine the costs and benefits of each method of maintaining grounds.

**3. *Review the outreach and education function:***

- Identify the benefits provided by each of the interpretive and environmental education programs.
- Determine the costs of providing each of the programs.
- Evaluate whether these programs should be a responsibility of Metro.

## **Regional Parks and Greenspaces - Other Audit Areas**

1. Determine the status of the Metro/Multnomah County intergovernmental agreement, especially Metro's selection of county facilities to be transferred to Metro, and evaluate the factors used to select the facilities.
2. Evaluate whether the sales and business practices of the pioneer cemeteries are effective, efficient and economical and adequately protect Metro revenues and assets.
3. Review and evaluate the internal controls over cash management at park gate houses.

## **SOLID WASTE DEPARTMENT**

### **Suggested Audit Areas**

**1. *Review efforts to diversify the revenue base for Solid Waste:***

- Evaluate the effects on Metro if it were to lose flow control as a result of the Carbone decision.
- Review and evaluate the effects on Metro revenues of the exclusion of beneficial materials from the revenue stream.
- Identify and evaluate Solid Waste's strategies for diversifying its revenue base.
- Determine the projected decrease in solid waste volume as the result of recycling and reduction efforts and evaluate the effects on revenues.
- Evaluate the feasibility of annually adjusting the tipping fee to account for inflation.

**2. *Review controls for monitoring tonnage and revenue receipts from designated and franchised facilities:***

- Identify and evaluate the effectiveness of procedures used to monitor tonnage and revenue receipts.
- Evaluate Finance Department audits of the designated, franchised and non-system licensed facilities.

**3. *Review organizational structure of Solid Waste Department.***

## **Solid Waste Department - Other Audit Areas**

1. Assess the need for a comprehensive franchise code covering the increasing number and variety of private sector processing and disposal facilities. In the near term, evaluate the changes needed in the existing franchise codes to address yard debris processing, user fee assessments, and fees on beneficial and residual materials.
2. Evaluate the department's plans, and efforts to date, for closing the St. Johns Landfill in a cost-effective manner, including an analysis of the gas recovery program.
3. Review feasibility of adding surcharges to the purchase prices of pesticides and other household hazardous wastes.
4. Determine which changes in regulatory controls are needed to economically and effectively manage Conditionally Exempt Generator (CEG) wastes.
5. Evaluate the success of the Targeted Commercial Generator Program in developing waste prevention, recycling and "Buy Recycled" programs for the targeted industry groups and businesses, including plans for recruiting other groups in the future.
6. Determine if the Metro Challenge grants are effectively and efficiently increasing waste recovery rates and coordinating local and regional waste reduction programs.
7. Evaluate the effectiveness of the department's controls for preventing accidents, contamination, etc. at the Household Hazardous Waste Facility.
8. Evaluate the accuracy and reasonableness of the department's waste reduction reporting to both Metro and the Department of Environmental Quality.
9. Evaluate the need to archive 20,000 solid waste documents and determine if a more effective approach is economically feasible for quick and systematic recall of pertinent information.



10. Review the department's assistance to new and existing recycling businesses and evaluate whether it is effective in encouraging sustainable development and high value uses for recyclables.

## WASHINGTON PARK ZOO

### Suggested Audit Areas

**1. *Review facilities management division:***

- Evaluate the efficiency and effectiveness of the process used to assign and control work projects (work order system).
- Assess the appropriateness of facility management's goals and the effectiveness of the system used to track progress in achieving them.
- Identify potential opportunities to reduce facility maintenance costs without diminishing service quality.
- Evaluate the effectiveness of the zoo's preventative maintenance program.

The facilities management division's approved budget for FY 1995-6 is \$3.54 million. 38.70 FTE employees were included in the budget.

**2. *Review Zoo purchasing and contracting practices:***

- Evaluate adequacy and effectiveness of internal controls ensuring purchases are made in compliance with Metro code requirements and Executive Orders.
- Evaluate the efficiency of the purchasing process and whether it provides the zoo with needed services at the lowest evaluated cost.
- Determine if expenditures are recorded in appropriate accounts.

The zoo's materials and services budget for FY 1995-6 is \$4.48 million and its capital budget is \$578,000.

## **Washington Park Zoo - Other Audit Areas**

1. Assess the effectiveness of the zoo's marketing programs (admissions, event goals, rates, discount programs, etc.).
2. Evaluate the zoo's controls over admissions revenue.
3. Review retail operations to determine if existing processes are effective in maximizing profitability.
4. Review food service operations' business practices.
5. Evaluate system of controls that ensures restricted donations are used in accordance with the donors' requests.
6. Evaluate the effectiveness of the zoo's processes for ensuring that grants are administered in compliance to all applicable legal requirements and grant provisions.
7. Review management's processes for ensuring the efficiency and effectiveness of the Design Services division.
8. Evaluate options for operating Education Services to ensure that targeted service level is being provided at lowest cost.