

**Metro**

***Financial Statement Audit  
Management Recommendations***

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**March 2004**

A Report by the Office of the Auditor



**METRO**

PEOPLE PLACES  
OPEN SPACES

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

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**METRO**  
OFFICE OF THE AUDITOR

March 18, 2004

To the Metro Council and Chief Operating Officer:

As a by-product of their audit of Metro's financial statements, Grant Thornton LLP noted certain significant deficiencies involving internal control. The accompanying report describes their observations and recommendations.

Grant Thornton LLP recommends the following actions related to the Metropolitan Exposition-Recreation Commission (MERC):

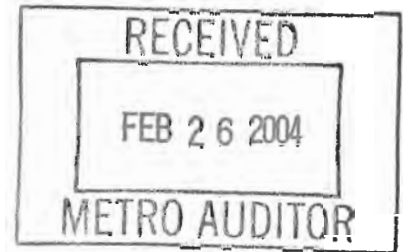
- All cash accounts should be reconciled monthly as soon as the monthly bank statement is available.
- Detailed reconciliation policies and procedures should be drafted.

The MERC Commission Chair agreed with these recommendations. The Chair's full written response is included at the end of this report.

We appreciate the cooperation and assistance provided to Grant Thornton LLP by staff in the Finance Department.

Very truly yours,

Alexis Dow, CPA  
Metro Auditor



January 16, 2004

Councilors, Council President and Auditor  
Metro  
600 Northeast Grand Avenue  
Portland, Oregon 97232-2736

Ladies and Gentlemen:

In planning and performing our audit of the financial statements of Metro for the year ended June 30, 2003, we considered its internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. Our consideration of internal control would not necessarily disclose all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we noted certain deficiencies involving internal control that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants. A significant deficiency is an internal control deficiency that could adversely affect the entity's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

### **Cash and Other Reconciliations**

#### Observation:

In performing audit procedures related to the Metropolitan Exposition and Recreation Commission (MERC) we noted cash accounts that contained significant unreconciled differences between the amount of cash available according to the bank and the amount available according to MERC.

We also noted that the reconciliations of these accounts, as well as the reconciliations of related account receivables and deferred revenue accounts, were not done on a timely basis throughout the year or at year-end, June 30, 2003.

MERC staff researched and resolved the unreconciled differences in the cash accounts as of year-end, June 30, 2003, but this was accomplished just prior to the issuance of the financial statements in December 2003. We delayed the progress of our audit procedures to allow MERC time to research and resolve the discrepancies.

Timely reconciliation of bank accounts is a primary control procedure to identify and correct errors in the accounting records, bank errors, or other discrepancies between the Organization's records and the amounts reported by the Organization's banks. Failure to enforce such controls exposes the Organization to risks that errors, unintentional or otherwise, may occur and go undetected for an unnecessarily long period of time. Also, delays in reconciling cash accounts may result in decisions based upon inaccurate information.

Recommendation:

We recommend all cash accounts be reconciled monthly as soon as the monthly bank statement is available. The reconciliations should be reviewed and approved by a supervisor. The supervisor's approval should be documented on the reconciliation. This will help ensure that all differences are identified and accounted for in a timely manner. Similarly, accounts receivable and deferred revenue general ledger balances and supporting detail should be reconciled monthly.

We also recommend that detailed reconciliation policies and procedures be drafted. This policy should include the following:

- Statement of policy and purpose
- General description of each cash account including the unique aspects of each
- Specified procedures including:
  - Require reconciliations monthly
  - State a due date for the reconciliations
  - Require investigation of all significant differences
  - Require supervisory review of all reconciliations
  - Require all proposed adjustments resulting from the reconciliations to be approved by a supervisor

A written reconciliation policy and the related procedures will provide guidance to existing personnel as well as future personnel.

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Should you desire further information concerning these matters, we will be happy to meet with you at your convenience.

Very truly yours,

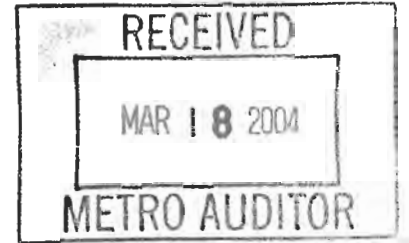
  
Grant Thornton LLP

## **Response to the Report**

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arts. sports. conventions. shows.



METROPOLITAN EXPOSITION-RECREATION COMMISSION

March 12, 2004


Alexis Dow, CPA  
Metro Auditor  
600 NE Grand Avenue  
Portland, OR 97232-2736

Re: Management Letter Response

Dear Ms. Dow:

Our formal responses on your forms are attached per your request.

Sincerely,

  
Gary Conkling, Chair  
MERC Commission

Recycled Paper

**Audit: Financial Statement Audit Management Recommendations**  
**Date: March 2004**

## **Audit Response**

**Recommendation 1** — All cash accounts should be reconciled monthly as soon as the monthly bank statement is available.

**Agree Yes**

### **What Action will be taken?**

MERC agrees that cash reconciliations should be completed on a timely basis, and has taken the following steps to make sure that occurs:

1. The MERC Accounting Supervisor position which was vacant has since been filled. Currently, all reconciliation activity is up to date.
2. The MERC Commission has proposed an additional Accountant position in order to ensure that we do not fall behind in accounting and reconciliation activity in the future.
3. MERC has retained KPMG to examine its cash reconciliation policies and will be implementing their recommendations.
4. MERC will be working closely with the Metro Chief Financial Officer to implement any additional cash handling policy requirements.

It should be emphasized that at no time were any funds missing. All funds were secured in a vault or deposited in the bank. MERC performed the necessary bank reconciliations that resulted in routine adjustments to properly account for the transactions. With more timely reconciliations, these adjustments would have been made earlier, but the nature of the adjustments would not have changed.

- One deposit transaction was properly deposited in the bank, but recording of the transactions was delayed because the paperwork was not timely submitted. With more timely reconciliations, the missing details would have been noted earlier.
- Undeposited cash is held in our vault until it is deposited with the bank. In the normal course of business, cash was deposited in July for events that were held in June. The deposit was correctly recorded as a July transaction. The reconciliation revealed that June revenue was understated. Generally accepted accounting principles require that revenue be recorded in the period it is earned.

### **Who will take the action?**

Mark B. Williams, General Manager  
Kathy Taylor, Director of Administration/Finance Officer  
Julia Fennell, Accounting Supervisor

**When will action be accomplished?** All bank account reconciliations are current.

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

The MERC Commission has proposed an additional Accountant position in order to ensure that we do not fall behind in accounting and reconciliation activity in the future.

**Audit: Financial Statement Audit Management Recommendations**  
**Date: March 2004**

## **Audit Response**

**Recommendation 2** — Detailed reconciliation policies and procedures should be drafted.

**Agree** Yes

**What Action will be taken?**

Banking services are currently being evaluated which will consolidate and simplify our banking arrangements. This will reduce the number and complexity of accounts. Once banking arrangements are determined, cash accounting will be documented including approval, authority and processes. Reconciliation activity will be part of the larger documentation project.

**Who will take the action?**

Kathy Taylor, Director of Administration/Finance Officer  
Julia Fennell, Accounting Supervisor

**When will action be accomplished?**

The goal is to make a bank relationship selection by June 30, 2004. Documentation will be completed within 90 days of bank selection.

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

n/a



## Metro

### People places • open spaces

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

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

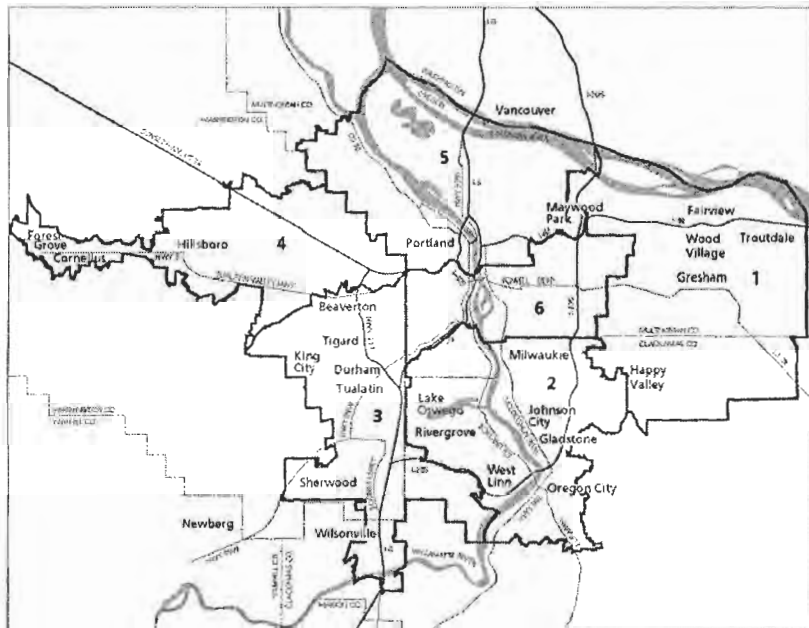
#### Your Metro representatives

Metro Council President – David Bragdon

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

Auditor – Alexis Dow, CPA

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



Council districts

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Portland, OR 97232-2736

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

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