METRO

Status of Audit Recommendations – 2004

November 2004
A Report by the Office of the Auditor

METRO

PEOPLE PLACES
OPEN SPACES

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Metro

OFFICE OF THE AUDITOR

November 23, 2004

To the Metro Council and Metro-area Citizens:

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

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

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

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

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

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

Very truly yours,

Alexis Dow, CPA
Metro Auditor

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Chapter 1: Overview and Background

Overview and Background

Report objective

This report is intended to provide the public and the Metro Council with information on the status of audit recommendations made by the Metro Auditor's Office. It is organized into three main sections. This introductory chapter provides an overview of Metro's progress in implementing audit recommendations. Chapter 2 contains a summary of each audit report with recommendations still outstanding and their status. Chapter 3 contains a summary list of all audit recommendations published since July 1999 and indicates the implementation status of all recommendations.

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

Overview of Metro's action on recommendations

Audit recommendations are made to improve the economy, efficiency and effectiveness of Metro operations, and to improve safeguards over public funds and other assets. These benefits can only be realized if recommendations are implemented. Below is an analysis of the progress Metro is making in implementing the 165 recommendations made in the past 5 years (since July 1999):

- 103 have been implemented

- 30 are in the process of implementation

- 3 are stalled – no progress has been made in past year

- 22 not yet implemented

- 3 have been withdrawn due to changed circumstances

- 4 relate to future activities

Legend: Implemented (65%), In Progress (19%), Stalled or Not Implemented (16%)
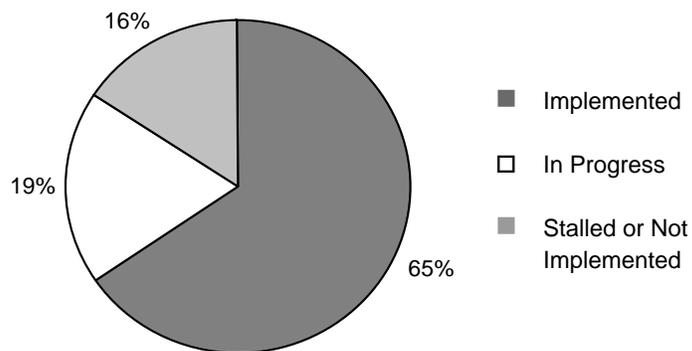
The chart shows that about 65% of recommendations made in this time period have been implemented and another 19% are in the process of implementation. It also shows that Metro is not receiving the benefit from about 16% of the recommendations (those considered stalled or not implemented). These results compare very closely with the same data categories for last year's 5 year reporting period.

This graph depicts Metro's progress at improving its implementation rate over the past 5 reporting periods. All recommendations made (not just those made in the last 5 years as with the above analysis, but all recommendations since September 1995) are considered in this analysis. The graph illustrates how management has made nice progress in the implementation rate.

Percentage of Total Recommendations Implemented

It should be noted that all but 14 of the 173 recommendations made prior to July 1999 have been implemented or resolved and 9 of these relate to future activities.
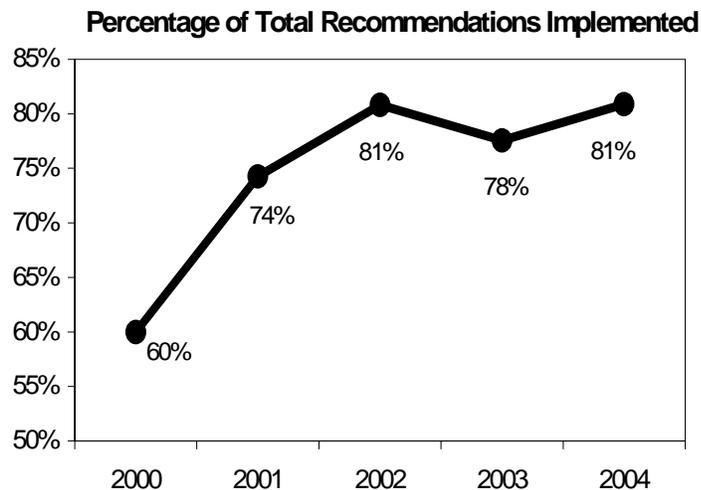
Implemented audit recommendations benefit Metro – an example

In April of this year, Metro's Chief Operating Officer issued an Executive Order (No. 84) that establishes Metro's overall cash handling policy responding in part to recommendations made in the *Review of Controls over Revenue from Glendoveer Golf Course*, March 2003 and the *Survey of Controls Over Cash Receipts at Remote Locations*, October 1998, audit reports. The Order is intended to assure overall compliance with Metro's internal control policy and specifies written guidelines for managers to use in preparing and updating written cash handling policies. The Order appropriately addresses primary control principles that help ensure that:

- No one person has complete control over the cash handling process
- Cash transactions are properly authorized and approved
- Cash accounts are reconciled and reviewed in a timely manner
- Adequate records are kept and retained for an appropriate period of time
- Assets and records are secure and safeguarded against loss
- Appropriate training and supervision is provided in relation to cash handling

Inattention to audit recommendations can have significant consequences – an example

Even with the increased threat of terrorism and natural disasters in recent years, Metro lacks a Disaster Recovery/Business Continuity Plan. Consequently, documented procedures to follow and activities to perform to ensure recovery and business continuity in the event of an unforeseen incident or disaster are not available. This could potentially result in unnecessary and prolonged loss of public services as well as financial losses (lost resources and/or additional expenses necessary to expedite restoration of essential services). Disasters and incidents such as earthquakes, floods, gas leaks, oil spills, fires, volcanic eruptions, shootings and bombings do occur. Development of a Disaster Recovery/Business Continuity Plan is a prudent course of action in light of recent disasters and terrorist activities.

As mentioned in the report *Review of General Information System Controls*,[1] and in the recommendations to management associated with the 2000, 2001 and 2002 financial statement audit reports, Metro should

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[1] Deloitte and Touche, LLP, issued by the Office of the Auditor, September 1998.

develop a coordinated plan for responding to a disaster or unforeseen event that ensures appropriate action is taken to recover and resume business services in a timely manner. The reports recommended that the plan document key contacts and their roles and responsibilities; that it allow for an orderly recovery of systems, operations and services; and that it include operational requirements to reduce the disruption of services and operations as well as relocation, if necessary. The reports also recommended that the plan prioritize business functions for restoration to minimize damage and loss and protect essential equipment, records and other assets. Lastly, the reports recommended that schedules for testing and updating the Plan periodically should be documented and enforced.

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 begin 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 for years now, that Metro should have such a Disaster Recovery/Business Continuity Plan.

Scope of work performed

This is the Metro Auditor's ninth annual report discussing the status of audit recommendations. Since the Metro Auditor's Office began operations in early 1995, the Office has issued 50 audit reports and made 336 recommendations involving all Metro departments, including MERC.

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

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

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

Chapter 2: Current Recommendation

Current Recommendation

Management should implement a process for tracking audit recommendations and assuring that they are properly put into action.

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 to track the status of audit recommendations.[2] In last year's report, the Auditor recommended that management develop a process for ensuring audit recommendations are properly implemented. Management has begun facilitating the process of obtaining responses and related supporting documentation regarding the status of outstanding audit recommendations from respective departments. This is a good first step.

We encourage Metro's Chief Operating Officer to continue to develop an ongoing process to track the progress on all audit recommendations throughout the year and to provide the impetus and oversight important to ensure that recommendations are properly implemented in order to improve Metro operations. An important part of management's responsibility in relation to tracking progress on audit recommendations is to ensure that the action taken by the departments is appropriate to the recommendation and that documentation exists to support the reported status. Management should, therefore, obtain and review documentation to support the status of each recommendation as reported by the departments. The process put into place should enable others, such as the Metro Council and Auditor's Office, to easily obtain reliable information on the implementation status of audit recommendations. In addition, evidence of progress or implementation should be stored in a single, central location easily accessible by others.

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

Chapter 3: Recommendations Requiring Further Action

Financial Statement Audit Management Recommendations

March 2004

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 and Recreation Commission (MERC).

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Remaining Recommendations (of 2 total):

1. MERC should reconcile all cash accounts monthly, as soon as the bank statement is available. The reconciliations should be reviewed and formally approved by a supervisor.

2. MERC should draft detailed 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:
     1. Monthly reconciliations
     2. Stated due date for the reconciliations
     3. Investigation of all significant differences
     4. Supervisory review of all reconciliations
     5. Supervisory approval of all proposed adjustments resulting from the reconciliations

In progress: Some reconciliations have yet to be completed but MERC is trying to complete account reconciliations monthly and plans to have reconciliation procedures formally documented by the end of October 2004.

MERC's PFP Program Implementation Is Not a Model for Metro

October 2003

In this report, we reviewed the Metropolitan Exposition and Recreation Commission's (MERC) performance-related compensation (Pay-For-Performance or PFP) program to evaluate the program's applicability elsewhere within Metro. Our review determined that MERC's model of implementing the concept of a PFP system is not one that Metro should embrace. Instead, we recommend the Metro Council and COO perform the following steps in determining the need for and developing a new performance-based compensation system.

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Remaining Recommendations (of 4 total):

1. Consider the costs of installation in relation to anticipated benefits. Compensation systems based on performance vary widely in sophistication and cost, and all require appropriate levels of resources to administer the program and help ensure program success.

2. Assure that program performance measurement and reporting systems are intrinsic to the new system. Clearly defined goals, objectives and organizational performance measures should be established and tracked to provide an objective basis for evaluating progress and reporting results.

3. Provide strong oversight and accountability to assure that the program consistently meets defined goals and objectives and make mid-course corrections as needed.

    In progress: Management is considering the costs associated with implementing a new compensation model and believes the benefit will outweigh the costs of designing and implementing the new pay system. Management believes up-front costs for consultants to aid in the design, training, orientation and implementation are the only significant additional costs for this program.

    Human Resources intends to prepare a request for proposal for the purpose of hiring a consultant to coordinate the design, development and implementation process of a consistent performance evaluation system. Once a system is in place, the Human Resource Director will provide direction and oversight of the program and intends to administer the performance evaluation system with existing staff. In addition, the estimated cost of maintaining the system is considered comparable to the current system.

MERC's Accountability Processes Need to be Strengthened

October 2003

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 the following recommendations, based on our assessment of the adequacy of MERC's management control system for measuring, reporting and monitoring its compensation program and the reasonableness of MERC's administration of its policies and procedures for the program.

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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.

Not implemented: MERC has taken no steps towards implementing these recommendations and in fact disagrees with the process and methodology of the audit.[3] MERC considers existing practices adequate in relation to these recommendations. However, existing practices are not adequate in relation to these recommendations.

- At the time of the audit, MERC had not established and reported on "specific" program goals and performance measures to provide a basis for evaluating program accomplishments. Specificity is key to being able to evaluate program accomplishments.

- Contrary to MERC's existing policies, pay adjustments were made during probationary periods, some salary increases were higher than allowed, and vacation allowances were awarded in excess of MERC's policies. Policies need to be established and adhered to in this area.

- MERC's financial performance has worsened while employee performance awards have risen. Based on this, we believe clearer linkage must be established that adheres to MERC's premise that organizational financial results be a determining factor in performance awards.

Remaining Recommendations to Metro (of 2 total)

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

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[3] *MERC's Accountability Processes Need to Be Strengthened,* October 2003.

2. 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 system).

   In progress: The Metro Council has instituted quarterly meetings with the MERC Commission and biweekly meetings are occurring with all financial personnel. We commend Council and Metro management for the progress that has been made towards opening communication channels and implementing this recommendation. We encourage Metro to continue in its efforts to assure that the Commission ensures MERC has appropriate goals, objectives, policies, procedures and performance measures and that MERC has established processes and reporting requirements for monitoring program performance. Policies and procedures should also be in place to ensure that all issues of mutual interest between MERC and Metro are communicated and resolved in a timely manner.

MERC's Employee Performance Agreements Need Improvement

October 2003

This report focused on how the Metropolitan Exposition-Recreation Commission (MERC) could improve employee performance agreements. Performance agreements are the pivotal tool for any PFP 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.

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Remaining Recommendation to the MERC Commission (of 3 total):

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

   In progress: MERC hired a consultant to rewrite or develop model goals for 25 of its pay classifications and to assist in defining measurement criteria. The consultant was able to complete 16 of those model goals and assisted in identifying and selecting approaches to better align goals and measurements. The consultant also assisted in organizing the multi-year project to develop all 63 model goal classifications. However, due to a lack of specific knowledge of the business, the consultant was unable to continue to cost effectively develop model goals. MERC's Human Resources Manager will complete the development of the model goals using the approach developed with the consultant.

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

August 2003

The Oregon Convention Center (OCC) recently underwent a $100 million expansion to enhance the existing facility so that Portland could remain competitive with other cities' convention centers. The OCC is managed by the Metropolitan Exposition-Recreation Commission (MERC), a Metro unit 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 1) allowed under the contract, 2) reasonably priced, and 3) 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 do offer several recommendations for strengthening some of the procedures relating to these types of projects.

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Remaining Recommendations (of 9 total):

1. Ensure that the CM/GC is paid only for authorized subcontract work.

2. Ensure the CM/GC is paid for only those services that were actually received and necessary for the project.

   Not Implemented: Although the CM/GC's monthly progress billings were reviewed, there is no evidence that the review ensured the amount paid subcontractors did not exceed the authorized subcontracts and subcontract changes. There is also no evidence that a review of general condition costs was performed to ensure that the CM/GC was paid only for those services actually received (the audit specifically mentioned three general condition costs that were over budget).

3. Ensure accountability for travel costs.

4. Ensure construction materials are acquired at competitive prices.

5. Ensure confidentiality of subcontractor bids.

6. 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 CM/GC contracting approach.

Accounts Payable ACL Audit

June 2003

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.

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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. The risks mentioned above could be minimized and the purchasing power available through the program optimized.

2. Expand the use of Purchasing Cards (P-Cards) for small dollar purchases to increase the efficiency of the purchasing process. Optimize the controls available through the program.

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.

    Some progress has been made: The purchasing card software is being upgraded to a newer version that will incorporate the best features with a stronger interface to Metro's PeopleSoft financial software. When complete, Metro will be able to expand the program to include small trade service purchases. The upgrade is expected to be complete by December 2004. Metro has not, however, established a policy to limit the amount of time a vendor can remain in active status when that vendor is not being used.

Financial Statement Audit Management Recommendations

April 2003

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.

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Remaining Recommendations (of 6 total):

1. Develop written policies and procedures for identifying and accounting for fixed asset transfers and retirements.

2. Consider using a cash register to more efficiently record and control latex paint sales.

3. Develop written policies and procedures to track paint inventory and control donations of paint to charities.

4. Review existing purchase order policies with all purchasing personnel to ensure that they prepare purchase orders before purchases are made.

   Some progress has been made: Accounting Services is finalizing its fixed asset policies and procedures and a system for tracking paint sales and inventory is being developed. However, we were told that "organizational structure and staff changes resulting in fewer management personnel to guide these efforts limited management's ability to review purchasing policies and procedures with employees to ensure employees are aware of them." As a result, Metro employees continue to make some purchases prior to preparing purchase orders and getting them authorized. We continue our position that obtaining authorization for purchases is a fundamental internal control and we encourage Metro to take steps to ensure employees are made aware of and follow purchasing policies and procedures.

Review of Controls Over Revenue from Glendoveer Golf Course

March 2003

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

We found that payments have generally been accounted for accurately, but improvements can be made in three main areas:
- Metro may be entitled to more rent than previously realized due to unclear and misinterpreted lease language.
- Controls over operations, particularly for handling cash, can be improved both by the concessionaire and by Metro.
- Information and procedures for evaluating controls and compliance with agreement terms can be improved and more timely.

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Remaining Recommendation (of 6 total):

1. Improve Parks Department cash handling procedures by separating the duties of receiving cash and preparing deposits, keeping a log of cash receipts, and documenting the department's cash-handling procedures at Metro headquarters, especially the chain of custody for the cash.

   In progress: The Parks department has documented procedures for handling cash but is still in the process of reviewing those procedures for adequacy and determining whether actual practices are consistent with drafted procedures.

Transfer Station Revenue Controls

October 2002

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

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

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Remaining Recommendation (of 8 total):

1. Strengthen cash controls over sales of recycled paint by improving inventory practices, depositing cash more frequently, and further restricting access to safe keys.

    In progress: The Solid Waste department, with recommendations from IT and Accounting, has elected to utilize the WeighMaster Point of Sales system for sales and inventory control. This system will also have controls inherent in it, such as separate operator totals, drawers, reporting, etc. The department expects the new system to be operational by fall 2004.

Financial Statement Audit Management Recommendations

June 2002

As part of its audit of Metro's financial statements for the 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 six new recommendations about information technology controls and two new recommendations about Metro's accounting and administration practices.

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Remaining Recommendations (of 11 total):

Information Systems Issues

1. Establish stronger password controls for the PeopleSoft-based information system when Metro upgrades to Version 8 of this software.

2. Conduct a network security assessment and vulnerability analysis of network and remote access connections.

3. Launch a more robust Information Technology (IT) Disaster Recovery and Business Continuity initiative to mitigate risks.

Accounting and Administrative Issues

4. Perform an inventory of fixed assets bi-annually and tag assets with identification numbers.

5. Establish procedures to reconcile fixed asset detail to the accounting system at least quarterly.

   Some progress has been made: Security controls have been implemented for the Human Resources Management System as part of the PeopleSoft Version 8 upgrade. Passwords now automatically expire every 60 days, are required to be at least six characters long and must contain at least one number. It is anticipated that similar controls for the Finance Version 8 security will be in place in December 2004.

   Budgets for the network security assessment and vulnerability analysis of network and remote access connections have been presented by Information Technology in three of the last four budget cycles. According to the Director of Information Technology, in each case the appropriation did not survive the budget review process and there are no plans to budget for it until FY 2006.

   The recommendation for a more robust Information Technology Disaster Recovery and Business Continuity Plan is a repeat of recommendations made by external financial auditors in March 2001 and January 2000 and in the Metro Auditor's report of September 1998, *Review of General Information System Controls.* The Director of Information Technology intended to begin a

comprehensive review of the existing disaster recovery plan in fiscal 2003; however, this effort was displaced when the Director assumed the duties of managing another division. It is the intent of the Director to reschedule this analysis in the future but given his present workload, he is unable to determine exactly when it can be rescheduled. We believe that having a robust IT 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 developing a Disaster Recovery and Business Continuity Plan. We also believe funding should be provided in the FY 2006 budget for a network security assessment and vulnerability analysis.

Accounting Services has made progress in documenting fixed asset policies and procedures (considered a prerequisite for inventorying capital assets) and intends to complete the actual inventory once procedures are finalized. In addition, fixed asset details are reconciled to the fixed asset ledger annually (the frequency of this reconciliation will be reviewed as part of the policy and procedure development).

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

June 2002

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

Overall, the event settlement system was functioning adequately. Management processes were in place to ensure that settlements 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

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Remaining Recommendations (of 8 total):

1. Investigate options for improving MERC's event management information system, and assess the costs and benefits of integrating this system with Metro's PeopleSoft-based financial applications.

2. Develop a written project plan for carrying out the changes planned as a result of the above recommendation.

3. To help assure that planned event settlement process improvements are implemented effectively, MERC should seek assistance from someone experienced in implementing and operating the ConCentRICs' event management software.

4. Develop new policies that:
    - identify the frequency of event revenue transfers to Metro and how the transfer amounts should be calculated
    - define the types of disbursements that may be made out of MERC's special deposit (bank) accounts
    - will ensure bank reconciliations are performed timely and adequately

5. Complete the development of and obtain management approval for procedures that:
    - ensure PCPA staff sends event billing information to MERC administration promptly
    - ensure PCPA adequately identifies and records all services provided for the event before billing information is forwarded to MERC administration for invoicing

- assign responsibility for initiating rental rate updates and for promptly communicating new rates to staff
- describe how staff should follow up on overdue accounts
- establish how interest on overdue accounts should be calculated and how interest revenue should be recorded

6. Organize policies and procedures for easy access and retrieval by staff.

7. Identify responsibilities of MERC and Metro staff for reconciling bank accounts related to event settlements.

   Most are in progress: MERC is considering whether to upgrade its ConCentRIC software for event settlement or change to new software.

   Policies and procedures are yet to be developed in relation to event revenue transfers and disbursements from special deposit accounts. And, although bank reconciliations are performed timely, no procedure has been developed to ensure this continues, adequate review is received, and problems are corrected in a reasonable timeframe.

   Finally, procedures still need to be developed and approved to ensure the event billing process is handled properly and expeditiously. We encourage MERC to continue to develop a structured, documented approach to event management information system improvements.

Oregon Zoo: Construction Management

September 2001

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

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

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

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

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Remaining Recommendations (of 9 total):

Completing the Great Northwest Project

1. Define and document the authority, roles and responsibilities of those involved with the remainder of the project.

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

Improving Project Management Practices Metro-Wide

3. Define and document the authority, roles and responsibilities of the organizations and positions that are involved in overseeing major projects.

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

5. 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
    - the project scope can be carried out within its budget
    - the project budget is complete and includes a contingency for unforeseen problems
    - a written project management plan is written and monitored
    - project milestones and performance indicators are established
    - information on project progress, performance, scope changes and other issues is regularly communicated to stakeholders

Most are not implemented: With the exception of the Project Coordinator hired by the Zoo, none of these recommendations have been addressed. We continue our opinion that these recommendations are essential to effective project management and encourage Metro to implement them.

Food Service: Evaluation of Contract and Financial Controls

June 2001

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

We found that the contract type is appropriate for MERC's food service operation and that contract provisions are adequate to:
- hold the concessionaire accountable for providing quality services
- provide Metro the revenue to which it is entitled
- ensure fair and accurate compensation to the contractor

MERC's management controls, however, can be improved. MERC needs to:
- develop ways to evaluate the concessionaire's financial performance
- evaluate the concessionaire's internal controls over cash and inventory to reasonably ensure that revenue is protected and errors and fraud are detected

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

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

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Remaining Recommendations (of 4 total):

1. Develop ways to formally evaluate concessionaire financial performance.

2. Annually evaluate and test concessionaire's internal controls over revenue, expenses and inventory.

3. Document concession management and oversight policies and procedures in management directives, administrative policies and an operating manual.

   Some progress has been made: MERC is currently inspecting all original invoices prior to making payments to Aramark. The accountant also reconciles MERC's PeopleSoft system to Aramark's monthly reports, but MERC has made no progress towards testing concessionaire's internal controls. MERC also has not yet determined a way to formally evaluate concessionaire financial performance or developed policies and procedures for concession management and oversight.

Financial Statement Audit Management Recommendations

March 2001

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

♦ ♦ ♦ ♦ ♦

Remaining Recommendations (of 12 total):

Information Systems

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

Accounting and Administration

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

3. Adjust for cash account reconciling items in a timely manner, including all MERC accounts.

    Little progress has been made: The recommendation relating to a Disaster Recovery Plan is a repeat recommendation from the external financial auditor report of January 2000 and from the Metro Auditor's September 1998 report, *Review of General Information System Controls.* Information Technology had planned on starting an analysis for a disaster recovery plan during FY 2003; however, additional duties assigned to the Director displaced that effort. A robust IT 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.

    Accounting Services is in the process of finalizing fixed asset policies and procedures but a physical inventory has not been taken (the recommendation regarding a physical inventory was also made in each of the two preceding years). Accounting Services has also established procedures for reconciling cash accounts but MERC is still in the process of drafting such procedures and completing reconciliations.

Contracting: A Framework for Enhancing Contract Management

December 2000

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

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

♦ ♦ ♦ ♦ ♦

Remaining Recommendations (of 8 total):

1. Improve contract oversight by establishing a management reporting system geared toward providing oversight information to top management and departmental managers.

2. Enhance departmental quality control by:
   - designating a formal "Contract Coordinator" in each department responsible for assuring that contracts are properly planned and monitored
   - establishing minimum agency-wide qualifications for project managers and other contracting personnel
   - formally evaluating the performance of project managers and other contracting personnel in relation to their contracting duties and responsibilities

3. Provide better support to project managers and other contracting personnel by developing procedures, guidelines and training in:
   - determining appropriate contract type
   - establishing scope of work requirements and performance standards
   - monitoring and evaluating contractor performance
   - evaluating contractor proposed prices and billings
   - conducting risk assessments.

   Progress stalled: As reported last year, contract coordinators were designated for all departments. Also, for those positions that are predominately contract coordination, minimum qualifications were established in the job descriptions of those positions. For positions where contract coordination is a minor function, that is not the case.

   However, no progress has been made on the remaining recommendations in the past year. According to Management, "changes during the past year in organizational structure, staff changes and fewer management personnel to guide these efforts limited Metro's ability to develop these programs and procedures and to provide the necessary training for them."

Open Spaces Acquisitions

June 2000

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

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

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

♦ ♦ ♦ ♦ ♦

Remaining Recommendations (of 8 total):

1. Eliminate, by Council action, a provision in the Program Work Plan that allows staff to direct appraisal assumptions. This provision is unnecessary because appraisers already consider the highest and best potential use for a property.

2. Obtain clarification from the Council regarding Program Work Plan directives requiring Council approval to purchase properties with unusual circumstances.

   Not implemented: Management instructed the Director of Regional Parks and Greenspaces and the General Counsel that all appraisal work would be directed by the Office of the Metro Attorney and not by the department. However, eliminating the provision in the work plan that allows staff to direct appraisal assumptions would improve the integrity and credibility of land appraisals performed for the program and clarify circumstances that require land purchases to be approved by Council. Though staff are not currently directing the appraisals, there is nothing in the plan that would restrict them from doing so and there are $6 million in funds remaining.

Financial Statement Audit Management Recommendations

January 2000

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

♦ ♦ ♦ ♦ ♦

Remaining Recommendations (of 11 total):

Information Systems

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

Accounting and Administrative

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

3. Adjust for cash account reconciling items in a timely manner, including all MERC accounts.

4. Update Metro's policy and procedure manuals to reflect implementation of the PeopleSoft financial management software applications.

    Some progress has been made: The recommendation regarding developing a Disaster Recovery Plan is a repeat of the recommendation proposed by the Metro Auditor in the September 1998 report, *Review of General Information System Controls.* The Director of Information Technology had planned on starting an analysis for a disaster recovery plan during FY 2003; however, additional duties assigned to the Director to manage another division displaced that effort. A robust 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.

    Accounting Services is finalizing fixed asset policies and procedures, a prerequisite for inventorying capital assets. The actual inventory will take place once procedures for the inventory are finalized, which is expected later in 2004.

    Metro has established policies for reconciling cash accounts (Executive Order 84). MERC, however, is still in the process of drafting reconciliation policies. Metro and MERC are currently researching the nature of identified reconciling items in order to make proper adjustments.

    Finance and Administrative Services are upgrading PeopleSoft, which requires documenting procedures. However, additional policies and procedures will be needed post-implementation. Management estimates this will be complete this fall.

Information Technology Benchmarks and Opportunities

December 1999

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

Our work showed that Metro's information management team excels in certain areas, such as quick resolution to problems called in to the help desk. It also shows 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

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

♦ ♦ ♦ ♦ ♦

Remaining 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.

   Progress stalled: The Information Technology Division has made no further progress in addressing this recommendation. Information Technology has developed methods to manage some of these risks and has developed a strategic plan but the plan does not address the aforementioned components of a comprehensive risk management strategy.

Purchasing Benchmarks and Opportunities

May 1999

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.

   Progress stalled: Over a year ago Metro established a Contract Consultant Team to address the need for contractor performance standards cited in both this audit report and our subsequent audit of December 2000, *Contracting: A Framework for Enhancing Contract Management*. The team meets monthly and continues to work on establishing a performance evaluation process. At this time, the team is unable to estimate when the standards might be completed.

Financial Statement Audit Management Recommendations

March 1999

As part of its audit of Metro's financial statements, Deloitte & Touche LLP reviewed Metro's internal controls. While noting no significant control weaknesses affecting the financial statements, it did identify some control issues and 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: Accounting Services is finalizing fixed asset policies and procedures, a prerequisite for inventorying capital assets. The actual inventory will take place as soon as procedures for the inventory are finalized later in 2004.

InfoLink Project Review

December 1998

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

Although Metro staff had done an exceptional job to date, much work remained to be done:
- Only 5 of 11 planned PeopleSoft applications are installed. The others are significantly behind schedule.
- Delays in training many end users limits the ability of these employees to obtain information from InfoLink that would help them to do their jobs. This lack of training contributed to low satisfaction ratings in recent focus groups.
- Processes need to be reengineered to eliminate duplicate data entry and records.
- PeopleSoft upgrades each application approximately once a year. These upgrades require an adequate number of staff with appropriate skills

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

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

♦ ♦ ♦ ♦ ♦

Remaining Recommendation (of 28 total):

1. Follow these nine recommendations on future IT projects:
   - Develop and maintain detailed project plans, including resource assignments, for all major IT projects.
   - Include the cost of internal Metro staff in cost estimates to more accurately capture the total cost of carrying out IT projects.
   - Adopt a formal system development and implementation methodology, with specified project deliverables, for all major IT projects.
   - Prepare written reports summarizing the software evaluation and selection phase for review and approval by the IT Steering Committee and senior management.
   - Prepare a feasibility study, including detailed cost-benefit analyses, for all major proposed changes in the IT infrastructure of Metro, such as the implementation of new computing architectures or software projects.

- Conduct formal certification tests prior to software license payments. Make final software license payments after final acceptance of the system by Metro.
- Require consulting contracts for software implementation services to be deliverable-based.
- Review all major IT projects at least annually to determine if they continue to meet Metro's overall objectives.
- Review projected benefits of IT projects on an ongoing basis to evaluate the overall need to continue the project or make necessary modifications.

Future activity: Metro can address this recommendation when it undertakes another major IT project.

Review of General Information System Controls

September 1998

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

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

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

♦ ♦ ♦ ♦ ♦

Remaining Recommendations (of 8 total):

1. Develop and document a comprehensive disaster recovery plan.

2. Review existing service level agreements (hardware and software) for length of coverage and replacement terms.

   Not implemented: The Director of Information Technology had planned on starting an analysis for a disaster recovery plan during FY 2003; however, additional duties assigned to the Director to manage another division displaced that effort. A robust IT 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.

Oregon Convention Center Purchasing Practices

March 1997

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

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

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

♦ ♦ ♦ ♦ ♦

Remaining Recommendation (of 16 total):

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

   In progress: The Finance and Administrative Services department has established a "Purchasing Committee" that will work with operating departments, including MERC, to review the procure-to-pay business process. The above recommendation is part of this process and is scheduled for review by this committee.

Chapter 4: 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 3 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
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.		✓		
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.	✓			
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.	✓			

	Implemented	In Progress	Stalled / Not Implemented	Other
3. Have an independent HR consultant review employee performance agreements at the beginning of the next evaluation cycle.		✓		

Oregon Convention Center Expansion – August 2003

	Implemented	In Progress	Stalled / Not Implemented	Other
1. Formally review a 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 the CM/GC's 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

	Implemented	In Progress	Stalled / Not Implemented	Other
1. Re-evaluate Metro's practice of accounting for 401(k) assets and liabilities in a fiduciary fund.	✓			
2. Develop written policies and procedures for identifying and accounting for capital assets transfers and retirements.		✓		
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

	Implemented	In Progress	Stalled / Not Implemented	Other
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.	✓			
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

	Implemented	In Progress	Stalled / Not Implemented	Other
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 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.	✓			

	Implemented	In Progress	Stalled / Not Implemented	Other
8. Develop reports to detect unauthorized or inappropriate changes to files or transaction data.	✓			

Solid Waste Management Framework – July 2002

	Implemented	In Progress	Stalled / Not Implemented	Other
1. Metro's Solid Waste and Recycling Department should maintain the solid waste management framework outlined in this audit report.	✓			

Financial Audit Recommendations – June 2002

	Implemented	In Progress	Stalled / Not Implemented	Other
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.	✓			
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. *Repeat of recommendation made by financial auditors in 1999, 2000, and 2001.*		✓		
11. Establish a procedure to reconcile fixed asset detail to the accounting system at least quarterly. *Repeat of recommendation made by financial auditors in 1999, 2000 and 2001.*		✓		

PCPA Event Settlements – June 2002

	Implemented	In Progress	Stalled / Not Implemented	Other
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.	✓			

	Implemented	In Progress	Stalled / Not Implemented	Other
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: • Identify frequency of event revenue transfers to Metro and how the transfer amounts should be calculated. • Define the kinds of disbursements allowable from special deposit accounts. • Identify procedures for writing off aging accounts receivable including authorization and reporting. • Ensure bank reconciliation is done adequately and timely. • Obtain approval of policies by the MERC Commission or its General Manager.		✓		
6. Complete the development of and obtain management approval for procedures that: • Ensure PCPA staff sends event billing information to MERC administration promptly. • Ensure PCPA staff adequately documents all event services before billing paperwork is forwarded to MERC administration. • Assign responsibility for initiating rental rate updates and for promptly communicating new rates to staff. • Describe how staff should follow-up on overdue accounts receivable. • Describe the process for charging interest on overdue accounts and for recording interest revenue.		✓		
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.

Oregon Zoo: Construction Management – September 2001

	Implemented	In Progress	Stalled / Not Implemented	Other
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: • A procedure for setting and revising scope • A documented assessment of significant risks and management strategy • A time management system with key activities, parties and timelines • Performance measures for scope, cost, schedule and quality goals • Timely updates to stakeholders on progress and status.			✓	
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.	✓			

	Implemented	In Progress	Stalled / Not Implemented	Other
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 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

	Implemented	In Progress	Stalled / Not Implemented	Other
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.	✓			

Transit-Oriented Development Program – March 2001

	Implemented	In Progress	Stalled / Not Implemented	Other
1. Continue to develop a clear and cohesive measurement framework.	✓			
2. Simplify the measurement process by focusing on TOD's most important objectives and prioritizing effectiveness measures.	✓			
3. Update data used to measure performance, including base-line data on completed projects, and define the method, frequency and reliability of data collection.	✓			

Financial Statement Audit Management Recommendations – March 2001

	Implemented	In Progress	Stalled / Not Implemented	Other
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.	✓			

	Implemented	In Progress	Stalled / Not Implemented	Other
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. *Repeat of financial auditor recommendations in 1999 and 2000.*		✓		
10. Establish an allowance for potentially uncollectible accounts receivable. *Repeat of financial auditor recommendations in 1999 and 2000.*	✓			
11. Adjust for cash account reconciling items in a timely manner, including all MERC accounts. *Repeat of financial auditor recommendations in 1999 and 2000.*		✓		
12. Identify one Metro employee to approve all grants and be the contact person on grant applications.	✓			

Contracting Framework – December 2000

	Implemented	In Progress	Stalled / Not Implemented	Other
1. Define and document contracting authority, roles and responsibilities.	✓			
2. Strengthen the Contract Office role in guiding and reviewing contracting activities.	✓			
3. Conduct formal risk assessments to identify contracts requiring close monitoring and audits.	✓			
4. Establish a management reporting system to provide oversight information to top management.			✓	
5. 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 • Formally evaluating contracting personnel performance.			✓	
6. Provide better support to 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.			✓	
7. Capitalize on the experience of some Metro contracting personnel by forming interdepartmental workgroups to develop procedures, guidelines and training programs.	✓			
8. Consider using performance-based service contracting methodology on a pilot basis.	✓			

Portland Oregon Visitors Association Contract – September 2000

	Implemented	In Progress	Stalled / Not Implemented	Other
1. Evaluate performance indicators proposed by POVA to see if they are acceptable and if others should be added.	✓			

	Implemented	In Progress	Stalled / Not Implemented	Other
2. Define what constitutes an acceptable quality level for each service provided.	✓			
3. Establish a plan for measuring POVA's performance using these indicators.	✓			

Oregon Zoo: Service Efforts and Accomplishments – August 2000

	Implemented	In Progress	Stalled / Not Implemented	Other
1. Develop SEAs consistent with division missions, goals and objectives.	✓			
2. Analyze implications and develop strategies to address relatively flat attendance.	✓			
3. Establish a program to deal with declines in preventive maintenance efforts.	✓			

Open Spaces Acquisitions – June 2000

	Implemented	In Progress	Stalled / Not Implemented	Other
1. Accomplish Program objectives.	✓			
2. Obtain Metro Council guidance on regional balance and establish a system to ensure balance is maintained.	✓			
3. Improve reports to the Metro Council and the public.	✓			
4. Assign all appraisal work through the General Counsel's Office.	✓			
5. Make all relevant information available to appraisers and reviewers.	✓			
6. Eliminate, by Council action, a provision in the Program Work Plan that allows staff to direct appraisal assumptions.			✓	
7. Obtain clarification from the Council regarding Program Work Plan directives requiring Council approval to purchase properties with unusual circumstances.			✓	
8. Document due diligence problems and their resolution.	✓			

Accounting and Finance Benchmarks and Opportunities – January 2000

	Implemented	In Progress	Stalled / Not Implemented	Other
1. Evaluate Metro's accounting and financial services to assure adequate support of management and protection of Metro's financial standing.	✓			
2. Document accounting and financial policies and procedures.	✓			
3. Establish materiality level for journal entries and allocations.	✓			
4. Simplify accounting for purchasing card transactions.	✓			
5. Require all vendor invoices be sent directly to Accounting Services Division.	✓			
6. Fully utilize e-business applications to improve financial processes.	✓			

InfoLink Review Update – January 2000

	Implemented	In Progress	Stalled / Not Implemented	Other
1. Conduct a strategic planning session for modules of InfoLink not yet implemented to develop a detailed project plan.				✓
2. Reevaluate adequacy of functional and technical staff support.	✓			

	Implemented	In Progress	Stalled / Not Implemented	Other

Check Fraud Protection – January 2000

	Implemented	In Progress	Stalled / Not Implemented	Other
1. Adopt a Positive Pay system.				✓

Financial Statement Audit Management Recommendations – January 2000

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

Information Technology Benchmarks and Opportunities – December 1999

	Implemented	In Progress	Stalled / Not Implemented	Other
1. Agree on the strategic role of IT; define IT's role in accomplishing Metro's mission, its critical success factors and related key strategies.	✓			
2. Enhance effectiveness of the IT group.	✓			
3. Maximize benefits of existing and future IT investment by providing adequate end-user training and support.	✓			
4. Simplify processes and standardize IT resources.	✓			
5. Develop a comprehensive IT risk management strategy, including physical and logical security, data integrity, system and component failure, and technical or market obsolescence.			✓	

	Implemented	In Progress	Stalled / Not Implemented	Other

MERC Parking Revenue: Better Controls Are Needed – September 1999

	Implemented	In Progress	Stalled / Not Implemented	Other
1. Designate a Convention Center employee to supervise and monitor parking operations on a daily basis.	✓			
2. Establish procedures to document each parking transaction.	✓			
3. Reconcile deposits to supporting documentation.	✓			
4. Assure that contractor documents are complete, accurate and legible.	✓			
5. Have a MERC employee read vehicle counters at appropriate times and report readings to the Convention Center's parking supervisor.	✓			
6. Establish an auditable way to document vehicles exempt from paying at Expo and the Convention Center.	✓			
7. Require every vehicle to display a ticket or pass on their dashboard.	✓			
8. Place signs at every entrance directing patrons to display their ticket or pass on dashboard; print this statement on all tickets and passes.	✓			
9. Require parking lot contractors to make and document contractually required lot audits and attendance surveillances.	✓			
10. Provide City Center Parking an office in the Convention Center to count receipts, prepare deposits and for other supervisory duties.	✓			
11. Require City Center Parking to prepare deposits the day of an event and place them in the MERC drop safe that day.	✓			
12. Establish armored car services at the Expo Center for Monday, Thursday and Saturday.	✓			
13. Charge employees a market-based monthly fee to park in leased lot.	✓			
14. Hire a consultant to help develop revenue controls for the new Convention Center parking facility and to evaluate the need for more sophisticated controls at the Expo Center.	✓			

Human Resources Benchmarks and Opportunities – July 1999

	Implemented	In Progress	Stalled / Not Implemented	Other
1. Evaluate reasons for and alternatives to Metro's large number of job grades and titles.	✓			
2. Establish an internal HR improvement team to periodically evaluate performance, effectiveness and opportunities.	✓			
3. Identify and evaluate options to reduce the HR administrative burden.	✓			
4. Emphasize HR Department as a strategic partner in areas such as organizational structure, staff development and team development.	✓			

Reports Issued Prior to July 1999

The following 5 recommendations are still outstanding from reports issued before July 1999:

	Implemented	In Progress	Stalled / Not Implemented	Other
1. Institute formalized vendor performance standards. Include reference to monitoring and performance measures in contracts. *Purchasing Benchmarks and Opportunities* – May 1999			✓	
2. Inventory all fixed assets biannually and tag all assets. *Financial Statement Audit Management Recommendations* – March 1999		✓		
3. Develop and document a comprehensive disaster recovery plan. *Review of General Information System Controls* – September 1998			✓	
4. Review existing service level agreements (hardware and software) for length of coverage and replacement terms. *Review of General Information System Controls* – September 1998			✓	
5. Instruct vendors to send MERC invoices directly to Metro Accounts Payable. *Oregon Convention Center Purchasing Practices* – March 1997		✓		

The following nine recommendations relate to future IT projects:

	Implemented	In Progress	Stalled / Not Implemented	Other
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 *InfoLink Project Review* – December 1998				✓

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

Finance and Administrative Services
- 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 Human Resources   December 1998
  Applications
- Review of General Information System Controls   September 1998

Investment Management Program   August 1996

General
- Survey of Controls Over Cash Receipts at Remote Locations   October 1998

Observations Relating to Loaned Employees and Metro's Code of Ethics   September 1995

Metropolitan Exposition-Recreation Commission (MERC)
- Expo Center Expansion: Construction Cost Management   March 1998
- Oregon Convention Center Purchasing Practices   March 1997

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

Regional Parks and Greenspaces
- Metro's Open Spaces Program   June 1996

Glendoveer Cellular Site Lease   October 1995

Observations Relating to the Outreach and 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

Audit: Status of Audit Recommendations – 2004

Date: November 2004

AUDIT RESPONSE

Recommendation 1 Management should implement a process for tracking audit recommendations and assuring that they are properly put into action.
Agree Yes __x__ No ____ (specify reasons for disagreement)
What action will be taken (if any)? To assure recommendations by the auditor are considered and expedited as efficiently as possible, management will revisit all outstanding auditor recommendations twice annually. The quarterly report will include an audit recommendation section within the first and third reports each year.
Who will take action? The Quarterly report is managed by financial planning. The CFO will ensure that financial planning includes an audit section in the first and third reports. The audit section will summarize implementation and/or progress of audit recommendations.
When will action be accomplished? The first quarterly report for 2005 will be published within 30 days of the close of the first quarter. This guarantees that the process will begin in the first quarter of 2005 and will deliver an update by April 30, 2005.
Follow-up necessary to correct or prevent reoccurrence. Twice annually the outstanding audit recommendations will be revisited. The project manager of the Quarterly report will direct the departments to report on their audit recommendations, then publish the progress and/or completion of the audits.

Metro Auditor
Report Evaluation Form

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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 – 2004

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

	Too Little	Just Right	Too Much
Background Information	❑	❑	❑
Details	❑	❑	❑
Length of Report	❑	❑	❑
Clarity of Writing	❑	❑	❑
Potential Impact	❑	❑	❑

Suggestions for our report format:_____
_____
_____

Suggestions for future studies:_____
_____
_____

Other comments, ideas, thoughts:_____
_____
_____

Name (optional):_____

Thanks for taking the time to help us.

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

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

Metro

People places • open spaces

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

A regional approach simply makes sense when it comes to protecting open space, caring for parks, planning for the best use of land, managing garbage disposal and increasing recycling. Metro oversees world-class facilities such as the Oregon Zoo, which contributes to conservation and education, and the Oregon Convention Center, which benefits the region's economy.
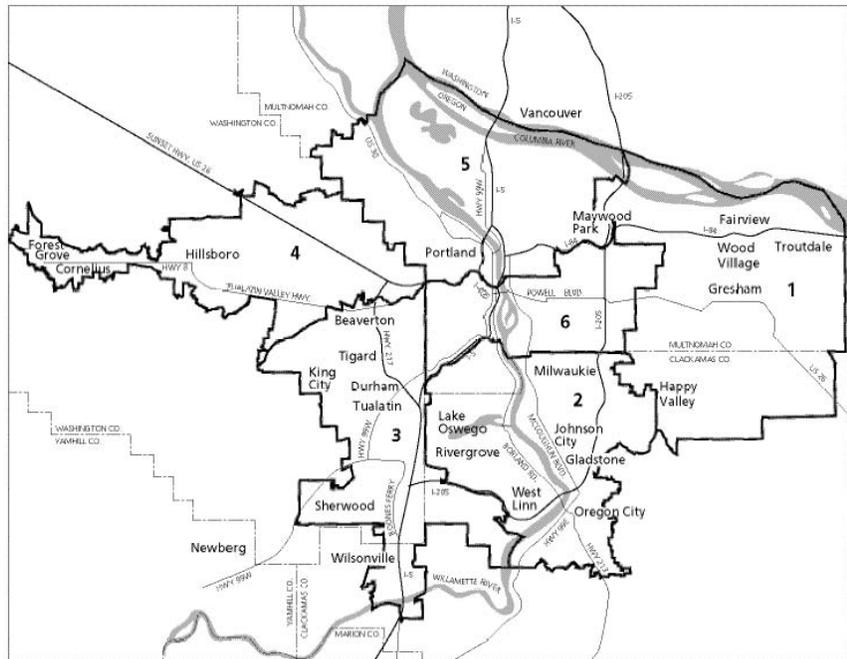
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Metro Councilors – Rod Park, District 1; Brian Newman, deputy council president, District 2; Carl Hosticka, District 3; Susan McLain, District 4; Rex Burkholder, District 5; Rod Monroe, District 6.

Auditor – Alexis Dow, CPA

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