Metro

Status of Audit Recommendations

September 2002
A Status Report by the Office of the Auditor

METRO
People Places
Open Spaces

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METRO

OFFICE OF THE AUDITOR

September 16, 2002

To the Metro Council and Executive Officer,

The accompanying report provides a summary of the recommendations made by the Office of the Auditor over the last 5 years and records their status.

Most of the recommendations have been implemented and are contributing to more efficient and effective operations throughout Metro and the Metropolitan Exposition-Recreation Commission (MERC). In addition, many of the remaining recommendations are on their way to implementation. I am pleased with these positive steps. A small number have seen no action to date.

The last section of this report contains the Executive Officer's response.

We appreciate the cooperation and assistance from Metro and MERC as we prepared this summary report. I wish to extend special thanks to the Chief Operating Officer for coordinating Metro's efforts.

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: Introduction and Overview

Introduction and Overview

Report Objective

The primary purpose of this report is to provide the public, the Metro Council and the Executive Officer 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 how many audit recommendations have been implemented, how many are in process and how many have seen no action. It also highlights some examples of implemented recommendations and explains the kinds of audits conducted by the Auditor's Office. Chapter 2 contains a summary of each report with recommendations not yet fully implemented and a description of their status. Chapter 3 lists all recommendations published since March 1997 and their status. This report keeps a current focus by now covering the status of recommendations issued in the most recent five years. Previously, it covered all recommendations issued since the Metro Auditor's Office was established in 1995. Recommendations from the earliest two years are all fully implemented.

Summary of Audit Recommendation Status

Metro Auditor recommendations aim to improve the economy, efficiency and effectiveness of Metro operations, and to improve safeguards surrounding money and other assets. These benefits can only be realized if recommendations are implemented. Metro has performed well on this front. Nearly 9 out of every 10 recommendations made in reports issued since March 1997 have been implemented or are in the process of being implemented. More specifically, of the 210 recommendations made during this time:

- 148 have been implemented
- 37 are in the process of implementation
- 9 have seen no action to date
- 16 no longer apply or relate to future activities.

In process

Not done
4%

Other
8%
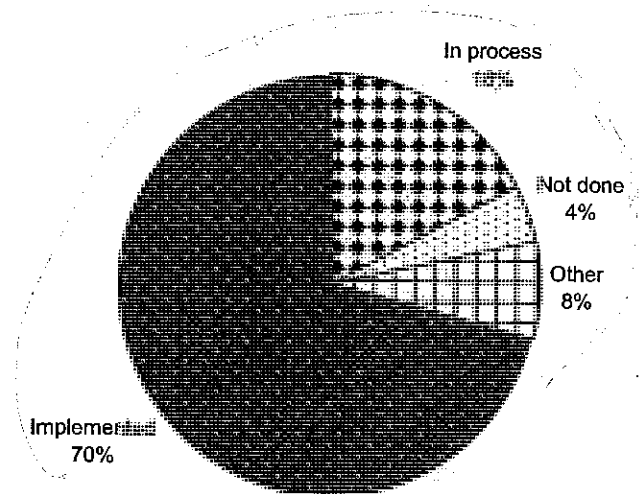
Implemented
70%

These recommendations are contained in 27 reports. Twelve of these reports no longer have outstanding recommendations.

Implemented Recommendations Improve Metro Operations – Real Examples

Improvements that come through implemented recommendations can take many forms, including saving money, using resources more efficiently, protecting assets, and better assuring that program goals and project objectives are met. A sample of the kinds of recommendations implemented in the past year shows how a constructive and collaborative audit process can help improve overall operations.

Examples of these improvements can be seen in Metro's response to the recent audit of the transit-oriented development program (TOD)[1]. The TOD program provides incentives for developers to build mixed-use, higher-density projects near transit centers along the MAX Light Rail Transit line. The report contained four recommendations, all of which have been implemented by Metro's Planning Department. As a result, TOD managers now have fully established a framework of performance measures (called service efforts and accomplishments, or SEAs), defined how these measures will be used, and established responsibilities and methods for developing the specific measures, collecting the data and reporting the results. Such measures are being effectively used to more precisely define project benefits for the agency funding the program, the Federal Transportation Administration.

Another recent report dealt with how Metro managed $1 billion in commitments spread across 700 individual contracts.[2] In response to recommendations in this report, Metro has

- Strengthened the role of the Contract Office and clarified the responsibilities of others involved with contracts,
- Designated a person in each Metro department to assure that contracting policies, procedures and guidelines are understood and followed, and
- Identified high-risk contracts and reported their status to top management so that these contracts can be more closely monitored.

As a final example, the Metro Council responded to an audit of the $135.6 million open spaces program[3] by adopting a clearer set of priorities for acquiring land for future parks, trails and open spaces. This will provide additional assurance that land purchases under the program are aligned with the desires of voters who approved the bond measure that financed the program in 1995.

More Opportunities for Improvement

Chapter 2 discusses the audit reports issued since March 1997 that have one or more recommendations that had not been implemented. In total, 62 recommendations have not been implemented. The largest number (37) are in the process of being implemented. As such, they represent upcoming improvements in Metro's operations that may soon be fully effective. The remaining 25 recommendations have seen no action for reasons that fall into three categories. Five have been withdrawn because the Metro environment, especially in the area of information technology, has markedly changed since the audit was completed, eleven apply to future activities and therefore cannot be implemented at this time, and nine have simply had no action taken to date.

The nine recommendations for which no action has been taken are a matter of concern. This "Not Done" category has been cited as a concern in the last two status reports issued by the Metro Auditor. In addition there are several other recommendations, which are partly in progress and partly not done, that are also of concern.

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[1] *Transit Oriented Development Program: Improving Accountability Through Enhanced Measures of Service Efforts and Accomplishments.* Office of the Metro Auditor, March 2001.
[2] *Contracting: A Framework for Enhancing Contract Management.* Office of the Metro Auditor, December 2000.
[3] *Regional Parks and Greenspaces: Open Spaces Acquisitions* Office of the Metro Auditor, June 2000

Two "Not Done" recommendations are from the March 1997 report on purchasing practices at MERC's Oregon Convention Center.

- The first recommends that MERC streamline its purchasing and invoice review procedures and practices. While MERC and the Convention Center have made progress in using Metro's centralized management information system, which includes a purchasing function, they continue to initiate many purchases using paper requisitions. This duplication is inefficient and unnecessary. In another example, some purchase orders are entered into the purchasing system after the services or goods are received rather than when the purchase order is initiated, which is important for control purposes.
- The second recommends that MERC change its practice of receiving invoices directly from vendors rather than having them sent to Metro Administrative Services Division (ASD) where they must be processed for payment. Implementing this change would enhance efficiency of the purchasing and invoice system at both Metro and MERC and better ensure invoices are promptly paid and recorded.

In a related vein, five recommendations made in the Financial Statement Audit's management letters since 1999 have been implemented for all Metro units except MERC. These deal with aging accounts receivable and reconciling cash accounts.

Getting all units of Metro to properly use the management information system is important to achieve its anticipated efficiencies and internal control benefits. The concerns of MERC as it tries to take advantage of these benefits at its theaters, convention center and exposition center are real. However, renewed efforts between MERC and Metro management can lead to successful implementation of these recommendations. Otherwise, this issue may require policy level attention from the MERC Commission and Metro Council.

Five of the nine "Not Done" recommendations should see action by Metro in the near future. These all relate to information technology (IT) and reflect the phase-in aspect so common to this area. Four concern a lack of current IT planning about how to recover from computer systems disasters. These are expected to see action starting in 2003. The fifth deals with documentation of procedures for PeopleSoft, a step which Metro does not want to take until a web-based version is adopted two years in the future.

The two remaining "Not Done" recommendations arise from the June 2000 report on Open Spaces Acquisitions. Both deal with changes to the Program Work Plan that guides the land acquisition process. The Executive Officer has stated that he will not take any further action on these recommendations, leaving these recommended improvements undone as the Open Spaces program winds down.

Audits are about Accountability and Improved Government Performance

Officials and employees who manage public programs need to render an account of their activities to the public. While not always specified by law, this accountability concept is inherent in the governing processes.

The need for accountability has caused a demand for more information about government programs and services. Public officials, legislators and citizens want to know whether government funds are handled properly and in compliance with laws and regulations. They also

want to know whether government organizations, programs and services are achieving their purposes and whether they are operating economically and efficiently.

Metro Auditor Responsibilities, Types of Audits Conducted and Effectiveness

The framers of the Metro Charter realized that an independent audit office provides an objective means to inform the public about how well public officials and employees are performing their activities and to assist these officials and employees in improving their performance.

For this reason, the Metro Charter established the Office of the Metro Auditor as an independent office headed by an elected official accountable to the public. The Charter requires the Metro Auditor to perform continuous financial and performance audits of Metro's operations and make reports to the Metro Council and Executive Officer on the results of the audits with recommendations for improvements.

The nature of financial and performance audits is discussed below. Recommendations from these audits typically relate to:
- Improving the efficiency, economy and effectiveness of programs and activities
- Improving management controls for ensuring that goals and objectives are met, resources are safeguarded, laws and regulations are followed, and reliable data are obtained, maintained and fairly disclosed
- Assuring that appropriate, accurate and complete reports are made on financial and other activities.

Performance Audits

Performance audits assess the accomplishments of Metro departments, programs and activities. These audits look at ways to improve use of public funds and assist decision-makers who may need to take corrective action. Performance audits focus on ways to ensure that resources are used wisely and that programs are effective.

Performance audits answer questions such as:
- Are programs achieving desired results?
- Are there better ways to achieve program objectives at lower cost?
- Are there ways to improve the quality of service without increasing cost?
- Do Metro programs comply with applicable laws and regulations?
- Is program information furnished to the executive officer, council and the public accurate?
- How can we more effectively use public funds?
- Are funds being spent legally, and is the accounting for them accurate?

For example, performance audits may consider whether Metro:
- Is following sound procurement practices
- Is properly protecting and maintaining its resources
- Is avoiding duplication of effort by employees
- Has considered alternatives for carrying out the program that might yield desired results more effectively or at a lower cost
- Has an adequate management control system for measuring and monitoring a program.

Financial Audits

Financial audits include financial statement and financial related audits. Financial statement audits provide reasonable assurance about whether Metro's financial statements fairly present the agency's financial position and results of operations.

Financial related audits include determining whether 1) Metro's financial information is presented in accordance with established or stated criteria, 2) Metro has adhered to specific financial compliance requirements, or 3) Metro's internal control structure over financial reporting and safeguarding assets is suitably designed and implemented to achieve control objectives.

The Metro Auditor contracts with an outside CPA firm in accordance with state law to audit Metro's annual financial statements.

Audit Effectiveness

Tracking implemented audit recommendations not only helps improve the economy, efficiency and effectiveness of operations and the safeguards surrounding money and other assets, it is also used by many audit organizations to measure their effectiveness. When management accepts a recommendation, it signifies agreement that the recommendation has merit and can improve operations. Over the past 5 years, Metro's Executive Officer has accepted 204 of the 210 recommendations made in Metro Auditor reports. The expectation is that this high level of agreement will continue as Metro implements the voter-approved change from an elected Executive Officer to a Council-appointed Chief Operating Officer (effective January 7, 2003).

While not all of the recommendations made over the last 5 years have been implemented, the overall rate for full implementation is 70 percent. When combined with the in-progress rate of 18 percent and with the 5 percent that are awaiting future events, the rate for recommendations acted upon climbs to 93 percent. The remaining 7 percent have either been withdrawn because of changed conditions (2.4%) or have seen no action at all (4.3%).

Methodology

This is the Metro Auditor's seventh annual report discussing the status of audit recommendations. Since the Metro Audit Office began operations in early 1995, the Office has issued 37 audit reports and made 268 recommendations involving all Metro departments and the Metropolitan Exhibition-Recreation Commission (MERC).

To determine the June 2002 status of recommendations still outstanding, each Metro department was:

- Provided a list of audit recommendations that were considered not implemented as of last year's report and a list of audit recommendations that have been issued since then
- Asked to categorize each recommendation in terms of whether they consider it implemented, in progress, or not implemented
- Asked to provide a written narrative justifying the category selected and documentation to support recommendations they consider implemented

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

Chapter 2: Summary of Recommendations Requiring Further Action – Background and Status

Oregon Zoo: Construction Management

September 2001

We evaluated the system used to manage the Great Northwest Project at the Oregon Zoo. A multifaceted effort to improve the Oregon Zoo, this major construction project grew out of a $28.8 million bond measure approved by voters in 1996. The Project was to consist of 4 phases and to be completed in the spring of 2001. As of April 2001, three of the phases were completed. Metro had about $4.9 million remaining on hand to complete the fourth phase, but it was estimated to cost around $7 million. Metro expected donations to fill the gap.

The bond measure had three overall goals. Neither Metro nor the Oregon Zoo translated these broad goals into a set of operational goals. Therefore, we were unable to evaluate the extent to which the benefits attributed to the Project - higher attendance and revenues, less reliance on property taxes, and improved accessibility and exhibits – helped achieve these goals.

Zoo and Metro officials took a number of actions to help ensure that the Project would be well managed, but we believe that 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 that 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 management strategy
   - A time management system with key activities, responsible parties and timelines
   - Performance measures linked to bond measure for scope, cost, schedule and quality goals
   - Timely updates to stakeholders on project performance, progress and status.
   - Completing the Great Northwest Project

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. Develop a system for reviewing, approving and revising the cost, scope, schedule and priorities or major projects.

5. Designate a "Project Coordinator" in departments that conduct a significant number of projects.

6. Develop a system of procedures and controls to ensure for each project that:
   - Clearly defines and communicates roles, responsibilities and authorities of project managers and project team members – including contractors –
   - Project managers are adequately qualified and trained, and regularly evaluate their performance
   - 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

7. Before undertaking CM/GC construction work obtain a written opinion from a qualified construction consultant as to whether the project scope and budget are in balance.

8. Before undertaking CM/GC construction work obtain written assurance that the contractor's proposed Guaranteed Maximum Price and reimbursable expenditures budget are reasonably priced.

Most are in progress: The zoo has defined the major roles and responsibilities of various teams that are working on the Great Northwest Project, but it has not yet established authority levels or the roles of individual employees who are involved in the project. A project plan for the Great Northwest Project is expected to be finalized after Metro-wide project management guidelines are published later this year.

Metro's Assistant Director of Administrative Services has been working with Metro departments and a consultant to develop a comprehensive framework of policies and procedures that will provide project managers and others with guidance on how to effectively administer and control their projects. Management expects this framework to be in place by December 2002.

Action toward implementing the two CM/GC-related recommendations cannot be completed until Metro undertakes future construction work utilizing the CM/GC contracting approach.

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 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; and
- Ensure fair and accurate compensation to the contractor.

MERC's management controls, however, can be improved. MERC has not developed ways to evaluate the concessionaire's financial performance or 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. Evaluate and test each year 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.

In progress: MERC is making progress in evaluating concessionaire financial performance by working with the concessionaire to compare actual revenue and expenses to a monthly forecast at one facility. In addition, MERC plans to benchmark the concessionaire's overhead, revenues and expenses with other similar facilities. MERC has begun to evaluate the concessionaire's internal controls by monitoring inventory counts at all three facilities at the end of June 2002. Some invoice and cash handling procedures have been documented. Management is beginning to plan a process for documenting the rest.

Financial Statement Audit - Management Recommendations

March 2001

As part of its audit of Metro's financial statements, Deloitte & Touche LLP studied Metro's internal controls in order to determine appropriate auditing procedures. While they noted no material weaknesses regarding Metro's internal control and its operation, they did note other matters related to Metro's information systems and accounting and administrative matters.

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Remaining Recommendations (of 12 total):

Information Systems

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.

Accounting and Administrative

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

4. Establish an allowance for potentially uncollectible accounts based on an aging analysis.

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

Most are in progress: The Information Technology department has made progress in developing an information systems strategic plan, but the absence of a Metro-wide strategic plan to link it to will hamper completion of this recommendation. Information Technology plans to begin a comprehensive review of the existing disaster recovery plan in the current fiscal year. Administrative Services has implemented recommendations 4 and 5, except for MERC, and the additional staff approved by the Council will begin work on the fixed asset inventory.

Contracting:
A Framework for Enhancing Contract Management

December 2000

This report developed a comprehensive framework for improving Metro's approach to managing its contracts. The recommendations in this report, when fully implemented, promise to result in better, more consistent contracting results. At the time of our work, Metro had more than $1 billion in contractual obligations outstanding. This level of expenditure requires an effective contract management system to ensure that public funds are protected and that contractors provide quality goods and services at reasonable cost.

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, such as specifying contract requirements, paying fair and reasonable costs and overseeing contractor performance. We conducted this collaborative review to help management identify how Metro can reduce contract risks; improve contract costs, schedules and deliverables; and enhance protection of public funds.

The National Association of Local Government Auditors awarded this report the Knighton Award for Best Audit of 2000.

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Remaining Recommendations (of 8 total):

1. Conduct formal risk assessments to identify contracts requiring close monitoring and audits.

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

3. 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.

4. Provide better support to project managers and other contracting personnel by developing procedures, guidelines and training in:
   - Determining appropriate contract type
   - Establishing scope of work requirements and performance standards
   - Monitoring and evaluating contractor performance
   - Evaluating contractor proposed prices and billings
   - Conducting risk assessments.

In Progress: Risk Assessments are being applied to new contracts, and an upcoming report by the Contracts office will reinforce the need to do these and highlight existing contracts at risk because

of size. The remaining recommendations are being addressed as part of Metro's current efforts to develop a project management system, as recommended in our September 2001 report on Construction Management at the Oregon Zoo.

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.

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Remaining Recommendations (of 8 total):

1. Eliminate, by Council action, a provision in the Program Work Plan that allows staff to direct appraisal assumptions 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 done: According to management, the Executive Officer and Council do not wish to make the two remaining suggested changes to the Program Work Plan. Management indicated that Metro's General Counsel now directs all appraisal assumptions, and consequently they believe that a Work Plan change is unnecessary. We continue our position that making the suggested changes to the Work Plan would improve the integrity and credibility of land appraisals performed for the program and clarify the circumstances that require land purchases to be approved by the Council.

Accounting and Finance Benchmarks and Opportunities

January 2000

This report compared or "benchmarked" Metro's accounting and finance processes against those of more than 800 private and public organizations. We identified top performers and looked at the activities that contributed to their standing.

Our work shows that Metro's accounting and finance division excels in certain areas, such as investment in technology. However, investment in overall accounting and finance activities – about $3.1 million in FY 1998 – is low, hence important work is not being done and known inefficiencies are going uncorrected. For example, Metro's accounting staff cannot adequately implement new reporting requirements that may affect Metro's credit standing.

Recognizing that Metro has limited resources for making improvements, we recommended that Metro clearly define the level of accounting and financial services it will support and assure that this level adequately protects Metro's financial standing. This recommendation, when implemented, should highlight areas Metro needs to address to reduce financial and accounting risks to a reasonable level. In addition, other recommendations promise more efficient and economical financial and accounting operations.

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Remaining Recommendations (of 6 total):

1. Document accounting and financial policies and procedures.

2. Establish materiality levels for journal entries and allocations.

3. Make full use of e-business applications for improving financial processes.

In progress: Some policies and procedures have been documented, especially as they relate to GASB 34. A new hire in Administrative Services will work on completing this recommendation during FY 2003. Work is ongoing to establish materiality levels, and any changes should be implemented in FY 2003. The upgrade to Metro's primary software, PeopleSoft version 8, will contain e-business applications. These will be included in the strategic plan being undertaken by Information Technology at this time. The PeopleSoft version 8 upgrade for human resources is scheduled to be in place in April 2003 and for finance in April 2004.

Financial Statement Audit – Management Recommendations

January 2000

As part of its audit of Metro's financial statements, Deloitte & Touche LLP studied Metro's internal controls in order to determine appropriate auditing procedures. While they noted no material weaknesses regarding Metro's internal control and its operation, they did note other matters related to Metro's information systems, and Accounting and Administrative matters. The firm made several new recommendations for improving the security over Metro's information systems, fostering a smooth transition to meeting new accounting requirements and improving specific Metro accounting practices.

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Remaining Recommendations (of 11 total):

Information Systems

1. Develop a strategic plan linking information systems to Metro's operating plan.

2. Develop a business-wide continuity plan for computing operations including disaster recovery.

Accounting and Administrative

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

4. Establish an allowance for potentially uncollectible accounts based on an aging analysis.

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

6. Update Metro's policies and procedures manuals to reflect implementation of PeopleSoft.

Most are in progress: The Information Technology department has made progress in developing an information systems strategic plan, but the absence of a Metro-wide strategic plan to link it to will hamper completion of this recommendation. Information Technology plans to begin a comprehensive review of the existing disaster recovery plan in the fiscal year 2003. Administrative Services has implemented recommendations 4 and 5 except for MERC, and plans to address inventory of fixed assets with the new hire in the Administrative Services department.

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 into the help desk. It also shows that Metro lags in other areas, such as system redesign and development, standardization of IT 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:
- Metro establishing Information Technology as a unique department where the Information Technology Director reports directly to Metro's Chief Operating Officer
- 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.

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Remaining Recommendation (of 5 total):

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

In progress: The Information Technology Department has made good progress in addressing this recommendation. Remaining work deals with component and system failure and will be addressed after IT completes its strategic plan. It will be addressed as part of a system-wide continuity plan, which is expected to be completed in 2003.

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 use 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.

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Remaining Recommendation (of 6 total):

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

In progress: Metro established a Contract Consultant Team to address the need for contractor performance standards cited in both this audit report and our subsequent audit, "Contracting: A Framework for Enhancing Contract Management." The team meets semi-monthly and is focusing on establishing a performance evaluation process, which it plans to put in place during fiscal year 2003.

Financial Statement Audit – Management Recommendations

March 1999

As part of its audit of Metro's financial statements, Deloitte & Touche LLP studied Metro's internal controls to determine appropriate auditing procedures. While noting no matters considered to be material weaknesses, it did note other matters and recommended improvements to internal controls.

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Remaining Recommendations (of 6 total):

1. Prepare an aging analysis of all accounts receivable, maintain an allowance for doubtful accounts receivable, and give Accounting Services the authority to record the allowance for doubtful accounts for financial reporting purposes.

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

In progress: The first recommendation has been implemented for all receivables except for MERC. Metro plans to address the inventory of fixed assets with the new hire in Administrative Services.

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 five of eleven planned PeopleSoft applications were installed. The others were significantly behind schedule.
- Delays in training many end users limit 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 needed 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 included recommendations for planning future information system projects, such as setting up vendor contracts based on delivery of services rather than time and materials.

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Remaining Recommendations (of 28 total):

1. Reevaluate the requirements for the four other PeopleSoft modules (i.e., Budget, Project Costing, etc.) to determine if there is a current need for the applications and if they substantially meet Metro's requirements.

2. Proceed with a phased implementation in 2000 if there is a need for Budget, Project Costing, Time and Labor, or Asset Management PeopleSoft modules.

3. Prepare user manuals covering the workflow process required with the InfoLink system. Manuals should have a common "look and feel."

4. Follow these nine recommendations on future IT projects:
    *   Develop and maintain detailed project plans, including resource assignments, for all major IT projects including InfoLink.
    *   Include the cost of internal Metro staff in cost estimates to more accurately portray the "total cost of ownership" of 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.

Most are in progress: Metro's Information Technology Department is developing a strategic plan for information services and expects to complete it by September 30th, 2002. The need for the four unimplemented PeopleSoft applications will be evaluated after the strategic plan has been approved.

Metro will be upgrading to newer versions of its existing PeopleSoft applications over the next 24 months. User manuals will be developed in conjunction with each upgrade.

Survey of Controls Over Cash Receipts at Remote Locations

October 1998

This survey identified Metro's cash collection sites and documented the internal control policies and procedures purportedly in place at the sites. We did not test controls in detail, but we made several observations leading to recommendations for better safeguarding cash from loss or theft and for improving procedures for invoicing customers and tracking revenue from contracts.

Metro collected about $28 million at various sites outside of its Accounting Division in FY 1997. We identified 14 sites where these collections are made. Cash is collected at more than one location on each site – we estimated a total of 85 to 100 such locations.

By implementing our remaining recommendations, Metro will better ensure that remote sites are using proper cash handling practices and that cash is adequately safeguarded. In addition, revenue from contracts, such as rents and leases, will be better tracked and accounted for.

◆ ◆ ◆ ◆ ◆

Remaining Recommendations (of 9 total):

1. Provide written guidelines to department managers to use in preparing or updating cash handling policies and procedures.

2. Ensure that department managers provide each cash-handling area in their department with current detailed written cash handling policies and procedures which conform to the guidelines issued by the Accounting Division.

3. Review the volume of cash transactions at cash handling areas to determine if cash registers should be used to provide better recording control of cash received.

4. Place signs at cash registers advising the public that staff are required to give them a receipt.

5. Ensure that all revenue contract payments, such as rents and lease payments that are received in regular, predetermined amounts are set up as receivables with payments monitored by and coming directly to the Accounting Division.

In progress: The Metro Council approved a staff position for Administrative Services in June 2002. This new hire will, among other tasks, begin to address cash control issues at Metro. Written guidelines will be the first priority.

Review of General Information System Controls

September 1998

As part of the audit of Metro's general purpose financial statements for the year ended June 30, 1998, Metro's contract auditor, Deloitte & Touche, reviewed the Administrative Services 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
- 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) Department is using specialized help desk management software, which has improved its ability to correct user computing problems and identify recurring problems.

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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 Done: Management intends to develop a disaster recovery and business continuity plan in fiscal year 2002-03 after it completes a strategic business plan for information services. The disaster recovery/business continuity plan will include a review of vendor service level agreements for hardware and software support to ensure that Metro can continue using PeopleSoft applications in the event its primary data processing facilities become inoperable.

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

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Remaining Recommendations (of 15 total):

1. Streamline MERC purchasing and invoice review procedures and practices.

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

Not done: MERC and convention center purchases are now processed through Metro's PeopleSoft financial/accounting system, but many departments still rely on paper purchase orders to initiate procurements and do not enter purchasing data into PeopleSoft until after services are received. Eliminating the paper purchase orders and timely entering purchasing data into the PeopleSoft system would streamline processes and enhance internal control.

The convention center still receives invoices directly from vendors and indicated that it does not plan to change this practice. We continue to believe that vendors should be asked to send their invoices directly to Metro's accounts payable section.

Chapter 3: Status Summary of All Recommendations

This chapter summarizes recommendations made by the Auditor's Office since the office was established in 1995. The recommendations start with the most recently issued report.

Most recommendations have either been implemented or their implementation is under way. A "✓" indicates the recommendation was implemented. The notation "In progress" indicates the relevant organization has begun implementing or has partially implemented the suggestion. The three other categories are: 1) "Not done", where no action has been taken, 2) "Withdrawn", representing recommendations that are no longer applicable, and 3) "Applies to future activity" when the recommendation is proactive.

For further information on audit reports with outstanding recommendations, refer to Chapter 2, where these reports are summarized and more detail is provided on remaining recommendations and steps taken toward implementation.

Zoo Construction Management September 2001

1.	Define and document authority, roles and responsibilities of those involved with the remainder of the project.	In progress
2.	Develop a list of priorities for remaining affordable elements of the project.	✓
3.	Develop a plan to complete the project that includes:	In progress

- 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.	In progress
5.	Develop a Metro-wide system for reviewing, approving and revising the cost, scope, schedule and priorities for major projects.	In progress
6.	Designate a "Project Coordinator" in Metro departments and units that conduct a significant number of projects; they should be trained and empowered.	In progress
7.	Develop a Metro-wide system that would contain the elements of an effective project management framework.	In progress
8.	Before undertaking CM/GC construction work, obtain a written opinion from a construction consultant that project scope and budget are in balance.	Applies to future activity
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.	Applies to future activity

MERC Food Service Contract June 2001

1.	Establish a formal process for evaluating concessionaire financial performance.	In progress
2.	Evaluate and test the concessionaire's internal controls over revenue, expenses and inventory annually.	In progress
3.	Document concession management and oversight policies and procedures in management directives, administrative policies and an operating manual.	In progress
4.	Maintain relevant food service operation documentation in a readily available location.	✓

Transit-Oriented Development Program March 2001

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

1. Complete a thorough software security assessment and implement a risk-management solution for the Novell servers. — Withdrawn

2. Develop an IT strategic plan linking information systems to Metro's operating plan. — In progress

3. Develop a business-wide continuity plan for computing operations, including disaster recovery. — Not done

4. Use the existing Information Systems Steering Committee for routine communications between IMS and DRC to further ensure use of common standards. ✓

5. Review administrative access to information systems and restrict unnecessary access to strengthen system security. ✓

6. Increase Metro oversight of MERC during periods with high turnover of higher-level management and accounting staff. MERC should attempt to increase retention among this group of employees. ✓

7. Reconcile general ledger account balances to Zoo Foundation contributions at least quarterly. ✓

8. Study GASB Statement 34 and create an action plan for implementation. ✓

9. Perform a complete physical inventory of all fixed assets biannually. — In progress

10. Establish an allowance for potentially uncollectible accounts receivable. — In progress

11. Adjust for cash account reconciling items in a timely manner, including all MERC accounts. — In progress

12. Identify one Metro employee to approve all grants and be the contact person on grant applications. ✓

Contracting Framework December 2000

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. — In progress

4. Establish a management reporting system to provide oversight information to top management. — In progress

5. Enhance quality control by: — In progress
   - 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: — In progress
   - 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

1. Evaluate performance indicators proposed by POVA to see if they are acceptable and if others should be added. ✓

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

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

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. Not done

7. Obtain clarification from the Council regarding Program Work Plan directives requiring Council approval to purchase properties with unusual circumstances. Not done

8. Document due diligence problems and their resolution. ✓

Accounting and Finance Benchmarks and Opportunities January 2000

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. In progress

3. Establish materiality level for journal entries and allocations. In progress

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. In progress

InfoLink Review Update January 2000

1. Conduct a strategic planning session for modules of InfoLink not yet implemented to develop a detailed project plan. In progress

2. Reevaluate adequacy of functional and technical staff support. ✓

Check Fraud Protection January 2000

1. Adopt a Positive Pay system. Withdrawn

Financial Statement Audit – Management Recommendations January 2000

1.	Develop an IT strategic plan linking information systems to Metro's operating plan.	In progress
2.	Develop a business-wide continuity plan for computing operations including disaster recovery.	Not done
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.	In progress
8.	Establish an allowance for potentially uncollectible accounts based on an aging analysis.	In progress
9.	Adjust for cash account reconciling items in a timely manner, including all MERC accounts.	In progress
10.	Update Metro's policies and procedures manuals to reflect implementation of PeopleSoft.	In progress
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

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.	In progress

MERC Parking Revenue: Better Controls Are Needed September 1999

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 attendant 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. Withdrawn

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

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. ✓

Household Hazardous Waste Program May 1999

1. Price recycled paint at market. As a minimum, set prices to absorb cost of depreciating the latex paint facility and variable costs. ✓

2. Actively market recycled latex paint to other governments. ✓

Purchasing Benchmarks and Opportunities May 1999

1. Revise Metro Code to increase contracting requirement thresholds and significant impact standard. ✓

2. Simplify and streamline purchasing card processes. ✓

3. Evaluate potential for purchasing efficiencies through expanded use of existing system capabilities and upgrades that can be cost justified. ✓

4. Evaluate benefits from increased centralization of purchasing processes. ✓

5. Institute formalized vendor performance standards. Include reference to monitoring and performance measures in contracts. In progress

6. Establish internal teams to identify opportunities to streamline purchasing practices. ✓

Financial Statement Audit – Management Recommendations March 1999

1. Mandate use of online purchase orders. ✓

2. Consult with Accounting Services when changes are proposed in Metro's accounting and financial reporting. ✓

3. Prepare an aging analysis of all accounts receivable, maintain an allowance for doubtful accounts receivable and give ASD authority to record the allowance for bad debts for financial reporting purposes. In progress

4. Inventory all fixed assets biannually and tag all assets. In progress

5. Track retainage on all construction contracts during the year. ✓

InfoLink Project Review December 1998

1. Identify critical staff resources in IMS and user departments to assist on various tasks. Dedicate resources full time to specific tasks where possible and hire temporary staff to fill positions usually filled by user department staff assigned to the InfoLink project team. ✓

2. Implement new reports for user departments in first quarter of 1999. ✓

3. Conduct comprehensive training for user departments in new reports and online entry of requisitions (including budget checking) in first quarter of 1999. ✓

4. *Develop a formal work plan for implementation of PeopleSoft 6.0 upgrade for General Ledger, Purchasing and Accounts Payable modules.* ✓

5. Upgrade the three financial modules to PeopleSoft Version 6.0. ✓

6. Implement Accounts Receivable and Billing modules following upgrade to PeopleSoft Version 6.0. ✓

7. Reevaluate requirements for four other PeopleSoft modules (i.e. Budget, Project Costing, etc.) to determine if there is a current need and if they substantially meet Metro's requirements. In progress

8. Implement upgrades to PeopleSoft Human Resource and Payroll modules once new releases are stabilized. ✓

9. Proceed with a phased implementation in 2000 if there is a need for Budget, Project Costing, Time and Labor, or Asset Management PeopleSoft modules. In progress

10. Negotiate with PeopleSoft for a credit for licensed, but unused software modules. ✓

11. Clearly define, document and communicate project team member roles to both the project team and user departments. ✓

12. Develop work plan for implementing Accounts Receivable and Billing modules coordinated with financial module upgrade. ✓

13. Conduct a staffing review of both Accounting and Information Management Systems divisions in light of PeopleSoft implementation. ✓

14. Assess staffing requirements to support PeopleSoft applications within IMS to determine if Metro can provide support in the future. ✓

15. Include funds to support future upgrades to PeopleSoft in the annual budget and the long-range IT plan. ✓

16. Implement a policy to provide employees an incentive to stay after receiving specialized training. ✓

17. Improve service and support for users of the InfoLink system. ✓

18. Prepare user manuals covering the workflow process required with the InfoLink system. Manuals should have common "look and feel." Not done

19. Develop operating procedures in IMS to document software modifications and vendor supplied software corrections. ✓

20. Follow these nine recommendations on future IT projects:

   • Develop and maintain detailed project plans, including resource assignments, for all major IT projects.

   • Include internal Metro staff in IT projects cost estimates to more accurately portray total cost of ownership.

   • Adopt 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.

These nine cannot be implemented until Metro undertakes another IT project.

- Prepare a feasibility study, including detailed cost-benefit analyses, for all major proposed changes in Metro's IT infrastructure.
- 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 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 need to continue the project or make necessary modifications.

Internal Controls Review of PeopleSoft Purchasing and Human Resources Applications December 1998

1. Limit access to production computer programs of PeopleSoft modules to the UNIX and local-area-network (LAN) security administrators. ✓
2. Implement separate computing environments for production, test and development of PeopleSoft modules. ✓
3. Develop and implement formal policies and procedures for managing program changes. ✓
4. Evaluate purchase of commercial "librarian" software to manage movement of programs through development, test and production. ✓
5. Reduce number of staff with "superuser" access to PeopleSoft to administrators for HP and LAN security, the database, and PeopleSoft. ✓
6. Develop and implement written policies and procedures for system access. ✓
7. Update user identification and password codes in conjunction with implementation of the PeopleSoft 6.0 upgrade. ✓
8. Reduce the number of security classes for financial and human resource applications in conjunction with the PeopleSoft 6.0 upgrade. ✓
9. Define organizational responsibilities for use of PeopleSoft applications and train users in roles and responsibilities associated with the system. ✓
10. Develop written procedures for reviewing and verifying system reports, correcting errors, and operating PeopleSoft applications. ✓
11. Develop formal procedures to ensure that employee network and application access is revoked before or at employee separation. ✓
12. Review access rights to the purchasing application to ensure that the rights granted to individuals remain appropriate. ✓
13. Develop procedures to authorize and document access to PeopleSoft applications. ✓
14. Require employees to create more complex passwords for access to PeopleSoft applications. ✓
15. Develop formal policies and procedures for UNIX root password access. ✓

Survey of Controls Over Cash Receipts at Remote Locations October 1998

1. Provide written guidelines to department managers to use in preparing or updating cash handling policies and procedures. In progress
2. Ensure that department managers provide each cash-handling area in their department with current detailed written cash handling policies and procedures which conform to Accounting Division guidelines. In progress

3. Ensure that managers at each cash handling area change safe combinations, security alarm codes and keys to locked areas holding cash when employees with access leave Metro or transfer to another job.   ✓

4. Review physical security of cash at locations lacking safes or other secure areas to store cash. Provide increased security, if needed.   ✓

5. Consider using cash registers to provide better recording control in areas with a high volume of cash transactions.   In progress

6. Place signs at cash registers advising the public that staff are required to give customers a receipt.   In progress

7. Ensure that all revenue contract payments are monitored by and coming directly to the Accounting Division.   In progress

8. Follow established procedures for sending invoices to customers, including having the Accounting Division to perform this function.   ✓

9. Develop and apply procedures to reasonably assure that Metro is receiving the correct amount of cash from contractors who handle large amounts of cash receipts generated at Metro facilities.   ✓

Review of General Information System Controls September 1998

1. Provide adequate resources to satisfy user demands while minimizing internal control risks.   ✓

2. Develop information systems security policy and procedure document to be distributed to and acknowledged by all computer users.   ✓

3. Monitor information systems security policies and procedures for compliance.   ✓

4. Develop and document a comprehensive disaster recovery plan.   Not done

5. Review existing service level agreements (hardware and software) for length of coverage and replacement terms.   Not done

6. Continue to pursue technologies such as duplicate drives, drive mirror capabilities and writing data to secured remote locations.   ✓

7. Consider purchasing automated help desk tracking software. In the interim, routinely review help desk generated reports and perform problem analysis. Publish monthly statistics listing common user/branch problems and solutions.   ✓

8. Establish help desk procedures to allocate and prioritize help desk calls, cross train others within the IMS group, and thoroughly document procedures.   ✓

Expo Center Expansion: Construction Cost Management March 1998

When managing future construction projects using the CM/GC contracting approach, MERC should:

1. Document approval of all changes and decisions resulting in subcontract amendments.   ✓

2. Compare prices and rates for general services to those available from others and document results of comparisons.   ✓

3. Obtain adequate support for expenditures before reimbursing the general contractor.   ✓

4. Thoroughly review indirect services to ensure they are necessary and prudent.   ✓

5. Consider raising the threshold for sealed bidding, and ensure the required sealed bidding procedure is followed.   ✓

6. Retain funds in accordance with contract; consider reducing contract retention requirement if it is too aggressive.   ✓

7. Develop criteria for staff to use to decide which costs to record for projects. ✓

Urban Growth Boundary Planning Processes and Decisions Can Be More Credible September 1997

1. Establish independent peer review groups to verify evidence and analytical procedures that support growth planning process and related performance measures. Publish peer review results to stakeholders and general public. ✓

2. Clearly and fully discuss range of accepted uncertainty in the evidence or in projections based on the evidence. Disseminate related analyses, conclusions and recommendations to stakeholders and the public. ✓

3. Discuss projections, forecasts and assumptions that contain a range of possible outcomes for UGB decisions and disseminate the record of these discussions. ✓

4. Use results of peer review, analyses and feedback to facilitate consensus on individual variables and the need, if any, for a change in the UGB and for consideration of Functional Plan performance measures. ✓

5. Identify all potential UGB stakeholders and work to keep them fully informed about data produced and outcomes associated with planning activities. ✓

RLIS Data: Customer Survey and Implications September 1997

1. Develop a plan to improve accuracy, level of detail and timeliness of RLIS data. ✓
2. Increase efforts to explain limitations of RLIS products to potential customers. ✓
3. Ensure customers know whom to contact to resolve problems and develop a formal system to track problems until resolved. ✓
4. Give clear, detailed explanations of items invoiced. ✓
5. Meet with business community DRC customers to discuss their needs for RLIS data and the cost of such data. ✓
6. Consider establishing a subscriber newsletter. ✓
7. Continue to explore use of value-added resellers. ✓
8. Develop new strategic relationships with Metro's local government partners. ✓
9. Establish high-speed connections between DRC and jurisdictions that create and maintain data. ✓

Waste Reduction Grant Programs August 1997

1. Develop and document clear procedures for administering the Recycling Business Development Grant Program. ✓

2. Evaluate the Recycling Business Development Grant Program's effectiveness by assessing accomplishments of first two grants. ✓

3. Revise Metro Code to require thrifts to report annual disposal tonnage to coincide with reporting year and allow time to calculate credit allocations. Withdrawn

4. Determine proper budget title and classification of the Thrift Recycling Credit Program to achieve full budgetary disclosure. ✓

5. Perform detailed audits of the thrifts including materials disposed in the receiving and sorting process, materials found in drop boxes prior to dumping, and materials dumped at transfer stations. ✓

6. Consider revising Metro Code for thrift credit allocations to provide greater incentives to increase recycling rates. ✓

7. Request Metro Council review of the Annual Waste Reduction Program to decide whether funding should be through grants requiring specific performance measures or continued as a modified form of revenue sharing. ✓

Oregon Convention Center Purchasing Practices March 1997

1. Ensure compliance with MERC purchasing and contracting policies and procedures. ✓

2. Ensure MERC purchases comply with Oregon statutes. ✓

3. Identify strategies to obtain goods and services at the lowest cost, consistent with objective of fostering opportunities for Target Area, MBE and WBE vendors. ✓

4. Streamline MERC purchasing and invoice review procedures and practices. Not done

5. Revise MERC purchasing policies and procedures for completeness and consistency with Metro Code. ✓

6. Purchase more services and supplies on a MERC-wide basis. Explore feasibility of negotiating price agreements jointly with Metro and other government agencies. ✓

7. Develop a program to increase awareness of price agreements negotiated by the State of Oregon and other purchasing groups. ✓

8. Process transactions electronically when Metro installs a new management information system later in 1997. ✓

9. Consider reducing required number of competitive quotes for certain purchases under $10,000. ✓

10. Consider requiring purchasers to document attempts to obtain quotes from Target Area vendors when making small purchases of services. ✓

11. Consider joining Metro's purchasing card program. ✓

12. Develop processes for the Oregon Convention Center to ensure purchases are authorized prior to ordering, comply with quote requirements and sole-sourced purchases are documented. ✓

13. Out-of-state purchases comply with statutes. Identify opportunities to use more open purchase orders. Withdrawn

14. Allow department managers to authorize small purchases. ✓

15. Instruct vendors to send invoices directly to Metro Accounts Payable. Not done

16. Revise purchasing and contracting policy and procedures for clarity, completeness and consistency with Metro Code provisions and obtain MERC approval. ✓

Reports Issued Before March 1997

There are no recommendations outstanding for the following reports:

- **Comments on Solid Waste Rate Reform Project**   October 1996

- **Franchise Management**   August 1996

- **Investment Management Program**   August 1996

- **Grant Management**   July 1996

- **Metro's Open Spaces Program**   June 1996

- **Review of Metro's Solid Waste Enforcement Unit**   February 1996

- **Administration of Existing Contract for Waste Disposal Services**   January 1996

- **Glendoveer Cellular Site Lease**   October 1995

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

- **Observations Relating to the Outreach and Educational Program's Salmon Festival**   September 1995

Response to the Report

METRO

September 12, 2002

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

Re: Executive Officer's Response to *Status of Audit Recommendations 2002*

Dear Ms Dow:

Thank you for the opportunity to review your report on the status of audit recommendations. I am pleased to learn that management is implementing 185 of the 194 currently applicable audit recommendations. I expect to see good progress on most of the remaining 9 recommendations during the coming year.

Sincerely,

Mike Burton
Executive Officer

cc: Metro Council