



Audit Committee Meeting Minutes

July 14, 2010 – Metro Regional Center

1:30 p.m., Conference Rm. 270

Meeting Attendees:

Jason Stanley, Chairman (Citizen member)
Grant Jones, Vice Chair (Citizen member)
Andrew Carlstrom (Citizen member)
Kathryn Harrington, Metro Councilor-District 4
Terry Goldman, MERC Commissioner
Suzanne Flynn, Metro Auditor
Margo Norton, Metro Director of Finance & Administration
Don Cox, Metro Compliance Manager
Julia Fennell, MERC Controller
Karla Lenox, Metro Financial Reporting Supervisor
Jim Lanzarotta, Partner/Moss Adams
Joacim Trybom, Sr. Manager/Moss Adams

Absent:

Mike Laney (Citizen member)

MEETING PURPOSE: First Committee meeting for the FY2010 external audit.

Metro Code 2.19.250 (Advisory Committees/Audit Committee) was recently added, which now establishes the Committee in an advisory capacity to Metro Council.

- Suzanne Flynn welcomed attendees; introductions were made. New members on the Committee this year are Kathryn Harrington, Terry Goldman and Andrew Carlstrom.
- The first matter of order was to nominate and elect a Chairperson and Vice Chairperson to reside over Audit Committee meetings. Voting members elected Jason Stanley as Chairperson and Grant Jones as Vice Chairperson.
- Margo Norton advised the Committee of the FRS Department's receipt of the GFOA Certificate of Achievement award for the FY09 CAFR. The Department has received the award for 17 continuous years.

MOSS ADAMS PRESENTATION:

Jim Lanzarotta and Joacim Trybom from Moss Adams presented the external audit process (attached). Topics covered and general discussion included engagement team, services to be provided, audit timelines, Accounting Standards – new and upcoming, 2010 audit planning, feedback from Audit Committee on desired communications with Committee.

Moss Adams reported that preliminary audit work and testing went well, with minor issues. The auditors will reassess the risk areas. There is only one new audit standard for this FY audit, SAS 115 (replaces SAS 112), which relates to internal control, significant deficiency and material weakness.

Budget pressure was discussed as a risk area. Proper accounting of expenditures is an issue that the auditors will closely review and test. Margo Norton commented that FRS is keeping a very close watch on this. Auditors will also look at any potential expense coding against the wrong grant. Kathryn Harrington commented on grant accounting and how prevalent it is in the public and private sectors. Lanzarotta responded that timing of expense accounting is critical with grants.

Property and Equipment – Jim Lanzarotta covered the issue of TOD projects, where there are purchases of real property for public transportation. When you buy assets to sell to a developer, you may pay more than the value of its potential use. This is a risk area. Margo said there are 2 projects that carry the most value and she has asked TOD management to report on this.

Analytical reviews – Joaquim commented on what the auditors look for in their reviews. Examples would be if Metro says attendance at the Zoo is up 10%, does their revenue reflect a 10% increase? Or, if employee count went up or down, does total payroll expense show an up or down trend.

Grant Jones posed three questions: 1) Are we able to rely on our methodologies and controls; 2) is Moss Adams using a different level of materiality and 3) is Moss Adams basing their expectations of work in their fee? Lanzarotta's responses: 1) we need to expand testing (timing of expense occurrence and getting into books) and work with databases will need to be done; 2) we are doing control testing and at year-end, we will have a scope. Joaquim commented they are looking at Excel spreadsheet; will have different materiality assessment for each opinion type; 3) yes, it was included in the fee.

Long-term debt. Margo reported that Metro will be selling \$15 million in bonds for the Zoo. The RFP is being developed now and should close around August 5.

Stimulus Grants – Margo reported that Metro received 2 stimulus grants. Kathryn Harrington commented on Metro specific contracts, our role with the MPO and MTEP recipients.

Intangible assets (GASB 51) - Don Cox reported that a process was started last year to ask managers to capitalize software. A gray area is if internally created programs are considered an intangible asset. Metro has a Solid Waste software program being developed. Kathryn Harrington inquired if the Green Scene would be considered an intangible and Don Cox answered that it is more of a marketing material. Lanzarotta said one area of concern could be contracted easements (TOD program), which could possibly be classified as an intangible asset, based on its use.

GASB 54 – Fund balance reporting – Metro has many revenue streams – are there levels of constraints and how does it all roll up? Clarify when to use the different fund types and possibly move some funds out. Don Cox responded that they had prepared for this by reclassifying the renewable replacement fund.

Audit Committee Communication – the Committee would like communication from Moss Adams in the event of a prior period adjustment, fraud or material findings and any grant accounting they are struggling with.

Moss Adams web portal access – Updates from the audit are posted regularly on the portal. Moss Adams met with FRS and Committee members following the meeting to discuss access to the portal to stay informed of their progress.

Financials delivery – Lanzarotta noted the date of delivery for the CAFR is December 3, after they have reviewed it.

NEXT MEETING

The next Committee meeting will be scheduled for end of November/early December.

The meeting adjourned at 3:00 pm.