

METRO

***Status of Audit
Recommendations – 2005***

February 2006

A Report by the Office of the Auditor



METRO

PEOPLE PLACES
OPEN SPACES

Alexis Dow, CPA
Metro Auditor



METRO

AUDITOR

ALEXIS DOW, CPA

February 22, 2006

To the Metro Council and Metro-area Citizens:

The accompanying report summarizes the recommendations made by the Metro Auditor and indicates whether Metro's management team has carried them out.

Metro has a strong history of implementing our audit recommendations. Most 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.

Recent progress has slowed. Improvements resulting from 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. By implementing our recommendations, Metro and MERC can better face unmanaged risks and take advantage of opportunities to enhance effectiveness and credibility. Areas of particular concern include Oregon Convention Center purchasing practices and Metro-wide disaster recovery planning.

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. The last section of this report contains Mr. Jordan's comments.

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

Very truly yours,

A handwritten signature in cursive script that reads "Alexis Dow".

Alexis Dow, CPA
Metro Auditor

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Chapter 1: Overview and Background

Overview and Background

Report background and objective

The Metro Code directs the Metro Auditor “to make continuous investigations of the operations of Metro.”¹ Our mission is to assist and advise Metro in achieving honest, efficient management and full accountability to the public, and 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.

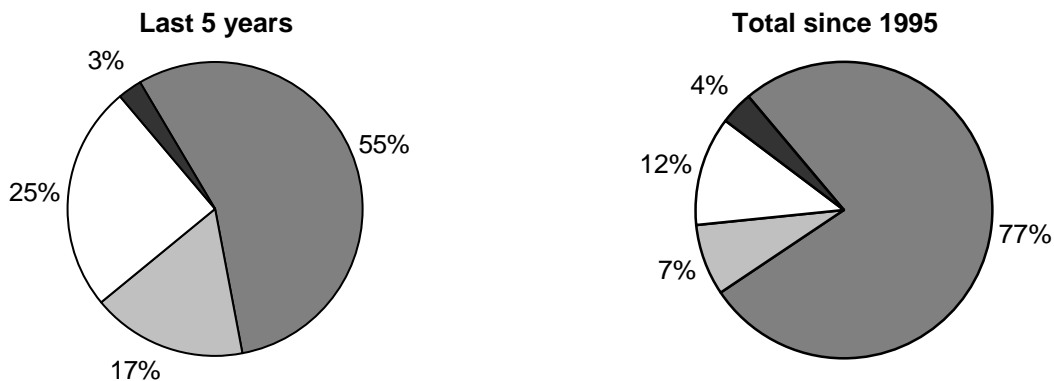
In efforts to fulfill our mission, we have issued 27 audit reports in the past five years (since June 2000), with a total of 146 recommendations. Audit recommendations are made to encourage improvement in the economy, efficiency and effectiveness of Metro operations, and to improve safeguards over public funds and other assets.

Government Auditing Standards state that officials of the audited entity are responsible for addressing the findings and recommendations of auditors, and for establishing and maintaining a process to track the status of such findings and recommendations.² An organization’s willingness and ability to carry out audit recommendations are important indicators of management effectiveness. This report is intended to provide the public and the Metro Council with information on Metro’s progress in implementing our audit recommendations.

Overview of Metro’s action on recommendations

Metro has a strong history of implementing audit recommendations. Of our 362 recommendations issued since 1995 when the Metro Auditor operation first began, 77%³ have been implemented. Another 7% are in progress.

Recent progress has slowed noticeably, however, with only 55%³ of 146 recommendations made in the last five years having been implemented. The following charts compare progress made in the last five years with progress since 1995.



Last 5 Years	■ Implemented (78)	■ In Progress (24)	□ Not Implemented (30) or Stalled (5)	■ Future Activity (4)
Total since 1995	■ Implemented (266)	■ In Progress (27)	□ Not Implemented (34) or Stalled (7)	■ Future Activity (13)

¹ Metro Code, Chapter 2.15.010, January 2003 Edition.

² Government Auditing Standards, 2003 Revision, section 1.18.

³ The recommendations withdrawn over the last 10 years due to changed circumstances (15 total) are omitted from the calculations.

Implemented audit recommendations improve operations, save resources

Improvements resulting from 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.

Zoo Construction Management

Our audit *Oregon Zoo: Construction Management* (September 2001) acknowledged benefits from completed components of the Zoo's Great Northwest construction project, but also identified weaknesses in control and management that resulted in the project's completion date being four (*or more*) years later than expected, a narrowing of the project's scope from the original plans, and uncertainty of available funding to complete the scaled-down version of the final stages of the project.

This year the Zoo prepared a detailed, comprehensive project management plan for the Cascade Canyon (a continuation of the Great Northwest project) that addressed areas of concern we raised in 2001. The plan clearly defines and documents the authority, roles and responsibilities of the project management team members; analyzes project risks and how they will be managed; indicates project milestones and performance measures to be tracked; includes a detailed budget and budget tracking processes; prioritizes components of the project; establishes formal procedures for recording construction meeting minutes; and provides for a final project report that will be issued to all stakeholders, summarizing compliance with all categories in the project management plan.

We believe this detailed advance planning will result in more efficient and effective use of the remaining resources for the completion phase of the Great Northwest Project. We encourage Metro to adopt this thorough approach to all construction projects in the future.

MetroPaint

Prior audits identified weaknesses in the Solid Waste and Recycling Department's cash handling procedures and inventory management of Metro's recycled paint.⁴ Recommendations called for installing cash registers, installing a point-of-sale system for recording sales and managing inventory, conducting inventory counts, developing procedures for reconciling system to physical inventory counts, and developing sound cash handling procedures. All of these recommendations have been successfully implemented. A recent inventory count by color, size and batch number resulted in a variance of 0.08%, or a difference of only 15 out of 19,499 cans!

With controls like this in place, MetroPaint is clearly safeguarding public assets and operating in an efficient manner.

⁴ *Financial Statement Audit Management Recommendations* (April 2003); *Transfer Station Revenue Controls* (October 2002)

Recommendations “in progress” may demonstrate significant improvements

We realize that some of our recommendations are not easy to implement. They may require significant shifts in current business practices. They may require establishment of procedures that are complicated to develop, and complex to implement. Some recommendations have multiple parts to them. Some tread on politically sensitive ground. And some clearly cannot be accomplished within a one-year time frame.

Thus, we would like to take note of efforts underway that clearly demonstrate significant progress and commitment to organizational improvement.

Metro’s Performance Evaluation Program

Metro Council was considering some type of performance-based compensation plan at the time we were examining the Metropolitan Exposition Recreation Commission’s (MERC) pay for performance system.⁵ We recommended that performance measurements and reporting systems should be intrinsic to any plan, along with strong oversight and accountability to assure consistent meeting of defined goals and objectives. We also recommended mid-course corrections be made as needed. Management in Metro’s Human Resources department told us that Metro Auditor reports, including *Issues to Consider in Implementing a Pay-For-Performance Program, May 2004*, were referred to frequently as Metro’s new Performance Evaluation Program was being designed.

Metro’s Human Resources department solicited input from many Metro employees to define clear performance criteria for a number of job titles and/or categories of employees. Once the program was designed, Human Resources held training sessions for every Metro employee over a period of several months. The structure and implementation calendar of the program was clearly explained. Clear and consistent reporting requirements exist, and the roles and responsibilities of employees, managers and evaluators are defined. The Human Resources department promises to track and monitor the program over the coming year, and modify it as necessary.

We are pleased this new performance-based compensation system incorporates our recommendations. We anticipate that these recommendations will be completed in 2006, as the program completes its first full year of implementation.

MERC’S Improvement in Accounting Operations

MERC’s Financial and Accounting Services staff are diligently working to improve accounting functions, even though a number of our recommendations are not fully implemented.⁶ Progress has been made in reconciling severely out-of-date bank accounts, and identifying and resolving adjustments to accounts. Installation of a robust new software program, Events Business Management System (EBMS), is well underway. EBMS is expected to automate numerous accounting activities while providing more useful management information and tools. All of this has been accomplished after great employee turnover. We look forward to reporting on progress on our recommendations next year, after EBMS is fully functional, and MERC further refines its policies and operating procedures.

⁵ *MERC’s PFP Program is Not a Model for Metro*, October 2003.

⁶ *PCPA Event Settlements*, June 2002

“Not Implemented/stalled” recommendations expose Metro to risks

Oregon Convention Center Purchasing Practices

One of our recommendations has been outstanding since 1997.⁷ It advises that Oregon Convention Center (OCC) vendor invoices should be sent directly to Metro Accounts Payable, or at least to one single address at the Oregon Convention Center. This presents more complications than might be apparent. How does Metro verify that invoices are proper in amount, and that vendors have fulfilled their obligations? How does the OCC avoid erroneous coding of activities if it does not have initial review of the invoices? When, and how, are invoices matched to purchase orders?

Metro management has identified several risks associated with not having these procedures developed and consistently followed: invoices may be sent to both OCC and Metro, possibly resulting in duplicate payments, or increasing the risk of fraudulent invoices; a department may directly receive an invoice and not record it, opening the door for distortion of financial information; and Metro’s representation to its independent auditors that all expense accruals have been appropriately made is subject to error.

The risks inherent in leaving this recommendation not implemented do not disappear with time, unless and until business processes exist that address and resolve them. We look forward to Metro and OCC management developing mutually satisfactory solutions to this recommendation, to minimize risks and streamline operations for both entities.

Disaster Recovery Planning

Hurricane Katrina highlighted anew the need for a comprehensive Disaster Recovery/Business Continuity Plan. We mentioned this open recommendation in our 2004 status report, and again raise this issue. As mentioned in the report *Review of General Information System Controls*,⁸ and in the recommendations to management associated with the 2000, 2001 and 2002 financial statement audit reports, Metro should 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 periodically updating the plan 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.

⁷ *OCC Purchasing Practices*, March 1997.

⁸ Deloitte and Touche, LLP, issued by the Metro Auditor, September 1998.

Scope of work performed

This is the Metro Auditor's tenth annual report discussing the status of audit recommendations. Since the Metro Auditor's Office began operations in early 1995, the office has issued 56 audit reports and made 362 recommendations involving all Metro departments, including MERC, a subsidiary of Metro.

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: Recommendations Requiring Further Action

Eliminate or Revise the Regional System Fee Credit Program

August 2005

Metro’s Regional System Fee Credit Program grants credits to private companies that pull recyclable material from the mixed trash they receive rather than sending it to the landfill. These companies annually remove more than 84,000 tons, or about 7% of total recovered material in the Metro region. The program cost Metro approximately \$617,000 in 2005 and \$1 million annually for the previous four years.

We recommended the program be eliminated. Recovery companies do contribute to waste recovery in the region. However, a trend of declining recovery rates and the existence of other economic incentives for recovery of recyclable materials suggest alternative activities may be more desirable.

The report recognized that other factors may justify maintaining a variation of the program and recommended several administrative improvements.



Remaining Recommendations (of 7 total):

1. Metro Council should eliminate the Regional System Fee Credit Program or revise it substantially.
2. Administrative procedures should be strengthened.
3. Policies should be changed to prevent facilities from withholding payment on amounts due.

In progress. The Solid Waste and Recycling Department is developing a new program to replace the current Regional System Fee Credit program by the beginning of fiscal year 2007. A risk-based compliance review program has been implemented and other administrative procedures are being reviewed and modified. A new policy that states facilities may protest but must pay the amount of fees Metro calculates as due has been implemented.

4. The program’s goal should be redefined, and appropriate measures developed to evaluate program accomplishments.
5. Eligibility criteria should be simplified.

Not implemented. These two recommendations have not yet been implemented, pending development of a new program.

Financial Statement Audit Management Recommendations

April 2005

As a by-product of its audit of Metro's FY 2004 financial statements, Grant Thornton LLP made observations related to Metro's internal control and other accounting, administrative and operating matters.



Remaining Recommendation (of 1 total):

1. Establish a process to prepare and review network security logs and document that review.

In Progress. Metro's Information Technology department has installed an open service network monitoring system, along with other extensive security controls. Systems administrators are responsible for monitoring network performance, with an array of security modules and protocols in place. Documentation of procedures are needed to complete this recommendation.

Community Enhancement Grant Processes Need Improvement

February 2005

We evaluated Metro's system for managing community enhancement grant contracts in response to a citizen allegation that Metro enhancement grant funds were inappropriately spent. We reviewed issues pertaining to contract development, contract administration and internal controls. While we found that the questioned expenditure of grant funds substantially met contract requirements, we concluded that Metro's system for managing the grant program needs strengthening. Three recommendations were provided for improving management of this program.



Remaining Recommendations (of 3 total):

1. Expand grant management procedures to better guide staff on how grants should be initiated, authorized and overseen. Identify which costs are reimbursable, limiting overhead-type expenditures.
2. Set up better systems to measure and report grant performance.
3. Maximize the value of enhancement grant programs by linking their goals to Metro's strategic goals.

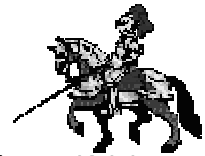
In progress. In three recent contracts, contract language included clearer performance objectives and more specific reporting requirements. Overhead expenditures are required to be reported separately in contract applications, and are limited in dollar amounts or percentages of funds received. A September 2005 presentation to Metro Council of proposed 2005-2006 projects grouped grants by topic, more closely aligning these with Metro Council goals and objectives.

Further work is required to consolidate improved grants management practices into a procedures manual, and linking grant awards to Metro strategic goals will add value to this program.

Management of Relationship with Oregon Zoo Foundation Needs Improvement

September 2004

We examined the relationship between the Metro-owned Oregon Zoo and the independent Oregon Zoo Foundation in this *2004 Knighton Award for Best Audit* award recipient. Metro Councilors asked us to determine whether financial activities between the two organizations were conducted in an accountable and transparent manner, allowing for meaningful oversight by Metro management and the Metro Council. We identified several problems that indicated the system for controlling this relationship was weak. We believe Metro will have to change how the relationship is conducted to ensure that the Oregon Zoo's activities are consistent with Metro policy objectives, organizational goals and established procedures.



Knighton
Award
Winner



Remaining Recommendations (of 7 total):

1. Renegotiate Metro's contractual agreement with the Foundation to better define major duties and processes, including compensation terms.
2. Take appropriate action to hold the Zoo Director accountable for departures from Metro's regulations relating to construction of the Condor breeding facility.
3. Review the contractual relationship with the Foundation to assure that all major risks are identified and procedures are in place to mitigate them.
4. Define the information and reports needed by Metro to perform oversight responsibility and take steps to ensure that the Zoo and Foundation make this information available.
5. Establish appropriate procedures to independently monitor Metro's contractual relationship with the Foundation. The Zoo Director is a party to both sides of the contractual agreement and independent monitoring of compliance with terms of the agreement is needed.
6. Enhance the role of the Contract Office to ensure that high risks, contract performance and compliance with policies and procedures are monitored.
7. Implement the full range of recommendations made in the Metro Auditor report of December 2000, *Contracting: A Framework for Enhancing Contract Management*.

Not implemented. Metro Chief Operating Officer Michael Jordan agreed with most of our recommendations and discussions are underway to analyze how best to implement them; we look forward to more formal action being taken. Regular meetings between Metro’s Chief Financial Officer, the Zoo’s Finance Manager and the Foundation’s Finance Manager have been established. This is a good step in the right direction. Furthermore, the Business Design Team (a cross-functional effort at Metro to assess and redesign key business processes) endorsed Metro Auditor recommendations concerning managing contracts across the agency. This team recommended that more expertise and resources be devoted to a newly established “Contract Office.” Metro management is in the process of assessing this recommendation.

Given the significance of problems that were identified in this audit – misreporting revenues to avoid excise taxes and entering into unauthorized contracts – we encourage management to proceed with implementation of all open recommendations from this audit.

Telecommunications Joint Project

June 2004

The Metro Auditor, together with Metro's Chief Financial Officer, engaged Solberg/Adams LLC to audit the billings, contracts, customer service records and other information related to Metro's telecommunication expenses. Solberg/Adams identified several opportunities where Metro could save money, partly from refunds of incorrectly assessed excise taxes, and from adopting more cost-effective telecommunication practices.



Remaining Recommendations (of 5 total):

1. Apply federal tax exemption based on governmental body status.

In progress. Metro accounting staff worked with staff at Solberg/Adams to obtain refunds of excise taxes, resulting in several thousand dollars being returned to Metro. This was a slow and frustrating process at times, but did result in savings. Unfortunately, the underlying root cause of the overcharges have not been addressed and the problem is a recurring one, due to Metro's decentralized approach to ordering telephone lines. When new lines are added, they are often assessed excise tax, leaving the accounting staff with the responsibility to try and monitor the billings, and obtain refunds as time permits. This situation merits further attention, as erroneously charged excise taxes can run into the thousands of dollars.

2. Adjust AT&T Wireless plans to reduce unnecessary costs.
3. Replace AT&T local service T-1s with X5 local service T-1s to achieve lower access rates and lower long distance rates.
4. Elect 60-month term pricing on tie line.
5. Disconnect telecommunication service lines no longer in use.

Not implemented. These are one-time actions that can result in savings to Metro. We encourage management to complete these recommendations and adequately document steps taken.

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 Recreation Commission (MERC).



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.

In progress. MERC accounting staff has been working diligently to complete bank account reconciliations on a monthly basis. Much progress has been made in this area. Still, bank reconciliations are lagging behind by two to three months, and there are not yet formal policies and procedures for accomplishing this work. Management expects that this and related recommendations will be fully implemented in the near future, as additional staff is being trained in these tasks, and MERC is in the middle of installing its new Event Business Management System (EBMS) software, which includes robust accounting features.

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

Not implemented. Once the EBMS software is fully functional and bank reconciliations current, it will be important for MERC to document these procedures *in writing* to ensure that these improved business practices are permanent and recurring.

Management Tracking of Audit Recommendations

January 2004

Government Auditing Standards state that it is the responsibility of managers of governmental entities to establish and maintain a process to track the status of auditor findings and recommendations (Section 1.18, 2003 Revision). For this reason, we recommended in 2004 that Metro's Chief Operating Officer begin to fulfill this responsibility to provide the management impetus and oversight to assure that accepted recommendations are properly implemented.

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 for tracking the status of audit recommendations, ensuring that action taken by the departments is appropriate to the recommendation and that supporting documentation exists. The process should enable others, such as the Metro Council and Auditor, to easily obtain reliable information on the implementation status of audit recommendations and to verify that recommendations have actually been implemented. Evidence of implementation should be organized and maintained in a single, central location.



Remaining Recommendation (of 1 total):

1. Metro management should develop a process for assuring that audit recommendations are properly implemented.

In progress. Management is developing an environment that encourages implementation of audit recommendations, and is in the process of developing procedures to track progress. While good progress has been made, additional steps need to be taken to ensure department compliance and adequate documentation is provided in a timely manner.

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

October 2003

We evaluated the Metropolitan Exposition Recreation Commission's (MERC) performance-related compensation (pay-for-performance or PFP) program to assess the appropriateness of expanding it elsewhere within Metro. Our review determined that MERC's PFP system is not a model that Metro should embrace. Instead, we recommended the Metro Council and Chief Operating Officer perform the following steps in determining the need for and developing a new performance-based compensation system.



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.

Withdrawn. Metro's Human Resources department is in the middle of implementing its new Performance Evaluation Program which will be fully operational in 2006. The estimated cost of maintaining the system is considered comparable to the current compensation system, but no formal cost benefit study was undertaken. Since the new program has already been adopted with support from the Metro Council, this recommendation is withdrawn. Management has expressed its intention to conduct a study after the first year of the program to assess results.

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.

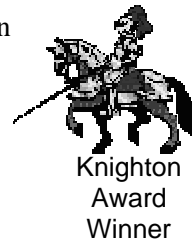
In Progress. As Metro's Performance Evaluation Program is implemented throughout the agency for non-represented employees in 2006, we anticipate that these two recommendations will be completed. The program provides for clearly defined goals, objectives and measures, with ongoing monitoring built in. Broad employee participation in the design of the program, as well as training of Metro employees in the new program, sets the stage for a positive experience.

We appreciate feedback from the Metro Human Resources department that Metro Auditor reports, including *Issues to Consider in Implementing a Pay-For-Performance Program, May 2004* provided useful guidance in establishing an accountable and effective performance-based employee evaluation and compensation 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 our recommendations for measuring, reporting and monitoring its compensation program and the reasonableness of MERC's administration of its policies and procedures for the program.



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. While no specific actions have been taken, management reports that it intends to address these recommendations in the near future. MERC's Deputy General Manager has indicated that the 2006-2007 budget will include a request for funds to hire consultants to review and revise the compensation system, including addressing the issues itemized in these recommendations.

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.
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).

Stalled. Metro Ordinance No. 03-1023 that would have clarified the relationship between MERC and Metro was given a first reading before the Metro council in late 2003. The ordinance was subsequently withdrawn without further action. No further efforts toward formalizing the relationship between the two agencies is being considered at the moment.

In 2004 the Metro Council instituted quarterly meetings with the MERC Commission. However, these meetings have not been held consistently since then, and management has stated it does not currently intend to institutionalize this process. Bi-weekly meetings with financial personnel from both agencies were begun, and MERC and Metro staff work together on many joint committees.

Continuation of these efforts will ensure that issues of mutual interest between MERC and Metro are communicated and resolved in a timely manner, and that adequate oversight of MERC is provided.

MERC's Employee Performance Agreements Need Improvement

October 2003

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



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

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

Stalled. While no specific actions have been taken, management intends to address this recommendation in the near future. MERC's Deputy General Manager has indicated that the 2006-2007 budget will include a request for funds to hire consultants to review and revise the compensation system, including addressing the issues itemized in this report.

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

August 2003

The Oregon Convention Center (OCC) built a \$100 million expansion to enhance the existing facility to keep Portland competitive with other cities' convention centers. The OCC is managed by the Metropolitan Exposition Recreation Commission (MERC), a Metro unit that was 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 allowed under the contract and that services were reasonably priced and 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 offer several recommendations for strengthening some of the procedures relating to these types of projects.



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.

Withdrawn. 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). Given the age and one-time nature of the transactions, we recognize these recommendations will never be implemented and withdraw them.

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.



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 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.

Stalled/Not Implemented. Metro’s financial software has been updated to provide for archiving of vendors. Otherwise, no direct effort has been undertaken to address these recommendations. We encourage more focused attention to this area.

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.



Remaining Recommendations (of 6 total):

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

In progress. Metro has drafted agency-wide policies and procedures to account for fixed assets – tagging and taking physical inventories, and for recording, transferring, retiring and disposing of assets. This draft document is being distributed to different departments for review and feedback. Management anticipates that this recommendation will be fully implemented in 2006.

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

Not implemented. Consistent with last year's responses, management indicated that organizational structure and staff changes resulting in fewer management personnel to guide these efforts have limited management's ability to review and strengthen purchasing policies and procedures. As a result, Metro employees continue to make some purchases prior to preparing purchase orders and getting them authorized. We maintain 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.

Recommendations included ensuring that Metro receives proper rent payments, revenue payments are reconciled to financial statements, and cash controls are strengthened at the golf course.



Remaining Recommendation (of 6 total):

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

In progress. The Regional Parks and Greenspaces department has taken steps to strengthen some cash-handling procedures, including establishing procedures for internal transfers of cash to the Accounting department for deposit. The Finance Manager reported to us that the department has regular discussions with Accounting on how to improve internal controls. We encourage the Regional Parks and Greenspaces department to complete its study of current cash handling procedures as an important step toward identifying opportunities for strengthening controls.

Financial Statement Audit Management Recommendations

June 2002

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



Remaining Recommendations (of 11 total):

1. Perform an inventory of fixed assets bi-annually and tag assets with identification numbers.
2. Establish procedures to reconcile fixed asset detail to the accounting system at least quarterly.

In progress. Metro has drafted agency-wide policies and procedures to account for fixed assets – tagging and taking physical inventories, and for recording, transferring, retiring and disposing of assets. This draft document is being distributed to different departments for review and feedback. Management anticipates that this recommendation will be fully implemented in 2006.

3. Conduct a network security assessment and vulnerability analysis of network and remote access connections.
4. Launch a more robust Information Technology Disaster Recovery and Business Continuity initiative to mitigate risks.

Not Implemented. Budgets for the network security assessment and vulnerability analysis of network and remote access connections were presented by Information Technology in three of four recent 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 again until next year.

Having 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. This is not a simple task, and requires dedication of resources – time, money, and personnel – to accomplish. But given the recent examples of Hurricane Katrina's impact, we again encourage Metro to seriously consider providing the necessary funding to develop a Disaster Recovery and Business Continuity Plan.

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 commercial promoters, nonprofit arts groups, and others owe for renting the PCPA's facilities – a process known as event settlement. The PCPA hosts hundreds of arts and cultural performances each year, and in FY 2001 rental revenue from these events totaled about \$3.2 million. The PCPA is owned by the City of Portland and operated by the MERC Commission, a Metro unit.

We found that 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.



Remaining Recommendations (of 8 total):

1. 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.

Withdrawn. In light of MERC's choice to purchase the EBMS software package, this recommendation is no longer applicable, and is withdrawn.

2. 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
 - ensure bank reconciliations are performed timely and adequately.
3. 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 recorded.

Status of Audit Recommendations – 2005

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

In progress. MERC is making steady progress on most of these recommendations, but there is still work to be done. All business processes are changing with the implementation of EBMS. As a result, it will be even more important that policies and procedures are developed and documented.

Bank reconciliations are still lagging behind by two to three months; errors and discrepancies are much easier to catch and correct when they are performed timely. Written procedures need to be developed to ensure consistent accuracy over time and to clearly identify roles and responsibilities.

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 for the final phase were not sufficient to cover anticipated costs. 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. The recommended framework is appropriate for any large project Metro may undertake in the future.



Remaining Recommendations (of 9 total):

The following recommendations apply to Metro on an agency-wide basis.

1. 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.
 - Project scope can be carried out within its budget.
 - Project budget is complete and includes a contingency for unforeseen problems.
 - A 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.

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

Status of Audit Recommendations – 2005

In progress. In the process of completing the two recommendations relating to completion of the Great Northwest Project, Zoo management also completed all of the steps contained in this recommendation. We believe having done so will result in a project with increased accountability and performance measurements, while staying within budget. Implementing this recommendation Metro-wide will benefit the entire agency. Metro would achieve more efficient and effective operations in all departments by adopting this approach on an agency-wide basis.

Metro has made some progress by creating a project management team with representatives from different departments within Metro. Overall guidelines describing the roles and responsibilities of project managers are posted on Metro's intranet. Increased training of these individuals and formal establishment of policies and procedures (see below) to assist them in carrying out their responsibilities will promote effective and consistent project management.

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

Not implemented. Management has not addressed this recommendation on a Metro-wide basis. This recommendation is essential to effective project management and we encourage Metro to implement it.

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.



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.

Stalled or not implemented. Last year we reported that MERC had taken some steps to verify invoices prior to making payments to Aramark. No new additional progress has been reported. The third phase of implementation of the new Event Business Management System (EBMS) software is a food and beverage services module, which will allow MERC to more easily address the recommendations above. Management expects progress on these items in 2006, as the new software goes live.

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):

1. Perform a complete physical inventory of all fixed assets biannually.
2. Adjust for cash account reconciling items in a timely manner, including all Metropolitan Exposition Recreation Commission (MERC) accounts.

In progress. Metro has drafted agency-wide policies and procedures to account for fixed assets – tagging and taking physical inventories, and for recording, transferring, retiring and disposing of assets. This draft document is being distributed to different departments for review and feedback. Management expects that this recommendation will be fully implemented in 2006.

MERC accounting staff has been working diligently to complete bank account reconciliations on a monthly basis. Much progress has been made in this area. Still, bank reconciliations are lagging behind by two to three months, and there are not yet formal policies and procedures for accomplishing this work. Management expects that this and related recommendations will be fully implemented in the near future, as additional staff is being trained in these tasks, and MERC is in the middle of installing its new Event Business Management System (EBMS) software, which includes robust accounting features.

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

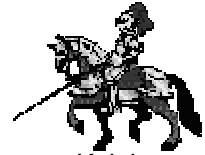
Not implemented. Budgets for the network security assessment and vulnerability analysis of network and remote access connections were presented by Information Technology in three of four recent budget cycles. According to the Director of Information Technology, in each case the appropriation did not survive the budget review process and there are no plans to budget for it until next year.

Having an 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. Given the recent examples of Hurricane Katrina's impact, we again encourage Metro to seriously consider providing the necessary funding to develop a Disaster Recovery and Business Continuity Plan.

Contracting: A Framework for Enhancing Contract Management

December 2000

Metro had more than \$1 billion in contractual obligations outstanding in 2000. This *2000 Knighton Award for Best Audit* 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.



Knighton
Award
Winner

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. 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.

In progress. Departmental Contract Coordinators have been designated, with descriptions of their role in the contracting process easily accessed on the agency’s intranet. Contract Analysts in the Purchasing Department are assigned to the Coordinators; their responsibilities include providing advice and training to their Coordinators. These are steps in the right direction. Further work is required to fully implement this recommendation.

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

Not implemented/stalled. No progress has been made on the remaining recommendations in the past year. Management is in the process of hiring a Contracts Manager that will be given responsibility for addressing these recommendations.

Open Spaces Acquisitions

June 2000

We examined the progress and acquisition processes 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 included 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 exceeded its 6,000-acre goal, but we found that the issue of regional balance merited attention, as land acquisitions and trail and greenway purchases were above program goals in some target areas while significantly below 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 to enable the Metro Council and the public to evaluate whether goals were being met and expenditure patterns were 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 as appraisals already consider the highest and best potential use for a property.
2. Obtain clarification from the Council regarding Program Work Plan directives as to which "unusual circumstances" require Council approval prior to land purchases.

Not implemented. Previously, management instructed the Director of Regional Parks and Greenspaces and the Metro Attorney that all appraisal work would be directed by the Metro Attorney. At the present time, staff are not currently directing appraisal assumptions. Nevertheless, there is no written policy that restricts them from doing so. Since appraisers already consider the highest and best potential use for a property, allowing staff the ability to define assumptions can give the impression, if not the fact, of lack of independence and transparency in land purchase negotiations. Eliminating this provision in the Work Plan would improve the integrity and credibility of land appraisals performed for the program and clarify when circumstances require Council approval of a purchase.

Our audit identified several transactions where additional guidance concerning "unusual circumstances" would have been helpful. These included unresolved mineral rights and limited environmental contamination. The audit report suggested that defining "unusual circumstances" in quantifiable terms (more than \$20,000 or 10% of the property purchase price, for example) would add objectivity to the decision as to when matters should be brought to the Metro Council's attention.

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):

1. Perform a complete physical inventory of all fixed assets biannually.
2. Adjust for cash account reconciling items in a timely manner, including all MERC accounts.

In progress. Metro has drafted agency-wide policies and procedures to account for fixed assets – tagging and taking physical inventories, and for recording, transferring, retiring and disposing of assets. This draft document is being distributed to different departments for review and feedback. Management anticipates that this recommendation will be fully implemented in 2006.

MERC accounting staff has been working diligently to complete bank account reconciliations on a monthly basis. Much progress has been made in this area. Still, bank reconciliations are lagging behind by two to three months, and there are not yet formal policies and procedures for accomplishing this work. Management expects that this and related recommendations will be fully implemented in the near future, as additional staff is being trained in these tasks.

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

Not Implemented. Budgets for the network security assessment and vulnerability analysis of network and remote access connections were presented by Information Technology in three of four recent 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 next year.

Having an 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. Given the recent examples of Hurricane Katrina’s impact, we again encourage Metro to seriously consider providing the necessary funding to develop a Disaster Recovery and Business Continuity Plan.

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 Technology team excels in certain areas, such as quick resolution to problems called in to the Help Desk. It also showed that Metro lags in other areas, such as system redesign and development, standardization of Information Technology resources, and user support and training.

Our five recommendations for improving Information Technology operations included:

- updating the focus of efforts, anticipating trends in network enterprise and desktop use, and developing systematic measures to avoid problems
- simplifying processes and standardizing resources
- providing adequate end-user training and support.



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.

Not Implemented. No progress has been made.

We encourage management to implement this remaining recommendation, which 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.

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.

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 fiscal year 1998 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. Metro has drafted agency-wide policies and procedures to account for fixed assets – tagging and taking physical inventories, and for recording, transferring, retiring and disposing of assets. This draft document is being distributed to different departments for review and feedback. Management anticipates that this recommendation will be fully implemented in 2006.

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, opportunities for improvement were identified:

- Only 5 of 11 planned PeopleSoft applications were installed. The others were significantly behind schedule.
- Delays in training users limited the ability of employees obtaining information from InfoLink that would help them to do their jobs. This lack of training contributed to low satisfaction ratings in focus groups.
- Processes needed to be reengineered to eliminate duplicate data entry and records.
- PeopleSoft upgrades each application approximately once a year. Installing these upgrades requires an adequate number of staff with appropriate skills.

The consultant made several recommendations to improve system reliability, increase employee satisfaction with the management information system and provide departments with better reports and other tools for managing their budgetary responsibilities.

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.



Remaining Recommendation (of 28 total):

1. Follow these nine recommendations on future Information Technology (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.

Status of Audit Recommendations – 2005

- 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 these recommendations 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 fiscal year 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.



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 fiscal year 2003 but additional duties assigned to the Director to manage another division displaced that effort. An 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.

Oregon Convention Center Purchasing Practices

March 1997

We reviewed Oregon Convention Center (OCC) 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 to establish more efficient purchasing processes and improved control over vendor invoices:

- Update MERC purchasing policies and procedures.
- Strengthen internal controls to ensure purchases are made at competitive prices and MERC policies are followed.
- Save money through buying in larger volumes.
- Simplify purchasing and payment approval processes.



Remaining Recommendation (of 16 total):

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

Stalled. We reported in 2004 that the Finance and Administrative Services department had established a "Purchasing Committee" to work with operating departments, including MERC, to review the procure-to-pay business process.

MERC opted out of Metro's Business Design Team efforts in 2005, and developing policies and procedures relating to OCC/MERC/Metro processing of vendor invoices has stalled.

As we discussed in our overview chapter, we encourage Metro and OCC management to develop mutually satisfactory solutions to this recommendation to minimize risks and streamline operations for both entities.

Chapter 3: 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 2 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
Eliminate or Revise Regional System Fee Credit Program – August 2005				
1. Metro Council should eliminate the Regional System Fee Credit Program or revise it substantially.		✓		
2. The program’s goal should be redefined and appropriate measures developed to evaluate program accomplishments.			✓	
3. Eligibility criteria should be simplified.			✓	
4. Consider eliminating all inert materials from materials that can be included in recovery rate calculations.	✓			
5. Administrative procedures should be strengthened.		✓		
6. A process should be developed to review inconsistencies and discrepancies.	✓			
7. Policies should be changed to prevent facilities from withholding payment on amounts due.		✓		
Financial Audit Recommendations – April 2005				
1. Establish a process to prepare and review network security logs and document that review.		✓		
Community Enhancement Grant Processes Need Improvement – February 2005				
1. Expand grant management procedures to better guide staff on how grants should be initiated, authorized and overseen. Identify which costs are reimbursable, limiting overhead-type expenditures.		✓		
2. Set up better systems to measure and report grant performance.		✓		
3. Maximize value of enhancement grant programs by linking their goals to Metro’s strategic goals.		✓		
Management of Relationship with Oregon Zoo Foundation Needs Improvement – September 2004				
1. Renegotiate Metro’s contractual agreement with the Foundation to better define major duties and processes, including compensation terms.			✓	

Status of Audit Recommendations – 2005

	Implemented	In Progress	Stalled / Not Implemented	Other
2. Take appropriate action to hold the Zoo Director accountable for departures from Metro's regulations relating to the construction of the Condor breeding facility.			✓	
3. Review the contractual relationship with the Foundation to assure that all major risks are identified and procedures are in place to mitigate them.			✓	
4. Define the information and reports needed by Metro to perform oversight responsibility and take steps to ensure that the Zoo and Foundation make this information available.			✓	
5. Establish appropriate procedures to independently monitor Metro's contractual relationship with the Foundation. The Zoo Director is a party to both sides of the contractual agreement and independent monitoring of compliance with terms of the agreement is needed.			✓	
6. Enhance the role of the contract office to ensure that high risks, contract performance and compliance with policies and procedures are monitored.			✓	
7. Implement the full range of recommendations made in the Metro Auditor report of December 2000, <i>Contracting: A Framework for Enhancing Contract Management</i> .			✓	

Telecommunications Joint Project – June 2004

1. Apply federal tax exemption based on governmental body status.		✓		
2. Adjust AT&T wireless plans to reduce unnecessary costs.			✓	
3. Replace AT&T local service T-1s with X5 local service T-1s to achieve lower access rates and lower long distance rates.			✓	
4. Elect 60 month term pricing on tie line.			✓	
5. Disconnect telecommunication service lines no longer in use.			✓	

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.			✓	

Management Tracking of Audit Recommendations – January 2004

1. Management should implement a process for tracking audit recommendations and assuring that they are properly implemented.		✓		
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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.		✓		

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

Oregon Convention Center Expansion – August 2003

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.				✓

Status of Audit Recommendations – 2005

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

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|--|---|---|---|--|
| 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 fixed asset 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

- | | | | | |
|---|---|--|--|--|
| 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. | ✓ | | | |

	Implemented	In Progress	Stalled / Not Implemented	Other
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

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 a 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.	✓			
8. Develop reports to detect unauthorized or inappropriate changes to files or transaction data.	✓			

Solid Waste Management Framework – July 2002

1. Metro's Solid Waste and Recycling Department should maintain the solid waste management framework outlined in this audit report.	✓			
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Financial Audit Recommendations – June 2002

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.	✓			

Status of Audit Recommendations – 2005

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

PCPA Event Settlements – June 2002

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.	✓			
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: <ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> 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. 		✓		

	Implemented	In Progress	Stalled / Not Implemented	Other
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.

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Oregon Zoo: Construction Management – September 2001

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: <ul style="list-style-type: none"> • 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.	✓			
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 of procedures and controls 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

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.	✓			

Status of Audit Recommendations – 2005

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

- | | | | | |
|---|---|---|---|---|
| 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. | ✓ | | | |
| 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. <i>Repeat of financial auditor recommendations in 1999 and 2000.</i> | | ✓ | | |
| 10. Establish an allowance for potentially uncollectible accounts receivable. <i>Repeat of financial auditor recommendations in 1999 and 2000.</i> | ✓ | | | |
| 11. Adjust for cash account reconciling items in a timely manner, including all MERC accounts. <i>Repeat of financial auditor recommendations in 1999 and 2000.</i> | | ✓ | | |
| 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. | ✓ | | | |

	Implemented	In Progress	Stalled / Not Implemented	Other
4. Establish a management reporting system to provide oversight information to top management.			✓	
5. Enhance quality control by: <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • 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.	✓			

Status of Audit Recommendations – 2005

	Implemented	In Progress	Stalled / Not Implemented	Other
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

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

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.	✓			

Check Fraud Protection – January 2000

1. Adopt a Positive Pay system.				✓
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Financial Statement Audit Management Recommendations – January 2000

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.	✓			

	Implemented	In Progress	Stalled / Not Implemented	Other
7. Perform a complete physical inventory of all fixed assets biannually. <i>Repeat of financial auditor recommendation in 1999.</i>		✓		
8. Establish an allowance for potentially uncollectible accounts based on an aging analysis. <i>Repeat of financial auditor recommendation in 1999.</i>	✓			
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.	✓			

Reports Issued Prior to January 2000

The following 6 recommendations are still outstanding from reports issued before January 2000:

	Implemented	In Progress	Stalled / Not Implemented	Other
1. Develop a comprehensive IT risk management strategy, including physical and logical security, data integrity, system and component failure, and technical or market obsolescence. <i>Information Technology Benchmarks and Opportunities – December 1999</i>			✓	
2. Institute formalized vendor performance standards and include reference to monitoring and performance measures in master contracts. <i>Purchasing Benchmarks and Opportunities – May 1999</i>			✓	
3. Inventory all fixed assets biannually and tag all assets. <i>Financial Statement Audit Management Recommendations – March 1999</i>		✓		
4. Develop and document a comprehensive disaster recovery plan. <i>Review of General Information System Controls – September 1998</i>			✓	
5. Review existing service level agreements (hardware and software) for length of coverage and replacement terms. <i>Review of General Information System Controls – September 1998</i>			✓	
6. Instruct vendors to send MERC invoices directly to Metro Accounts Payable. <i>Oregon Convention Center Purchasing Practices – March 1997</i>			✓	

Status of Audit Recommendations – 2005

The following nine recommendations relate to future IT projects:

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.

Implemented	In Progress	Stalled / Not Implemented	Other
			✓
			✓
			✓
			✓
			✓
			✓
			✓
			✓
			✓

InfoLink Project Review – December 1998

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

Finance and Administrative Services

- Information Technology Benchmarks and Opportunities December 1999
- 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 Applications December 1998
- 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)

- MERC Parking Revenue: Better Controls Are Needed September 1999
- 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 Credible September 1997
- 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

Human Resources

- Human Resources Benchmarks and Opportunities July 1999

Response to the Report



METRO

February 22, 2006

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

RE: Chief Operating Officer's Response to 2005 *Status of Audit Recommendations*

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 has implemented or is in the process of implementing 84% of the 362 audit recommendations. I expect to see good progress made on most of the remaining recommendations during the coming year.

Sincerely,

A handwritten signature in cursive script, appearing to read "Michael Jordan".

Michael Jordan
Chief Operating Officer



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 2005, February 2006

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

	Too Little	Just Right	Too Much
Background Information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Details	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Length of Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Clarity of Writing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Potential Impact	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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