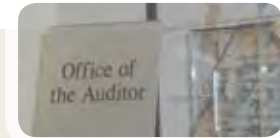


November 2010

**OFFICE OF THE AUDITOR
ANNUAL REPORT**

The Metro Charter requires the Auditor to conduct performance audits of its operations. During performance audits, auditors examine the organization's goals and objectives to determine if they are being met. At completion, we make recommendations for improvement. All of our audits are public and available on our web site.

The Office is also required to follow government auditing standards. A team of outside auditors reviews our procedures every three years and determines if we meet those standards. Our last review in November 2009 was successful.

The Office completed six audits in FY2009-10. Each audit was well received by management and the Metro Council. For a brief description of the audits released, see page 4. We made a total of 18 recommendations that, when implemented, should improve the effectiveness and accountability of Metro and MERC programs and the quality of information available to the public.

This past year, the first formal audit follow-up was completed, with a detailed review of the progress made on recommendations from our audits of the Natural Areas Bond Program and Functional Plan Compliance.

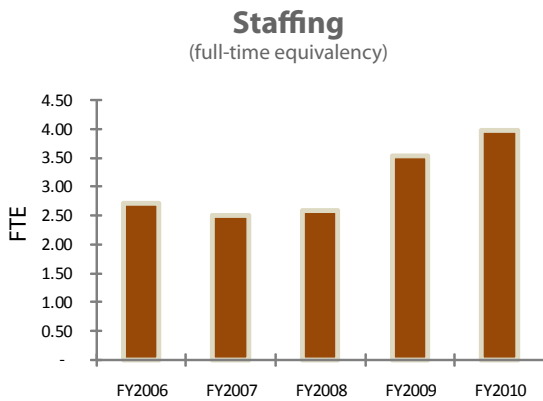
Our work was also recognized in a national competition. The Association of Local Government Auditors awarded the Office the 2009 Gold Knighton Award for the *Oregon Zoo Construction* audit.

I appreciate the support received from the Metro Council and the cooperation extended to us by management and staff. I look forward to continuing our work with the Metro Council, MERC Commission and management, the Metro Chief Operating Officer, management and staff in finding ways to improve efficiency and effectiveness. I also thank citizens who, over the past year, have supported this office's work or provided input for improvement.

Sincerely,



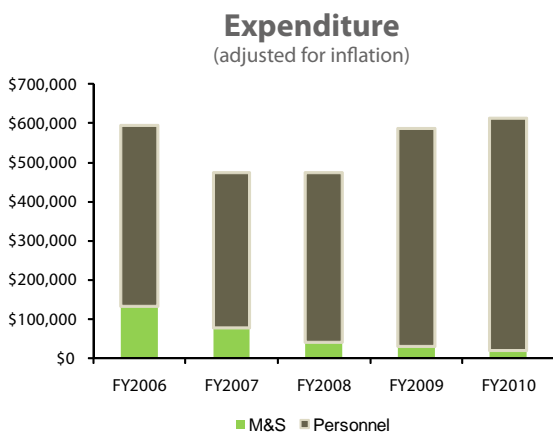
Suzanne Flynn
Metro Auditor



This graph represents actual staffing. The Metro Council approved the addition of a staff auditor beginning in FY2008-09, bringing the number of auditor positions to four.



Metro Regional Center

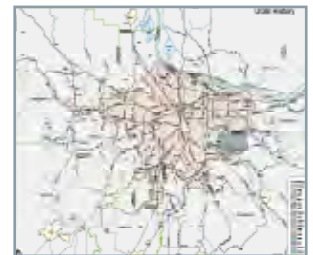


The addition of a new staff auditor in FY2008-09 is the primary reason for the increase in expenditure from FY2007-08 to FY2008-09. Expenditure on materials and services (M&S) declined in FY2006-07 after the contract for the external auditor was removed from the budget.

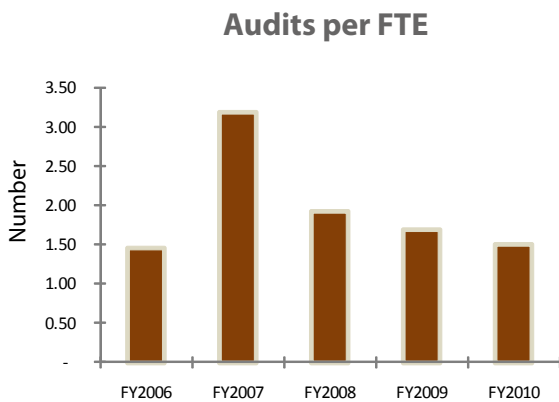
In FY2009-10, spending on M&S accounted for only 3% of the total, down from 22% in FY2005-06.



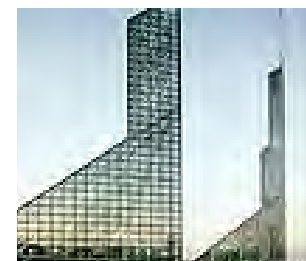
Oregon Zoo



Urban Growth Boundary Map



The number of audits that can be completed each year is the result of staff hours available and the audit focus. Vacancies or leave can reduce the hours available. The length of time to complete an audit is affected by the complexity of the subject and size of the program. In FY2009-10, 1.5 audits per FTE were completed, down from 1.7 the prior year. FY2006-07 reflects a higher rate due to audits requiring fewer hours to complete and the Office using outside contractors.



Oregon Convention Center

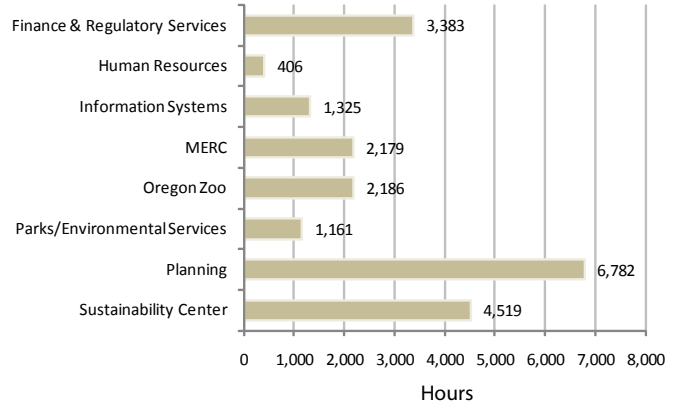


Dairy & McKay Creeks

When considering audits to place on the audit schedule, one consideration is the frequency of audits performed in each department of Metro. Some other criteria are:

- Potential for savings or improvement
- Interest of Council or public
- Potential for loss

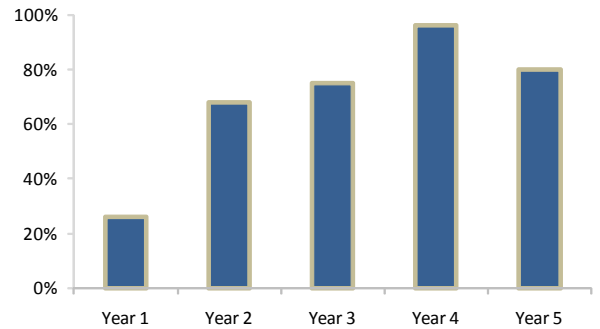
Audit Hours by Department (FY2006-10)



Escobar Cemetery

Our office surveys auditees on an annual basis, asking them to report on the status of recommendations. This rate represents the percent of recommendations that were implemented from one to five years after the audit was issued. A positive trend would show the percentage increasing as time from audit completion increases. According to the survey completed in January 2010, 80% of recommendations from audits completed five years' earlier were implemented.

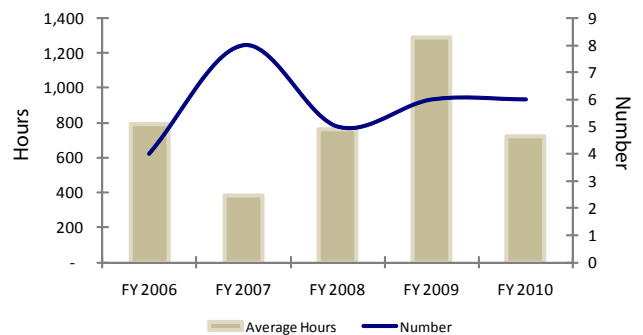
Implementation Rate 1 to 5 years after audit issued



Natural Areas

Audits vary in length, depending on their scope and complexity. In FY2009-10, six audits were completed. The hours required to complete those audits ranged from 32 to 1,871 hours. Average hours per audit completed in FY2009-10 were 816.

Average Hours per Audit and Number of Audits



Gleason boat ramp

Audits completed, underway or scheduled



Audits Completed in FY2009-10

Oregon Zoo Construction (Nov 2009). This audit assessed the management of construction projects at the Oregon Zoo. Three projects in various stages of completion were selected for the review. The purpose of this audit was to determine if Metro and the Zoo were prepared to implement the 2008 bond measure. *(Audit team: Lieber, Wager)*

Natural Areas Audit Follow-up (Jan 2010). This follow-up was performed on the audit released in 2007 entitled "Natural Areas Program: Improved Transparency Recommended." A review was performed to determine if Metro had implemented the recommendations made in the original audit. Of the 8 recommendations, 7 had been implemented. *(Auditor: Lieber)*

Ethics Line Case 27 (Jan 2010). A special investigation into construction expense coding at the Oregon Zoo based on a report filed on Metro's Ethics Line. Inconsistencies were found in coding practices during the investigation. *(Auditor: Lieber)*

Tracking Transportation Project Outcomes (Feb 2010). We reviewed Metro's ability to evaluate the outcomes of transportation planning efforts. The 2040 Growth Concept, a long-term plan on how the region should manage growth, was adopted by Metro Council in 1995 and contains objectives for the transportation system. The scope of the audit included transportation projects completed during the 5-year period 2003-2008. *(Audit team: Evans, Hull Caballero)*

Functional Plan Compliance Audit Follow-up (Feb 2010). In March 2008, the Auditor's Office released an audit report that examined how Metro monitors compliance with the Functional Plan. The follow-up audit looked at whether Metro took action to improve the plan compliance monitoring. Of the 7 recommendations from the original audit, 3 have been implemented. *(Auditor: Wager)*

Financial Condition of Metro FY2000-FY2009 (May 2010). This report provided citizens and public officials with an overview of Metro's financial condition. It included 23 financial and demographic measures covering a 10-year period for fiscal years 2000-2009. *(Auditor: Flynn)*

Audits Underway

The following audits are currently underway, with the anticipated audit report release dates noted

	Start Date	Expected Completion
TOD Follow-up Audit	July 2010	Nov 2010
Construction Excise Tax Grants	Sept 2010	Feb 2011
Administration/Management of Large Contracts	Sept 2010	March 2011

Future Audits

	Start Date	Expected Completion
Zoo Bond Program Audit Follow-up	April 2011	June 2011
Maintenance of Natural Areas	March 2011	Oct 2011
Transportation Outcomes: Case Study Audit	March 2011	Oct 2011

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