

BEFORE THE COUNCIL OF METRO

FOR THE PURPOSE OF ACCEPTING METRO'S) RESOLUTION NO. 93-1869
COMPREHENSIVE ANNUAL FINANCIAL REPORT)
FOR THE FISCAL YEAR ENDED JUNE 30, 1993,) Introduced by the
THE SCHEDULE OF FEDERAL FINANCIAL) Finance Committee
ASSISTANCE FOR THE FISCAL YEAR ENDED)
JUNE 30, 1993 AND THE VARIOUS AUDITOR)
REPORTS THEREON, AND THE LETTER TO)
MANAGEMENT PROVIDED BY KPMG PEAT)
MARWICK)

WHEREAS, ORS 297.425 requires the preparation of an annual financial report by Metro; and

WHEREAS, KPMG Peat Marwick, independent Certified Public Accountants, has completed their examination of the financial statements and provided their reports thereon; and


WHEREAS, the Comprehensive Annual Financial Report and the Schedule of Federal Financial Assistance and the auditor's reports thereon, must be submitted to the Secretary of State of the State of Oregon no later than December 31, 1993; and

WHEREAS, the Metro Council's Finance Committee has discussed the reports with KPMG Peat Marwick; now, therefore

BE IT RESOLVED,

1. That the Metro Council accepts Metro's Comprehensive Annual Financial Report for the fiscal year ended June 30, 1993 and audit reports thereon,
2. That the Metro Council accepts Metro's Schedule of Federal Financial Assistance for the fiscal year ended June 30, 1993 and the audit reports thereon,
3. That the Metro Council accepts the Letter to Management prepared by KPMG Peat Marwick.
4. That the Metro Council directs the Executive Officer to file the above reports with the appropriate state and federal cognizant agencies.

ADOPTED by the Council of Metro the 9th day of December, 1993.


Judy Wyers, Presiding Officer

STAFF REPORT

CONSIDERATION OF RESOLUTION 93-1869, FOR THE PURPOSE OF ACCEPTING METRO'S COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 1993, THE SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE FOR THE YEAR ENDED JUNE 30, 1993 AND THE VARIOUS AUDITOR REPORTS THEREON, AND THE LETTER TO MANAGEMENT PROVIDED BY KPMG PEAT MARWICK

Date: October 29, 1993

Presented by: Jennifer Sims
Don Cox
Joe Hoffman, Peat Marwick
Merle Waterman, Peat Marwick

FACTUAL BACKGROUND AND ANALYSIS:

The *Comprehensive Annual Financial Report for the year ended June 30, 1993* (CAFR) prepared by Metro's Finance & Management Information Department's Accounting Division is in final draft form and will be presented to the Council Finance Committee by staff. The final CAFR is scheduled for release the week of November 15, 1993 and will be provided to the Council at that time. The completion of the report has been achieved approximately one month earlier than the prior year, thanks to the hard work of Accounting staff and use of additional resources provided to the Division in the FY 1993-94 budget. The completion of this effort at an earlier time enables the division to bring current fiscal year data up to date earlier for distribution to departments and to move forward on current year work programs, such as solid waste user fee audit work, parks transfer work tasks and other priority assignments.

Don Cox, Accounting Manager will be present to highlight significant disclosures in the CAFR. Primary attention will be given to:

- Certificate of Achievement for Excellence in Financial Reporting
- Post-Closure Liability Disclosure
- Budgetary Over-Expenditure Disclosure (the number of appropriation categories exceeded has continued to decline, dropping to three in FY 1993 from thirteen in FY 1992)
- Component Unit presentation of MERC Operations
- PERS Actuarial Unfunded Liability Status

The draft Schedule of Federal Financial Assistance will also be provided by staff at this time.

KPMG Peat Marwick Audit Partner, Joe Hoffman, and Audit Manager, Merle Waterman, will be present to discuss the audit report on Metro's CAFR, the audit reports required by the Single Audit Act of 1984, and the draft Letter to Council and Executive Officer which contains observations and recommendations for improvement.

Metro staff will incorporate responses to the auditors observations upon review of the comments, and will return to the Finance Committee at a later date to review the responses.

The above documents must be filed with the State of Oregon's Division of Audits, the cognizant Federal agency and the Government Finance Officer's Association no later than December 31, 1993. The staff therefore proposes the Council adopt the resolution accepting the reports. Staff commits to providing the final copies of the reports prior to the applicable Council meeting (November 23, 1993) and to return to the Finance Committee to discuss management's response to the Letter to Management. Staff has brought the documents to the Finance Committee at this time to enable questions and discussions with Joe Hoffman, KPMG Peat Marwick Audit Partner, who will be out of town on the date of Finance Committee and Council meetings later in the month.

PROPOSED ACTION

Adoption of Resolution 93-1869.

EXECUTIVE OFFICER'S RECOMMENDATION

The Executive Officer recommends Resolution No. 93-1869 be adopted.

FINANCE COMMITTEE REPORT

RESOLUTION NO. 93-1869 ACCEPTING METRO'S COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 1993, THE SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE FOR THE FISCAL YEAR ENDED JUNE 30, 1993 AND THE LETTER TO MANAGEMENT PROVIDED BY KPMG PEAT MARWICK

Date: November 30, 1993

Presented By: Councilor Monroe

COMMITTEE RECOMMENDATION: At its November 23, 1993 meeting the Committee voted unanimously to recommend Council adoption of Resolution No. 93-1869. Committee members present and voting were Councilors Devlin, Kvistad and Monroe. Councilors Buchanan and Van Bergen were excused.

COMMITTEE DISCUSSION/ISSUES: The Committee considered this resolution at its November 10 and November 23, 1993 meetings. At the November 10 meeting Don Cox, Accounting Manager, and Joe Hoffman, Partner with KPMG Peat Marwick, presented the Staff Report. Mr. Cox presented and reviewed a draft copy of the Comprehensive Annual Financial Report for the Year ended June 30, 1993. He indicated it was in draft form because KPMG had not completed the opinion letter and printed the document in final form.

Mr. Cox pointed out that the report includes the following significant disclosures:

1. There were four instances of expenditures in excess of appropriations during the past fiscal year. This is down from thirteen in the prior year which shows significant improvement in the ability to track and control expenditures.
2. The remaining estimated liability for closure of the St. Johns Landfill is about \$23 million and the Solid Waste Revenue Fund has about \$15 million set aside for this purpose. In response to a question from Councilor Monroe Mr. Cox pointed out additional revenue would come from interest earnings and disposal charges. In response to a question from Councilor Van Bergen, Mr. Cox stated no funds have been borrowed from the Closure account.
3. The audit shows that there is an unfunded pension benefit obligation of \$4.5 million. In response to a question from Councilor Van Bergen, Mr. Cox said the PERS actuarial evaluation to be completed by December 31, 1993 would provide information on possible reductions to the unfunded obligations.

Mr. Cox also pointed out that the financial activities of the Metro ERC are shown in the report under the headings titled "Component Unit".

Joe Hoffman, KPMG Peat Marwick, stated that his firm will give a clean unqualified opinion on the audit. He reviewed with the Committee the draft Letter to Management pointing out there is one comment regarding fixed assets, two comments regarding financial administration of Federal Grants and one comment regarding leases. Councilor Van Bergen expressed concern that the issue tracking of fixed assets keeps appearing from time to time at Metro and that the financial administration of Federal Grants should be fixed since it is such an important source of funds for the agency. Councilor Devlin asked for additional information from the Accounting Office on this matter.

The Committee decided to hold the resolution over to the next meeting so the final printed documents would be available for review.

At the November 23, 1993 meeting Don Cox, Accounting Manager, presented the Staff Report. He indicated the audit documents have been printed in final form and distributed to the members. The administration responses to the Letter to Management are included in the document. He also pointed out that the information about grant billing procedures requested by Councilor Devlin has been distributed to the Committee (See Attachment 1 to this report). There were no questions or comments from the Committee.

PLEASE NOTE:

The following audit documents have been distributed separately to Finance Committee members and other Councilors within the past two weeks:

1. COMPREHENSIVE ANNUAL FINANCIAL REPORT for the Year Ended June 30, 1993.
2. Independent Auditor's Report in Accordance with the Single Audit Act of 1984.
3. The LETTER TO MANAGEMENT dated October 8, 1993.

An Office Copy of the above documents are available for review in the Council Office. Please contact Paulette Allen, Council Clerk.

DEC



ATTACHMENT 1

(Fin. Comm. Rpt./Res. 93-1869)

METRO

Date: November 22, 1993

To: Council Finance Committee

Through: Jennifer Sims, ^{JS} Director of Finance & Management Information

From: Donald R. Cox, Jr., ^{DC} Accounting Manager

Re: Councilor Devlin's Grant Process Information Request

This memo provides additional information on Metro's grant accounting process as requested by Councilor Devlin at the November 10, 1993 Finance Committee meeting. The memo summarizes the details of the procedural issues to be addressed to correct the problems noted in KPMG Peat Marwick's letter to management. These corrections and adjustments will require the cooperation of the various Metro operating departments, primarily the Planning Department, Finance, Information Services (ISD), Regional Facilities and Accounting.

The procedure document was reviewed with the Planning Department and Contracts Office for completeness and to receive comments on any suggested changes in the Spring of 1993. At this time, these procedures describe the current expectations of the Accounting Division. Accounting staff will continue to monitor procedural changes required as part of the new programming effort under way by ISD and suggestions received from other staff.

SUMMARY OF THE PROCESS:

The accounting and billing process for Metro planning grants is a unique operation based upon a matrix approach that permits multiple projects to be funded by multiple funding sources and multiple funding sources to fund multiple projects. The data requirements for this system include:

- Project account codes and charges
- Source account codes and receipts
- Project source relationships and project budget allocations (matrix contents)
- Leave, fringe and overhead (cost allocation) rates - provisional and final
- Unix computer cost allocation to projects - provisional and final

- Identification of ultimate funding source (ie, federal funds determination) and identification number for the grant and CFDA (catalog of federal domestic assistance)
- Funding/match requirements
- Subgrantee and contractual relationships

Upon receipt of the data noted above, the data is entered into spreadsheet software to verify completeness and proper allocations. This data is then reentered into the financial system project and source screens to enable the printing of various management reports and production of the grant billing report itself. The system reports grant charges and produces billings for each period (monthly) based upon the expenditures incurred at the time. The charges contained in these reports are reconciled to the general ledger to assure completeness. A grant billing packet is produced showing the funds requested, copies of applicable invoices and supporting pages from the financial reporting system. The packet is reviewed by the Planning Department and authorized for billing. Invoices are then issued, or funds requested electronically, as applicable. For funding sources without signed contracts, invoices are held back until the contract is signed and manual accounting efforts are required to track the delayed billings. This is true for any other funding sources either advance billed or held for billing based upon instructions from the Planning Department.

PROBLEM AREAS:

The primary difficulties currently experienced are:

- Delays in Metro receiving signed contracts from granting sources (e.g., ODOT), which delays Metro's ability to bill the entity under the agreement and requires subsequent manual accounting efforts outside the automated grant system.
- Other billing modification instructions received from operating departments that require additional manual accounting efforts outside the automated billing system, such as advance billing of revenues.
- Delays in receiving requests for establishment of source and project account numbers in preparation for the coming fiscal year, and lack of adherence to account number request procedures.
- Delays in receiving project/source information for grant matrix management and accounting purposes, information which is currently the basis for all accounting and billing efforts.

- Delays in receiving invoices from operating units, on occasion, which understates grant expenditures during interim periods.
- Difficulties in reconciling certain grant billing reports to the general ledger which requires additional time-consuming manual reconciliation.
- A high number of account coding correction requests during the year which result in changes to project expenditures and grant billings.
- Matrix adjustments at year end that may result in unearned revenue which requires manual monitoring at the present time.
- At year end, the closing process requires multiple phases in order to first close the Support Services, Risk Management and Building Management Funds in order to determine the actual overhead charges to apply to grants based upon Metro's cost allocation plan. In addition, final leave, fringe and computer usage rates are determined in the Planning Fund. Once the rates are determined this factor is applied, which leads to further matrix adjustments.
- Difficulty in documenting prior year grant carryover amounts, fund balance reserves and unearned grant revenue into the next year's matrix.

As noted in management's response contained in the management letter, efforts have been and are currently underway to resolve these issues. ISD has expended significant efforts to develop new grant billing and reporting applications to ease the reporting and billing burden and minimize report discrepancies requiring manual reconciliation and duplicate input. Communication was begun with the Planning Department staff in winter and spring 1993 to begin to improve the process. The Finance and Management Information Department considers this area a high priority for work in FY 1994.

cc: Andy Cotugno, Planning Director
 Dick Engstrom, Deputy Executive Officer
 Joe Hoffman, KPMG Peat Marwick
 Merle Waterman, KPMG Peat Marwick

GRANTS BILLING (TRANSPORTATION)

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RESPONSIBILITY

PROCEDURE

GRANT INITIATION:

Transportation Department

1. Generate a *Grant Application Form* {AR-59}.
2. Send *Grant Application Form* to Finance Division.

Finance Division

1. Review *Grant Application Form*.
2. Send *Grant Application Form* to Sr. Accountant.

Sr. Accountant

1. Copy *Grant Application Form*.
2. Place copy of *Form* in a "Pending File."
3. Send original *Form* to Transportation Department.

GRANT SET-UP:

Transportation Department

1. After approval, generate an *Account Number Request Form* {AR-60} and four copies of the contract.
2. Send *Account Number Request Form*, all contract copies and the original *Grant Application Form* to the Procurement Management Division.

Procurement Management
Division

1. Review and approve contract.
2. Send all documents to Sr. Accountant.

Sr. Accountant

1. Review and approve contract and *Account Number Request Form*.
2. Remove one copy of contract.
3. Remove *Grant Application Form* from "Pending File."
4. File *Grant Application Form* and contract copy in "Central Grant File" by number.
5. Send contract to Finance Section.
6. Send *Account Number Request Form* to Accounting Manager.

Finance Division

1. Review and approve contract.
2. Send contract to Procurement Management Division.

Procurement Management
Division

1. Distributes contract to applicable parties.

Accounting Manager

1. Review *Account Number Request Form*.
2. Add a Source Code Number.
3. Input grant information from *Form* into *F/EXPN - Expense File Control Screen (or "TI Record")* {AR-61}.
4. Manually update Metro's Chart of Accounts.

**Accounting Manager
(Cont.)**

5. Sign and date *Account Number Request Form*.
6. Send *Account Number Request Form* to Sr. Accountant.

Sr. Accountant

1. Input information from *Account Number Request Form* into the following screens:
 - a). *F/TBLS - Table Descriptions Control Screen (Source Code Set-up)* {AR-70}. Enter:
 - F/TB
 - FCN IN or AD
 - TABLE ID FS - Federal
 - SS - State
 - LS - Local
 - OS - Other
 - CODE Source Code Number
 - CODE DESCRIPTION
 - "TRANSMIT"
 - b). *F/PROJ - Project Screen (Project Code Set-up)* {AR-71}. Enter:
 - F/PR
 - FCN IN or AD
 - PROJECT NO
 - TYPE 1 - Transportation
 - 2 - Planning
 - PROJECT TITLE
 - STATUS 1 - Active
 - 2 - Closed
 - DESC Description
 - PROJECT PERIOD:
 - START Beginning of Month
 - ORIGINAL COMPLETION
 - End of Month
 - LOCATION 1 - Trans
 - 2 - Planning
 - PERCENT 100
 - "TRANSMIT"

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Sr. Accountant

- c). *F/SP - Source Project Control Screen (Ties Source Code with Project).*
 {AR-72}. Enter:
- F/SP
 - FCN IN or AD
 - PROJECT F - Federal
 - S - State
 - L - Local
 - O - Other
 - SOURCE Source Code #
 - PARTICIPATION Budget Amount
 - TOTAL PARTICIPATION Total Budget Amount
 - LEAVE PERCENT
 - SALARY FRINGE PERCENT
 - TEMP FRINGE PERCENT
 - OVERHEAD PERCENT
 - "TRANSMIT"

2. Upon completion of transmission of *F/SP Screen*, inquire to assure all information was correctly input:
 - a). FCN IN
3. Make two copies of *Account Number Request Form*.
4. Send copy of *Account Number Request Form* to Transportation Department.
5. File copy of *Account Number Request Form* in Central Grant File.
6. File *Account Number Request Form* by project number.

GRANT BILLING:

Information Systems Division
(ISD)

1. Generate *MIPGM Report* {AR-73} twice/month (Upon completion of each payroll period posting).
2. Submit *Report* to Sr. Accountant and Transportation.

Sr. Accountant

1. Review *MIPGM Report*.

Transportation Department

1. Review *MIPGM Report*.
2. Identify appropriate corrections: reporting, cost allocation, payroll, etc.
3. Send corrected report to Sr. Accountant.

Sr. Accountant

1. Receives corrected *MIPGM Report*.
2. Makes identified corrections through: J/E's, notification of corrections to appropriate Divisions, etc.
3. At the end of each month:
 - a). Generate two sets of post and trial reports through the *440 Screen* {AR-74}:
 - *440-300 - Project Grant Billing-Project Listing* {AR-75}
 - *440-500 - Project Grant Billing-Source Listing and Posting* {AR-76}
 - b). Generate *F/200 - Detailed Distribution Listing* through the *200 Detail Screen*.

Sr. Accountant
(Cont.)

4. Retain one "set" of reports in "Post Mode."
5. Send one "set" of reports in "Trial Mode" to Transportation.
6. Review all reports -- *MIPGM, F/200, 440-300, 440-500* -- to assure accuracy.
7. Recycle *MIPGM Report* and "Post Mode" *440's*.
8. Enter information from *Reports* into *Grant Billing Screen {AR-66}* (A LOTUS generated screen).
9. Print *Grant Invoice Request Approval {AR-77}*, *UMTA Echo Payment Request {AR-78}* and *Invoice Request Form {AR-68}*.
10. Copy billable pages from *440-500 Report*.
11. Attach billable pages of *440-500 Report* to the printed forms.
12. File the *440's* and *200 Report* in Grant Billing File.
13. Send the *Grant Invoice Request Approval, UMTA Echo Payment Request, 440-500 Billable Pages* and *Invoice Request Form* to Transportation Department.

Transportation Department

1. Review all forms.
2. Attach any applicable questions.
3. Send forms to Sr. Accountant.

Sr. Accountant

1. Make any appropriate modifications to grant billing.
2. Reprint *Invoice Request Form* if needed.
3. Produce *Journal Entry Forms* {AR-67}, *ODOT Forms* {AR-79} and *Grant Release Form* {AR-80} through *Grants Billing Screen*.
4. Access *Grant Billing Screen* through LOTUS 1-2-3 file:
C:\LOTUS\TRANSFD\G-BILLIN.WK3
5. Enter:
 - a). DATE OF INVOICE REQUESTS
 - b). MONTHS COVERED BY INVOICE REQUEST
 - c). UMTA INVOICE #
 - d). JOURNAL ENTRY PERIOD COVERED
 - e). JOURNAL ENTRY EFFECTIVE DATE
 - f). AMOUNT TO BE BILLED
5. Attach an *Instruction Sheet* to *Invoice Request Form*.
6. Place *Grant Invoice Request Approval*, *Echo Payment Request*, *440-500 Report* and *Journal Entry Form* in "Grants Billing File".
7. Send *Instruction Sheet* and *Invoice Request Form* to the A/R Clerk I.

INVOICING:**A/R Clerk I**

1. Upon receipt of *Invoice Request Form* and *Instruction Sheet* {AR-69}, Date stamp and manually type an *Invoice* {AR-49}.
2. Manually record information from *Invoice Request Form* in "A/R Log."
3. Send *Invoice Request Form* and *Invoice* to the Lead Accounting Clerk.

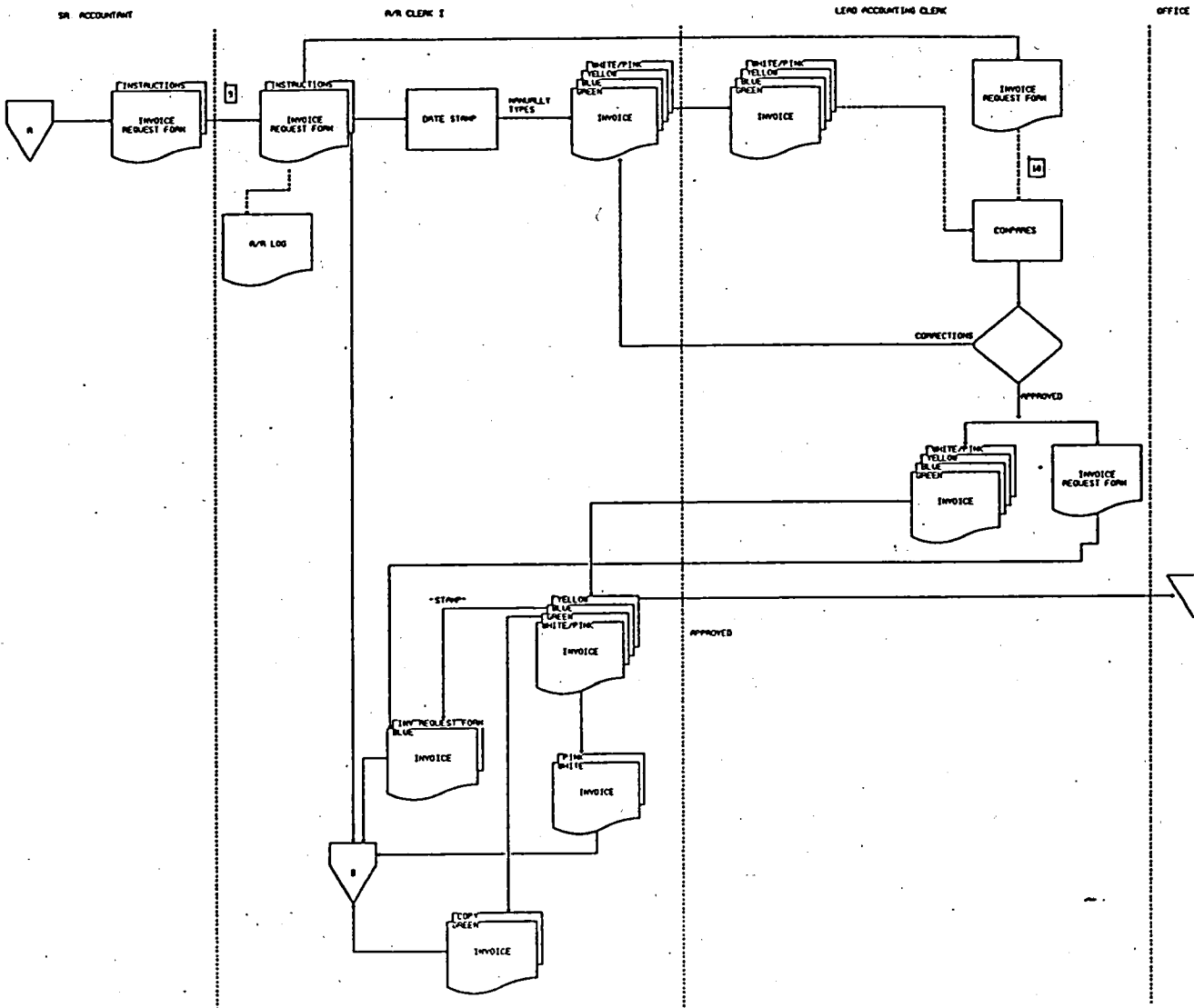
Lead Accounting Clerk

1. Compare *Invoice Request Form* and *Invoice*.
2. If corrections are necessary, identify, and send both *Forms* back to the A/R Clerk I for modification. (Clerk then repeats steps 1 - 3 above.)
3. If *Invoice* is approved, initial blue copy in lower left corner and send it and *Invoice Request Form* to A/R Clerk I.

A/R Clerk I

1. Upon receipt of *Invoice* and *Invoice Request Form*:
 - a.) Remove yellow *Invoice* copy and send it to Office Assistant for filing in a numeric file.
 - b.) Remove blue *Invoice* copy and stamp with "Control Stamp."
 - c.) Attach blue *Invoice* copy to *Invoice Request Form*.
 - d.) Leave pink and white *Invoice* copies attached.
 - e.) Remove green *Invoice*.
 - f.) Copy green *Invoice* and place with original.
2. Send blue, pink, white, green and copy, and *Instruction Sheet* to Sr. Accountant.

METRO: GRANTS (TRANSPORTATION) - INVOICING



GRANT FINALIZATION:**Sr. Accountant**

1. Retrieve *Grant Release Form, Grant Invoice Request Approval, Echo Payment Request, 440-500 Report* and the *Journal Entry Form* from the " Grants Billing File."

Transportation Department

2. Generate a "Packet" consisting of:
 - a). *Grant Release Form*
 - b). *Journal Entry Form*
 - c). *Grant Invoice Request Approval*
 - d). *Echo Payment Request*
 - e). *Copy of Invoice*
 - f). *ODOT Consultant Billing Form*
 - g). *440-500 Report*

Sr. Accountant

3. Write J/E number on *Invoice Request Form* and **blue Invoice**.
4. Initial *Invoice Request Form* and **blue Invoice** in "entered by" box.
5. Send *Invoice Request Form* and **blue Invoice** to A/R Clerk I.
6. Send "Packet" to the Accounting Manager.
7. Place **pink** and **white Invoice** copies in Grant Billing File.

Accounting Manager

1. Review and Approve (with a signature) "Packet."
2. Sign *Grant Release Form, Journal Entry Form* and *Echo Payment Request*.
3. Send "Packet" to Sr. Accountant.

Sr. Accountant

1. Send original *Journal Entry Form* to Data Entry Staff for entry.
2. Place copy of *Journal Entry Form* in "Packet"
3. Send "Packet" and green *Invoice* to Transportation Department.

Transportation Department

1. Review and sign *Grant Release Form - Administrative Assistant*.
2. Review and sign *Grant Release Form, Echo Payment Request* and *ODOT Consultant Billing Form - Transportation Director*.
3. Send "Packet" with any attachments to be mailed with *Invoices* to Sr. Accountant.

Sr. Accountant

1. Review "Packet" for signatures.
2. Copy signed *ODOT Consultant Billing Form* and *440-500* and place in "Packet."
3. Retrieve pink and white *Invoice* copies from Grant Billing File.
4. Attach appropriate *440-500 Sheet* and if appropriate, *ODOT Consultant Billing Form* and inserts from Transportation Department to pink and white *Invoice* copies.
5. Send *Invoices* and supporting documents to A/R Clerk I for mailing.
6. If FTA Grant, submit FTA billing via modem.
7. Remove *FTA Form*, copy and place copy in "Packet."

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**Sr. Accountant
(cont.)**

8. File original *FTA Form* chronologically.
9. Notify Management Analyst amount of funds to be deposited.

Management Analyst

1. Notify Sr. Accountant when funds are received.

Sr. Accountant

1. Pull *Echo Payment Request Journal Entry*.
2. Date *Echo Payment Request Journal Entry*.
3. Attach notification from Management Analyst.
4. Send *Echo Payment Request Journal Entry* to Accounting Manager.

Accounting Manager

1. Review and approve *Echo Payment Request Journal Entry*.
2. Send *Echo Payment Request Journal Entry* to Sr. Accountant.

Sr. Accountant

1. Attach copy of *Echo Payment Request Journal Entry* to back of "Packet."
2. File "Packet" in Grants File.

METRO: GRANTS (TRANSPORTATION) - GRANT FINALIZATION

