

METRO AUDIT COMMITTEE

Meeting Minutes

June 22, 2020

Zoom virtual meeting

10:00 am

Members Present

Kathryn McLaughlin
Anne Darrow
Andrew Carlstrom
Mark Ulanowicz
Brian Evans

Affiliation

Chairperson, Citizen Member
Citizen Member
Citizen Member
Citizen Member
Metro Auditor

Metro Staff Present

Caleb Ford
Somer Erickson
Tracy Evans

Deputy Chief Financial Officer, Finance and Regulatory Services
Controller, Finance and Regulatory Services
Metro Auditor's Administrative Assistant

External Attendees:

Jim Lanzarotta
Ashley Osten
Janel Smoot

Partner, Moss Adams LLC
Partner, Moss Adams LLC
Manager, Moss Adams LLC

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1. Auditor Evans welcomed everyone and got the attendees set up on Zoom. Technical difficulties prevented Chairperson McLaughlin from being able to be heard, but she was able to hear and communicate in writing during the meeting. Her messages were conveyed to the group by Auditor Evans.

Auditor Evans thanks those in attendance and asked for volunteers to take the position of Vice-Chair since Chairperson McLaughlin was unable. Mr. Carlstrom volunteered to become Vice-Chair.

2. [Moss Adams presentation:](#)
 - Ms. Ashley Osten welcomed the committee and covered the areas of:
 - Key service team members – Ashley Osten, Engagement Reviewer and Partner; Laurie Tish, Concurring Reviewer and Partner (Non-profit, Public, and, Tribal groups); Jim Lanzarotta, Technical Resource and Partner; Leila Annen, Senior Manager, MAAS-IT Consulting; and Janel Smoot, Manager (slide 3).
 - Communications with those charged with governance at Metro (Audit Committee and Metro Council) are the auditor's responsibility under US generally accepted auditing standards. The standards require auditors to communicate about the planned scope and timing of the audit (slide 4).
 - Auditor's responsibilities in accordance with US GAAP (slide 5) is to review financial statements. The only thing the auditors own is their opinion according to AICPA standards. It does not review Metro's responsibilities.
 - Ms. Janel Smoot covered the following:

- Audit Process – Internal Controls (drives how much needs to be done with analytical procedures). Internal control “walk through” has already been completed. What are the key control objectives? What are the activities that you do to control those objectives? The auditors look at samples to see if the activities are following the objective. Analytical Procedures (revenue and expenses, trends, comparisons and independent expectations). Substantive Procedures; confirmation of account balances, vouching to supporting documentation, representations from attorneys and management, and examining objective evidence. (slide 6).
- What is Materiality? It’s the amount of a misstatement that could influence the economic decisions of users, taken on the basis of the financial statements. It’s calculated using certain quantitative (e.g., total assets) and qualitative factors (e.g., covenants, expectations, or industry factors) for each fund (slide 7). This drives how much testing is needed.
- Significant audit areas (slide 8);
 - ✓ Revenues and Receivables – occurrence and valuation
 - ✓ Bonds Payable – Open Spaces, Zoo Infrastructure, and Affordable Housing (test a sample of expenditures to be sure they are in line with what is allowable in the bond document and confirm balances)
 - ✓ Capital Assets – Inventory of items and proper depreciation (confirm into service dates and asset movement)
 - ✓ Pension Liability and related pension expense (review actuary report and confirm if data transmitted to them is reliable)
 - ✓ Compliance with Federal Laws and Regulations and Oregon Minimum Standards (single audit)
- COVID-19 – big impact on the agency. Awaiting guidance from OMB regarding compliance (slide 9).
- Consideration of Fraud, the team is not required to detect fraud, but to design audit to detect fraud if it does exist. They are looking for significant fraud in high risk areas and introduce an unpredictable procedure around risks. They also conduct personnel interviews and pull non-standard journal entries (slide 10).
- Audit Timing – June 8-12, remote interim testing; June 15-19, IT testing; June 22nd, entrance meeting with audit committee; October 5-23, final fieldwork procedures for financial statements and Single audit testing; November, discuss draft financial statements and auditor’s reports with management; November 23rd, audit committee approval of statements and exit meeting; December, Metro Council approval of auditor’s reports (slide 11).
- Ms. Osten shared that the remote interim work went well. Moss Adams team worked with Mr. Caleb Ford and Ms. Somer Erickson to supply documentation. Moss Adams team met internally once per day to get through goals and objectives for the day. Met with Metro staff to answer questions. Moss Adams will take into consideration state and county COVID guidelines when the October fieldwork happens.
 - Ms. Anne Darrow asked if anything was found during the interim work. Ms. Osten said there was nothing significant found. A couple items were discussed with Metro management, but not significant deficiency or material weakness items. They were more along the lines of best practices and reminders.
 - Ms. Darrow also asked if the unpredictable requests happen during interim work or just during the final work. Ms. Osten said it only happens during final field work.
 - Mr. Andrew Carlstrom asked what the technology focus area is for this year. Ms. Osten said the focus will be the overarching IT controls. This is around Metro’s financial closing and reporting system, as well as change management and security and access. Ms. Annen and her team will review those areas in October. Mr. Lanzarotta said the review will cover subsystems also (PeopleSoft). They will ask where the unit of record resides.

- Mr. Lanzarotta covered the areas of:
 - New Accounting and Audit standards
 - GASB 94 – Public and Private Partnerships (PPP). Improve financial accounting for public-private and public-public partnerships (slide 13).
 - GASB 95 – Postponement of the Effective Dates of Certain Authoritative Guidance. Postponement of the following standards: GASB 83, 84, 87, 88, 89, 90, 91, 92, 93 (slide 14).
 - GASB 96 – Subscription-Based Information Technology Arrangements (cloud-based services/software). Results in a right-to-use subscription asset and a corresponding subscription liability (slide 15).
 - Moss Adams offers an array of services; COVID-19 resources, webcasts, and FAQ (slide 16).

3. Questions and discussions:

- Ms. Darrow asked about the current contract with Moss Adams. Mr. Evans said that the RFP process was complete. Two audit committee members were involved in the process. Moss Adams was awarded the contract. This is their first year of the new contract.

4. In closing, the next committee meeting is scheduled for Wednesday, November 23, 2020 from 9:30 – 11:00 am.

Adjourn – the meeting adjourned at 10:39 am.

Attachment: [Moss Adam Entrance Presentation](#)