



MOSSADAMS

Audit Results

Better Together: Moss Adams & Metro

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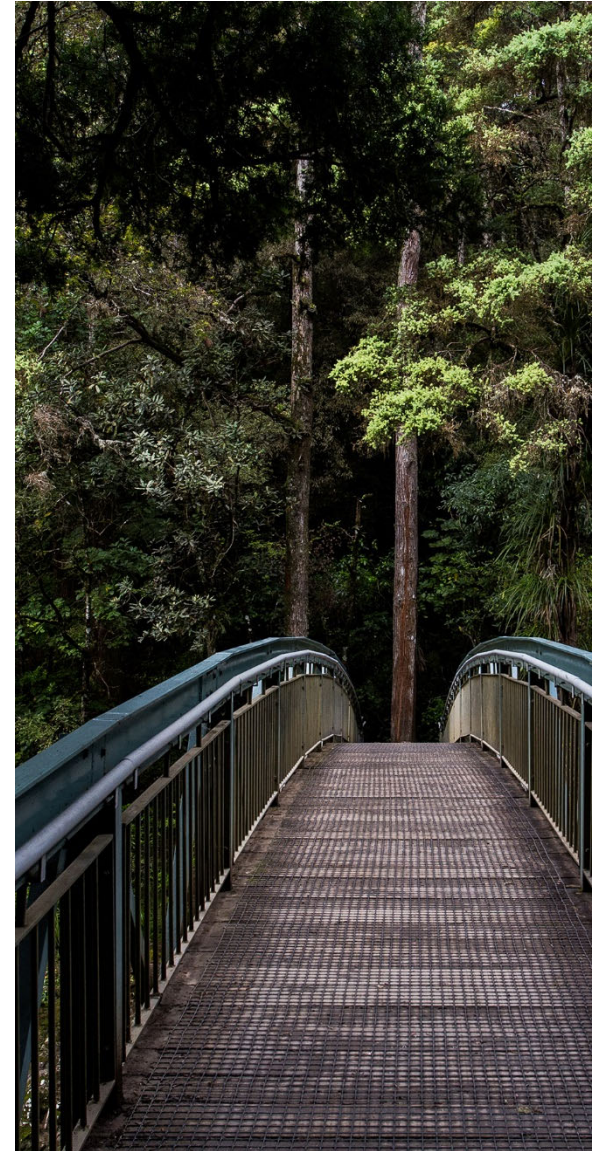


Agenda

1. Auditor Opinions and Reports
2. Areas of Audit Emphasis
3. Required Communications with Those Charged with Governance
4. Information Technology Overview
5. Other Information



Auditor Opinions & Reports



Auditor Report on the Financial Statement

Report of Independent Auditors

- Unmodified opinion
- Financial statements are presented fairly in accordance with US GAAP

Other Auditor Reports – Single Audit

GAGAS Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

- No control findings
- No compliance findings

Report on Compliance with Requirements that could have a Direct and Material Effect on the Major Federal Program and on Internal Control Over Compliance in accordance with the Uniform Guidance for Federal Awards (2 CFR Part 200)

- No control findings
- No compliance findings

Other Auditor Reports – Oregon Minimum Standards and Bond Expenditures

Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements in Accordance with Oregon Municipal Auditing Standards

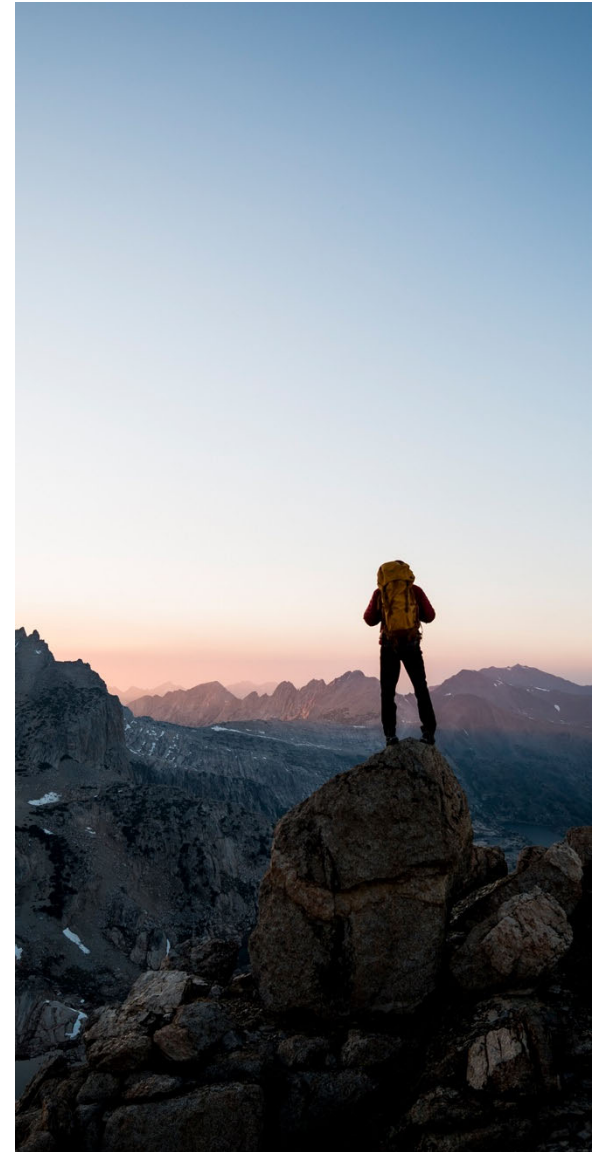
- No control findings
- No instances of non-compliance

Report of Independent Auditors regarding Natural Areas General Obligation Bonds, Oregon Zoo General Obligation Bonds, Affordable Housing General Obligation Bonds, and Parks and Nature General Obligation Bonds

- Expenditures tested met the stated purpose in Council Resolutions laying out the intended use of the bond proceeds



Areas of Audit Emphasis





Areas of Audit Emphasis

- Internal control environment – financial close and reporting, revenue/receivables, payroll, disbursements, capital assets, and information technology general controls
- Management estimates – environmental remediation liability, legal contingencies, depreciation, allowance for doubtful accounts
- Cash and investments – valuation of investments and classification of cash and investments between restricted and unrestricted and current and long-term
- Net pension liability – recognition of Metro’s share of the liability for Metro employees’ future pension obligations as part of Oregon PERS; employer liability and related deferred inflows/outflows including selections of new hires and contributions made by Metro
- Bond activity – sampled transactions for compliance with allowable expenditures; reviewed discounts and premiums, debt repayments, and compliance with covenants
- Capital assets – tested additions, retirements, and depreciation
- Revenue recognition – reviewed tax revenue, investment income, and federal grants; considered collectability of receivables
- Net position – consideration of classification for unrestricted, restricted, and net investment in capital assets

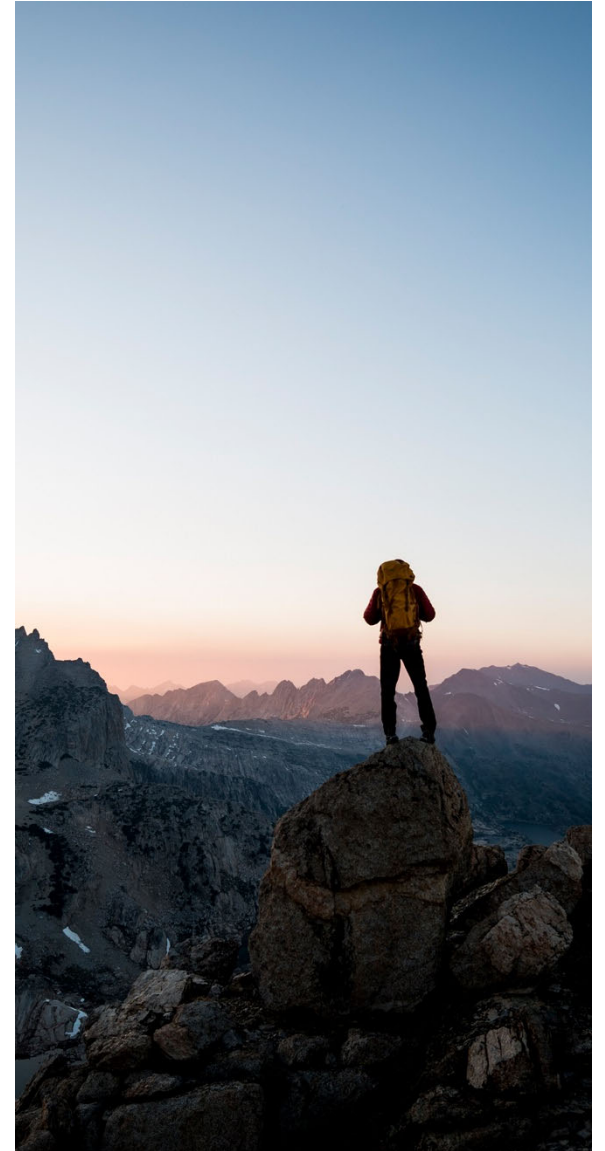


Areas of Audit Emphasis

- Single Audit – one major program tested (Highway Planning and Construction Cluster) totaling \$5 million
- Unpredictable procedure – reviewed expenditures from March through June 30, 2020 for proper business purpose



Communications with Those Charged with Governance



Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

1

To express our opinion on whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, and in accordance with U.S. GAAP. However, our audit does not relieve you or management of your responsibilities.

2

To perform an audit in accordance with generally accepted auditing standards issued by the AICPA and Government Auditing Standards issued by the Comptroller General of the United States, and design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement.

3

To consider internal control over financial reporting and internal control over compliance as a basis for designing audit procedures but not for the purpose of expressing an opinion on its effectiveness or to provide assurance concerning such internal control.

4

To communicate findings that, in our judgment, are relevant to your responsibilities in overseeing the financial reporting process and administering federal awards. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope & Timing of the Audit

It is the auditor's responsibility to determine the overall audit strategy and the audit plan, including the nature, timing and extent of procedures necessary to obtain sufficient appropriate audit evidence and to communicate with those charged with governance an overview of the planned scope and timing of the audit.

Our Comments

The planned scope and timing of the audit was communicated to the Audit Committee during the audit entrance meeting on June 22, 2020.

Significant Accounting Policies & Unusual Transactions

The auditor should determine that the Audit Committee is informed about the initial selection of and changes in significant accounting policies or their application. The auditor should also determine that the Audit Committee is informed about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Our Comments

Management has the responsibility for selection and use of appropriate accounting policies. The significant accounting policies used by Metro are described in the footnotes to the financial statements. Throughout the course of an audit, we review changes, if any, to significant accounting policies or their application, and the initial selection and implementation of new policies. There were no changes to significant accounting policies for the year ended June 30, 2020; Metro did adopt GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

We believe management has selected and applied significant accounting policies appropriately and consistent with those of the prior year.

Management Judgments & Accounting Estimates

The Audit Committee should be informed about the process used by management in formulating particularly sensitive accounting estimates and about the basis for the auditor's conclusions regarding the reasonableness of those estimates.

Our Comments

Management's judgments and accounting estimates are based on knowledge and experience about past and current events and assumptions about future events. We apply audit procedures to management's estimates to ascertain whether the estimates are reasonable under the circumstances and do not materially misstate the financial statements.

We deemed all significant management estimates reasonable.

Management Judgments & Accounting Estimates

Our views about qualitative aspects of the entity's significant accounting practices, including accounting policies, accounting estimates, and financial statement disclosures.

Our Comments

The disclosures in the financial statements are clear and consistent. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We draw your attention to the following:

Note II, D – Summary of Significant Accounting Policies

Note IV, G – Pension Plan

Note IV, H – Other Postemployment Benefits

Note IV, I – Commitments

Note IV, K – Bonds Payable

Difficulties Encountered in Performing the Audit

The Audit Committee should be informed of any significant difficulties encountered in dealing with management related to the performance of the audit.

Our Comments

No significant difficulties were encountered during our audit.

Significant Audit Adjustments & Unadjusted Differences Considered by Management To Be Immaterial

The Audit Committee should be informed of all significant audit adjustments arising from the audit. Consideration should be given to whether an adjustment is indicative of a significant deficiency or a material weakness in Metro's internal control over financial reporting, or in its process for reporting interim financial information, that could cause future financial statements to be materially misstated.

The Audit Committee should also be informed of uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole.

Our Comments

There were no corrected audit adjustments.

There was one uncorrected audit adjustment to accrue for expenses in various funds within the General Fund that were incurred in FY 2020 and paid in FY 2021 totaling approximately \$252,000.

Potential Effect on the Financial Statements of Significant Risks & Exposures & Uncertainties

The Audit Committee should be adequately informed of the potential effect on the financial statements of significant risks and exposures and uncertainties that are disclosed in the financial statements.

Our Comments

Metro is subject to potential legal proceedings and claims that arise in the ordinary course of business, which are disclosed in the notes to the financial statements.

Disagreements with Management

Disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to Metro's financial statements, or the auditor's report.

Our Comments

We are pleased to report that there were no disagreements with management.

Deficiencies in Internal Control

Any material weaknesses and significant deficiencies in the design or operation of internal control that came to the auditor's attention during the audit must be reported to the Audit Committee.

Our Comments

- **Material weakness**
 - None noted
- **Significant deficiencies & non-compliance**
 - None noted
- **Current year best practice recommendations**
 - Expenditure approval
 - User access
- **Update on prior year items**
 - Expenditure approval – not resolved
 - Capital assets – resolved
 - Payroll – resolved
 - Expenses – resolved

Management's Consultation with Other Accountants

In some cases, management may decide to consult about auditing and accounting matters. If management has consulted with other accountants about an auditing and accounting matter that involves application of an accounting principle to Metro's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

Our Comments

We are not aware of any significant accounting or auditing matters for which management consulted with other accountants.

Other Material Written Communications

Report to the Audit Committee significant written communications between the auditor and client management.

Our Comments

Other than the contract, management representation letter, and the management letter, there have been no other significant communications.

COMMUNICATION WITH GOVERNING BODY

Material Uncertainties Related to Events & Conditions

Any doubt regarding the entity's ability to continue, as a going concern, should be communicated to the Audit Committee.

Our Comments

No such matters came to our attention.



Fraud & Noncompliance with Laws and Regulations

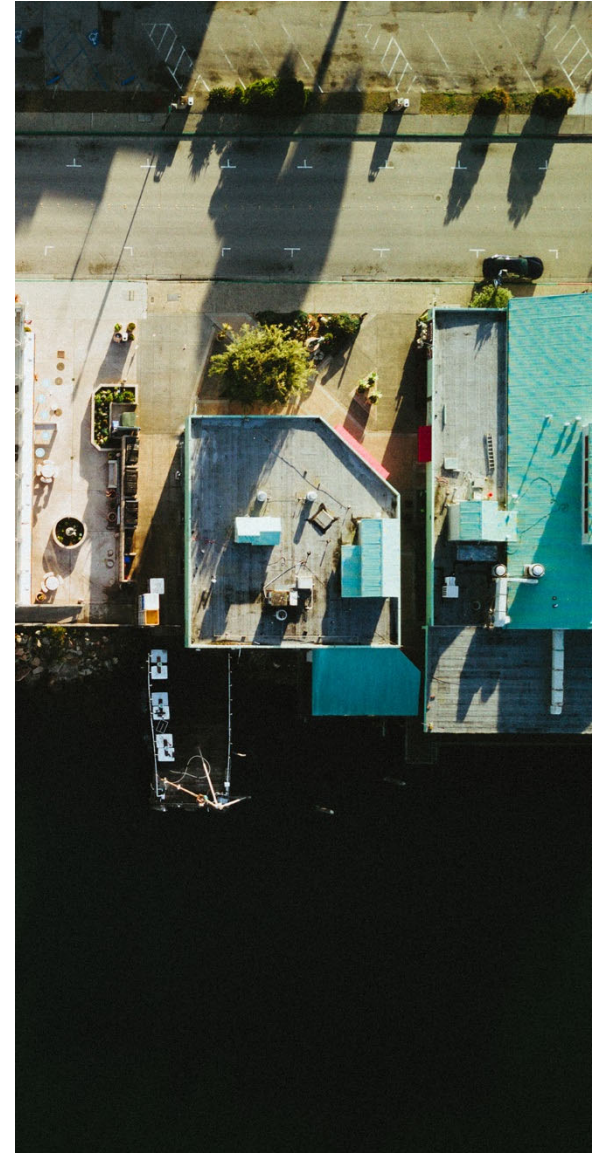
Fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements should be communicated. We are also required to communicate any noncompliance with laws and regulations involving senior management that come to our attention, unless clearly inconsequential.

Our Comments

We have not become aware of any instances of fraud or noncompliance with laws and regulations.



Information Technology Overview





INFORMATION TECHNOLOGY OVERVIEW

Scope and Results for 2020

Scope

- PeopleSoft Financials
- PeopleSoft Human Resource Management
- Ungerboeck Event Management (EBMS)

General Comments

- Excellent engagement from IT
- Continuous improvement opportunities: Segregation of Duties Analysis, IT Risk Assessment, Application Controls, etc.

Results

One observation was noted in 2020 as having a measurable impact on the financial audit or presenting an elevated risk of a financial reporting nature that otherwise was not already addressed through our audit procedures.

EBMS USER ACCESS REVIEW

- In both FY2019 and FY2020, the EBMS user access review was not performed. This was noted as a process improvement opportunity in FY2019, and elevated in FY2020 given the limitation this present on our ability to rely on the system for the financial statement audit. Our recommendation is that a review be implemented and performed at least annually, covering all users and their assigned permissions (beyond reporting and inquiry/read-only).

Scope and Results for 2020

Results (continued)

The following are process improvement opportunities otherwise identified through our FY20 procedures:

DEVELOPER ACCESS TO PRODUCTION (RESISSUED FROM FY19)

- Individuals with development responsibilities were noted to have administrative access to PeopleSoft Financials and HRMS production systems. Given the limitation of IT resources, it is understood that access cannot be fully restricted. Management is encouraged to look into methods for monitoring the users' activity.

PERIODIC USER ACCESS REVIEW / SYSTEM UPGRADE SECURITY ANALYSIS (UPDATED/REISSUED FROM FY19)

- User permissions identified for removal as a result of the annual review for Peoplesoft Financials were not in fact removed as of the date of our procedures. Management is encouraged to implement enhanced procedures in the review process to ensure all requested changes are made in a timely manner following the completion of the initial review.
- A formal evaluation of potential changes to access permissions was not conducted for any of the system upgrades performed in FY2019 or FY 2020.

PASSWORD CONFIGURATIONS (NEW IN FY20)

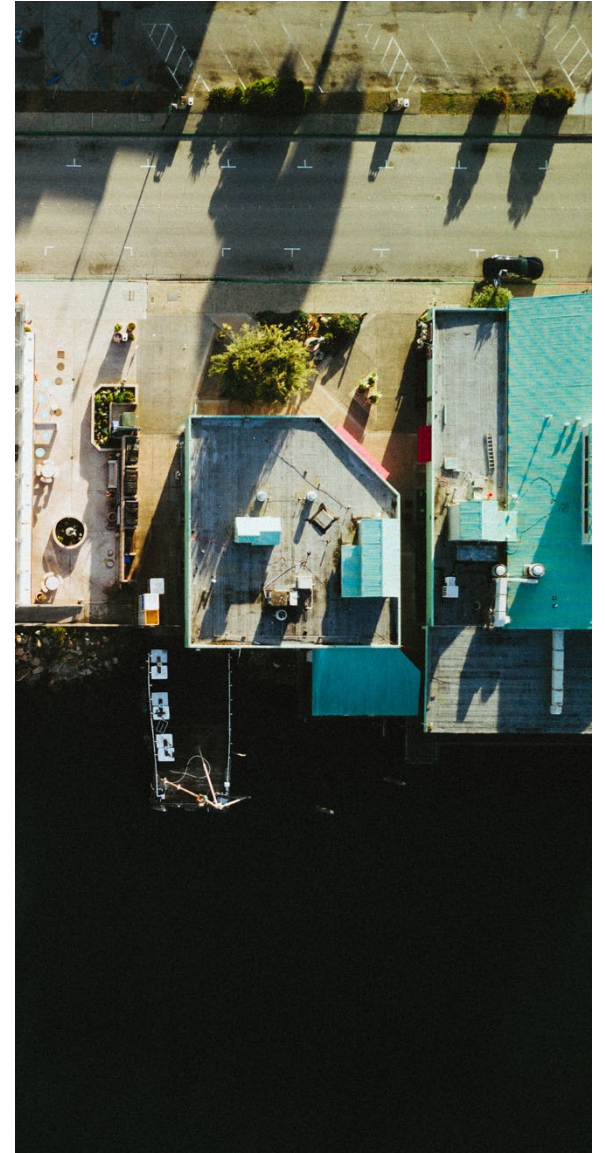
- PeopleSoft Financials and HRMS password configurations are not set consistent with the Network Domain Policy. Specifically, minimum length and complexity should be strengthened.

SYSTEM IMPLEMENTATION PROJECT MANAGEMENT (NEW IN FY20)

- Thorough testing, approvals and supporting documentation for the BenAdmin Peoplesoft HRMS implementation was not captured or retained. Although this was not an area of risk/concern related to the financial statement audit, it was evaluated given the implications related to the effectiveness of IT controls for the system as a whole. We recommend that project documentation be maintained, and reliance on an outside contractor/vendor be limited where key internal controls are concerned.

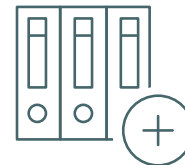


Accounting Update





New Standards



GASB 96, Subscription-Based Information Technology Arrangements

GASB 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans





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THANK
YOU