

METRO AUDIT COMMITTEE Meeting Minutes

June 2, 2025
Zoom 9:00 am

Members Present

Kristine Adams-Wannberg
Barbra Littrell
Kingston Sprague
Mack Golos
Gerritt Rosenthal
Damien Hall
Brian Kennedy
Brian Evans

Affiliation

Citizen Member
Chairperson, Citizen Member
Citizen Member
Citizen Member
Metro Councilor
MERC Representative
Metro Chief Financial Officer
Metro Auditor

Metro Staff Present

Caleb Ford
Melissa Weber
Erica Gallucci
Angela Owens
Tracy Evans

Deputy Chief Financial Officer, Finance and Regulatory Services
Controller, Finance and Regulatory Services
Accounting Program Manager
Principal Management Auditor
Metro Auditor's Administrative Assistant

External Attendees:

Ashley Osten
Anna Waldren
Alice Richichi

Engagement Reviewer and Partner, Moss Adams LLC
Senior Manager, Moss Adams LLC
Manager, Moss Adams LLC

1. Chairperson Littrell thanked those in attendance and introductions were made. Mark Golos, the new citizen member, shared a little of his background. Barbra asked for volunteers to take the position of Vice-Chair. Brian Evans explained what was involved being the chairperson and the transition timing of Vice-Chair to Chairperson. Mark was nominated and approved to become Vice-Chair.
2. Moss Adams presentation:
 - Ashley Osten welcomed the committee and covered the areas of:
 - Merger with Baker Tilly – interaction with audit team remains the same (slide 3)
 - Key service team members – Ashley Osten, Engagement Reviewer and Partner; Amanda Moore, Concurring Reviewer and Partner; Anna Waldren, Senior Manager; Alice Richichi, Manager, Risk Advisory and Compliance (slide 4).
 - Anna Waldren covered the areas of:
 - Communications with those charged with governance at Metro (Audit Committee and Metro Council) are the auditor's responsibility under US Generally Accepted Accounting Principles (GAAP). The standards require auditors to communicate about the planned scope and timing of the audit. First two are covered in this meeting (slide 5).

- Auditor's responsibilities in accordance with US GAAP (slide 6) is to review financial statements. The only thing the auditors own is their opinion according to AICPA standards. It does not relieve Metro of their responsibilities.
- Audit Process – Internal Controls (walkthroughs with key owners, testing key controls, cash management and IT controls). Analytical Procedures (revenue and expenses, trends, comparisons and other expectations). Substantive Procedures-detail testing (confirmation of account balances, vouch to supporting documentation, representations from attorneys and management, and examining objective evidence). (slide 7)
- Councilor Rosenthal asked if there are any changes in the federal controller's office concerning policies, staffing, or regulations? Impact regarding changes in federal regulations? Ashley responded that question is more to management. Despite the uncertainty in the federal environment, the standards for the audit will not change. The single audit may be impacted if grants have been cancelled. Melissa responded that Metro has not seen much of an impact, and it would not affect internal procedures. The risk really relates to lost revenue for Metro. They are keeping an eye on for possible lost funding. Councilor Rosenthal then asked about possible rollback of some of the audit standards. Will there be a shift in audit procedures? Ashley answered that there would not be a change in audit standards or procedures for this year's audit.
- 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 (reasonable not absolute assurance). It's calculated using certain quantitative (e.g., total assets) and qualitative factors (e.g., covenants, expectations, or industry factors) for each fund (slide 8). This drives how much testing is needed. Materiality levels vary for each opinion unit.
- Significant audit areas (slide 9)
 - ✓ Cash and Investments - Metro holds cash and investments, both restricted and nonrestrictive.
 - ✓ Revenues and Receivables – Revenue recognition and valuation of receivables
 - ✓ Capital Assets – Existence and valuation
 - ✓ Bonds Payable –Completeness of bond payable and related financial statement disclosures
 - ✓ Compliance with Federal Laws and Regulations and Oregon Minimum Standards (single audit) – Done because Metro receives federal funds
- Alice Richichi covered the area of the information technology audit (slide 10):
 - Scope - KMIT (Wild Republic), LeaseCrunch, Momentus (Ungerboeck-USI), PeopleSoft Financial and HR, SWIS (Solid Waste Info System), Recreation Dynamics (USEDirect) , and Weighmaster/Strong Data.
 - . The systems are audited for design and security settings, and observations for improvement are given.
 - Cybersecurity Questionnaire
 - Follow-up on prior years deficiencies
 - Design and operating effectiveness of IT General Controls- change management (program changes and configuration changes), security and access, and operations related to data transfers.
 - Advanced request list was sent to Metro the week of April 14th. Fieldwork was conducted May 12 – June 2. Observation memo should be released by June 20th. Final results will be available by Audit Committee meeting in November.
- Anna Waldren continued by covering:

- Consideration of Fraud - The team is not required to detect fraud, but to design audit procedures to identify any indications that fraud might exist. They are looking for significant fraud in high-risk areas and introduce an unpredictable procedure each year designed to assess fraud risk. They talk to Metro Auditor, conduct personnel interviews and pull non-standard journal entries (slide 11).
- Fraud – They review journal entries for things that seem odd, or unexpected or have management bias. They test journal entries and management estimates.
- Audit Timing – IT testing was in May/June; June 2, entrance meeting with audit committee, June 2 - 6 , interim testing; September 29-October 17, final fieldwork procedures for financial statements and Single Audit testing; October 24, receive draft financial statements from management; November, audit committee approval of statements and exit meeting; and December, Presentation to Metro Council (slide 12).
- Councilor Rosenthal inquired whether things like the SHS tax are audited to see if funds were spent appropriately by Metro and other entities. Ashley answered that the external audit looks at if the funds were spent and accounted for correctly. The reasonableness of expenditures are reviewed. That type of audit would be a performance audit. Brian Evans responded the Metro auditor's office has just started the third SHS performance audit.
- Ashely Osten shared upcoming standards:
 - Standards for 2025 (slide 14)
 - GASB 101, Compensated Absences – liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means. Example is vacation or sick leave accumulated.
 - GASB 102, Certain Risk Disclosures- requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of substantial impact. Additionally, this statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.
 - Standards for 2026 (slide 15)
 - GASB 103, Financial Reporting Model Improvements – the objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability.
 - GASB 104, Disclosure of Certain Capital Assets – the objective of this statement is to provide users of government financial statements with essential information about certain types of capital assets. This statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosure required by Statement 34. This statement also requires additional disclosures for capital assets held for sale.
 - Moss Adams offers an array of services: Articles and Alerts, Webcasts, and Reports and Guides can be found online (slide 16). Also contacts for Moss Adams.

3. Questions and discussions:

- Kingston asked about adoption of GASB 101, where Metro is, what the process is to implement, and if it will be a meaningful adjustment. He is adopting a flow at TriMet so wondering about Metro. Melissa stated she is also working on a flow assumption and will run it by Moss Adams. Metro has reviewed all of the various leave options against the standard to determine what might be eligible and not. There are small types of leave (Paid Leave Oregon and Washington Family Leave) that might be eligible but probably considered immaterial. Bigger bucket is sick leave which they have been analyzing historic sick leave use and what is forfeited upon termination. This doesn't seem as material as first thought. Vacation accruals that are paid out when employees leave so more of a financial liability. A memo and analysis are prepared to present to Moss Adams.

4. In closing, Barbra and Brian thanked the committee. Brian reminded them that Moss Adams has an online portal to keep track of the audit's progress until the next meet in November.

5. Adjourn – the meeting adjourned at 9:40 am.

Attachment: Moss Adam Entrance Presentation