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ANNUAL REPORT

September 2008

Citizens of the Metro Region,

The Fiscal Year 2007-2008 was the first full fiscal year that the Office of the Metro Auditor was under my complete direction. This has been a productive and rewarding year. Among our accomplishments:



- The Office completed five audits. Each audit was well received by management and the Metro Council. For a brief description see page 4.
- We made a total of 38 recommendations that, when implemented, will improve the effectiveness of Metro and MERC programs and the quality of information available to the public.
- An Ethics Line began operation under the administration of the Metro Auditor in November 2007. This provides a way for employees and citizens to report confidentially concerns about Metro or MERC services by using a toll-free number or a web site.
- In a national competition, the Association of Local Government Auditors awarded our office the 2007 Gold Knighton Award for our Natural Areas Audit.
- The Metro Council approved additional funding for a new staff auditor position to begin FY08-09. The Office now has four auditors which will allow us to increase the number of audits completed annually of Metro and MERC Services.

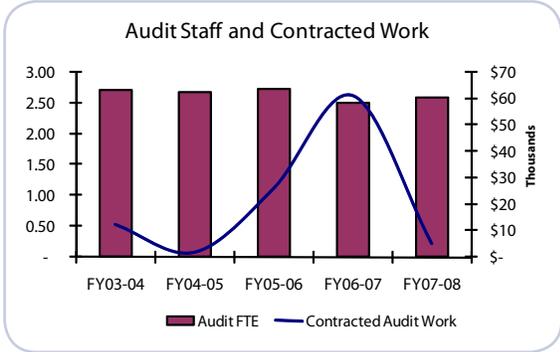
I appreciate the strong support received from the Metro Council and the cooperation extended to us by management and staff. I look forward to continuing our work with the Metro Council, MERC Commission and management, the Metro Chief Operating Officer, management and staff in finding ways to improve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

Sincerely,

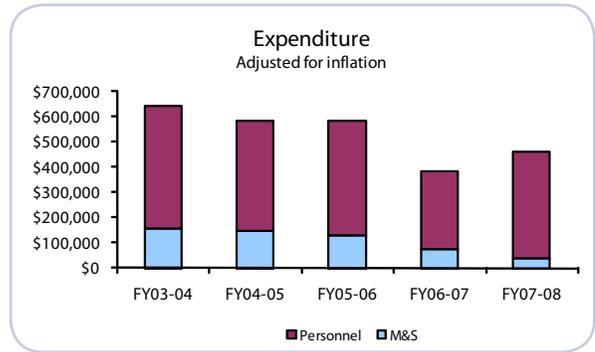
A handwritten signature in black ink, appearing to read "Suzanne Flynn".

Suzanne Flynn
Metro Auditor

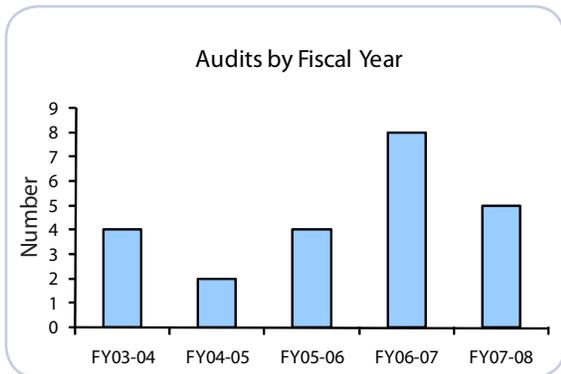
Audit Office Statistics



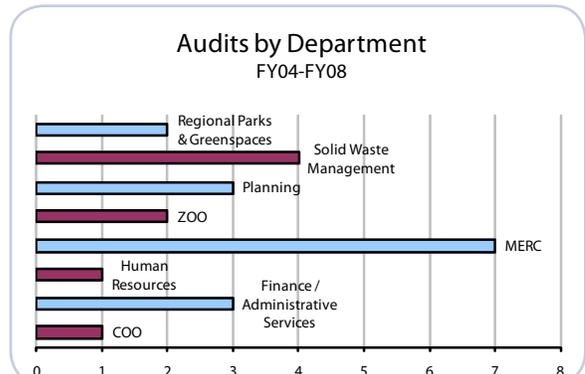
In FY07, several audits were completed by contracted auditors and audits were smaller in scope. As a result, while FTE remained relatively the same as FY08, more audits were completed. Although the office was budgeted for 3.0 FTE in FY08, the lower FTE was due to an extended leave.



Spending overall has decreased 28%. The largest percent decline was in Materials and Services (M&S). A large portion of the decrease in M&S occurred when funding for the external audit was removed from the Office's budget. Personnel spending increased from FY07 to FY08 due to staff vacancies being filled.



Five audits were completed in FY08 which represented almost 2 (1.93) audits per FTE. This is a fairly high level of productivity which was aided by the completion of some audit work by a contractor and the Metro Auditor completing two of the smaller audits.



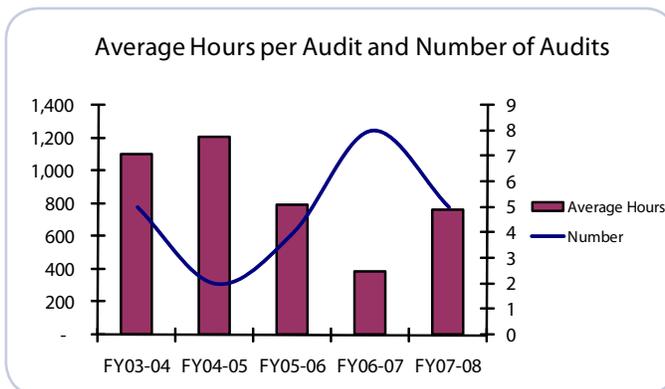
Over the past five years, the number of audits completed on MERC programs was considerably higher than other Metro programs. Audits are currently being conducted on Solid Waste Management and Planning programs and an audit of the Zoo is scheduled to begin in the spring of 2009.

Our Mission

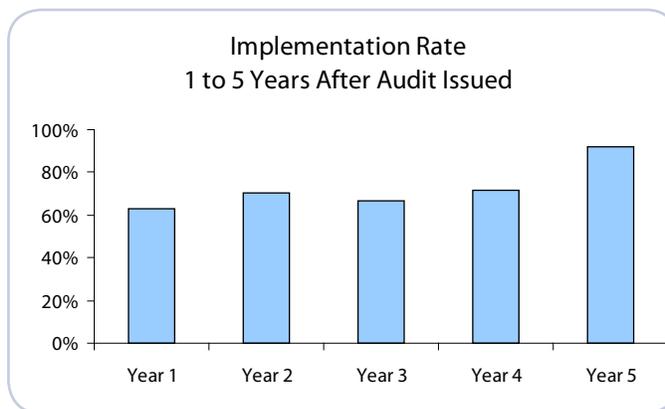
- Ensure that Metro is accountable to the public
- Ensure that Metro activities are transparent
- Improve the efficiency, effectiveness and quality of Metro services and activities by conducting independent and objective assessments and reporting our findings and recommendations

Audit Performance

The number of hours to complete an audit in FY08 ranged from 99 to 1586. Audit hours vary because of the complexity of the analysis or scope of the audit. The narrower the scope and the simpler the analysis, the fewer hours it will take to complete the audit. In FY07, a higher number of audits were completed although staffing levels were similar. The difference was caused by contracted audits completed in addition to audits completed by staff.



The implementation rate is based upon an annual survey to auditees that asks for a report on the status of recommendations. It represents the percent of recommendations that were implemented by year from the date 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 2008, by the fifth year from an audit's completion, 92% of recommendations were implemented.



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Metro Ethics Line

The Metro Ethics Line gives employees and citizens an avenue to report misconduct, waste or misuse of resources in any Metro or Metropolitan Exposition Recreation Commission (MERC) facility or department.

The ethics line is administered by the Metro Auditor's Office. All reports are taken seriously and responded to in a timely manner. The auditor contracts with a hotline vendor, EthicsPoint, to provide and maintain the reporting system. Your report will serve the public interest and assist Metro in meeting high standards of public accountability.

Confidentially report online or call toll free:

**www.metroethicsline.org
888-299-5460**

Audits Completed, Underway and Scheduled

Audits Completed in FY 2007-08

Below is a summary of audits completed last fiscal year by the Auditor and staff

MERC Performance Measures (Sept 2007). The Metropolitan Exposition Recreation Commission is a unit of Metro that oversees three of the region's main public assembly facilities - the Oregon Convention Center, the Portland Metropolitan Exposition Center and the Portland Center for the Performing Arts. The audit assessed the adequacy of MERC's performance measurement system and if it could provide management with the information needed to operate effectively. We found that MERC has taken steps towards developing a good performance measurement system; however, areas were found that could be strengthened.

(Audit team: DeShais, Lieber)

Natural Areas Program (Oct 2007). This audit was intended to assist management and the Metro Council in establishing a strong foundation to begin the 2006 bond measure program. We followed up on recommendations made in two previous audits and a review by a consulting firm. It was the conclusion of the audit that the Program now needs to direct some of its future efforts to building a performance measurement system, improving communication and using past experience to continuously improve operations.

(Audit team: King, Lieber)

System to Review Local Compliance with Metro Standards (March 2008). This audit covered the process used by the Planning Department to determine compliance with the Urban Growth Management Functional Plan. It was intended to assist the Department in its redesign of the compliance process. We made recommendations to strengthen the process by developing a plan and time lines and noted potential barriers.

(Audit team: Lieber, King)

Financial Condition of Metro FY1998-2007 (April 2008). This report provided a check-up of how well Metro was doing financially based upon financial indicators recommended by the International City/County Management Association.

(Auditor: Flynn)

Hazardous Waste Disposal Contract (May 2008). The scope of this audit was to review the contract with Metro's hazardous waste contractor to determine the quality of its performance. The audit also looked at whether the Program had adequate procedures in place to administer the contract and monitor performance.

(Auditor: Flynn)

Audits Underway

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

| | Start Date | Expected Completion |
|----------------------------------|------------|---------------------|
| Waste Reduction and Outreach | underway | Oct 2008 |
| Sustainability Management System | underway | Jan 2009 |
| Procurement Card Program | underway | Jan 2009 |

Future Audits

Following are audits projected to begin in the upcoming months

| | Start Date | Expected Completion |
|----------------------------------|------------|---------------------|
| IT-Software Controls | Nov 2008 | Apr 2009 |
| Oregon Zoo | Mar 2009 | Aug 2009 |
| Natural Areas Audit Follow-up | Apr 2009 | May 2009 |
| Regional Transportation Projects | Apr 2009 | Aug 2009 |

Audit Wins Knighton Gold Award

The Office of the Auditor was awarded with the Gold Award for Small Shops at the 2007 Association of Local Government Auditors Conference. The award went to the NATURAL AREAS audit completed in October 2007.