

November 30, 2020

Marissa Madrigal, Chief Operating Officer  
Brian Kennedy, Director, Finance & Regulatory Services  
Metro  
600 NE Grand Avenue  
Portland, Oregon 97232

We have completed our audit of the financial statements of Metro for the year ended June 30, 2020 and have issued our report thereon dated November 30, 2020. In planning and performing our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America, we considered Metro's internal control over financial reporting (internal control) as a basis for designing our auditing procedures and for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Metro's internal control. Accordingly, we do not express an opinion on the effectiveness of Metro's internal control.

During the course of the audit, we noted certain other matters involving the internal control structure, operations, and financial reporting that are presented for your consideration which are reported to you below. Our comments and recommendations have been discussed with appropriate members of management, and are intended to improve the internal control structure or result in other operating efficiencies. We would be pleased to discuss these comments in further detail at your convenience, and to perform any desired additional study of these matters.

Our comments are as follows:

#### **Expenditure Approval (Repeat from Prior Year)**

**Observation** – As part of our federal grant compliance procedures, we reviewed the controls over Metro's approval of general expenditures. We noted that while review of the expenditures was being performed, formal documentation of the review was not consistently retained.

**Recommendation** – We recommend that documentation of review of general disbursements be documented and retained.

**Management Response** – Management agrees with the recommendation and will institute a procedure to document the approval of grant expenditures.

#### **User Access**

**Observation** – As documented in our IT Debrief Memo provided to management dated September 24, 2020, we noted user access reviews were not performed by Metro.

**Recommendation** – We recommend that management ensure at least an annual review of all user access permissions to all financially-significant systems is conducted, and supporting documentation is retained to demonstrate that all access permissions and users have been verified or adjusted where needed. Additional detail related to this recommendation is included in our IT Debrief Memo.

**Management Response** – Management agrees with the recommendation and will implement improved security review and approval processes for both ERP systems.

## **Prior Year Observations and Recommendations**

### **Capital Assets**

**Observation** – During our analysis of depreciation expense, we identified two items in which the useful life was not appropriately entered into or applied by the system. The first asset was a building placed in service in 2017, but was entered into the system with an in service date in 2010, leading to over depreciation. The second asset was an asset with a useful life of 120 months, but the system was depreciating over 12 months. The subsequent correction by management over adjusted and removed too much depreciation. Additionally, we noted that assets that were not in service and were not being depreciated were classified outside of WIP. This led to a classification error. Finally, based upon our discussions with management, we noted that no physical count of capital assets had been performed in either the current or the prior fiscal year.

**Recommendation** – We recommended a control be implemented to ensure review of the asset life once it has been entered into the capital assets management system to ensure the asset lives are correct. We further recommended that controls be implemented to ensure that assets are appropriately classified as either in progress or in service, with an accurate in service date. Additionally, we recommended that management perform a periodic count of capital assets to ensure the existence of assets.

**Current year status** – In the current year, for those assets reviewed, we noted asset lives were correct. We also noted there was proper classification between in progress and in service assets with an accurate in service date for those assets that were subject to testing. We also noted management performed an inventory of physical assets for a portion of Metro's operations with the remainder of the agency to be subject to physical inventory in 2021.

### **Payroll**

**Observation** – During our testing of controls surrounding the payroll process, we noted an instance in which the reconciliation of the payroll bank account was not prepared and reviewed in a timely manner.

**Recommendation** – We recommended Metro implement controls to ensure that bank accounts are prepared and reviewed in a timely manner.

**Current year status** – Resolved.

## Expenses

**Observation** – During our audit, we identified an expense in the Natural Areas fund that was accrued for twice in the prior year, leading to an over accrual in the prior year and subsequent reversal in the current year.

**Recommendation** – We recommend that controls are in place to ensure the proper accrual of invoices at year end.

**Current year status** – Resolved.

\*\*\*\*\*

We wish to thank you, Caleb Ford, Somer Erickson, Erica Webber, and the rest of the Metro staff for their support and assistance during our audit, as well as Brian Evans, Metro Auditor, who were all very professional and pleasant to work with regarding the administration of our audit contract with Metro.

Very truly yours,

*Moss Adams LLP*

Moss Adams LLP

cc: Brian Evans, Metro Auditor