

**METRO  
FEDERAL GRANT PROGRAMS  
INDEPENDENT AUDITOR'S REPORTS  
AND  
SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS**

**JUNE 30, 2008**

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\* Incorporated by reference only

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***

Metro Council and Metro Auditor  
Portland, Oregon

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Metro as of and for the year ended June 30, 2008, which collectively comprise Metro's basic financial statements and have issued our report thereon dated December 12, 2008. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Oregon Zoo Foundation, a discretely presented component unit, as described in our report on Metro's financial statements. The financial statements of the Oregon Zoo Foundation were not audited in accordance with *Governmental Auditing Standards*.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered Metro's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Metro's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in

accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting, item 2008-01.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiency described above is a material weakness.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Metro's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Metro in a separate letter dated December 12, 2008.

Metro's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Metro's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee; management; the Council; the Secretary of State, Divisions of Audits, of the State of Oregon; federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Moss Adams, LLP*

Eugene, Oregon  
December 12, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Metro Council and Metro Auditor  
Portland, Oregon

**Compliance**

We have audited the compliance of Metro with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Metro's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Metro's management. Our responsibility is to express an opinion on Metro's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Metro's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Metro's compliance with those requirements.

In our opinion, Metro complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2008-02.

## Internal Control Over Compliance

The management of Metro is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Metro's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Metro's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in Metro's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2008-02 to be a significant deficiency.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

## Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Metro as of and for the year ended June 30, 2008, which collectively comprise Metro's basic financial statements and have issued our report thereon dated December 12, 2008. Our report was modified to include a reference to other auditors. Other auditors audited the financial statements of the Oregon Zoo Foundation, a discretely presented component unit, as described in our report on Metro's financial statements. Our audit was

performed for the purpose of forming an opinion on the financial statements that collectively comprise Metro's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Metro's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Metro's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee; management; the Council; the Secretary of State, Divisions of Audits, of the State of Oregon; federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Moss Adams, LLP*

Eugene, Oregon  
December 12, 2008

**METRO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2008**

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| <u>Grantor and program title</u>                                | <u>Federal CFDA<br/>number</u> | <u>Grant number</u>     | <u>Federal<br/>Expenditures</u> |
|---|--------------------------------|-------------------------|---------------------------------|
| <u>U. S. Department of Agriculture</u>                          |                                |                         |                                 |
| Direct programs:  |                                |                         |                                 |
| Forest Service-<br>UNO Program                                  | 10.XXX                         | 06-CS-11062200-007      | \$ 16,000                       |
| Natural Resources Conservation Service-                         |                                |                         |                                 |
| Wetlands Reserve Program-Killin Wetlands                        | 10.072                         | 66-0436-3-029           | 10,040                          |
| Wetlands Reserve Program-Lovejoy Restoration                    | 10.072                         | 66-0436-3-026           | 3,055                           |
| Subtotal Wetlands Reserve Program                               |                                |                         | <u>13,095</u>                   |
| Wildlife Habitat Incentives Program                             |                                |                         |                                 |
| Wildlife Habitat Incentives Program                             | 10.914                         | 7204365C165             | 41,008                          |
| Wildlife Habitat Incentives Program                             | 10.914                         | 7204366B517             | 700                             |
| Wildlife Habitat Incentives Program                             | 10.914                         | 72043607138             | 14,800                          |
| Wildlife Habitat Incentives Program                             | 10.914                         | 7204360714R             | 8,797                           |
| Subtotal Wildlife Habitat Incentive Program                     |                                |                         | <u>65,305</u>                   |
| Total U. S. Department of Agriculture                           |                                |                         | <u>94,400</u>                   |
| <u>U.S. Department of Defense</u>                               |                                |                         |                                 |
| Department of the Army, Office of the Chief of Engineers        |                                |                         |                                 |
| Passed through Washington Department of Fish & Wildlife         |                                |                         |                                 |
| Planning Assistance to States (Water Resources Development Act) | 12.110                         | WDFW # 06-1337          | 16,200                          |
| Planning Assistance to States (Water Resources Development Act) | 12.110                         | WDFW # 07-1660          | 8,150                           |
| Total U.S. Department of Defense                                |                                |                         | <u>24,350</u>                   |
| <u>U. S. Department of the Interior</u>                         |                                |                         |                                 |
| Direct Programs:  |                                |                         |                                 |
| Bureau of Land Management-                                      |                                |                         |                                 |
| Federal Land Policy and Management Act (FLPMA)                  | 15.XXX                         | HAA059Q00               | 44,671                          |
| U. S. Fish and Wildlife -                                       |                                |                         |                                 |
| National Fish and Wildlife Service                              |                                |                         |                                 |
| National Fish & Wildlife Foundation                             | 15.XXX                         | UNKNOWN                 | 10,000                          |
| Passed through the Department of State Lands:                   |                                |                         |                                 |
| National Fish and Wildlife Service                              |                                |                         |                                 |
| Cooperative Endangered Species Conservation Fund                | 15.615                         | USFWS Sec 6 grant E6-36 | 10,000                          |
| Cooperative Endangered Species Conservation Fund                | 15.615                         | USFWS Sec 6 grant E6-35 | 10,000                          |
| Subtotal Cooperative Endangered Species Conservation Fund       |                                |                         | <u>20,000</u>                   |

**METRO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2008**

| <u>Grantor and program title</u>  | <u>Federal CFDA<br/>number</u> | <u>Grant number</u> | <u>Federal<br/>Expenditures</u> |
|---|--------------------------------|---------------------|---------------------------------|
| <u>U. S. Department of the Interior (continued)</u>   |                                |                     |                                 |
| Passed through Oregon State Marine Board:<br>National Fish and Wildlife Service<br>Clean Vessel Act Program   | 15.616                         | N/A                 | 675                             |
| Passed through Oregon Department of Fish & Wildlife<br>National Fish and Wildlife Service<br>State Wildlife Grants (Oregon Conservation Strategy Grant) | 15.634                         | T-16, E-56          | 1,075                           |
| Total U. S. Department of the Interior  |                                |                     | <u>76,421</u>                   |
| <u>U. S. Department of Transportation</u>   |                                |                     |                                 |
| Federal Transit Administration  |                                |                     |                                 |
| Federal Highway Administration  |                                |                     |                                 |
| Highway Planning and Construction (Highway Planning and Construction Cluster):  |                                |                     |                                 |
| Passed through Oregon Department of Transportation  |                                |                     |                                 |
| 2008 Planning Fund  | 20.205                         | ODOT # 24183        | 1,617,178                       |
| 2006 STP Carryover funds  | 20.205                         | ODOT # 24183        | 196,673                         |
| 2008 STP funds  | 20.205                         | ODOT # 24183        | 461,499                         |
| 2008 STP Next Corridor  | 20.205                         | ODOT # 24183        | 102,230                         |
| 2008 STP Freight  | 20.205                         | ODOT # 24183        | 75,000                          |
| Transportation Options Mass Marketing Campaign  | 20.205                         | ODOT # 22211        | 1,036,835                       |
| I-5 / 99W Connector Project   | 20.205                         | ODOT # 22445        | 26,004                          |
| RTO Vanpool   | 20.205                         | ODOT # 24352        | 79,883                          |
| Passed through Washington Department of Transportation<br>Columbia River Crossing II  | 20.205                         | GCA-5744            | 219,056                         |
| Passed through Multnomah County, Oregon<br>Sellwood Bridge IGA  | 20.205                         | 4600006289          | 34                              |
| Passed through Clackamas County, Oregon<br>Sunrise Corridor EIS   | 20.205                         | Metro # 925507      | <u>27,348</u>                   |
| Subtotal Highway Planning and Construction  |                                |                     | <u>3,841,740</u>                |

**METRO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2008**

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| <u>Grantor and program title</u>                               | <u>Federal CFDA<br/>number</u> | <u>Grant number</u> | <u>Federal<br/>Expenditures</u> |
|--|--------------------------------|---------------------|---------------------------------|
| <u>U. S. Department of Transportation (continued)</u>          |                                |                     |                                 |
| Federal Transit Administration (continued)                     |                                |                     |                                 |
| Federal Highway Administration (continued)                     |                                |                     |                                 |
| Federal Transit - Formula Grants (Federal Transit Cluster)     |                                |                     |                                 |
| Direct programs  |                                |                     |                                 |
| Transit Oriented Development                                   | 20.507                         | OR90-X073           | 603                             |
| Federal Surface Transportation Program                         |                                |                     |                                 |
| Milwaukie Light Rail EIS                                       | 20.507                         | OR95-X012           | 1,627,365                       |
| Congestion Mitigation & Air Quality Improvement Program (CMAQ) |                                |                     |                                 |
| Regional Travel Options  | 20.507                         | OR95-X010           | 1,230,393                       |
| Subtotal Federal Transit Cluster                               |                                |                     | <u>2,858,361</u>                |
| Federal Transit Metropolitan Planning Grants                   |                                |                     |                                 |
| Passed through Oregon Department of Transportation -           |                                |                     |                                 |
| 2007 Technical Studies (Sec 5303)                              | 20.505                         | ODOT # 23390        | 194,079                         |
| 2008 Technical Studies (Sec 5303)                              | 20.505                         | ODOT # 24249        | 251,037                         |
| Subtotal Federal Transit Metropolitan Planning Grants          |                                |                     | <u>445,116</u>                  |
| Alternative Analysis   |                                |                     |                                 |
| Direct program   |                                |                     |                                 |
| Streetcar/Eastside/LO-PDX (Sec 5339)                           | 20.522                         | OR39-0002-00        | 1,547,715                       |
| Total U.S. Department of Transportation                        |                                |                     | <u>8,692,932</u>                |
| <u>Institute of Museum and Library Services</u>                |                                |                     |                                 |
| Direct Program   |                                |                     |                                 |
| Museums for America  | 45.301                         | MA-02-05-0300-05    | 28,122                          |
| Total Institute of Museum and Library Services                 |                                |                     | <u>28,122</u>                   |
| <u>U.S. Environmental Protection Agency</u>                    |                                |                     |                                 |
| Direct Program   |                                |                     |                                 |
| Brownfields Assessment and Cleanup Cooperative Agreements      | 66.818                         | BF-96044701         | 57,066                          |
| Passed through Oregon DEQ:                                     |                                |                     |                                 |
| Nonpoint Source Implementation Grants                          | 66.460                         | C9-000451-07        | 14,298                          |
| Total U.S. Environmental Protection Agency                     |                                |                     | <u>71,364</u>                   |

**METRO**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2008**

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| <u>Grantor and program title</u>                            | <u>Federal CFDA<br/>number</u> | <u>Grant number</u> | <u>Federal<br/>Expenditures</u> |
|---|--------------------------------|---------------------|---------------------------------|
| <u>U.S. Department of Health &amp; Human Services</u>       |                                |                     |                                 |
| National Institute of Health                                |                                |                     |                                 |
| National Institute of Environmental Health Sciences (NIEHS) |                                |                     |                                 |
| Passed through Oregon Dept of Human Services                |                                |                     |                                 |
| Environmental Health (Public Health Hazards)                | 93.113                         | # 122132            | 8,364                           |
| Passed through Oregon Research Institute                    |                                |                     |                                 |
| Environmental Health (Biometry and Risk Est                 |                                |                     |                                 |
| Health Risks from Enviro Exposure)                          | 93.113                         | R01 ES014252        | <u>7,318</u>                    |
| Subtotal Environmental Health Sciences                      |                                |                     | 15,682                          |
| Passed through Oregon Health Sciences University            |                                |                     |                                 |
| Aging Research (Neighborhood Design and                     |                                |                     |                                 |
| Obesity in Women)   | 93.866                         | GPHPM0136A          | 19,862                          |
| Aging Research (S.W.E.A.T. Observation Project)             | 93.866                         | AG024978            | <u>4,690</u>                    |
| Subtotal Aging Research                                     |                                |                     | 24,552                          |
| Total U.S. Department of Health & Human Services            |                                |                     | <u>40,234</u>                   |
| Total Expenditures of Federal Awards                        |                                |                     | <u>\$ 9,027,823</u>             |

**METRO**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2008**

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**NOTE 1 - ACCOUNTING POLICIES**

**General** - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Metro. Metro's financial reporting entity is described in note 1 to Metro's basic financial statements. Financial assistance received directly from federal agencies as well as financial assistance passed through other government agencies is included in the accompanying schedule.

**Basis of accounting** - The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in note 3 to Metro's basic financial statements.

**Relationship to basic financial statements** – Federal assistance revenues are reported in Metro's basic financial statements included with revenues from federal and state sources, as described in note 3 to Metro's basic financial statements.

METRO  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2008**

**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?      \_\_\_\_\_ yes        X   no
- Significant deficiencies(s) identified  
not considered to be material weaknesses?        X   yes      \_\_\_\_\_ none reported

Noncompliance material to financial statements noted?      \_\_\_\_\_ yes        X   no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?      \_\_\_\_\_ yes        X   no
- Significant deficiencies (s) identified  
not considered to be material weaknesses?        X   yes      \_\_\_\_\_ none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?        X   yes      \_\_\_\_\_ no

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u>      |
|-----------------------|--|
| 20.505                | Federal Transit – Metropolitan Planning Grants |
|                       | Federal Transit Cluster                        |
| 20.507                | Federal Transit - Formula Grants               |
| 20.522                | Alternative Analysis                           |

Dollar threshold used to distinguish between type A and type B programs:      \$        300,000  

Auditee qualified as low-risk auditee?      \_\_\_\_\_ yes        X   no

**METRO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008**

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**Section II - Financial Statement Findings**

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**Finding 2008-01 Health Insurance Payable - Significant Deficiency in Internal Control**

**Criteria:** Liabilities should be recorded and reported in the period in which the expenditure has been incurred.

**Condition:** While testing accrued expenses we noted that Metro had recorded a liability in fiscal year 2008 for health insurance premiums that covered July 2008.

**Effect:** As of June 30, 2008, salaries, withholdings and payroll taxes payable in the Governmental Activities – Internal Service Fund are overstated by \$674,992. In addition, the effect on change in net assets is an understatement of \$73,423.

**Cause:** Accrued payroll charges are calculated and recorded automatically by the payroll system each pay period. Management has not analyzed and considered the proper period for payroll liabilities automatically posted by the system.

**Recommendation:** We recommend that Metro implement a review process to analyze liabilities recorded by the payroll system to ensure they are recorded in the correct fiscal period.

**Views of Responsible Officials (unaudited):** The issue identified involves the treatment of health insurance premiums collected in June for July coverage. Metro has treated these health and welfare premiums in the same manner since the installation of PeopleSoft in 1997 and perhaps longer. Based on this finding, we will change our treatment of these premiums in the in future years. The initial strategy is to determine whether we can automate this change through PeopleSoft. Failing that, we will add the June health insurance premiums to the audit checklist for manual correction prior to closing the year. There are no other issues related to salaries, withholdings or payroll taxes.

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**Section III - Federal Award Findings and Questioned Costs**

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**Finding 2008-02 Procurement, Suspension and Debarment – Significant Deficiency in Internal Control and Instances of Noncompliance**

**Program:** Federal Transit Cluster (Federal CFDA number 20.507) & Federal Transit – Metropolitan Planning Grants (Federal CFDA number 20.505)

**Criteria:** As noted in the A-102 Common Rule, Section 36, governmental subrecipients of States, shall use the same policies and procedures used for procurements from non-Federal funds. They also shall ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations. Per 49 CFR, Part 18 Section 36 (i) Contract provisions, a grantee's and subgrantee's contracts must contain the various provisions in paragraph (i).

49 CFR Section 661 requires Buy America certification and 23 CFR Section 635.114 (g) requires lobbying certification and suspension and debarment certification in the bidding documents.

**Condition:** During our testing of procurement, we noted five instances in fifteen contracts tested where a contract did not include any of the required federal clauses and certifications. Of those five contracts it was noted that two of the contracts did not go through an established procurement process.

**Questioned Costs:** None as discussed below.

**Perspective Information:** For three of the five contracts, the contractor was initially engaged for a nonfederally sourced project. Once the project was allowed to be covered by federal dollars the contract was not subsequently reviewed to ensure it had the appropriate language included. An amendment was never issued. The costs paid by the grant were allowable per the scope of the grant. The other two contracts should have had master agreements in place. It was noted the master agreements had expired in 2001 and 2006 and no negotiation process had occurred to have a current contract in place.

**Effect:** Federal funds were expended in procurement contracts missing required certifications and/or evidence of the Agency following established procurement procedures.

**Cause:** Subsequent review of contracts did not occur when there were changes in funding sources or a lapse in contract terms.

**Recommendation:** Moss Adams recommends Metro implement a tracking and review process of contracts to ensure appropriate language is included for contracts that are receiving federal funds. Additionally, the review should include review of contract terms to ensure the contract is still current.

**Views of Responsible Officials (unaudited):**

The Planning and Development Center has taken the following actions:

1. Language and requisite attachments for federal contracts: A checklist has been developed that we will begin using in January to insure that federal contract clauses and certifications are included on all federally funded contracts.
2. Contracts that change funding source from non-federal funds to all or partial federal funds after initial award: The checklist will also address this situation to insure that contracts are amended to include federal contract clauses and certifications once the funding source is changed to include federal funds, whether or not the total contract price is modified.
3. Expired contracts and master agreements for temporary employment agencies: Metro has in place master agreements with two employment agencies meeting Oregon's criteria as a Qualified Rehabilitation Facility (QRF) pursuant to ORS 279. Metro programs needing temporary workers are obligated to work with Human Resources to determine if these agencies can provide workers with the requisite skills sets. If the QRF agencies are not able to provide skilled workers, programs may seek temporary workers from other employment agencies not certified as QRFs. There are no master agreements with non-QRF agencies, so individual contracts must be initiated each time another agency is used, and done so in accordance with Metro's contracting policies. The Planning and Development Center is now aware of how to access the master contracts and what is required to contract with an alternate provider if the QRF is unable to supply a worker with the necessary skills

**METRO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008**

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**Section IV – Summary Schedule of Prior Federal Award Findings**

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**Finding 2007-08 – Preparation of the Schedule of Expenditures of Federal Awards (SEFA) – Significant Deficiency in Internal Control**

**Condition:** Metro did not have procedures in place to ensure the completeness or accuracy of the SEFA. Moss Adams performed substantial inquiry to obtain accurate and complete data from different departments throughout the organization and determined the federal funds were materially correct on the SEFA. However, amounts received from pass-through entities were not readily determinable for the amount of Federal funds involved. Rather, Metro treated all funds received as Federal awards.

**Recommendation:** Moss Adams recommends that Metro develop and implement policies to ensure the preparation of the SEFA is complete and thorough. Such a policy should include mechanisms for the timely and accurately identification of federal funds received from all sources. Additionally, responsibility for preparation of the SEFA should be considered from an organization-wide perspective, rather than on a department basis.

**Current Status:** Resolved

**Finding 2007-09 – Reporting: Timeliness of Report Filing – Significant Deficiency in Internal Control and Instances of Noncompliance**

**Condition:** Metro did not have procedures in place to ensure timely reporting of financial reports.

**Recommendation:** Moss Adams recommends Metro create a tickler system to ensure timely filing of required reports, with periodic review by grant and project managers.

**Current Status:** Resolved

**Finding 2007-10 – Subrecipient Monitoring: Review of Subcontractor Audit Reports – Significant Deficiency in Internal Control and Instances of Noncompliance**

**Condition:** Metro receives the A-133 reports from entities that are required to provide them. There is no process to ensure that a responsible person is reviewing the results of the audit reports for any issues or deficiencies. As such, Metro is not aware of subrecipient audit findings and results of any required corrective action(s). Additionally, there are no compensating controls for the monitoring process.

**Recommendation:** Moss Adams recommends that Metro develop and adhere to policies / procedures with respect to subrecipient monitoring that specifically addresses review of A-133 reports, includes verification of corrective action for audit findings, and additional monitoring for subrecipients that have audit findings.

**Current Status:** Resolved