



METRO

Office of the Auditor

FUNCTIONAL PLAN COMPLIANCE AUDIT FOLLOW-UP

Elizabeth Wager
Senior Management Auditor

February 22, 2010

SUMMARY

The Metro Auditor has reviewed the Planning and Development Department's implementation of recommendations from the 2008 audit report "**Functional Plan Compliance Process: Strengthen Redesign Efforts.**" The auditor found that the Planning and Development Department implemented recommendations related to ongoing compliance reviews; however, additional efforts should be focused on annual compliance.

We performed this follow-up audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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BACKGROUND

Oregon Revised Statute 268.390(5) enabled Metro to adopt implementing ordinances that require local comprehensive plans to comply with regionally established frameworks. This allowed Metro to create the Urban Growth Management Functional Plan (Functional Plan). The Functional Plan states how local governments must develop their comprehensive plans and land use regulations to be consistent with the regional vision. Metro monitors local compliance to determine if the Functional Plan is being followed.

In March 2008, Metro's Office of the Auditor released an audit report that examined how Metro monitors compliance with the Functional Plan. The audit was requested by the Planning director to review the monitoring process and recommend improvements. The agency was interested in redesigning its compliance process to move toward one more focused on collaboration and performance results.

The audit identified some barriers Metro faced in redesigning its compliance process. Those barriers centered on obtaining data and eliciting voluntary compliance through an incentive system. Additionally, the audit found efficiency gains could be made through process improvements.

The Planning and Development Department accepted the audit recommendations, noting that the redesign of the compliance process needed to be explicit and any changes needed to be incorporated into the Metro Code.

SCOPE AND METHODOLOGY

We limited the scope of the follow-up audit to determine whether Metro took action to improve the Functional Plan compliance monitoring process. Additionally, we assessed the progress the Planning and Development Department and agency management has made in shifting compliance to a process more focused on performance results and collaboration. We did not conduct follow-up work on recommendations related to the Data Resource Center because decisions on performance standards have not been made.

Our audit objectives were to determine:

- a) If Metro redesigned its Functional Plan compliance process,
- b) If Metro wrote and published compliance reports (and if those reports were more useful than in the past),
- c) If Metro had written policies and procedures to guide how notices of local plan changes should be managed, and
- d) If documents were better managed.

To accomplish this, we met with agency and Department management responsible for the program to determine if changes in the compliance process had been made. We interviewed agency management, the employees who developed the changes and were implementing the new systems, and the planners who used the new system.

We reviewed the new policies and procedures and the systems used to monitor jurisdictional compliance and also the division's new document management structure.

RESULTS

We found the Planning and Development Department had implemented the recommendations related to improving the ongoing compliance monitoring process, but not those related to the annual compliance report. This was due, in part, to the agency's desire to shift compliance away from a regulatory role to one more focused on performance results. Metro was working on developing performance standards. Management thought those could be used to evaluate progress in implementing Metro's 2040 Growth Concept, as well as to monitor Functional Plan compliance. Additionally, our recommendation to revise the Metro Code to reflect the changes in the compliance process had not been implemented.

We heard from senior staff as well as management that the performance standards will be established in 2010. However, there was no timeline or milestones to evaluate progress—or a work plan or schedule to signal if the project was progressing appropriately. Agency management and the Planning and Development Department need to come to consensus regarding how and when the performance standards will be developed so there will be a higher likelihood this objective will be achieved. Further, we questioned whether a performance measurement system will provide sufficient information to local jurisdictions about compliance and whether it will fulfill Metro's role in compliance monitoring.

RECOMMENDATIONS IMPLEMENTED

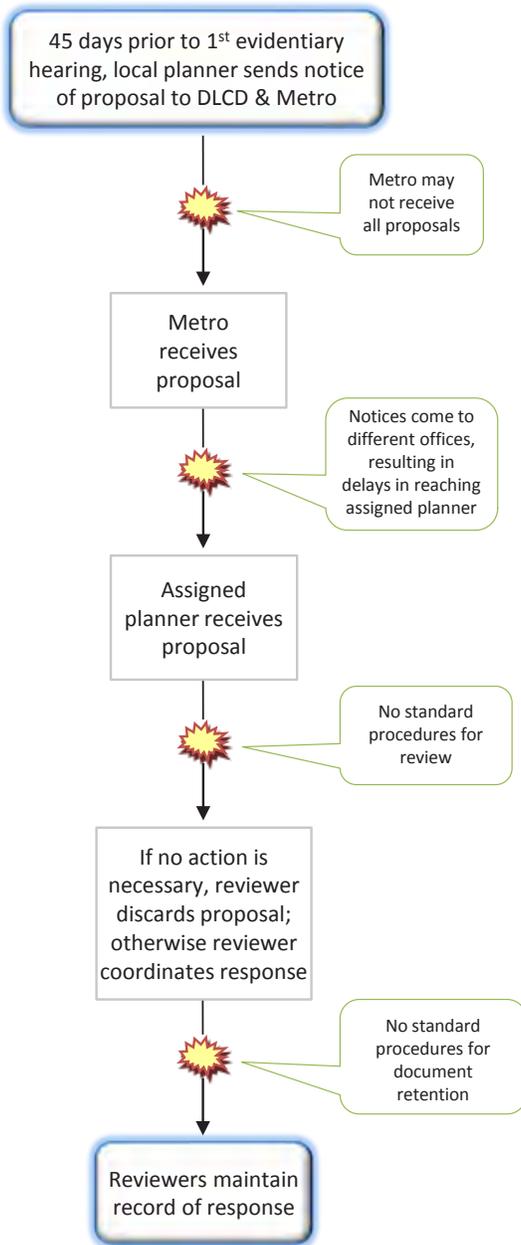
We commend the Planning and Development staff for redesigning the ongoing review compliance process. The Department's new system addressed the weaknesses noted in the prior audit (refer to Exhibit 1). The Planning and Development Department established a coordinator responsible for managing documentation and established a file management system. Procedures for ongoing review of titles in accordance with specific written criteria were also established.

RECOMMENDATIONS NOT IMPLEMENTED

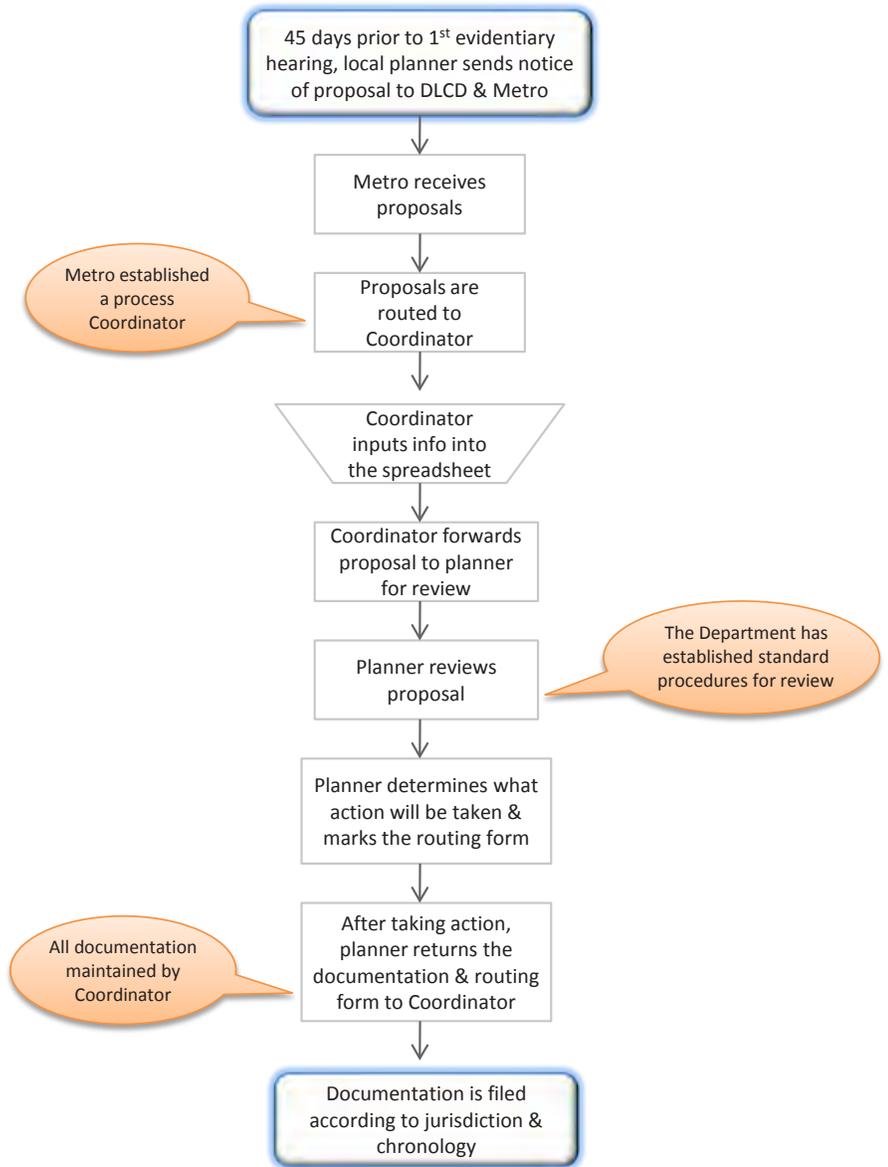
Functional Plan Compliance and Achieving the 2040 Growth Concept

In November 2007, the Metro Chief Operating Officer issued a memorandum to Metro jurisdictions notifying them of changes in compliance monitoring. The memo indicated compliance reporting on certain elements of the Functional Plan would be suspended; some titles of the Functional Plan would be amended; compliance reporting for the most recent titles would continue; and the annual compliance report would be changed. An underlying issue within the compliance process was that some viewed it as burdensome and bureaucratic.

Ongoing Compliance Review Process
Prior to 2008 Report



Redesigned Ongoing Compliance
Review Process



The annual report was intended to provide accountability regarding jurisdictions' compliance with the Functional Plan. The 2007 memo stated that the annual compliance report would be changed. Rather than changing the annual compliance report, it appears to have been discontinued. Staff indicated they were waiting for direction from management regarding how to proceed with the annual compliance report. Staff believed the annual reporting would still be produced but it was unclear how or when it will resume.

Planning and Development management said the focus has been on achieving consensus on region-wide performance measures before shifting the focus to integrating the performance measures with compliance. A draft of regional indicators was discussed at a Metro Policy Advisory Committee meeting in October 2009 and auditors were told those regional indicators would be accepted by the Committee in 2010. Planning management said progress will be made on the regional indicators within 2010, although there is no work plan, schedule or timelines. Once the region-wide performance measures are established, work on integrating compliance with performance measures can continue.

Designing, coming to agreement on, and implementing a performance measurement system is complex and lengthy. We are not convinced that a new report will be designed in the near future. Further, we are not certain that such a system would address accountability at the local jurisdiction level.

AREAS NEEDING FURTHER ATTENTION

While Metro implemented some of the recommendations from the audit, key areas remain.

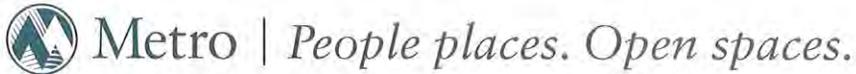
- 1) To ensure achievement of Functional Plan objectives, Metro leadership should re-evaluate whether using performance measures will provide sufficient information to judge the effectiveness of planning recommendations.
- 2) If Metro plans to pursue evaluating compliance through a system of performance measures, the following should be done to increase the likelihood of success:
 - Identify a team responsible for the development of the performance measures.
 - Create a schedule and a work-plan for the development and implementation which includes timeline and milestones.
 - Amend the Metro Code to reflect any revisions to the requirement to report on compliance annually.

STATUS OF METRO AUDITOR RECOMMENDATIONS

2008 Recommendations	Status
<p>In redesigning its compliance system, Metro should:</p> <ul style="list-style-type: none"> a. Dedicate a team to be responsible for managing the redesign. b. Develop a timeline with milestones in order to measure progress and identify obstacles. c. Clarify goals, principles and priorities. d. Develop an approach for how Metro will communicate with stakeholders about the new process 	<i>IN PROCESS</i>
<p>If Metro will use data from its Data Resource Center as a basis for evaluating local compliance, Metro should:</p> <ul style="list-style-type: none"> a. Address gaps in permit and tax lot data and missing permit data for some communities in Metro. b. Monitor the quality of data, and c. Establish a way to collect and report data regularly for compliance. 	<i>NOT IN THE AUDIT FOLLOW-UP SCOPE</i>
<p>Metro should create a file management system for its compliance documents that:</p> <ul style="list-style-type: none"> a. Follows the schedule listed in Metro’s Records Retention Schedule for Functional Plan records. b. Has written instructions for the organization of files and records to promote consistency. c. Assigns a lead records coordinator to develop and supervise compliance files. 	<i>IMPLEMENTED</i>
<p>Metro should have written procedures to guide how notices of local plan changes and land use regulations are managed.</p>	<i>IMPLEMENTED</i>
<p>Metro should improve the efficiency of ongoing reviews by coordinating with DLCD to receive local proposals electronically</p>	<i>IMPLEMENTED</i>
<p>Metro should make reports more useful by:</p> <ul style="list-style-type: none"> a. Providing a table of contents. b. Starting with a summary overview. c. Keeping reports short and concise. d. Including a substantive evaluation of the effectiveness of the Functional Plan in achieving the 2040 Growth Concept. e. Using a consistent layout and organization in presenting information. 	<i>IN PROCESS</i>
<p>Once Metro redesigns its Functional Plan compliance process, it should revise the Metro Code and submit the changes to DLCD for review</p>	<i>IN PROCESS</i>

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February 19, 2010

The Honorable Suzanne Flynn
Metro Auditor
600 NE Grand Ave
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Dear Ms. Flynn:

Thank you for the opportunity to respond to your audit "Functional Plan Compliance Audit Follow-up." Staff would like to thank you for your recognition of our efforts to improve the ongoing compliance monitoring process.

Background:

The Auditor's March 2008 report, titled "Functional Plan Compliance Process: Strengthening Redesign Efforts," recommended that Metro develop a plan for how it will redesign its functional plan compliance process and improve its file management system for compliance documents. The report came shortly after Michael Jordan directed local jurisdictions to suspend progress reporting on several elements required in the functional plan to allow Metro to create a more meaningful way of evaluating progress in implementing the 2040 Growth Concept by integrating compliance with performance measures. The major recommendations in the 2008 report were to:

- Develop a team and approach to the redesign process;
- Improve the data resources to monitor performance;
- Improve the land use compliance file management system and procedures;
- Improve the annual compliance report; and
- Submit proposed changes to DLCD.

The report noted that Metro's proposal to link compliance to performance measures faced many barriers and challenges.

In its response, the Planning and Development Department stated its intent to incorporate the redesign of the compliance process into Making the Greatest Place (MGP). The response highlighted the importance of council and local jurisdiction discussions about the role of the functional plan in implementing the 2040 Growth Concept and in redesigning the compliance process.

Since 2008, the Department has worked with the Council to implement many of these recommendations:

- In 2009, instituted an outcomes-based approach that aligns the growth management decisions with desired regional outcomes, shifting the framework for decisions on the Regional Transportation Plan, Urban Growth Report, Reserves and other decisions.

- In 2009, established measures and targets to evaluate our progress to achieving outcomes through the Regional Transportation Plan. Currently establishing targets and performance measures for other land use decisions. Through the Regional Indicators Project, we've created an approach to link urban growth management decisions with broader social, economic and environmental measures.
- Embraced a fuller approach to compliance that relies on both incentives and regulation that will be reflected in the functional plan and framework plan change in 2010.
- Streamlined the review process for local land use actions and shifted greater resources to support local jurisdictions to implement the 2040 Growth Concept.

Concept Status:

In the "Functional Plan Compliance Audit Follow-up" (January 2010), your office evaluated the actions Metro took to improve the Functional Plan compliance monitoring process and shift compliance to a process more focused on performance results and collaboration.

The audit correctly noted that we have not yet redesigned the compliance process, updated the annual report, shifted to using performance results, or amended the code. The audit is also correct in stating that this effort is not easy and requires a commitment of resources, as well as careful thinking about what a redesign should include. Over the next year, the MGP schedule calls for:

- Revisions to the Functional Plan to link requirements to measures of performance and incentives.
- Annual compliance report revisions to make it a more useful document.
- Develop performance measures and targets as needed to support the MGP, specifically the urban growth management decisions in 2010.

The audit identified the need to establish a team responsible for developing performance measures, a scope and work plan. This effort is in process. Staff is organizing work teams and work scopes to support the Regional Indicators Project, the urban growth management decisions and regional investment strategy.

Staff is implementing Council's direction to emphasize incentives and performance outcomes over regulations to implement the 2040 Growth Concept. Examples include targeted technical and financial assistance (e.g. Construction Excise Tax, Brownfields program, TOD program dollars) to communities to develop downtowns and mainstreets.

Sincerely,



Robin McArthur, AICP
Director, Planning and Development Department

cc: Michael Jordan
Scott Robinson
John Williams
Chris Deffebach