

Metro

***Status of Audit
Recommendations***

May 1997

A Status Report by the Office of the Auditor



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May 30, 1997

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The accompanying report is intended to provide you with an overview of the recommendations that have been made by the Auditor's Office since its inception in 1995, together with actions taken by Metro's Executive Officer to implement each recommendation.

Two-thirds of the 66 recommendations issued have been fully implemented. Most remaining recommendations are partially implemented or are in process.

We appreciate the cooperation and assistance provided by the Executive Officer and Metro departments which provided information upon which this summary report is based.

Please contact me if you have any questions or desire additional information.

Yours very truly,

Alexis Dow, CPA
Metro Auditor

AD:ems

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Chapter 1: Introduction

Introduction

Report Objective

This report is intended to provide the Metro Council, Executive Officer and the public with an overview of recommendations made and their status. We have included all reports issued since the office was established in 1995.

Audit reports describe the results of reviews of Metro's operations with recommendations for improvement. For audit work to be effective, these recommendations must be implemented. Accordingly, the Metro Auditor periodically surveys departments to determine the implementation status of recommendations and to encourage their completion. The Metro Auditor reports the results of this follow-up work to the Metro Council, Executive Officer and the public as part of the Office of the Auditor's mission:

To assist and advise Metro in achieving:

- ⇒ honest and efficient management*
- ⇒ full accountability to the public*

This is the second report on the implementation status of audit recommendations. The first report was released in May 1996. The current report covers recommendations from audits and reviews published from September 1995 through February 1997. Implementation status is as of April 1997.

Background

Since the first Metro Auditor took office in early 1995, we have conducted audit work in four of Metro's departments:

- Regional Environmental Management
- Transportation Planning
- Parks and Greenspaces
- Administrative Services

The three remaining operating units are Metro Exposition-Recreation Commission (MERC), Growth Management and the Metro Washington Park Zoo. An audit of one of MERC's activities was completed in March 1997, and audit work in Growth Management should be completed by late summer 1997. Audit work is scheduled for the Metro Washington Park Zoo within the next six months.

We are pleased to report that the Executive Officer's staff have addressed most of our audit recommendations. Of 66 total audit suggestions:

- 45 have been implemented
- 16 are in the process of implementation
- 5 are no longer applicable due to changed circumstances.

Audit recommendations target improving the efficiency and effectiveness of Metro operations, ensuring compliance with Metro policies and other requirements, and ensuring program goals and objectives are achieved.

Each recommendation and its status is listed in the first section of this report. The second section provides background on each audit and a summary of recommendations yet to be implemented. A form for use in ordering reports is provided at the back of this report, as is a comment sheet to provide feedback to the Metro Auditor.

Methods

We contacted relevant staff and departments to determine the status of audit recommendations. We asked each Metro department to provide a written description of actions taken implementing each recommendation. We also asked them to provide records and other documentation providing evidence that actions had actually been carried out. We then reviewed the information they furnished and continued to request information until we gained a clear understanding of the actions taken.

Implementation of audit recommendations relating to the Grant Management audit (July 1996) was not verified. We elected to defer our follow-up on those recommendations until September 1997. This will enable us to determine whether improvements to end-of-fiscal-year grant procedures have been made.

Our work conformed to generally accepted government auditing principles, except for work related to grant management recommendations, which was limited as described in the preceding paragraph.

Chapter 2: Status of Recommendations

Status of Recommendations

We reviewed 66 recommendations in audit reports issued since the inception of the Office of the Auditor. The following list includes a summary of audit suggestions for each report issued and their status.

Most audit suggestions have either been implemented or their implementation is under way. A "√" indicates the recommendation was implemented. The notation "In process" indicates the relevant department has begun implementing or has partially implemented the suggestion.

For further information on each audit, refer to Chapter 3, where reports are summarized and more detail is provided on remaining recommendations where appropriate.

Status of Recommendations

Status

Comments on Solid Waste Rate Reform Project

October, 1996

Undertake a study:

1. Of rate-making practices in the utility industry.
2. Of rate structures funding solid waste programs in other governments.
3. To identify a more effective rate structure for Metro.
4. To develop potential rate structures tailored to Metro's needs.
5. To request stakeholder input focused on replacing the current rate structure.

These recommendations are no longer applicable; see page 13.

Franchise Management

August, 1996

1. Overhaul the Metro Code franchise provisions.
2. Ask the Metro Council to clarify the policy restricting relationships between franchised processors and collection and hauling companies.
3. Determine whether franchisee ownership changes should be treated as transfers that are subject to Metro Council review and approval.
4. Develop an oversight system covering all regulation issues.

In process

In process

In process

√

Status of Recommendations

Status

Investment Management Program

August, 1996

- | | |
|---|------------|
| 1. Clarify roles and responsibilities of staff managing investments. | In process |
| 2. Reconcile Metro Code priorities and investment criteria. | √ |
| 3. Independently verify yield calculations regularly | In process |
| 4. Finish updating the Metro Code investment policy. | √ |
| 5. Evaluate the effectiveness of cash forecasting in meeting Metro's investment objectives. | In process |
| 6. Evaluate use of Investment Advisory Board meetings. | √ |
| 7. Evaluate the use of investment information sources. | √ |
| 8. Consider changing the investment report format. | √ |

Grant Management

July, 1996

- | | |
|--|---|
| 1. Speed invoicing and improve cash flow by: | |
| a. Changing fund allocations independently of invoicing. | √ |
| b. Investigating downloading expense data to the grant management system sooner. | √ |
| c. Obtaining management approvals concurrent with invoice processing. | √ |

Status of Recommendations

Status

Grant Management (cont.)

- d. Establishing a goal for mailing invoices and monitoring performance. ✓

- 2. Ensure all grants are identified for compliance monitoring by:
 - a. Setting criteria to classify contracts and grants. In process
 - b. Designating staff to make contract vs. grant decisions. ✓
 - c. Documenting the basis of contract vs. grant decisions. ✓

- 3. Ensure grant subrecipients comply with grant regulations by:
 - a. Identifying subrecipients when subcontracts are initiated. ✓
 - b. Improving management of sub-grants. In process

- 4. Improve procedures for adjusting grant allocations by:
 - a. Establishing written procedures for allocation changes. ✓
 - b. Communicating major allocation changes as appropriate. ✓

Status of Recommendations

Status

Grant Management (cont.)

5. Ensure consistent grant management across departments by:
 - a. Recording key information when initiating a grant agreement. ✓
 - b. Requiring departments to maintain and exchange grant information on a timely basis. ✓
 - c. Establishing a forum of staff with grant management responsibilities. ✓
 - d. Developing specific procedures for revenue-generating contracts. ✓
 - e. Submitting all grant contracts to the Risk and Contract Management Division for review and monitoring. ✓

Metro's Open Spaces Program

June, 1996

1. Avoid disclosing Metro's offer prices to independent appraisers. ✓
2. Periodically evaluate program goals and progress, and provide the results to the Metro Council. In process
3. Ensure accurate identification of properties approved by the Metro Council for acquisition. ✓
4. Provide better security for refinement area maps. ✓

Status of Recommendations

Status

Metro's Open Spaces Program (cont.)

5. Discourage staff from disclosing appraisal and purchase information before Metro has acquired properties. ✓
6. Ensure all due diligence procedures have been completed. ✓
7. Clarify "unusual circumstances" for property purchase. ✓
8. Document the steps that staff should follow in developing acquisition strategies and communicate it to Metro's real estate negotiators. ✓
9. Develop a procedure for local governments to change those authorized to request local share payments. ✓

Review of Metro's Solid Waste Enforcement Unit

February, 1996

1. Determine whether enforcement has prevented loss of solid waste revenue. In process
2. Better integrate enforcement with the Regional Solid Waste Management Plan. ✓
3. Establish measurable objectives for enforcement efforts. ✓
4. Delegate enforcement authority to facilitate prosecution and make penalties consistent within Metro's boundary. ✓

Status of Recommendations

Status

Review of Metro's Solid Waste Enforcement Unit (cont.)

5. Assess whether Metro's cleanup efforts are too concentrated in Multnomah County. ✓
6. Coordinate with local jurisdictions to ensure equitable handling of illegal dumping within Metro boundary. In process
7. Develop a clearer definition of "beneficial materials" and address misidentification of Metro waste at area landfills. In process

Administration of Existing Contract for Waste Disposal Services

January, 1996

1. Request a reduction in the disposal rate to correct a previous rounding error. ✓
2. Develop a method to verify billing credits for waste delivered to Columbia Ridge Landfill by others. ✓
3. Implement additional security measures to protect computers and waste load data at transfer stations. In process
4. Develop measures to prevent the transport of unweighed waste into Metro transfer stations. In process
5. Assign responsibility for monitoring Metro's guarantee to deliver 90% of "acceptable" waste to OWS. ✓

Status of Recommendations

Status

Administration of Existing Contract for Waste Disposal Services (cont.)

- | | |
|--|------------|
| 6. Continue closely monitoring waste tonnage hauled in and out of transfer stations. | In process |
| 7. Ensure outbound waste load data are accurate. | √ |
| 8. Require documentation and close review of hand-written load data. | √ |
| 9. Annually verify that OWS has met insurance requirements. | √ |

Glendoveer Cellular Site Lease

October, 1995

- | | |
|---|---|
| 1. Ensure lease revenue is competitive when negotiating future leases. | √ |
| 2. Obtain independent bids to ensure competitive payment when negotiating leases that require lessee to perform services paid by Metro. | √ |
| 3. Evaluate the effects of changes affecting the Glisan Street Recreation contract and enforce the provisions accordingly. | √ |
| 4. Route quotes and invoices for services rendered under the Cellular Site Lease to the Parks Department Director. | √ |

Status of Recommendations

Status

Observations Relating to Loaned Employees and Metro's Code of Ethics

September, 1995

1. Consider establishing a comprehensive code of ethics for Metro.

In process

Observations Relating to the Outreach and Educational Program's Salmon Festival

September, 1995

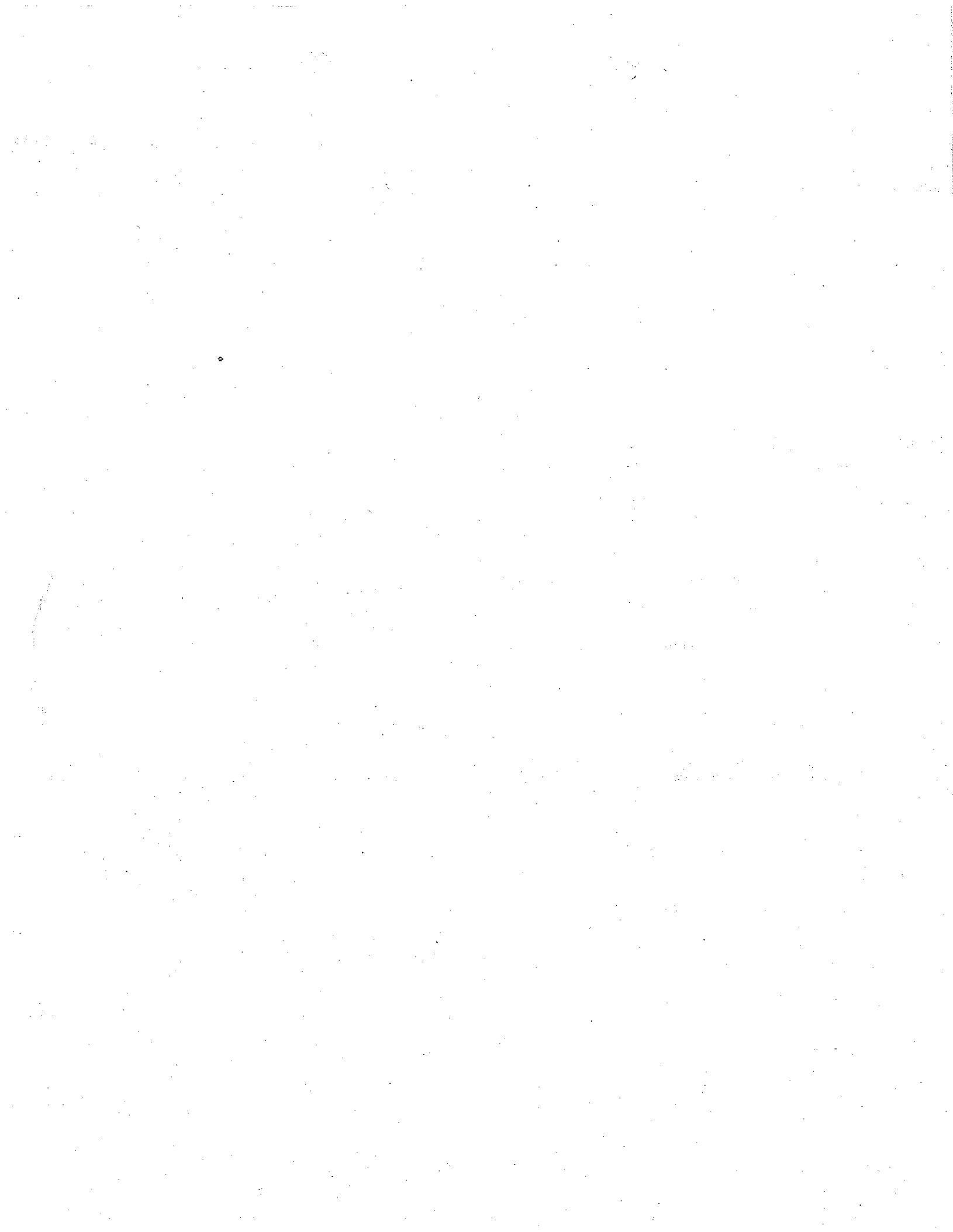
1. Ensure employees preparing financial reports for the festival have the necessary skills to prepare reliable and meaningful reports.
2. Use available project codes to record revenues and expenses of events like the Salmon Festival.
3. Consider reevaluating the costs and benefits of the Salmon Festival once reliable financial reports are available.

√

√

√

Chapter 3: Summary of Reports Issued and Remaining Recommendations



Comments on Solid Waste Rate Reform Project

October 1996

We evaluated the Regional Environmental Management Department's recent review of solid waste rates. Department staff were concerned that the current rate structure:

- is inequitable among rate payers
- fosters conflicts between Metro's recycling and financial objectives
- is unstable and may fail to raise adequate funds in a few years

Not a formal audit, our work provided input into an ongoing rate reform process. We found two obstacles to the department goal of addressing problems before a crisis occurs.

- The status quo was considered an option. The current rate structure should not have been included in the options because it is the problem.
- Organizations and businesses that helped create the current rate structure also gave most of the public input. The majority of rate payers are individuals and businesses, yet they were barely heard in the review process. As a result, the department received sweeping feedback to maintain the status quo.

We recommended an in-house study to develop options tailored to Metro's needs. We also suggested that the public input be focused on replacing the current structure and better represent the rate-paying public.

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Remaining Recommendations (of 5 total):

These recommendations are withdrawn indefinitely because of changes in the tip fees and other fees charged for waste disposal. Although it is appropriate to consider changing the solid waste rate structure, it may be advisable to allow the effects of changes in the tip fees to be understood before changing the rate structure.

Franchise Management

August 1996

Franchises or licenses for 21 privately owned facilities that receive solid waste, process it for recovery and recycling, and transfer the remainder to landfills are administered by Metro. Our audit evaluated two areas:

- How well franchise and license provisions of the Metro Code serve the policies of the agency
- Metro's administration of franchises and licenses.

Results of the audit indicate provisions in the Metro Code need to be overhauled to reflect changes that have occurred since their adoption in 1981.

Code provisions regarding vertical integration should be addressed. Initially, Metro was concerned about potential domination of the industry by a single company through handling several stages of solid waste processing. Today, continued discouragement of vertical integration could impede the development of mixed dry waste recycling. Finally, franchise oversight needs to be more thorough and consistent.



Remaining Recommendations (of 4 total):

1. Overhaul the Metro Code franchise provisions.
2. Ask the Metro Council to clarify the policy restricting relationships between franchised processors and collection and hauling companies.
3. Determine whether franchisee ownership changes should be treated as transfers that are subject to Metro Council review and approval.

All are in process: Each of these recommendations requires revision of Chapter 7 of the Metro Code. The department and a task force of stakeholders are suggesting revisions now. The department intends to have a draft of revised code provisions in the summer of 1997.

Investment Management Program

August 1996

Metro's cash investments have increased dramatically during the past year with the passage of the open spaces, parks and stream bond measure and they are expected to remain at the current level through the next year.

We found management of the portfolio conforms with policy guidelines. There is a diligent effort to maximize yield while maintaining safety and liquidity of funds; fund performance usually exceeds return standards. Control practices in place appear adequate to safeguard funds.

As Metro continues to grow, the investment program will evolve. We made eight recommendations for future changes to the program.



Remaining Recommendations (of 8 total):

1. Clarify roles and responsibilities of staff managing investments.
2. Independently verify yield calculations regularly.
3. Evaluate the effectiveness of cash forecasting in meeting Metro's investment objectives.

All are in process: The Metro Code has been revised to clarify the delegation of responsibility from the investment officer to the investment manager. The responsibilities of other superiors (e.g., chief financial officer) for the investment manager's work remains undocumented. Backup staff for the investment manager have not received adequate training.

Verifying yield calculations has not been addressed; Metro's accounting staff have been focused on a new information management system.

Cash forecasting was discussed at an Investment Advisory Board meeting but has not been resolved; the issue is scheduled for a future meeting.

Grant Management

July 1996

A substantial portion of Metro's funding comes through grants. Proper grant management is important — not only to use funds efficiently but also to comply with federal requirements for administering grant funds. Improvements to the grants management system could provide Metro with:

- Faster reimbursement for expenditures;
- Better reporting of grant activity, both inside and outside Metro to ensure federal requirements are met; and
- Assurance that grant subrecipients comply with grant terms.



Remaining Recommendations (of 16 total):

1. Take steps to ensure that Metro monitors all grants for compliance with federal regulations.
2. Improve Metro's follow-up of sub-recipients' compliance with grant regulations.

Both are in process: A set of criteria has been developed to determine whether an agreement is a contract or a grant; grants must be monitored for compliance with federal regulations. The criteria have not been approved.

Metro staff now identify sub-recipients sooner, however, policies and procedures for managing them have not been developed.

Metro's Open Spaces Program

June 1996

This limited review focused on whether adequate controls have been established to ensure Metro will achieve the goals of the open spaces, parks and stream bond measure passed in May 1995. Ballot measure goals were to:

- Purchase 5,982 acres in 14 regionally significant natural areas.
- Acquire land to complete five regional trails.
- Provide funds to finance approximately 90 land acquisition and capital improvement projects sponsored by local governments.

The review found adequate controls have been established to provide reasonable assurance the program will achieve its goals. We developed nine recommendations to enhance the likelihood the program's goals will be met.



Remaining Recommendations (of 9 total):

1. Periodically evaluate program goals and progress, and provide the results to the Metro Council.

In process: Parks Department staff presented the program's achievements to the Metro Council but have not provided a forecast of the department's ability to achieve program goals.

Review of Metro's Solid Waste Enforcement Unit

February 1996

Metro's enforcement unit was established to stop the loss of as much as \$2 million a year from the solid waste revenue stream. Although its main purpose is recovering Metro fees and charges on solid waste, the Unit also is responsible for cleaning up illegal dump sites. Unit actions have recovered user fees, fines and other revenue for Metro, and over 1200 illegal dump sites have been cleaned up.

Additional measures of the Unit's effectiveness are needed. This process needs to begin with clear statements of the Unit's objectives and role in Metro's overall solid waste management effort. Flow control enforcement objectives should also directly address the risk of revenue loss and allow measurement of the Unit's progress.

In addition to the general need for integration of the Unit's activities into solid waste management, two specific problems need attention. The first problem is the definition of "beneficial material" and its exclusion from Metro fees. The second problem is the continues misidentification of Metro-area solid waste at several landfills.

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Remaining Recommendations (of 7 total):

1. Determine whether enforcement has prevented loss of solid waste revenue.
2. Coordinate with local jurisdictions to ensure equitable handling of illegal dumping within Metro boundary.
3. Develop a clearer definition of "beneficial material" and address misidentification of Metro waste at area landfills.

All are in process: The department analyzed solid waste trends but its efforts were unsuccessful. The department plans to contract with Portland State University if funds are available.

Increased coordination with local jurisdictions is under way in response to several tasks included in the Council-approved Illegal Dumping Plan. These tasks should be finished in the summer of 1997.

"Beneficial materials" will be re-defined as part of the Metro Code revision planned for summer 1997.

Administration of Existing Contract for Waste Disposal Services

January 1996

The Waste Disposal Services Contract provides Metro with the capacity to dispose of nearly 17 million tons of waste at Columbia Ridge Landfill until the contract expires in December 2009. It is Metro's largest public contract, with a total value of about \$570 million. The audit found that Metro's Regional Environmental Management Department has generally effective systems and procedures for reviewing Oregon Waste Systems' (OWS) billings and ensuring that both OWS and Metro comply with contract terms. Management should adopt measures to further assure contract terms are carried out as intended.

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Remaining Recommendations (of 9 total):

1. Implement additional security measures to protect computers and waste load data at transfer stations.
2. Develop measures to prevent the transport of unweighed waste into Metro transfer stations.
3. Continue closely monitoring waste tonnage hauled in and out of transfer stations.

All are in process: Metal grates have been installed over the outbound scalehouse windows, but staff still need to install lockable disk drives on the personal computer in each scalehouse.

The department plans to have access control and video monitoring systems in place at each transfer station by mid-1997.

Department staff began developing a method to reconcile the amount of waste going into each transfer station with the amount of outbound waste.

Glendoveer Cellular Site Lease

October 1995

Glendoveer Golf Course is operated by a private company, Glisan Street Recreation. In January 1995, a lease with GTE Mobilnet of Oregon Limited Partnership became effective. The lease allowed GTE to establish a cellular communications transmission facility at Glendoveer Golf Course.

The Metro Parks and Greenspaces Department followed all necessary procedures for entering into the lease, and both GTE and Metro have complied with its terms. Metro staff contacted only one cellular site lessor before negotiating the lease terms. Contacting additional cellular site lessors could have helped ensure the rent obtained was competitive and would have been consistent with Metro bid policy. Metro also paid for maintenance that may have been the responsibility of Glisan Street Recreation. Parks and Greenspaces staff did not obtain competitive bids for the work and may have saved money by doing so. A lease provision allowing the department's Operations and Maintenance Supervisor to purchase services from GTE may allow the supervisor to exceed his purchasing limit.

Audit recommendations were designed to ensure revenues for leases and payments for services are competitive and appropriate.

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Remaining Recommendations (of 4 total):

All recommendations have been implemented.

Observations Relating to Loaned Employees and Metro's Code of Ethics

September 1995

Loaned employee programs allow government agencies to take advantage of expertise at little or reduced expense. In mid-1993, Metro's Planning Department requested an environmental organization to loan an employee to assist on water resource projects. Concerns about possible public confusion of his advocacy on environmental issues with Metro policy led to his resignation in early 1995.

Controversies surrounding the loaned employee's activities might have been avoided if Metro had had a policy regarding such arrangements. We reviewed areas where improprieties could have occurred:

- Both the loaned employee and the organization that employed him contracted with Metro.
- A Metro employee who worked closely with the loaned employee was an unpaid officer of the organization that employed the loaned employee.

Our investigation found no improprieties, however, it is understandable that a reasonable person might have suspected conflicts of interest. Metro's code of ethics lacks clear statements regarding the need for trust, objectivity, accountability and leadership, as well as the actions required to achieve these goals. A more comprehensive code of ethics could help avoid unethical conduct or its perception.



Remaining Recommendations (of 1 total):

1. Consider establishing a comprehensive code of ethics for Metro.

In progress: Metro's Executive Officer issued Executive Order No. 66, establishing a code of ethics for Metro employees and appointees. The order does not apply to employees of the Metro Council, Office of the Auditor or Metropolitan Exposition-Recreation Commission (MERC). The Metro Auditor adopted the policy for that office. Neither the Metro Council nor MERC has adopted a code of ethics.

Observations Relating to the Outreach and Educational Program's Salmon Festival

September 1995

The Salmon Festival is one of the ways the Outreach and Education program promotes its mission to the public. An initial financial report showed the festival earned a small profit, but a revised report indicated the reverse. We found that neither report provided a realistic picture of Metro's costs of co-hosting the Salmon Festival. We made several recommendations to ensure better financial reports.

We also reviewed some of the Parks and Greenspaces Department's funding of its Outreach and Education Program. The Executive Officer and Metro Council may wish to reconsider the costs and benefits of the Salmon Festival and other Outreach and Education events.

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Remaining Recommendations (of 3 total):

All recommendations have been implemented.



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- Investment Management Program (August 1996)
- Grant Management (July 1996)
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- Review of Metro's Solid Waste Enforcement Unit (February 1996)
- Administration of Existing Contract for Waste Disposal Services (January 1996)
- Glendoveer Cellular Site Lease (October 1995)
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- Observations Relating to the Outreach and Educational Program's Salmon Festival (September 1995)

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METRO

Metro Auditor Report Evaluation Form

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Name of Audit Report: _____

Please rate the following elements of this report by checking the appropriate box.

	Too Little	Just Right	Too Much
Background Information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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