

 **Metro** | *Agenda*

Meeting: Metro Council
Date: Thursday, Nov. 10, 2011
Time: 2 p.m.
Place: Metro Council Chambers

CALL TO ORDER AND ROLL CALL

1. **INTRODUCTIONS**
2. **CITIZEN COMMUNICATIONS**
3. **RECRUITMENT AND SELECTION PROCESS: STRENGTHEN DOCUMENTATION AND RECORD RETENTION** **Flynn**
4. **ZOO CAPITAL CONSTRUCTION PROGRAM AUDIT FOLLOW-UP** **Flynn**
5. **CONSIDERATION OF THE MINUTES FOR NOV. 3, 2011**
6. **CHIEF OPERATING OFFICER COMMUNICATION**
7. **COUNCILOR COMMUNICATION**

ADJOURN

Television schedule for Nov. 10, 2011 Metro Council meeting

<p>Clackamas, Multnomah and Washington counties, and Vancouver, WA Channel 11 – Community Access Network <i>Web site:</i> www.tvctv.org <i>Ph:</i> 503-629-8534 <i>Date:</i> Thursday, Nov. 10</p>	<p>Portland Channel 11 – Portland Community Media <i>Web site:</i> www.pcmtv.org <i>Ph:</i> 503-288-1515 <i>Date:</i> 8:30 p.m. Sunday, Nov. 13 <i>Date:</i> 2 p.m. Monday, Nov. 14</p>
<p>Gresham Channel 30 - MCTV <i>Web site:</i> www.metroeast.org <i>Ph:</i> 503-491-7636 <i>Date:</i> 2 p.m. Monday, Nov. 14</p>	<p>Washington County Channel 30– TVC TV <i>Web site:</i> www.tvctv.org <i>Ph:</i> 503-629-8534 <i>Date:</i> 11 p.m. Saturday, Nov. 12 <i>Date:</i> 11 p.m. Sunday, Nov. 13 <i>Date:</i> 6 a.m. Tuesday, Nov. 15 <i>Date:</i> 4 p.m. Wednesday, Nov. 16</p>
<p>Oregon City, Gladstone Channel 28 – Willamette Falls Television <i>Web site:</i> http://www.wftvmedia.org/ <i>Ph:</i> 503-650-0275 Call or visit web site for program times.</p>	<p>West Linn Channel 30 – Willamette Falls Television <i>Web site:</i> http://www.wftvmedia.org/ <i>Ph:</i> 503-650-0275 Call or visit web site for program times.</p>

PLEASE NOTE: Show times are tentative and in some cases the entire meeting may not be shown due to length. Call or check your community access station web site to confirm program times.

Agenda items may not be considered in the exact order. For questions about the agenda, call the Metro Council Office at 503-797-1540. Public hearings are held on all ordinances second read. Documents for the record must be submitted to the Regional Engagement Coordinator to be included in the decision record. Documents can be submitted by e-mail, fax or mail or in person to the Regional Engagement Coordinator. For additional information about testifying before the Metro Council please go to the Metro web site www.oregonmetro.gov and click on public comment opportunities. For assistance per the American Disabilities Act (ADA), dial TDD 503-797-1804 or 503-797-1540 (Council Office).

Agenda Item Number 3.0

**Recruitment and Selection Process:
Strengthen Documentation and Record Retention**

Metro Council Meeting
Thursday, Nov. 10, 2011
Metro Council Chamber



Recruitment and Selection Process:
Strengthen documentation and record retention

November 2011
A Report by the Office of the Auditor

Suzanne Flynn
Metro Auditor



Knighton Award
for Auditing

Metro Audit Winner of ALGA 2009 Gold Award

The Office of the Auditor was awarded the Gold Award for Small Shops, presented at the 2010 conference of the Association of Local Government Auditors (ALGA). The winning audit was the *Oregon Zoo Capital Construction* audit, completed in November 2009. The Office has received nine Knighton awards.

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.

To make a report, choose either of the following methods:

Dial 888-299-5460 (toll free in the U.S. and Canada)

File an online report at www.metroethicsline.org



SUZANNE FLYNN
Metro Auditor
600 NE Grand Avenue
Portland, OR 97232-2736
(503)797-1892 fax: (503)797-1831

MEMORANDUM

November 2, 2011

To: Tom Hughes, Council President
Shirley Craddick, Councilor, District 1
Carlotta Collette, Councilor, District 2
Carl Hosticka, Councilor, District 3
Kathryn Harrington, Councilor, District 4
Rex Burkholder, Councilor, District 5
Barbara Roberts, Councilor, District 6

From: Suzanne Flynn, Metro Auditor

A handwritten signature in black ink, appearing to be "SF", written over the name "Suzanne Flynn" in the "From:" line.

Re: Audit of Recruitment and Selection Process

The attached report covers our audit of Metro's recruitment and selection process. This audit was not included in the FY2011-2012 Audit Schedule, but was added in response to a report received on the Ethics Line.

While the specific details described in the Ethics Line report were found to be inaccurate, I felt that a broader look at recruitment and selection processes would be helpful. As the result of this review, I concluded that the Human Resources Department and managers could improve documentation of how selection decisions were made and the retention of that documentation. Although I was able to determine that the hiring decisions I reviewed were supportable, it was not readily apparent.

We have discussed our findings and recommendations with Dan Cooper, Interim COO; Scott Robinson, Deputy COO; Mary Rowe, Director, Human Resources; and Teddi Anderson, Manager, Classification/Compensation and Recruitment. My office will schedule a formal follow-up to this audit within 1-2 years. We would like to acknowledge and thank the management and staff in the Departments who assisted us in completing this audit.

Table of Contents

Summary	7
Background	7
Scope and methodology	8
Results	9
<i>HR directions to managers could be improved</i>	9
<i>Organization of documents limits transparency</i>	10
<i>HR guidance was not always followed</i>	11
<i>Internal applicants treated fairly</i>	12
Recommendations	13
Management response	15

Summary

In July 2011, the Ethics Line received an anonymous complaint stating that managers did not objectively adhere to Metro hiring policy. The specifics of the complaint were found to be inaccurate and this audit was initiated to look more broadly at Metro recruitment and selection practices than were addressed in the investigation of the complaint. The objectives of this audit were to determine if:

- Metro managers were following the practices recommended by the Human Resources (HR) Department.
- Processes were transparent and could be easily reviewed.
- There were any patterns in hiring decisions that indicated internal applicants were not treated according to policy.

The process to recruit and select Metro employees must be fair, transparent and legally defensible. At Metro, ensuring transparency was the joint responsibility of HR Recruitment staff and the program manager.

According to the HR Department, the best way to ensure that the process was fair and legally defensible was to predetermine the factors that were essential to the position and then to objectively evaluate each. HR required managers to develop a screening form to document the process.

We found that Metro managers were not consistently following HR recommended practices. Some of the instructions were not always consistent. Because documents were incomplete and difficult to follow, the selection process was not transparent. We did not find any evidence to suggest that internal applicants were not treated according to policy.

Background

There are several reasons why it is important that the recruitment and selection process be transparent. Metro is an equal opportunity employer and legally should not discriminate against applicants on the basis of race, religion, gender, national origin, disability or age. If an applicant claimed discrimination, good documentation would provide evidence that a fair process was followed. Many times, an unsuccessful applicant will simply want information as to why they were not hired. If HR staff had adequate documentation, it could provide valuable feedback.

Recruitment and selection of employees is the joint responsibility of the HR Department and the manager wanting to fill the position. This process begins with determining that the position is still the right fit for the program and ends with the offer letter to the successful candidate. In between, several steps are taken to assess which candidates are most qualified.

Candidates were first screened for minimum qualifications. After the first screening, there were a series of screenings intended to find the best qualified candidate with the strongest combination of education and experience to meet the job requirements.

Scope and methodology

In July 2011, the Ethics Line received an anonymous complaint indicating that managers did not objectively adhere to the Metro hiring policy. The complaint questioned whether decisions were based on qualifications and specifically cited decisions made to hire external or internal applicants. The specifics of this complaint were investigated and it was determined that the information reported to the Ethics Line was inaccurate. Specifically cited cases were investigated and it was found that the decisions to hire in these cases were supported.

As a result of the complaint, this audit was placed on the audit schedule to address whether procedures could be improved. The objectives of this audit were to determine if:

- Metro managers were following the practices recommended by the HR Department.
- Processes were transparent and could be easily reviewed.
- There were any patterns in hiring decisions that indicated internal applicants were not treated according to policy.

To complete the audit, a judgmental sample of 24 recruitment and selection processes that resulted in a hire between July 1, 2009 and July 5, 2011 were selected. Two of these processes were internal and governed by a union agreement so the processes were very different. The only purpose of this sample was to determine if procedures were being followed, not to generalize to the overall level of compliance. At least one sample was selected from each of the Metro departments that had filled a represented position. Examples were also selected that had a higher likelihood to include candidates who were current Metro employees. All available documentation for each case in the sample was reviewed.

The Human Resources Director and staff involved in recruitment and selection were interviewed. After all of the documentation was reviewed, hiring managers were interviewed to obtain additional information. Auditors also reviewed personnel policies and procedures, Human Resource guidance, federal law, and Metro code.

We conducted this performance 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.

Results

The process to recruit and select Metro employees must be fair and legally defensible. To ensure this, it must also be transparent. At Metro, ensuring transparency was the joint responsibility of HR Recruitment staff and the program manager. Recruitment staff was responsible for documenting the recruitment process, but it was the responsibility of the manager to document each step of the selection process.

Based upon our review of a sample of files related to recruitment and selection processes, we concluded that managers were not adequately meeting all of the requirements to document each stage of the selection process. We found that HR could improve the quality of instruction to managers about their responsibilities. Most processes were not completely documented. Based on the sample we reviewed, internal candidates were considered and, if they advanced to the interview stage, likely to be hired.

HR directions to managers could be improved

To assist managers, the HR Department published a Recruitment, Selection and Retention Guide that was included in a Supervisor's Handbook and on Metro's internal website. The Guide was comprehensive and assigned roles and responsibilities for the process. The Guide outlined a four-step process with instructions for the proper completion of each step. The steps were:

1. **Getting started** included reviewing a recruitment checklist, requesting a recruitment, preparing the job announcement and designing the application process.
2. **Recruitment** included deciding on the timing, securing and scheduling panel members, developing a strategy to take affirmative action to ensure nondiscrimination and reaching out to diverse groups.
3. **Selection** included documenting the process, screening for minimum qualifications, screening for other broader qualifications, designing interview questions and interviewing.
4. **Making the hire** included making the hiring decision, checking references, making a job offer, completing paperwork, ensuring privacy and overseeing the probation period.

The chapter regarding Selection began with instructions on documenting the process. HR was assigned responsibility for documenting the recruitment process, but the manager was responsible for documenting each step of the selection process. Managers must conduct a process that is fair, transparent and legally defensible. According to this Guide, the

best way to meet the requirement is to predetermine the knowledge, skills, abilities and critical success factors that were essential to the position and then to objectively evaluate each applicant in relation to the criteria and to the other applicants. Although not explicitly stated, one could conclude that if this direction is followed and documented, then the recruitment will be fair, transparent and legally defensible. The writing emphasized that “each step” was to be documented by repeating it in the first and last sentences of this section.

According to the Guide, the manager was required to create a screening form. Included in the Guide were several templates that could be used to screen applications and answers to supplemental questions, and to evaluate resumes and interview responses. If hiring managers used each of these templates, the likelihood of transparent screening decisions would increase.

However, other direction from HR was not consistent with the documentation standards in the Guide. In the Guide, the manager was referred to a recruitment checklist. In the checklist, the hiring manager was only responsible for returning applications and interview notes to HR. No mention was made of the requirement to collect documentation for each step of the selection process. Because the Checklist was a more convenient way for managers to track the process steps, it would be more likely that they would refer to it. As a result, they would not have understood these additional responsibilities.

Metro did not offer routine training for recruitment and selection practices. We asked hiring managers how they were trained. Some mentioned that their immediate supervisor had worked with them at the beginning and others stated that they had received individual training from HR. They also pointed out the section in Metro’s Supervisors’ Handbook that gave direction on the process.

Organization of documents limits transparency

Because our sample was drawn from a two-year period, we were able to see the transition from hard copy record retention to a system that archived documents in three different formats. Except in two cases, we found neither system made review easy.

Originally, all documentation was paper and maintained in files. In the last year, Metro purchased software to manage the recruitment and selection of candidates. While the software made many of the processes easier, such as receiving applications electronically and manager access to applications, it made reconstructing a selection process more difficult.

The Guide required managers to create a form to screen applications, but this could not be accomplished within the software. Instead, managers attempted to use a comments box to document the decision to allow a candidate to move forward in the process. However, the quality of the information did not meet the HR requirement that applications be compared to the selection criteria and in relation to other applicants. Comment entries were found to be a simple “yes” or “no” or not related to the same criteria in each case.

According to HR, all of the documents that needed to be retained could not be attached to recruitment information in the software. These documents included emails and other correspondence between HR and the department. In addition, all of the documentation from the interview process was on paper. Any communication that was received electronically at HR was saved in a network directory.

As a result, when we requested records we received some via email and some were delivered in file folders. Additionally, we were given on-line access to the software to view the remainder. Electronic records were not clearly identifiable by the title and were not arranged according to date. It required reading each one several times to determine what step in the process it represented. Furthermore, in the software, it was difficult to understand why one candidate advanced and another did not. Paper records were also not always complete.

HR guidance was not routinely followed

The selection process had several decision points that the manager and HR were required to document. These usually consisted of three levels of screening:

- Minimum qualifications (Initial Screening)
- Best combination of knowledge and experience (Manager Screening)
- Strongest candidate among those with the best combination of knowledge and experience (Interview and Ranking Matrix)

Generally, HR Recruitment staff did the screening for minimum qualifications and provided that documentation. The evidence of screening for minimum requirements was either a memo from HR or a notation in the software that the candidate did not meet the requirements.

Managers were responsible for conducting and documenting the second and third screenings. For the second screening, the objective was to narrow the pool of candidates to the best qualified candidates to be interviewed. The third screening usually was conducted in person.

The weakest area of documentation was the second screening to narrow the pool of applicants to those who were finally interviewed (Exhibit 1). We found complete documentation for the second screening in only five of the twenty-two instances. Where this process was documented, it occurred through use of a template or notes left in a comments box for each application in the software.

We found that managers, except in one case, had documented the third phase, interviews and ranking candidates adequately. We found interview forms filled out by each panelist for each candidate and a matrix completed by each panelist that ranked each candidate.

Exhibit 1: Results of file review

	Documentation found	Partial records	No record found
Initial screening	14	0	8
Manager screening	5	3	14
Interview record	21	0	1
Ranking matrix*	20	0	1

Source: Auditor's Office review and analysis of recruitment and selection records.

* In one sample, the ranking matrix did not apply.

Internal candidates treated fairly

Metro policy required that “first consideration” be given to those applicants who were currently employed at Metro (internal applicants). If the vacancy was not filled, then recruitment outside of Metro would commence. In practice, this policy was not followed.

According to HR guidance, it was a joint decision between HR and the hiring manager whether the recruitment would be internal only or internal/external at the same time. It was also Metro policy that only regular or temporary employees who had competed for their current position would be eligible for an internal recruitment. Because of this, a hiring manager might be more likely to choose a combined internal/external process so that current employees who had not been hired through a competitive process could apply.

We reviewed our examples to see how successful internal candidates were in the process. In 18 out of our 22 examples, internal candidates were part of the larger pool. In 14 cases, internal applicants advanced to the interview phase and of those, in 12 cases, internal candidates were successful. This would suggest, at least for our sample, that Metro gave consideration to internal candidates.

Recommendations

To improve the quality and transparency of the selection process, the Human Resources Department should:

1. Develop procedures to demonstrate the fairness and transparency of the process.
2. Require managers to provide documentation of each step in the selection process.
3. Improve the organization of file retention.
4. Develop a regular training curriculum to provide ongoing training for managers on the recruitment and selection process and their responsibilities.

Management Response



Date: October 17, 2011
To: Suzanne Flynn,
From: Mary Rowe, Human Resources Director *[Signature]*
Teddi Anderson, Human Resources Manager *[Signature]*
Subject: Response to Recruitment and Selection Audit

The following represents our response to the audit report regarding recruitment and selection practices which will be issued by your office later this month. As a public agency we recognize the importance of ensuring that processes are fair and legally defensible. We are pleased that you found no evidence that internal applicants were not treated according to policy in the recruitment and selection processes. Management agrees with the audit recommendations and is prepared to continue to make improvements in this area.

Response to Recommendations in the Auditor's Report

The following summarizes management's response to the specific recommendations noted in the audit report.

Recommendation #1

Develop procedures to document the fairness and transparency of the process

Response: As noted in the audit, the Human Resources department does have a recruitment and selection guide in place which assigns roles and responsibilities in this area. The document will be reviewed and updated to account for process changes that occurred in the transition to an online application and hiring process. Management will require all recruitment managers to have taken one of the HR offered classes on hiring to ensure that managers are trained in the current recruitment and selection process. HR will also continue to offer individual training to new supervisors and at the time a supervisor has a need to fill a position.

Recommendation # 2

Require managers to provide documentation of each step in the selection process.

Response: Although HR advises hiring managers to provide detailed information regarding selection decisions, we have not been diligent in requiring that documentation be submitted to HR. HR is in the process of developing templates for managers to aid in scoring candidates based on the criteria set out for the particular recruitment. Management will also be more diligent in requiring hiring managers to comply with HR procedures and ensure that documentation is returned to HR at each step in the selection process. Training provided by HR

will include an emphasis on the manager's role in documentation in the recruitment and selection process.

Recommendation # 3

Improve the organization of file retention

Response: HR recently implemented an online applicant tracking software system. HR will strive to use the full functionality of the system that includes thorough and proper documentation within the system. This will assist with documenting the recruitment process and compliance with agency retention guidelines. This should also eliminate the need for most if not all paper documentation, thereby reducing the need to archive and store additional unnecessary documents.

Recommendation # 4

Develop a regular training curriculum to provide ongoing training for managers on the recruitment and selection process and their responsibilities

Response: HR currently provides training in the recruitment and selection process to new supervisors and also conducts training for hiring managers in the use of the new online applicant tracking system. (Need to address new managers)

Upon updating the recruitment process manual and templates for scoring, HR will develop revised training curriculum. Management will host HR at department manager meetings to train on procedures and to stress the importance of documentation for the purposes of maintaining the transparency of the process and ensuring best practices are followed. We will also verify that a hiring manager has completed the training prior to opening a recruitment. Finally we will look at the feasibility of putting the training on the Metro Learning Management System.

Conclusion

We appreciate the time you and your staff took in conducting the audit and the insight that it provides for continuing our process improvement efforts.

Cc: Dan Cooper, Interim COO
Scott Robinson, Deputy COO



METRO

Office of the Metro Auditor
600 NE Grand Avenue
Portland, Oregon 97232
503-797-1892
www.oregonmetro.gov

Agenda Item Number 4.0

Zoo Capital Construction Program Audit Follow-up

Metro Council Meeting
Thursday, Nov. 10, 2011
Metro Council Chamber



Office of the Auditor

ZOO CAPITAL CONSTRUCTION PROGRAM AUDIT FOLLOW-UP

BOND PROJECTS ARE WELL MANAGED

Kristin Lieber
Senior Management Auditor

October 26, 2011

SUMMARY

In November 2008, Metro-area voters passed a \$125 million bond measure to make capital improvements at the Oregon Zoo. A 2009 audit, *Oregon Zoo Capital Construction: Metro's readiness to construct 2008 bond projects*, found Metro could correct deficiencies and build stronger processes. Of the report's seven recommendations, Metro had implemented six and made progress on the seventh. We found that Metro is now well-positioned to deliver on the promises of the bond.

BACKGROUND

The Oregon Zoo is one of Oregon's most popular attractions. It is home to more than 2,000 animals from around the world and attended by over 1.6 million visitors annually. Additionally, more than 2,000 individuals donate their time to the Zoo.

In November 2008, Metro-area voters passed a \$125 million bond measure to allow the Zoo to make improvements including larger enclosures, an updated veterinary hospital, a new education center and water conservation measures. The set of projects funded by the bond measure was ambitious and complex. This ballot measure was three times the dollar value of a similar bond measure passed in 1996 and will take at least twice as long to complete. Construction is expected to affect almost every corner of the Zoo.

A report by our office in November 2009 found Metro needed better processes for managing the construction of Zoo bond projects. In the two years since that report, Metro has undertaken three bond-funded construction projects and demonstrated improved management practices over costs and schedules.

SCOPE AND METHODOLOGY

The objective of this audit was to determine the status of recommendations made in the original 2009 audit. The audit, entitled *Oregon Zoo Capital Construction: Metro's readiness to construct 2008 bond projects*, made seven recommendations to improve how construction projects were managed. These recommendations included creating clear roles, and having better processes for managing costs, schedules, reporting, and documentation.

The 2009 audit looked in-depth at how three Zoo construction projects were managed. Similarly, this audit looked at three construction projects; however, the set of projects differed. Exhibit 1 describes the three projects reviewed for this report. All three projects were funded by the bond and were completed or were nearing completion.

SUZANNE FLYNN

Metro Auditor

600 NE Grand Avenue
Portland, OR 97232

tel: 503-797-1892

fax: 503-797-1831

www.oregonmetro.gov/auditor

Exhibit 1: Construction projects reviewed

PROJECT	DESCRIPTION
Veterinary Medical Center	A new center replaces substandard veterinary and quarantine facilities. The cost is estimated to be about \$9 million.
Penguin Life Support System	A new water filtration system in the penguin exhibit will reduce water use by recycling water. The project's budget is \$1.8 million.
Water Main Building	This building makes possible harvesting rainwater onsite, which will reduce water use and improve quality. The project's budget is \$267,000.

Source: Oregon Zoo Bond Program

To accomplish our objectives, we reviewed each project in depth. We assessed the planning, scheduling and contracting information. We verified spending data. We interviewed management and staff and attended meetings. We reviewed project files, status reports, consultant reports and other documents to assess progress made.

We conducted our follow-up audit work 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.

RESULTS

Based on our review of three bond-funded projects, Metro had implemented six of the seven recommendations in the 2009 report and had made progress on the seventh. Processes for creating clear roles, controlling costs, and managing schedules were working well. The area that still needed attention was the content and clarity of the Bond Program's progress reports to a Citizen Oversight Committee and the Metro Council. A list of the 2009 recommendations and their status is on page 8.

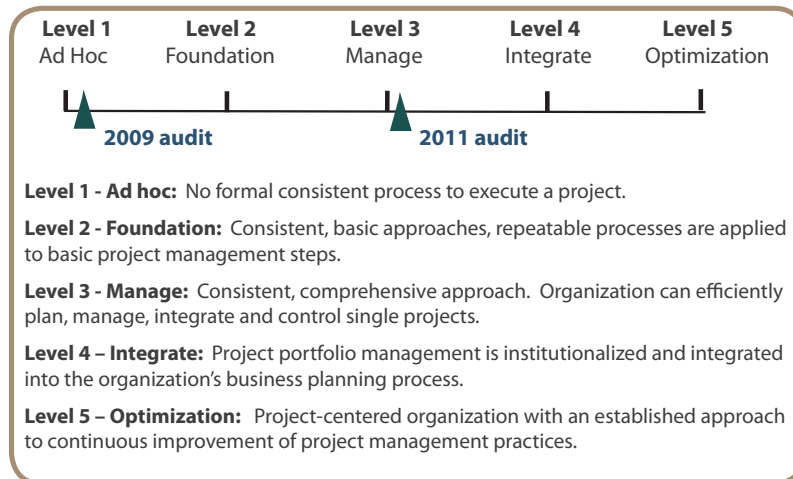
The Zoo Bond Program effectively managed projects

In the 2009 audit, we used a project management maturity model to assess the management of construction projects. The model is shown in Exhibit 2 and outlines five maturity levels. In order to successfully manage construction while maintaining operations, Metro needed to move toward a Level 4 organization. At this level, institutionalized processes are in place to efficiently plan, manage and control multiple interrelated projects.

Overall, results were positive. In 2009, we found the processes to be at Level 1, Ad-Hoc. We now find Metro at Level 3 and able to manage individual projects successfully. As of June 30, 2011, approximately 12% of the bond funds were spent or committed. The Zoo

Bond Program had effectively managed three separate construction projects. Furthermore, Metro was in the process of developing a master plan that would provide a blueprint for the complex series of future projects to come.

**Exhibit 2: Level of project management capability and maturity
2009 and 2011 audits**



Source: Auditor's Office analysis

Going forward, we would expect to see continued commitment to the management improvements that have been made. Construction will be underway through 2019 and in time, key staff may change. It will be important to have project management processes that are institutionalized and integrated into the organization.

Reports could be improved to be more useful

The 2009 audit found reports to Metro Council on Zoo construction projects were not adequate. The bond measure created a Citizen Oversight Committee to review progress, monitor spending and recommend changes if projects cost more than expected. To perform its function, the Oversight Committee needed current and accurate information on the status of individual projects and the Bond Program as a whole. The Metro Council required similar information to provide adequate oversight.

The Bond Program had established regular reports to these groups. However, the content of these reports could be improved. The 2009 audit recommended the Oversight Committee and the Metro Council receive reports on cost, schedule and variance, comparing actual results to planned results. While detailed information was provided about individual projects, the Bond Program could provide a clearer picture of the status of the whole program. During our audit, the Zoo was completing a master plan that would provide a schedule and cost estimates for the remaining projects. With this information, reports should be improved to clearly show if spending and schedule are on track for the whole program.

Exhibit 3 summarizes the information currently provided to these two groups. Much of the information was already collected, but it was located in different places, such as in detailed status reports prepared by project managers. The Bond Program should improve the content in reports to Metro Council and the Citizen Oversight Committee in order to provide better and easier to understand information.

Exhibit 3: Recommended information reported to Oversight Committee and Metro Council

Recommended Information	Available		Oversight Committee		Metro Council	
	Actual	Actual to Plan	Actual	Actual to Plan	Actual	Actual to Plan
Cost, by project	●	●	●	●	●	●
Cost, whole program	●	●	●		●	
Schedule, by project	●	●	●		●	
Schedule, whole program	●					

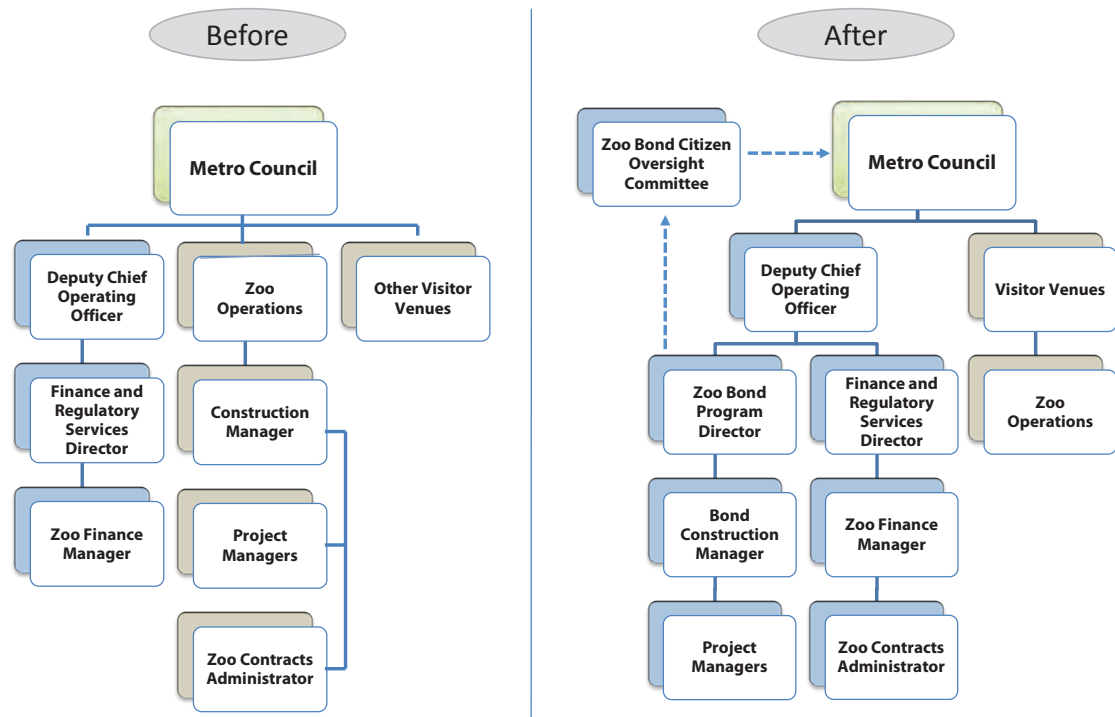
Source: Auditor's Office analysis

Organizational structure clarified roles and addressed weaknesses

In 2009, Metro had not established clear leadership for the Bond Program. Among construction staff and Metro management, roles and responsibilities were uncertain. As a result, there were breakdowns in managing cost, scope and schedules.

Since then, Metro created a well-defined organizational structure. Considering the nature of the work, we found the new organizational structure to be appropriate. Metro improved financial oversight by making some key changes. The two functions, Zoo Operations and the Bond Program were separated organizationally. Exhibit 4 shows the organizational structure before and after the changes.

Exhibit 4: Organizational structure before and after changes



Source: Auditor's Office analysis (Note: not all organizational levels are shown)

Reporting relationships were changed to reduce conflicts. In the past audit, the Zoo Contracts Administrator reported to the Zoo Construction Manager, who did not consistently follow policies. This created a difficult situation where a subordinate was supposed to question the actions of their supervisor. Now, the Zoo Contracts Administrator reports to the Zoo Finance Manager, a more appropriate chain of command. This change appeared to be working. We reviewed contracts issued since 2009 and found they complied with key procurement policies.

Clear leadership is important for accountability and we found the Bond Program had assigned clear leadership for construction projects. Each project had a designated project manager. As a result, one person was responsible and accountable for the project.

Separating the Bond Program from Zoo Operations created a separate project management function better suited to address problems seen during the previous audit, such as a history of cost overruns, insufficient information, and over-scheduling of resources. A challenge of this separation is maintaining collaboration. Zoo Operations are affected by construction and will ultimately own the final results. As a result of well-formed project teams and strong communication, we found Zoo Operations and the Bond Program collaborated effectively on projects.

Project costs were managed well and within budgets

In the 2009 audit, we found projects cost more than budgeted. In particular, the Zoo underestimated project costs, began projects without reasonable budgets, and did not monitor the value of contracts signed. It is not uncommon for construction projects to cost more than initially estimated. Even so, when projects cost more than expected, there might not be enough money to complete other projects, and the public can lose trust in government's management ability.

Good budget management has three essential components. The first is a comprehensive cost estimate. Developing a good cost estimate requires planning for the unexpected. In construction, there are often unforeseen changes that cannot be predicted before a project begins. For this purpose, a cost estimate should include some contingency funds set aside for emergencies. The second component is a realistic budget that fits a project's scope and design. The third component is a process to monitor spending that provides an early indication of cost increases.

We found the Bond Program managed its budget well. For the three projects we reviewed, the Program had:

- Created realistic cost estimates with money set aside for emergencies,
- Verified that the amount budgeted for the projects was reasonable, and
- Closely monitored and controlled spending.

As a result, all three projects were expected to be completed within or under budget.

The Bond Program had good processes for developing reliable cost estimates. Cost estimates were developed by experienced professionals. They included contingency funds for emergencies, as well as needed changes. Furthermore, they received rigorous review. For several projects, the Program verified initial estimates with a second independent estimator.

In addition to developing realistic cost estimates, the Bond Program began projects with reasonable budgets. The first project, a new Veterinary Medical Center, will replace the current substandard veterinary and quarantine facilities. In the 2009 audit, we found the original design was estimated to cost \$2 million more than its \$9 million budget. To its credit, the Program did not move forward on this design. Instead, a new design lowered costs by relocating the building and reducing its size by almost 3,600 square feet. As a result, the amount budgeted for the project was reasonable. Moreover, the budget set aside money for unforeseen costs. During excavation, the contractor discovered a prior landslide on the site that required additional work. Due to prudent planning, the project manager was able to cover this work without going over budget.

Similarly, with the other two projects, the Bond Program set aside sufficient funds for emergencies. Both required supplementary electrical work and other minor improvements after construction began. The amount budgeted was sufficient to pay for these additional costs.

Once construction was underway, there were effective processes for monitoring and controlling spending. All project managers followed a standard method for tracking spending as well as forecasting costs. Each month, project managers issued an updated forecast of the total costs for their projects. We found these forecasts accurately predicted costs for the three projects.

Schedule delays identified early so action could be taken

The 2009 audit found schedules developed at the beginning of projects were not kept current. As a result, timelines reported by the Zoo to the Metro Council and staff were not accurate. It was not clear when exhibits would be ready.

During this audit, we found the Bond Program had established effective processes for managing project schedules. Project managers received training in the scheduling software. Before construction began, project managers developed an initial schedule. As construction progressed, they updated the schedule monthly. We found schedules reflected new dates if projects were delayed.

As a result, potential delays were identified early, allowing management to take effective action. For example, during construction on the penguin exhibit, the project manager reported that the contractor may not be able to meet the schedule several months before it would impact operations. The Bond Program notified Zoo staff of the anticipated delay and, as a result, maximized the protection and care for the animals.

Managing projects typically means balancing schedule, cost and scope. These three constraints are commonly referred to as the 'Project Management Triangle' because, for the most part, a change to one is likely to affect another. In the case of the bond projects, we found project managers extended schedules in order to optimize cost and quality. For instance, due to the landslide, the Veterinary Medical Center needed additional engineering to stabilize the location. Rather than trying to meet milestones and pay more or risk poorer quality due to rushed work, the schedule was extended.

Well-organized files provided easy access to information

During the 2009 audit, we found that staff had not developed a standard way of maintaining project files. As a result, information was lost or located in separate places at the Zoo. As project managers frequently changed, it was difficult for new project managers to obtain accurate information about the status of their projects.



Since then, the Bond Program developed a consistent way for maintaining files, making it easy to understand what was going on with a project. Documentation was handled similarly from project to project, and most documents were available electronically. Information could be easily located because each project had a set of files organized by simple and distinct categories. Furthermore, the program was working with the Metro records manager to develop a records retention schedule that would outline which documents should be kept and for how long.

STATUS OF RECOMMENDATIONS

2009 Audit Recommendations	Status
To ensure careful stewardship of public resources and encourage realistic expectations for Zoo projects:	
1. Metro should ensure basic cost management processes are in place before it commits to large value construction contracts for bond-funded projects. This includes processes for: <ol style="list-style-type: none"> a. Communicating the project budget to the architect; b. Estimating project costs, including appropriate contingency amounts; c. Verifying the work scope can reasonably be completed within the budget; and, d. Monitoring and controlling spending and encumbrances. 	<i>IMPLEMENTED</i>
2. Metro should improve its knowledge and understanding of estimating project costs.	<i>IMPLEMENTED</i>
3. Metro should develop processes for creating, monitoring and updating schedules for individual projects and the bond program as a whole.	<i>IMPLEMENTED</i>
4. Metro should establish a periodic reporting mechanism that provides the Citizen Oversight Committee and Metro Council with current and accurate information on cost, schedule, and variances by project and for the bond as a whole.	<i>IN PROCESS</i>
5. Metro should develop a consistent system to maintain Zoo bond project documentation.	<i>IMPLEMENTED</i>
To improve accountability, the Chief Operating Officer should:	
6. Clarify the organizational structure by clearly delineating roles and responsibilities and lines of authority.	<i>IMPLEMENTED</i>
7. Clarify the role of the Finance and Regulatory Services Department in providing financial oversight to capital projects.	<i>IMPLEMENTED</i>



Metro | Memo

Date: October 21, 2011
To: Suzanne Flynn, Metro Auditor
From: Scott Robinson, Deputy Chief Operating Officer; 
Kim Smith, Oregon Zoo Director 
Subject: October 2011 Zoo Capital Construction Program Audit Follow-up Report

This memorandum is Metro management's response to the Zoo Capital Construction Program Audit Follow-up Report published in October 2011.

Management would like to thank-you and your staff for performing this follow-up audit to assess Metro's progress on implementation of the seven recommendations from the 2009 audit, *Oregon Zoo Capital Construction: Metro's readiness to construct 2008 bond projects*. Metro management believes that it is vitally important to effectively manage the Oregon Zoo Infrastructure and Animal Welfare bond program, the largest capital improvement program the zoo has ever undertaken.

Management began taking steps to create a robust governance and oversight structure to ensure careful and diligent stewardship of bond funds upon the passage of the \$125 million Zoo bond measure in November 2008. The audit recommendations provided valuable additional guidance for improving performance and protecting taxpayers. Metro management is pleased with your conclusion that of the prior report's seven recommendations, Metro had implemented six and made progress on the seventh. In particular, we appreciate that the audit noted that the three projects under construction had realistic costs estimates with appropriate contingencies, verified budgets, and that spending was closely monitored and controlled.

For the one recommendation identified as in process, Metro management is committed to providing timely, relevant, and accurate information to the Oregon Zoo Bond Citizens' Oversight Committee and the Metro Council. As the follow-up report states, Bond Program staff collects and documents detailed information for each active project. With the Metro Council adoption of the Bond Implementation Plan on September 22, 2011, the scopes, schedules and budgets for all remaining bond projects are now known and can be used to provide information for the program as a whole. Metro management will work closely with the Oversight Committee and Metro Council to ensure they receive the information they need to perform their important oversight functions.

Metro management and staff appreciate the thoughtful and thorough review conducted by the auditor and welcome ongoing review of the Bond Program in the future. Metro is focused on continual improvement to project management, budgeting, communication, and oversight to ensure that promises made to the public are kept.

Agenda Item Number 5.0

Consideration of the Minutes for Nov. 3, 2011

Metro Council Meeting
Thursday, Nov. 10, 2011
Metro Council Chamber

Materials following this page were distributed at the meeting.



METRO COUNCIL MEETING

Meeting Summary

Nov. 3, 2011

Metro, Council Chamber

Councilors Present: Council President Tom Hughes and Councilors Carl Hosticka, Barbara Roberts, Kathryn Harrington, Shirley Craddick and Carlotta Collette

Councilors Excused: Councilor Rex Burkholder

Council President Hughes convened the regular Council meeting at 3 p.m.

1. INTRODUCTIONS

Council President Hughes welcomed Ms. Martha Bennett as Metro's new Chief Operating Officer.

Council thanked Mr. Dan Cooper for serving as Acting Metro COO. Mr. Cooper had been serving as COO since Mr. Michael Jordan's departure in March 2011. Mr. Cooper resumed his role as Metro Attorney as of Oct. 31.

Councilor Barbara Roberts surprised her fellow female councilors with celebratory sashes commemorating 2012's 100-year anniversary of women's suffrage in Oregon.

2. CHIEF OPERATING OFFICER COMMUNICATION

Ms. Bennett announced that Metro's Senior Leadership Team is scheduled to be at an offsite retreat on Friday, Nov. 4.

3. CITIZEN COMMUNICATIONS

There were none.

3. CONSIDERATION OF THE MINUTES FOR OCT. 27, 2011

Motion:	Councilor Kathryn Harrington moved to adopt the Oct. 27, 2011 Council minutes.
---------	--

Vote:	Council President Hughes and Councilors Hosticka, Roberts, Craddick, Harrington and Collette voted in support of the motion. The vote was 6 ayes, the motion <u>passed</u> .
-------	--

4. RESOLUTIONS

4.1 Resolution No. 11-4304, For the Purpose of Approving the Oregon Zoo 20-Year Comprehensive Capital Master Plan (CCMP).

Motion:	Councilor Shirley Craddick moved to adopt Resolution No. 11-4304.
Second:	Councilor Carlotta Collette seconded the motion.

Councilor Craddick introduced Resolution No. 11-4304. In October 2010, Metro contracted with a multi-disciplinary consulting team to develop a 20-year Comprehensive Capital Master Plan for the Oregon Zoo. The CCMP includes information to implement the Zoo Bond Implementation Plan – approved by the Council in Sept. 2011 by Resolution No. 11-4292 – as well as provides a framework for additional Zoo campus capital improvements that will enhanced animal welfare and care, improve sustainable operations and enhance Zoo visitors’ experiences. Councilor Craddick emphasized the public involvement opportunities throughout the CCMP process including the multiple open houses and Metro Opt-in survey. She welcomed Ms. Kim Smith and Mr. Craig Stroud of the Oregon Zoo, Mr. Dan Jarman, of the Oregon Zoo Foundation Board of Trustees, and Ms. Jani Iverson, of the OZF. Councilor Craddick emphasized the importance and partnership with the OZF; she highlighted the OZF’s critical role in the passage of the 2008 bond measure and management of the Zoo’s membership program as examples.

Ms. Smith provided a presentation on the CCMP. The presentation included sketches of the proposed capital improvements including improvements to the animal exhibits (e.g. Great Northwest), quality of visitor experience and circulation (e.g. enhanced wayfinding), venue space (e.g. AfriCafe and concert lawn), sustainable operations (e.g. water conservation), and service yard updates. Mr. Jarmin discussed the 2008 bond measure and thanked the Council for including the community in the CCMP process. Ms. Iverson stated that the OZF and Metro should be proud of the CCMP.

Council thanked the OZF for their continued partnership. Councilors recommended that the CCMP materials be available on the Metro web site as a resource for teachers.

Vote:

Council President Hughes and Councilors Hosticka, Roberts, Craddick, Harrington and Collette voted in support of the motion. The vote was 6 ayes, the motion <u>passed</u> .
--

5. COUNCILOR COMMUNICATION

Council updates included Travel Portland’s recent event for event planners at the Convention Center, tour of the Agilyz plastic-to-oil conversion facility, and Nov. 4 presentation by Dr. Lawrence Frank on transportation, land use and health issues.

6. ADJOURN

There being no further business, Council President Hughes adjourned the regular meeting at 3:45 p.m. The Metro Council will reconvene the next regular council meeting on Thursday, Nov. 10 at 2 p.m. at the Metro Council Chamber



Kelsey Newell, Regional Engagement Coordinator

ATTACHMENTS TO THE PUBLIC RECORD FOR THE MEETING OF NOV. 3, 2011

Item	Topic	Doc. Date	Document Description	Doc. Number
4.	Minutes	10/27/11	Council minutes for 10/27/11	110311c-01