



Office of the Auditor

NATURAL AREAS MAINTENANCE AUDIT FOLLOW-UP

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BACKGROUND

In April 2012, the Auditor's Office released a report with recommendations to improve management of Metro's natural areas. At that time, there was not a consistent strategy for land management and the complexity of the system required more structure. More clarity was needed to strategically plan what maintenance would be done, who would do it, and how it would be funded. The audit recommended the Natural Areas Program (program) prioritize areas for maintenance and improve the organization of land management responsibilities. The Auditor's Office also made five recommendations in a letter to management (see Status of Recommendations on page 7).

After the audit was released voters approved a five-year operating levy for Metro's parks and natural areas. According to the voter's guide, about half of the funding was to improve habitat for fish, wildlife and water quality. The other half was for the region's residents to visit and learn about nature.

During the first 18 months of the operating levy expenditures were about \$9.4 million. Of that total, \$2.9 went to projects identified by the program as restoration and maintenance. The majority of these expenditures were for large-scale restoration projects. The figures in Exhibit 1 do not include personnel costs, which accounted for 23% of total expenditures in the first 18 months.

Exhibit 1: Operating levy expenditures for restoration and maintenance

(June 1, 2013 - December 31, 2014)

Project Type	FY 2013-14	FY 2014-15 (1st half)	TOTAL
Large-scale restoration	\$1,152,579	\$ 735,282	\$1,887,861
Natural areas maintenance	\$ 288,406	\$ 337,486	\$ 625,892
Small-scale restoration	\$ 296,727	\$ 125,575	\$ 422,302
Total restoration and maintenance	\$1,737,712	\$1,198,343	\$2,936,055

Source: Auditor's Office analysis of expenditures in accounting system

In addition to funding from the operating levy, expenditures for restoration and maintenance came from the general fund. At least \$2.5 million was spent during the same period by the two divisions in the Sustainability Center responsible for land management.

During the audit, Metro was in the process of developing a parks and natural areas system plan. The plan is intended to define the mission, values, and strategies of the system. Implementation of the plan is expected to begin in January 2016.

SUMMARY

Progress was made on recommendations from the 2012 audit **Metro's Natural Areas: Maintenance strategy needed** and the corresponding management letter. All of the audit's recommendations were in process. Four of the five recommendations in the management letter were implemented or in process.

The complexity of the Natural Areas Program has grown since the initial audit with more funding, increased staffing, and greater land management responsibilities. It will be important to fully implement the recommendations to protect the value of the region's land purchases.

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SCOPE AND METHODOLOGY

The purpose of this follow-up was to determine if recommendations from the 2012 audit and management letter were implemented. To do this, we interviewed Metro employees and management and visited some of Metro's natural areas. We reviewed planning documents, contracts, policies and procedures, and information obtained from Metro's financial systems and the program's land management database. We identified a potential conflict of interest in the program during the audit. We addressed the issue in a separate communication with management.

This audit was included in the FY 2014-15 audit schedule. We conducted this follow-up 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

Since the previous audit, the program has created a foundation to prioritize areas for maintenance and better organize its land management responsibilities. Although maintenance and restoration projects were more clearly documented, many of the recommendations remain in process. As restoration and public access projects are completed they will need to be maintained. We found no maintenance plans had been finalized. This made it difficult to understand what resources would be required to maintain the land in the future. It also made it difficult to determine if maintenance strategies were effective.

Management systems created

The program developed systems to improve land management, including a handbook to prioritize work, new processes to increase accountability, and a database to track projects. These efforts helped create a foundation to address the issues identified in the management letter and the two overarching recommendations in the 2012 audit:

- Develop a system to prioritize areas for maintenance based on available funding.
- Improve the organization of land management responsibilities.

The program handbook addressed some of the audit's recommendations by documenting roles and responsibilities and high-level land management priorities. Priorities were based in part on federal, state, and regional guidance as well as specific assessments of each site. The handbook was developed to guide discussions about which projects move forward. According to management, these discussions took place during the annual budget process. Both the handbook and the budget process allowed the program considerable flexibility when deciding which projects would be funded each year.

Metro also implemented processes to manage some of the potential risks for fraud, waste, and abuse identified during the previous audit. These efforts addressed three of the five recommendations in the management letter. There was a process to monitor fueling data and

review it for trends and anomalies. A formal policy was developed for handling illegal marijuana grow operations and there was also a process in place to monitor expenditures for certain contractors.

In addition, the program updated its database to better organize and manage restoration and maintenance projects. Increased capacity in the database addressed four recommendations from the audit and management letter. Specifically, the database included information about some program costs, contract expenditures, and employee responsibilities. It also included links to agreements with other governments involved in managing the land.

Increased complexity requires stronger management practices

In 2012, there was a lack of clarity about what level of maintenance was required, which limited the program's ability to strategically plan for maintenance work. Since then, the complexity of Metro's land management responsibilities increased because more projects were funded and more employees were hired. As Metro continues to build its parks and natural areas system, it will be important to fully implement recommendations in the following areas:

- Developing site specific maintenance plans;
- Providing reliable estimates of future maintenance costs;
- Clarifying roles and responsibilities internally and with external partners; and
- Applying policies and procedures to reduce opportunities for fraud, waste, and abuse.

Maintenance plans incomplete

Although the program was successful at documenting high level priorities, it has been less successful at developing site specific plans. These plans are important because they establish the goals, strategies, and resources that will be needed to manage each site. According to the program handbook and management, the majority of Metro's sites are expected to have a restoration plan and a maintenance plan. Restoration plans set the long-term goals for the land. As of February 2015, the program completed plans for 24 of 102 sites. Management estimated the plans for restoration at Metro's sites would be completed in three to five years.

Maintenance plans were intended to be developed after restoration plans. At the time of our review, none of these plans were finalized. According to management, an assessment of maintenance needs was being conducted to inform individual maintenance plans. We reviewed draft plans for three sites. They included information related to some of our recommendations such as defining the maintenance standard for each site and ensuring all maintenance activities were included, regardless of which part of the organization or partner organization performed them. In the absence of these plans a less formal system was in place to manage and track maintenance.

As plans are developed, the program may need to balance potential tradeoffs between different planning efforts. For example, a separate maintenance plan for each site may not be needed if maintenance activities were consistently identified in restoration plans. Similarly, some of the information needed to understand maintenance requirements was already documented in employee work plans. Compiling that information could be a more efficient way to document maintenance needs in the short term. However, it may not provide a long-term vision for ongoing maintenance and associated costs.

For completed plans it will be important to develop a process to monitor performance measures and program goals. The plans we reviewed contained site level goals and performance measures, but some of them did not include detailed monitoring information. Also, there was not a systematic monitoring process in place. Because the program maintains flexibility in prioritizing its work, monitoring efforts will be important to ensure the program's maintenance activities are effective.

Future costs unknown

The program did not have estimates for what it would take to restore and maintain the natural areas. In 2012, the Auditor's Office noted that Metro's standard to restore and maintain all land may not be financially sustainable and that restoring the entire portfolio would require a large commitment of resources and time. The program used two methods to determine future costs, but there were challenges with both. Site specific plans were supposed to provide information about future costs but they were not completed for all sites, were limited in their timeframe, and did not always contain all cost information. The tool the program used to estimate land management costs was not updated to reflect employee costs, current goals, or work completed. Program employees also identified the potential to refine the tool by testing the assumptions built into its calculations against actual expenditures. However, no formal actions to do so had taken place.

Developing a reliable system for estimating costs will take resources and commitment. It is important for the program to be able to demonstrate at a high level what it will cost to protect the region's investment. Metro's land portfolio included about 17,000 acres. The operating levy provides a significant funding source for restoration and maintenance, but is only approved through FY 2017-18. Providing a range of possible restoration and maintenance costs may help the program and the public identify the most appropriate level of funding at that time.

Increased complexity calls for clear roles

The program handbook documented roles and responsibilities in the Sustainability Center. However, it did not include employees in other departments with land management responsibilities. It also did not include recent positions added to the program. Overlap remains for some responsibilities and employees are expected to operate with flexibility. Although this may be appropriate, it could create uncertainty and inequity among employees. For example, employees may believe they are conducting the work of others without equal pay or adequate resources to complete their own work.

Establishing clear roles and responsibilities between Metro and its partners was another challenge identified in the previous audit. The program made some improvements to manage agreements with other governments and was working on better managing agreements with other partners. A new template for certain types of government agreements outlined which land management responsibilities would be handled by Metro and which responsibilities would be handled by the other government. Management noted its intent to update existing agreements, but at the time of our review few had been updated. According to management, updates were slow because other governments have limited resources and competing priorities. Management stated the program has also moved toward documenting less formal partner agreements and it was in the process of collecting them during our review.

Stronger controls needed to reduce potential risks

Although Metro put processes in place to manage potential risks of fraud, waste, and abuse, two recommendations were not fully implemented. The program developed guidelines for handling rental properties that outline the process for establishing, adjusting, and documenting rent amounts. Some properties had rents increase while others did not. However, most of the property files we reviewed did not contain justification for rental adjustments. Although explanations were provided for the decisions, they were not documented in the property files. Lack of documentation supporting decisions to increase some rents but not others may make Metro vulnerable to allegations of favoritism.

We also found that Metro did not go through a process to mitigate the potential risks of renting to vendors or employees. While the guidelines stated that properties would not be rented to employees or vendors, those restrictions did not apply to existing tenants. When asked why existing tenants were excluded from the policy we were told that Metro does not want to displace anyone from their home. We were also told that Metro follows federal requirements to provide financial assistance for relocation. There may be options to mitigate the potential risk without relocating the tenants that Metro could consider.

Tracking employee time was the other area where Metro could have better managed risk. The details of employee work, such as the amount of time performing certain tasks at different sites, was not tracked. Tracking work activities contributes to the program's accountability, which is important to maintain in a growing program where employees spend a substantial amount of time in the field. The information could be used to show the value of work performed, update the tool used to estimate future costs, and capture potential inefficiencies by documenting time spent driving.

STATUS OF AUDITOR RECOMMENDATIONS

2012 Recommendations	Status
To protect and maintain the value of land purchases, Metro should take the following actions to strengthen its land management program:	
1. Develop a system to prioritize areas of maintenance based on available funding.	
a. Develop site specific plans for land to be maintained.	<i>IN PROCESS</i>
b. Define the maintenance standard for each site plan.	<i>IN PROCESS</i>
c. Ensure that plans include all maintenance activities regardless of who performs them.	<i>IN PROCESS</i>
d. Periodically review prioritization and plans.	<i>IN PROCESS</i>
2. Improve the organization of land management responsibilities.	
a. Clarify roles and responsibilities.	<i>IN PROCESS</i>
b. Develop systems to better track expenditures and estimate future costs.	<i>IN PROCESS</i>
c. Develop, collect, and monitor performance measures to improve maintenance strategies.	<i>IN PROCESS</i>
d. Improve management of partnership agreements: <ul style="list-style-type: none"> i. Develop a toolkit that includes how standards will be implemented. ii. Define what technical assistance will be provided. 	<i>IN PROCESS</i> <i>IN PROCESS</i>
In order to strengthen internal controls and reduce the risk of fraud, waste, and abuse, Metro should:	
1. Develop policies and procedures for rental and lease properties that include: <ul style="list-style-type: none"> a. Application process; b. Criteria and methodology to establish and adjust rent and lease amounts; c. Management of potential conflicts of interest when renting to employees or contractors; d. File management standards. 	<i>IN PROCESS</i>
2. Develop procedures to monitor actual contract expenditures by vendor to compare planned allocations to actual expenditures.	<i>IMPLEMENTED</i>
3. Create a system to track employee time and work activities.	<i>NOT IMPLEMENTED</i>
4. Enforce requirements to accurately enter fueling data and periodically review data for trends and anomalies.	<i>IMPLEMENTED</i>
5. Document procedures to handle illegal drug operations and ensure staff are aware of the procedures.	<i>IMPLEMENTED</i>



Management Response

Date: March 23, 2015

To: Brian Evans, Metro Auditor

From: Scott Robinson, Deputy Chief Operating Officer
Kathleen Brennan-Hunter, Interim Director, Sustainability Center
Paul Slyman, Director, Parks and Environmental Services

Cc: Martha Bennett, Chief Operating Officer

Subject: Metro response to Metro Auditor Natural Areas Maintenance Audit Follow-up

Metro's Natural Areas and Parks and Environmental Services programs are grateful for the thorough audit and management letter, and subsequent follow-up related to our efforts to restore and maintain Metro's growing portfolio of natural areas and related infrastructure. Natural areas stewardship is complex, involving the nesting of conservation strategies at multiple geographic scales and across long time periods; as well as the interaction of work groups with naturally overlapping and complementary roles.

Metro is especially pleased that the Auditor's team recognized our program-wide efforts to develop and implement a comprehensive and systematic approach to organizing our work during a period of rapid growth in the number of projects we have underway. We remain fully committed to developing world-class systems, structures and staff expertise to maximize the benefits the public receives from their investment in nature.

Since the 2012 audit we have made progress in taking a structured and transparent approach to planning, implementing, documenting and tracking our work; as well as developing supporting policies to address specific circumstances. Indeed, we have addressed or begun to address all of the audit recommendations, and all but one of the issues specifically raised in the related management letter.

One fundamental recommendation was to "develop a system to prioritize areas of maintenance based on available funding." Towards that end we have:

- Agreed on a comprehensive approach for identifying ecological priorities based on integrating federal, state, regional and local concerns. This is defined in our Natural Areas Science and Land Management Handbook.
- Applied that approach to prioritize restoration opportunities within Metro's portfolio. This peer-reviewed work includes priorities at both a Metro-wide and sub-regional scale.

- Developed a template for developing site conservation and maintenance plans that facilitates collaboration among work-groups.
- Completed 23 and initiated 28 additional site conservation plans (out of 110 sites total) including plans for most of our highest priority sites. These plans set the conservation vision and identify the most important projects on our sites. We are on track to complete plans for all sites within 3-5 years.
- Initiated a comprehensive inventory of maintenance-level issues on our portfolio as the basis for developing meaningful site maintenance plans. We expect to complete the inventory project during 2015.
- Until such time as conservation and maintenance plans are completed for all sites we continue to rely on our stewardship classification tool for providing meaningful program-wide estimates of long-term restoration and maintenance costs. Although not site-specific, this tool applies real world costs to each of our common habitat types for our most common tasks.

Improving the organization of land management responsibilities within Metro and between Metro and our partners was also identified as an area for improvement. Because our work naturally creates overlapping roles and responsibilities, we recognize that it is important to develop a culture of active collaboration, clarify where leadership rests, and formalize how input can be provided by team members. Recent improvements include:

- Developed a Natural Areas Science and Land Management Handbook that identifies roles and responsibilities among team members and identifies best practices for effective collaboration on planning and implementing projects.
- Completed project implementation plans identifying staff roles and responsibilities for all significant projects.
- Refined our intergovernmental agreement process and initiated a process to review all intergovernmental agreements with our partners. The first such review was completed in 2014.
- Reaffirmed our commitment to communicate early and often with stakeholders and colleagues across departments to ensure consistent internal and external communication.

In order to “strengthen internal controls and reduce the risk of fraud, waste and abuse,” the Auditor identified the need to clarify policies and improve financial tracking systems in place for managing real property and the expenditure of restoration and maintenance funds. We are well on our way to providing a comprehensive and transparent environment for this kind of work. Since 2012 we have:

- Developed the TerraMet database into which all contracted natural areas restoration and maintenance work is planned, budgeted and tracked at a site level. As a result we will be able to generate reports to answer a wide variety of questions organized by site, contractor, geography, work type or date.
- Developed clear procedures for handling illegal or inappropriate use of Metro lands such as drug operations or illegal camping.

- The property management team has added explanations of rental adjustments to the property files and is currently working on new adjustments for 2015.
- Property management has clarified procedures around leasing to Metro employees. Metro does not and has never intended to terminate current employees as tenants as long as the rental agreement is in good standing.
- Continued to utilize the annual work planning and performance appraisal process to organize the use of staff time.

Thanks again to you and your team for a thorough analysis of the steps we have taken to improve the management of Metro's natural areas. We appreciate the time, effort and attention you put into assessing this important program.