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## MEMORANDUM

Date: October 14, 2016

To: Martha Bennett, Chief Operating Officer  
Scott Robinson, Deputy Chief Operating Officer  
Kathleen Brennan-Hunter, Director, Parks and Nature  
Tim Collier, Director, Finance and Regulatory Services  
Paul Slyman, Director, Property and Environmental Services

From: Brian Evans, Metro Auditor 

**RE: Oversight of the 2013 Parks and Natural Areas Local Option Levy**

Our audit of capital project planning found weaknesses in controls for project planning, approval and reporting. As we learned more about the management environment for these projects, additional concerns were raised about the accuracy and completeness of information reported to oversight bodies and the public about 2013 Levy projects. Based on the information that was reported, we determined that stronger oversight was needed to improve transparency and accountability. This memo summarizes our findings.

### **Results**

During the first three years of the 2013 Levy, the Chief Operating Officer (COO) approved the annual work plan. A Steering Committee made up of a small group of Metro leaders made recommendations to the COO about the annual work plan and reviewed 2013 Levy spending. Initially, the Committee focused on coordinating activities between the various departments that were expected to use the 2013 Levy.

We received inconsistent information about the level of authority of the Steering Committee. Roles and responsibilities had not been clearly established. The Committee's decisions were not documented, which reduced transparency. This made it more difficult to determine the budget and timeline for some projects.

Beginning in September 2015, the Steering Committee appears to have taken a more active role in project oversight. They established thresholds for reporting changes and created a new monitoring report for some projects. Project managers were required to submit budget memos. However, it was not clear who had the authority to approve changes to project budgets. Changes affected the annual

work plan, but we could not find evidence to determine if the changes were approved by the appropriate authority. For some projects, inaccurate information about the original budget was reported, which may have presented a more positive status than was warranted.

While the Steering Committee's more active role appeared to improve reporting and accountability for some projects, we found others that did not seem to be as closely monitored. Some projects had never been included in the annual work plans even though 2013 Levy funds were spent on them. These included both parks projects and natural areas restoration projects.

Oversight was also needed to ensure that program outcomes from the 2013 Levy would be achieved. Small changes to projects could end up having a large effect if the sum of those changes was different than what was promised. For example, the 2013 Levy's most recent annual report showed that spending for Regional Park Operations exceeded the target level. Metro promised to spend between 20-30% of 2013 Levy funds for those projects, but at the end of the second year (FY2014-15) spending was at 34%. We did not review programmatic performance in this audit, but the weaknesses in project oversight raised concerns about program oversight.

Creating a charter for the oversight function and increasing the involvement of members of the public would improve transparency and accountability. Members of the public can provide objective and independent oversight that may not be possible from internal stakeholders. When voters approved previous ballot measures for the Natural Areas Program and Oregon Zoo Infrastructure in 2006 and 2008, public oversight committees were formally established and given specific mandates for public reporting. A similar structure could improve oversight and reporting of 2013 Levy outcomes.

### ***Recommendations***

To strengthen oversight of the 2013 Parks and Natural Areas Local Option Levy, Metro should create a charter for the oversight body that includes:

- A. the committee's role and authority;
- B. thresholds for project monitoring and budget change approval;
- C. standardized monitoring reports to track the scope, schedule, and budget of projects; and
- D. members of the public.

# Memo



Metro

600 NE Grand Ave.  
Portland, OR 97232-2736

Date: October 28, 2016  
To: Brian Evans, Metro Auditor  
From: Scott Robinson, Deputy Chief Operating Officer *SR*  
Tim Collier, Director, Finance and Regulatory Services *TC*  
Cc: Martha Bennett, Chief Operating Officer  
Kathleen Brennan-Hunter, Director, Parks and Nature  
Paul Slyman, Director, Property and Environmental Services  
Subject: Management response to 2013 levy oversight management letter

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We appreciate the opportunity to respond to your memo regarding the oversight of the 2013 Parks and Natural Areas Local Option Levy, and this response is limited solely to the 2013 levy. We believe open and transparent management of voter-approved funds is critical. Metro has a long track record of accountable management with the Natural Areas Program Performance Oversight Committee, which provides an excellent foundation for our work in this area on the 2013 levy.

While we value your recommendations, we also believe overall outcomes for the 2013 levy are being achieved. Your memo says spending on Regional Park Operations for FY 14-15 was 34 percent of the 2013 levy and the target for that category was 20-30 percent. First, the 20-30 percent number is the outcome for the full five years of the 2013 levy, because project spending fluctuates year to year, and therefore your mid-term observation may not be reflective of the full five year period. Second, spending on capital projects in the Regional Park Operations category was planned to peak in FY 14-15 and FY 15-16. Subsequent updates to the Capital Improvement Plan and Adopted Budget in FY 16-17 demonstrate management's awareness of the capital planning and project management needs and a clear response to those needs. Again, your mid-cycle focus cannot, by definition, test actual results of a five year plan.

We offer this response specifically to the recommendations in your memo. We agree that additional structure and process documentation for the 2013 Levy Steering Committee will improve the consistency and effectiveness of project documentation. The language of your recommendations, and our response is below, with your recommendations italicized:

***To strengthen oversight of the 2013 Parks and Natural Areas Local Option Levy, Metro should create a charter for the oversight body that includes:***

- a. The committee's role and authority;***
- b. Thresholds for project monitoring and budget change approval;***
- c. Standardized monitoring reports to track the scope, schedule, and budget of projects; and***
- d. Members of the public.***

The Metro Code has a process for establishing and managing advisory committees. In this case, staff believes the use of existing structures to increase oversight of the 2013 levy will be more effective than creating a new committee. Staff will work with the Office of the Metro Attorney to review the charter and membership requirements for the Natural Areas Program Performance Oversight

Committee with the goal of expanding its scope to include oversight of the 2013 levy. The committee already includes members of the public who have deep familiarity with Metro's parks and nature work.

Staff also believes the existing Capital Asset Management Policy provides appropriate guidance on thresholds for project monitoring and budget change approvals, and that it would be challenging to have a different set of thresholds for one department. However, we agree with the recommendation in your memo that improved training and documentation may be helpful. Staff will work with the oversight committee on that process.

Staff agrees that standardized monitoring reports for capital projects are important and will work with the expanded oversight committee to develop those reports. We will draw on our deep experience collaborating with the committee during the course of the 2006 Natural Areas Bond program to develop robust reporting and dashboards. We are committed to developing a reporting structure that is clear, complete and manageable over time to communicate project performance in an open and transparent way.

We look forward to fine-tuning the way we track and report on the 2013 levy.