



Washington County Auditor's Office

Final Audit Follow Up:

Performance Evaluation of the Urban Road Maintenance District (URMD)

June 2, 2014
Final Draft



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July 8, 2014

TO: Board of County Commissioners

FROM: John Hutzler, County Auditor

SUBJECT: Final Follow-Up on URMD Performance Evaluation

In March 2009, the County Auditor reported that the Urban Road Maintenance district had efficiently and effectively improved the quality of Washington County's urban local streets. At the same time the Auditor recommended twelve steps to improve oversight of the District's performance, to clarify the District's agreement with Clean Water Services, to ensure accurate identification of tax lots and road segments to the District, and to ensure accurate allocation of costs to the District. In my August 2011 Follow-Up, I reported that the County had fully implemented eight of the Auditor's twelve recommendations.

In a second follow-up report in November 2012, I found that the County had fully implemented nine recommendations and partially implemented one recommendation. One recommendation was still in process, and County Administration did not implement the Auditor's recommendation that it periodically compare URMD performance to comparable data from other jurisdictions.

In February 2014, I initiated a third follow-up to determine whether the one remaining recommendation had been implemented. I found that this final recommendation had been partially implemented and there were no specific plans for further implementation.

This is my final follow-up report on the URMD Performance Evaluation. Of the twelve recommendations, nine were fully implemented, two were partially implemented, and one was not implemented.

I would like to thank LUT Director Andrew Singelakis and Operations Division Manager Dave Schamp for their assistance with this follow-up report.

I. Background and Summary

The Urban Road Maintenance District (URMD) was formed in 1987 and funded by voters in 1994 in order to provide upgraded road maintenance services for neighborhood streets in the urban unincorporated areas of Washington County.

In March 2009 the Washington County Auditor released the report titled “Performance Evaluation of the Urban Road Maintenance District,” together with the response of the County Administrator. The Auditor made 12 recommendations, four for action by the Board of County Commissioners and eight for action by the Department of Land Use and Transportation (LUT). The County Administrator agreed with the Auditor’s recommendations.

In 2011 I conducted follow-up on the 2009 report to determine whether the Auditor’s recommendations had been timely implemented and to request projected completion dates for any not yet fully implemented. In August 2011 I reported that eight recommendations had been fully implemented, and three more were to be implemented by the end of 2011. The County Administrator indicated he did not plan to implement the remaining recommendation.

In a November 2012 follow-up on the three open recommendations, I found that the Board of Commissioners had fully implemented one of those recommendations. The County Administrator had partially implemented one recommendation. One recommendation was still in process.

In this final follow-up report, I find that the County has partially implemented the final recommendation and has no specific plans for further implementation. I am closing this audit. Of the twelve recommendations in the 2009 report, nine were fully implemented, two were partially implemented, and one was not implemented.

This report summarizes findings and recommendations from the original audit, and describes the results of my follow-up reviews.

II. Overview of the Original Evaluation

Study Objectives

The County Auditor initiated the evaluation of Urban Road Maintenance District (URMD) to answer the following questions:

- Does the URMD provide the services and meet the objectives that were promised to District voters?
- How efficiently does the URMD deliver road maintenance services? What do District residents receive for each dollar expended?
- How effective has the URMD been in upgrading urban road maintenance services and improving the quality of urban roads?

- Have service levels or performance changed over time?
- How sustainable are service levels given anticipated funding? Will current levy rates provide for future maintenance and rehabilitation needs?
- How should the URMD measure its performance going forward?

Findings and Recommendations

The Auditor found that the Urban Road Maintenance District had efficiently and effectively improved the quality of Washington County's urban local streets. The evaluation also forecast that, given certain revenue and expense assumptions, the District should be able to maintain nearly 100% of roads in fair or better condition for the next ten to fifteen years without an increase in property tax rates.

The Auditor recommended that the County Administrator and the Board of County Commissioners take steps to improve public oversight of the District's performance, to improve performance reporting to the Board, to clarify the District's agreement with Clean Water Services for storm and surface water management services, to ensure the accurate identification of tax lots and road segments to the URMD, and to ensure accurate allocation of costs to the URMD.

Specifically, the Auditor recommended that the Board of County Commissioners:

- Establish an URMD Citizen's Advisory Committee to confirm URMD performance objectives and review periodic performance reports. Include the Committee in discussions about expansion or contraction of URMD services.
- Consider revising the Urban Road Maintenance Service and Financing Ordinance to reflect current URMD/LUT practices and funding responsibilities.
- Revise the IGA between the URMD and the County to implement status monitoring.
- Re-visit the IGA between Clean Water Services, the County and the URMD to:
 - Request that CWS work with LUT to develop an annual storm and surface water work program and to fund that work program accordingly, as prescribed in the IGA, or
 - Determine if the agreement should be modified to eliminate this requirement.
 - Identify ways to improve monitoring of this agreement. Re-define CWS performance reporting.

The Auditor also recommended that the Department of Land Use and Transportation (LUT):

- Identify, define, and establish data collection procedures for a concise set of URMD performance measures to meet internal monitoring and external reporting needs.
- Develop an annual URMD performance report for the County Board that supplements current budget and financial reporting.

- Improve URMD performance reporting to residents of the URMD and the general public. Highlight efficiency and effectiveness of the District, work accomplishments, and service levels.
- Periodically compare URMD performance to comparable data from other jurisdictions.
- Begin routine documentation of the following:
 - Required maintenance as identified by StreetSaver® versus funded or programmed maintenance.
 - Pavement condition (mean PCI by functional classification and total miles by condition rating by functional classification.) Create electronic snapshots at a given point in time each year.
- Work with County Development Review and Assessment and Taxation staff to make sure tax lots are appropriately annexed into and out of the URMD.
- Work with County staff to appropriately assign urban local road maintenance responsibilities to the proper jurisdiction.
- Review procedures for allocating LUT costs to the URMD to make sure the URMD is paying appropriately for the cost of direct and administrative services provided by LUT.

III. Findings from the Follow-Up Reviews

In my August 2011 follow-up, I found that the Board of County Commissioners had implemented two of the Auditor's recommendations. Two recommendations for Board action were still in process. The County Administrator and LUT had fully implemented six of eight recommendations. One recommendation was still in process, and there were no plans to implement the final recommendation.

In my 2012 follow-up, I found that the Board had fully implemented another recommendation and the County Administrator and LUT had partially implemented one more recommendation. In this final follow-up I find that the one remaining recommendations has been partially implemented.

The Board implemented the following three recommendations with the actions described below:

- *Establish an URMD Citizen's Advisory Committee to confirm URMD performance objectives and review periodic performance reports. Include the Committee in discussions about expansion or contraction of URMD services.* The Board of County Commissioners created the Urban Road Maintenance District Advisory Committee (URMDAC) in August 2009, but the committee did not meet until January 2011. The URMDAC was actively engaged in reviewing and considering service level changes and performance measures. However, URMDAC was only in a position to provide input into the 2011-12 Road Maintenance Plan, rather than the 2009-10 Plan as originally projected.

- *Revise the IGA between the URMD and the County to implement status monitoring.* On July 5, 2011 the Board approved a revised Intergovernmental Agreement (IGA) between Washington County, Oregon and the Urban Road Maintenance District for Road Maintenance that included performance standards and monitoring expectations for the LUT.
- *Consider revising the Urban Road Maintenance Service and Financing Ordinance (Ordinance #2) to reflect current URMD/LUT practices and funding responsibilities.* The Board made changes to the URMD Ordinance by September 6, 2011 to expand the range of options available to the URMD, including the ability to construct safety improvements on both URMD streets and the arterial roads that they connect with.

By November 2012 the County Administrator and LUT had fully implemented the recommendations designed to ensure costs are properly allocated to the URMD and that tax lots and road segments are accurately identified to the URMD. They had also fully implemented three of five recommendations related to URMD performance measurement and reporting. One recommendation was partially implemented, and one recommendation was not implemented.

- *Review procedures for allocating LUT costs to the URMD to make sure the URMD is paying appropriately for the cost of direct and administrative services provided by LUT.* LUT had allocated additional administrative costs to the URMD and established a quarterly cost review process.
- *Work with County Development Review and Assessment and Taxation staff to make sure tax lots are appropriately annexed into and out of the URMD, and work with County staff to appropriately assign urban local road maintenance responsibilities to the proper jurisdiction.*

The County had taken the following actions to address these two recommendations:

- Improved distribution of boundary change notices and information.
- Established procedures to help ensure that service district withdrawals are correctly identified and executed as part of city annexations.
- Developed a checklist to be used by planners to confirm that proposed developments have considered inclusion in special districts, such as the URMD.
- All road segments that are ineligible for URMD are identified as such in LUT's Integrated Road Information System (IRIS) application.
- *Develop an annual URMD performance report for the County Board that supplements current budget and financial reporting.* LUT has provided the County Board with Urban Road Maintenance Annual Reports for FY 2009-10 and FY 2010-11 that include performance reporting as well as budget and financial reporting.
- *Improve URMD performance reporting to residents of the URMD and the general public. Highlight efficiency and effectiveness of the District, work accomplishments, and service levels.*

The URMD annual report is included on the County's public website. The report includes much of the information suggested in the audit report; including financial information and budget status, workload, work accomplished, measures of efficiency and effectiveness and resources compared to expenditures.

- *Begin routine documentation of the following: Required maintenance as identified by StreetSaver® versus funded or programmed maintenance, and Pavement condition (mean PCI by functional classification and total miles by condition rating by functional classification.) Create electronic snapshots at a given point in time each year.* LUT began creating snapshots of pavement condition by functional classification and total miles in October 2010. Department management indicated it intends to create snapshots annually. LUT has not documented gaps in required maintenance versus programmed maintenance (deferred maintenance) because no maintenance has been deferred. The department reports that the StreetSaver® pavement management system is capable of identifying and reporting deferred maintenance.
- *Identify, define, and establish data collection procedures for a concise set of URMD performance measures to meet internal monitoring and external reporting needs.* By August 2011 the Urban Road Maintenance Advisory Committee (URMDAC) had identified objectives, measures and performance targets for the URMD related to pavement condition, administrative costs, efficiency, timeliness, and customer satisfaction. Those measures had been incorporated into the Intergovernmental Agreement (IGA) between the County and the URMD and represent internal monitoring and external reporting needs. LUT had defined, collected data for, and reported on some, but not all, of these. LUT reported that it planned to fully implement this recommendation by July 1, 2012. I found that several of the measures adopted were not being reported to the URMDAC as scheduled in the IGA and others had not been reported at all. LUT did not plan to establish data collection procedures for the URMD performance measures adopted by the URMDAC and incorporated into the IGA. I closed this recommendation as *Partially Implemented*.

County Administration had not implemented the following recommendation and had no plans to do so:

- *Periodically compare URMD performance to comparable data from other jurisdictions.*

The final recommendation to the Board of County Commissioners was the subject of this 2014 follow-up. The Auditor had recommended that the Board re-visit the IGA between Clean Water Services, the County and the URMD in order to address several issues (the contract was not performance based, CWS did not perform work according to a work plan developed with the URMD, payments to CWS were not based on work performed) and to consider whether the URMD was paying CWS for services that its residents would receive without even without the IGA.

I found that:

- The IGA is still not performance based. CWS reports performance measures to the URMD, but the measures reported are not based on performance objectives specified in the IGA.

- CWS still does not perform its work in the URMD in accordance with a defined work program developed with the URMD. LUT has decided that the IGA should be modified to eliminate that requirement, but it has not yet been modified.
- Payments to CWS are now based on work performed.
- It remains unclear whether the URMD is paying CWS for services that its residents would receive from CWS even without an IGA.

In the original response, the County Administrator projected this recommendation would be implemented by June 2009. In August 2011, LUT anticipated that a new agreement would be implemented by December of 2011. LUT reported that negotiation of a new agreement with CWS which would redefine CWS performance reporting and improve monitoring of the agreement has taken longer than expected and now encompasses issues beyond the audit recommendation. A Memorandum of Understanding between the County and CWS addressing requirements for performance reporting was executed in late 2012. Renegotiation of the IGA with CWS has still not been completed, and there is no target date for execution of a new IGA.

Since there are no specific plans for further implementation of this recommendation which was made five years ago, I am closing this recommendation as Partially Implemented.

This is my final follow-up report on the URMD Performance Evaluation. Of the twelve recommendations in the 2009 report, nine were fully implemented, two were partially implemented, and one was not implemented.

IV. About this Review

A third and final follow-up review of the 2009 Performance Evaluation of the Urban Road Maintenance District was inadvertently omitted from the County Auditor's FY 2013-14 Audit Plan. In February 2014 I initiated this follow-up review of the last open recommendation from the auditor's 2009 report.

The specific objectives of the follow-up review were to determine what actions the County had taken to implement the Auditor's recommendation, to determine whether the recommendation had been fully implemented, and to determine whether further implementation action was planned.

I took several actions to determine whether the recommendations had been implemented. I reviewed the response submitted by LUT, reviewed the documentation submitted, interviewed the LUT manager responsible for the URMD, and collected additional information as necessary to provide sufficient, appropriate evidence to conclude whether the recommendation had been fully implemented.

I concluded that a recommendation had been *fully implemented* if I found that the recommended actions had been completed or that the County had adequately addressed the issues identified by the Auditor by alternative means. I concluded that a recommendation had been *partially implemented*, if I found that some, but not all, actions had been completed and no further action on the recommendation

was planned. I concluded that a recommendation was *not implemented*, if I found that no action had been or would be taken to implement the recommendation.

I invited the County Administrator to respond, but he elected not to file a response.

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



signed:

A handwritten signature in black ink, appearing to read 'John Hutzler', written over a horizontal line.

John Hutzler, CIA, CGAP, CCSA