

King County Auditor's Office

Kymber Waltnunson, King County Auditor



King County

DATE: December 21, 2016

TO: Metropolitan King County Councilmembers

FROM: Kymber Waltnunson, King County Auditor

SUBJECT: Follow-up on Facilities Management Division Major Maintenance Reserve Fund

Facilities Management Division has completed three of our audit recommendations and made progress in addressing the remaining three. Its efforts resulted in greater project efficiency, rate accuracy, and transparency. For example, updating its facility assessment database with current information allows staff to improve project planning. This reduces the likelihood of surprises during project implementation, which can result in contingency funding or supplemental budget requests. Additional actions are needed, however, to fully implement our recommendations regarding clear communication of Major Maintenance Reserve Fund (MMRF) goals and performance.

Of the 6 audit recommendations:

DONE	3	Recommendations have been fully implemented Auditor will no longer monitor
PROGRESS	3	Recommendations are in progress or partially implemented Auditor will continue to monitor
OPEN	0	Recommendations remain unresolved Auditor will continue to monitor

Please see below for details on the implementation status of these recommendations.

Implementation Status as of December 2016

#	Quick Status	Recommendation	Status Detail
1	DONE	The Facilities Management Division (FMD) should implement a consistent and reliable process for assessing and updating current building condition data using a cost-effective methodology.	<p>FMD contracted with the same consultant as it used in 2012 to reassess the condition of approximately two thirds of its facilities in March 2016. FMD plans to reassess the remaining third of the facilities in 2017-2018.</p> <p>Staff indicated that assessing facility conditions on a periodic basis allows them to improve planning by using more accurate (current) data. An understanding of current conditions reduces the probability of unforeseen scope changes to maintenance projects that result in contingency funding or supplemental budget requests.</p> <p>The assessment program now includes administrative manuals for assessment and data updates. Documenting the assessment process enables consistent MMRF administration, even if the staff who manage it change.</p>
2	PROGRESS	The Facilities Management Division should work with the County Executive and County Council to set a target condition level for each building the division manages using the Facility Condition Index.	<p>Facility Condition Index (FCI) is a tool developed in 1991 to measure deficiencies in building condition. The higher the FCI percentage, the worse condition the building is in. This method is widely used in the facilities management industry.</p> <p>FMD staff indicated that the target condition level for all county buildings should be “good,” and referenced the FCI section in FMD’s 2013 Real Assets Management Plan (RAMP). In this document, FMD specifies the definition of “good” condition as less than 10% deficient using its version of the FCI metric, which includes planned maintenance work for the upcoming six years.</p> <p>To complete the implementation of this recommendation, FMD needs to document approval from the County Executive and County Council that every building in the MMRF portfolio should consider its target condition as “good,” as indicated by an FCI score of less than 10% deficiency.</p>

#	Quick Status	Recommendation	Status Detail
			To better communicate its efforts to prioritize limited resources, FMD should be more specific in defining appropriate target condition levels for each building.
3	PROGRESS	The Facilities Management Division should strengthen communication with decision-makers to enable them to make strategic decisions about major maintenance funding. Specifically, it should describe the current condition and total major maintenance needs of buildings under the fund, separate the needs into critical and non-critical categories, and describe the financial implications of deferring maintenance.	<p>In its 2017/18 budget submission, FMD communicated the current condition and total major maintenance needs of buildings in the MMRF portfolio. FMD staff indicated that they verbally presented prioritization methodology for selecting maintenance projects to the Office of Performance, Strategy and Budget. However, FMD was not able to provide evidence of its communications other than an internal working spreadsheet.</p> <p>The impact of the lack of clear, documented communication of key information for decision-makers is that FMD's efforts to responsibly manage the fund are not transparent.</p> <p>To complete this recommendation, FMD needs to provide documentation of its strengthened communication with decision-makers.</p>
4	DONE	The Facilities Management Division and Office of Performance, Strategy, and Budget should ensure that the new financial model accurately predicts the full cost of major maintenance for buildings in the Major Maintenance Reserve Fund portfolio and uses the most current facilities condition data. The King County Auditor's Office will review the updated model as part of our audit follow-up.	FMD updated the financial (rate) model to use the most recent Facility Condition Assessment data (collected in 2015/2016), enabling greater rate accuracy. The contractor who created the Facility Condition Assessment database also reviewed and verified it in 2016. FMD issued a user manual, which provides for consistent administration of the database and model between staff and over time.

#	Quick Status	Recommendation	Status Detail
5	DONE	The Facilities Management Division should propose a new budget structure to address inefficiencies related to phased projects and inflexible project spending.	FMD implemented this recommendation by instituting a pilot project to budget programmatically for the group of buildings that stay open all the time, such as detention facilities. While this group will receive budget authority under one project number, individual projects will still be delineated as sub-projects to allow for transparency. This structure could result in greater efficiency for major maintenance project funding and management.
6	PROGRESS	The Facilities Management Division should measure and report on the performance of the Major Maintenance Reserve Fund by comparing Facility Condition Index scores based on current building condition data to established targets.	<p>FMD staff indicated that they verbally discussed the changes in Facility Condition Index between 2014 and 2016 at the Project Review Board. FMD was not able to provide evidence that it reported this information in any other means.</p> <p>FMD staff indicated that they are able to produce an annual report showing changes in facility conditions and comparing to the target condition rating each January.</p> <p>To complete this recommendation, FMD needs to provide an example of its annual Facility Condition report showing trends in FCI scores and how they compare to building targets. To enhance communication, it should also provide a narrative explanation of results.</p>

Laina Poon, Principal Management Auditor, conducted this review. Please contact Laina at 477-1045 if you have any questions about the issues discussed in this letter.

cc: Dow Constantine, King County Executive
Fred Jarrett, Deputy County Executive
Rhonda Berry, Assistant Deputy County Executive
Dwight Dively, Director, Office of Performance, Strategy & Budget
Caroline Whalen, Director, Department of Executive Services
Tony Wright, Division Director, Facilities Management Division
Ken Guy, Division Director, Department of Executive Services, Finance & Business Operations Division
Melani Pedroza, Acting Clerk of the Council
Shelley Harrison, Administrative Staff Assistant, King County Executive Office