

HOUSE COMMITTEE ON AGENCY PERFORMANCE & OPERATIONS

January 19, 1999 Hearing Room E

8:00 a.m. Tapes 4 - 6

MEMBERS PRESENT: Rep. Jane Lokan, Chair

Rep. Kathy Lowe, Vice-Chair

Rep. Betsy Close

Rep. Dan Gardner

Rep. Tim Knopp

Rep. Jeff Kruse

Rep. Bob Montgomery

Rep. Kitty Piercy

STAFF PRESENT: Pat Zwick, Administrator

Susan M. Pettey, Administrative Support

MEASURES HEARD: HB 2388 Public Hearing and Work Session

HB 2390 Public Hearing and Work Session

Review of Parks & Recreation Dept. Audit 98-51

TAPE #	Speaker	Comments
TAPE 4, A		
004	Chair Lokan	Opens meeting at 8:03 a.m., and opens public hearing on HB 2388.
<u>HB 2388 PUBLIC HEARING</u>		
010	Pat Zwick	Committee Administrator. Summarizes provisions of HB 2388.
022	Rep. Lane Shetterly	State Representative District 34. Speaks in support of HB 2388. Describes experience with Polk Co. Housing Authority.
032	Peter Grundfossen	Association of Housing Authorities. Speaks in support of HB 2388. Submits and reads written testimony (EXHIBIT A). Describes services provided by statewide housing authorities.
080	Grundfossen	Gives reasons passage of HB 2388 benefits Oregon. Addresses consumer and general concerns about 1997 legislation. Describes contractor and financial institution reluctance to disclose company business to competition.
130	Frank Brawner	Oregon Lobby Housing Coalition. Speaks in support of HB 2388. Describes public records exempt from disclosure.
178	Brawner	Outlines benefits of passage of HB 2388.
185	Chair Lokan	Closes public hearing on HB 2388, and opens work session.
<u>HB 2388 WORK SESSION</u>		
195	Rep. Montgomery	MOTION: Moves HB 2388 to the floor with a DO PASS recommendation.
		VOTE: 8-0
		AYE: In a roll-call vote, all members present vote Aye.

201	Chair Lokan	The motion CARRIES.
205		REP. LOWE will lead discussion on the floor.
215	Chair Lokan	Closes work session on HB 2388, and opens public hearing on HB 2390.
<u>HB 2390 PUBLIC HEARING</u>		
228	Pat Zwick	Committee Administrator. Summarizes provisions of HB 2390.
232	Rep. Lane Shetterly	State Representative, District 34. Testifies in support of HB 2390. Discusses historic background of Department of Land Conservation & Development coordination plans.
251	Rep. Shetterly	Talks about unique land use conflicts at Camp Adair. Addresses fiscal impact.
280	Chair Lokan	Asks if a particular situation has prompted this bill.
285	Rep. Shetterly	Responds that use of the Camp Adair facilities as a firing range and training ground by the Military Dept. and the Dept. of Police Standards & Training created conflicts with surrounding residential parcels. States there is a request in the Attorney General's office to address to what extent the Military Dept. is subject to state land use laws.
324	Bob Rindy	Division of Land Conservation & Development (DLCD). Speaks in support of HB 2390. Addresses complex relationship between federal statute exemption of military programs, and state and local zoning laws.
340	Rindy	Describes land use agreements with 26 state agency programs.
397	Rindy	Refers to opinion from Attorney General, indicating how federal statute should be read. States no rules are in effect to mend coordination agreements.
417	Rindy	Discusses limited rules adoption procedure as relates to SB 332 (EXHIBIT B), and compares to HB 2390. Addresses fiscal impact.

TAPE 5, A

027	Chair Lokan	Asks for clarification of fiscal impact.
030	Rindy	Responds that the anticipated fiscal impact for HB 2390 is \$190,000.
038	Chair Lokan	Asks if Attorney General opinion is pending.
040	Rindy	Responds affirmatively.
048	Chair Lokan	Inquires as to what Attorney General opinion may be.
050	Rindy	Replies that is unknown presently. Discusses statutory provision in use by the military.
060	Rep. Montgomery	Asks about federal agency involvement.
072	Rindy	Describes state/federal parallel process. Says that DLCD supports an on-demand process, and explains.
090	Chair Lokan	Asks if agency is currently working on amendment to SB 332.
096	Rindy	Responds affirmatively, and details activities.
102	Chair Lokan	Asks if fiscal impact would be decreased.
107	Rindy	Responds affirmatively, and discusses.
115	Rep. Shetterly	Offers to have Legislative Counsel draft amendment to HB 2390 to mirror language in SB 332. Acknowledges concern there is no process for review.
125	Rep. Montgomery	Asks if \$190,000 is per-year, or biennium.
130	Rep. Shetterly	Responds it is for the biennium.
133	Rep. Kruse	Expresses interest in the language of the amendment which requires

		an agency to report back to legislative committee before going to DCLD for adoption.
153	Rindy	Asks for clarification.
155	Rep. Kruse	Responds it should come back to appropriate committee, and explains.
159	Rep. Shetterly	States that rules are reviewed by legislative counsel committee.
175	Rep. Kruse	Opines that appropriate committee needs to be included for information sharing when procedure or rule is adopted.
185	Rep. Lowe	Asks about safeguards in bill amendment to ensure predictability.
197	Rep. Shetterly	Responds that the bill directs the agency to develop rules, subject to legislative counsel committee, and expounds.
TAPE 4, B		
016	Rep. Lowe	Asks if legislative involvement is necessary.
021	Rep. Shetterly	States that department draft rules are subject to review by a legislative counsel committee.
040	Rindy	Expresses that DLCD has procedure for rule change and review for compliance.
054	Rep. Montgomery	Asks if this problem is statewide or a local issue.
059	Rindy	Responds that it is a statewide problem. In addition to the Camp Adair situation, two other agencies have approached DLCD to significantly change their state agency coordination program. States that DLCD is unable to respond because neither the statutes nor the rules provide for that process, resulting in the proposal of SB 332.
061	Rep. Montgomery	Comments that a simultaneous review of SB 332 and HB 2390 is a possible waste of taxpayer money.
074	Rep. Shetterly	Agrees with Rep. Montgomery, and acknowledges HB 2390 was

		introduced prior to SB 332.
079	Chair Lokan	Asks if SB 332 has been assigned to committee.
081	Rindy	Responds that it will probably go to Senate Water and Land Use Committee, but is presently unassigned.
088	Chair Lokan	Inquires as to the difference in SB 332 and HB 2390.
092	Rindy	Explains minor differences.
100	Chair Lokan	States that since there is no amending language, a work session is not appropriate, and discusses follow up with the Senate.
115	Vance Croney	Resident of Marion County. Speaks in support of HB 2390. States that the Camp Adair situation is very complex. Outlines the Attorney General review that focuses on federal statutes and federal lands, leases and subleases.
144	Croney	Explains that comprehensive plans are road maps for local governments to comply with local and state goals and policies. States that state agency coordination plans are similar to comprehensive plan concept, although much more streamlined. Explains that changes to the comprehensive plans require an appearance every eight to 10 years before DLCD to assure compliance, approximately every 8-10 years. Explains that this bill would provide a mechanism for coordination plans to come under review.
172	Mike Caldwell	Deputy Director, Oregon National Guard, Oregon Military Department. Takes neutral position on HB 2390. Reiterates that the Camp Adair issue is very complex because ground is federally owned. Emphasizes that the Attorney General's opinion is paramount as to how this process proceeds.
204	Chair Lokan	Closes public hearing on HB 2390, and opens informational meeting.
<u>REVIEW OF PARKS & RECREATION DEPARTMENT AUDIT 98-51</u>		
220	Pat Zwick	Committee Administrator. Summarizes limited review of Audit 98-51.

237	Chair Lokan	References Audit 98-51 Report, EXHIBIT C, pg. vii) and requests an explanation of the following items: <ul style="list-style-type: none"> • Accounting processes related to cash and credit card receipts • Inability to reconcile cash and credit card receipts due to accounting system limitations • Areas of significant risk to the central reservation system • Improvement in controls over system security and program change management, documentation, and disaster recovery planning
262	Bob Meinen	Director, State Parks & Recreation Department. Discusses systems development history. States that the focus of the audit was 1996-97. Details central reservation system: <ul style="list-style-type: none"> • Hand-reservation system was automated in January 1996. • Includes contract with Washington state parks system • Oregon has 26 of 48 campgrounds on the reservation system, which includes 5,000 campsites in a system of approximately 5,800 campsites • In 1998 season, the system received 227,000 reservations, of which 133,000 were Oregon-based reservations
341	Meinen	Informs that as audit progressed, aggressive steps were taken to address findings.
362	Meinen	Explains review period and agency responses.
392	Meinen	Discusses reservation system busy-outs and inadequacies. Explains that the purchase of the new software system was back-up, allowing agency to use a second server to do recording.
429	Chair Lokan	Inquires about \$42,000 software purchase referenced in a recent newspaper article.
437	Meinen	Responds that the cost of software was \$10,000; staff training modules brought total to \$42,000.
TAPE 5, A		
004	Lokan	Asks for explanation of \$10,000 software expenditure.

009	Meinen	Repeats 1996 busy-out problems. States there was an operator shortage. Claims hardware was working too slowly for high volume calls. Notes there are 35 Washington parks in the system.
029	Meinen	Explains upload and download of information from the reservations system to the parks. Outlines system difficulties in account balancing, daily reports internally and to Washington state.
057	Chair Lokan	Asks if vendor who provided base software had knowledge of system inadequacies. Inquires if adequate software was available from this vendor.
063	Meinen	Describes back-up software purchase. Explains the principal vendor cooperation in making necessary changes to system.
075	Meinen	Acknowledges need to move items from original server and distribute recording module to the back-up server. Claims the \$10,000 software purchase would accomplish this goal. Explains that during purchase process, the principal software provider successfully made necessary changes, and elaborates. States that the back-up software was never installed. Emphasizes agency was attempting to move forward, serve the public.
093	Chair Lokan	Asks if new software was unnecessary because system problems were repaired.
101	Rep. Knopp	References Audit 98-51, EXHIBIT C, pg. 21) and quotes. Asks if agency can receive credit from vendor for purchase of unused software.
109	Nancy Rockwell	Deputy Director, Parks & Recreation Department. Clarifies that software was provided by two different vendors. States that new software was purchased to offload database onto the second server to run financials and reporting, while uploading and downloading on the first server at night. Describes initial software vendor efforts to correct problems. The original provider was able to correct deficiencies, eliminating necessity of back-up software.
129	Chair Lokan	Indicates a need for tighter controls regarding purchase of hardware and software within state service, as well as an agreement for credit on unused software. Asks if any such agreement exists in this situation.
143	Rockwell	Comments that no discussion took place at the time of purchase

		regarding a return credit. Speculates it would be difficult to find vendors if "every time something didn't work, they had to take it back."
164	Rockwell	Indicates the decision to purchase back-up software was hers, a \$10,000 investment, and outlines reasons.
174	Chair Lokan	Asks for clarification between the stated \$10,000 investment, and the \$42,000 item shown in audit.
180	Rockwell	Responds that it included the training. Speculates that the training module should not have been purchased. Speculates further that the training could probably be accomplished with the manual.
195	Chair Lokan	Asks witness to describe training.
198	Rockwell	Acknowledges the answer is beyond her expertise. Speculates it would be software installation, operating and troubleshooting. Claims the cost was around \$28,000 for training.
209	Chair Lokan	Comments about uselessness of software purchase sitting under a table somewhere.
213	Rep. Lowe	Asks about original software failure, possible breach of contract, pursuance of legal remedies through the Attorney General's office.
223	Rockwell	States that original vendor working relationship is satisfactory.
232	Rep. Lowe	Asks how big a piece the \$42,000 expenditure is in the agency budget, the overall cost of computer services. Inquires if efforts were made to recoup the expenditure.
241	Rockwell	Responds that the agency has a two million dollar program. Claims that the agency requested money back for the training, and vendor refused. Describes efforts to return software. Says that Secretary of State called it a "sunk cost," and agency agrees.
260	Rep. Piercy	Comments that the audit reports the purchase of the software/training did not comply with state guidelines. Notes that the audit reports that the agency currently has a staff person to assure guideline adherence, and all purchases over \$10,000 will be reviewed. Notes that the agency has sought to address the problem.

		Comments that it is unfortunate guidelines weren't followed initially.
274	Rep. Gardner	Notes in Audit report (EXHIBIT 3, pg. 21), the second vendor couldn't be installed "due to lack of space on the production computer." Asks if statement is accurate.
284	Rockwell	Responds that audits contain much information, and don't always portray events as they happened. Opines that the agency was going to put it on the second server since there was no room on the first server.
295	Rep. Gardner	Asks if there was room on the second server.
302	Rockwell	Responds affirmatively.
305	Rep. Kruse	Requests time frame: Problem is discovered on system, vendor begins working on problem, agency makes decision problem won't be solved and purchases second system, then first vendor solves the problem.
315	Rockwell	Responds that the time frame was 30-60 days because the system problem was initially unidentified.
322	Rep. Kruse	Asks when new system was purchased relative to original system fix.
328	Rockwell	Responds that we're talking about software, not a system. Explains that obtaining the software and mirroring the two systems took approximately 30 days.
338	Rep. Lokan	Asks for clarification of credit card problems and lack of information on cash flow.
354	Meinen	Gives overview of problem regarding credit cards and reservation system:
		<ul style="list-style-type: none"> • Parks & Recreation separated from ODOT in 1990, but still contract with ODOT for accounting services
		<ul style="list-style-type: none"> • ODOT accounting system is inadequate to accomplish

		reconciliation of credit card accounting records to Treasury deposits
425	Meinen	Explains that agency has had one accountant, contributing to lack of reconciliation. Indicates that ODOT and Parks are attempting to develop a simplified procedure to facilitate reconciliation.
440	Chair Lokan	Asks for clarification of ODOT system.
445	Meinen	Responds it is principally the main ODOT accounting system. Explains efforts to address problem, including the hiring of internal auditor to work with field staff on reconciliation and reporting. Discusses new revenue report design approved by Secretary of State's Audit Division.
478	Chair Lokan	Asks for clarification of internal auditor responsibilities.
TAPE 6, A		
034	Meinen	Explains new internal audit manual and auditor duties.
041	Chair Lokan	Asks if credit card entries can be reconciled presently.
045	Pam Ryan	Financial Services Chief, Parks & Recreation Department. Responds that the agency is working with the Secretary of State at their request. Explains new recording format, balancing procedures, training of field staff (56 employees) on cash handling, and revenue reports effective January 1, 1999. States that field staff balance books and can use accounting system. Also hired two new accountants. Agency is working in conjunction with Department of Administrative Services (DAS), Controller's Office, developing a request for proposal (RFP) to find a simplified accounting system in the field to interface with other systems.
075	Rep. Piercy	Asks about advantage of Parks & Recreation utilizing an accounting system separate from ODOT.
077	Rockwell	Responds that the agency prefers its own internal system and is now working with DAS toward that goal.
099	Chair Lokan	Asks if another agency accounting system is available to Parks & Recreation.

105	Rockwell	Responds there are other accounting systems, but are generally unique to each agency.
116	Chair Lokan	Asks if park systems in other states may have a compatible system.
127	Rockwell	Responds that the RFP will be investigating systems.
132	Chair Logan	Suggests the agency look at federal parks systems.
140	Rep. Lowe	Asks if there is compensation for the service provided to the state of Washington.
149	Meinen	Responds that Washington has a level of service expectation, but the relationship must benefit Oregon. Washington did a contract-partnership to help boost capital to get the system established in Oregon. In addition to a reservation fee, Washington residents pay additional charge of approximately \$7.25.
207	Rep. Lowe	Inquires if a review of the service provided for Washington will occur as agency gets hardware, software, and personnel to meet obligations.
218	Meinen	Responds affirmatively. Testifies that the agency needs client base to maintain staffing. Expects 150,000 calls specifically for Oregon state parks.
243	Rep. Lowe	Asks about increased workload and the effect Washington business has on system failures.
247	Meinen	Responds that what changed and burdened the system was actually an Oregon request to make a major change to the software, which changed how the machinery functioned. Explains the public's expectations regarding specific campsites, and the burden on the system. Indicates that Washington was questioning whether Oregon would be able to meet contract specifications. States that last summer was very successful with few complaints.
281	Chair Lokan	Asks about basic money handling and daily accounting, bank deposits, and necessity for daily overview. Points out credit card transactions are not reconciled to total revenues. Emphasizes that accounting procedures are essential and recommends daily careful monitoring. Asks if policy and procedures are in place to make these changes.

330	Meinen	Talks about internal auditor responsibilities, and changes implemented.
375	Chair Lokan	Invites Mr. Lattimer to make comments
383	John Lattimer	Director, Secretary of State Audits Division. Comments on agency cash-handling.
432	Lattimer	Comments that Parks & Recreation began implementing changes as audit progressed. Parks has recognized they need accountants and systems. ODOT system is out of date and credit card transactions can't be reconciled, remaining on the ODOT computer forever, taxing the system.
469	Chair Lokan	Closes hearing on Parks & Recreation, and adjourns meeting at 10:08 a.m.

Submitted By, Reviewed By,

Susan M. Pettey, Pat Zwick,
Administrative Support Administrator

EXHIBIT SUMMARY

A - HB 2388, written testimony, Peter Grundfossen, 1 p

B - HB 2388, draft of SB 332, Bob Rindy, 4 pp

C - Parks & Recreation Dept Audit 98-51, staff, 31 pp.