

ATTACHMENT D

Adopted June 12, 2025

The Board makes the following response to the recommendation made by the Tax Supervising and Conservation Commission (TSCC) which is contained in the letter from the TSCC Hearing on June 4, 2025 certifying the FY 2026 County budget.

RECOMMENDATION: On review of Multnomah County's FY 2023-24 audit, the TSCC found that the district had expenditures or fund transfers that exceed appropriation limits in the Facilities Management Fund. We have noticed that over expenditures are a recurring challenge with three occurrences in the last five years. County staff have been very responsive to our inquiries in this area and have responded with a written letter outlining a comprehensive list of corrective actions. We encourage the district to implement these enhanced policies to mitigate these issues going forward in order to avoid violation of Oregon Local Budget Law.

RESPONSE: SEE ATTACHED MEMO

Department of County Assets



Director's Office

Date: March 18, 2025

To: Tax Supervising and Conservation Commission (TSCC)

From: Tracey Massey, Director, Department of County Assets

A handwritten signature in black ink, appearing to read "Tracey Massey".

Subject: FY 2024 Budget Violation Response

Please accept this memo in response to the overspend budget violation in the FY 2024 Facilities and Property Management (FPM) Division budget. FPM is a division within the Department of County Assets (DCA). This memo outlines the reasons for the budget overspending and the corrective actions underway to ensure a violation does not occur again.

While reviewing the Facilities Fund in closing FY 2024, DCA's Budget team discovered that the FPM actual budget expenditures exceeded the budget appropriation for the Fund by approximately \$388k. The Fund's approved budget was \$80.9m while actuals were \$81.2m.

Factors Leading to the Overspend

Based on the monthly tracking reports being used, the DCA Budget and FPM Management teams believed that they were consistently, and considerably, underspent in Operations and Maintenance (O&M). Working under this premise, the teams believed sufficient money was available to spend. As a result, they approved work and associated expenses that, while necessary and important, could have waited until FY 2025. Listed below is a summary of the technical details that led to the overspend:

- **Forecasting assumptions led to Management decisions to approve additional work:**
 - Some one-time-only (OTO) funds and Capital work were accounted for in O&M leading to a greater perceived underspend.
 - The actual cost of janitorial services and security services were greater than forecasted.
- **Unbudgeted pass-through expenses for Risk Fund disasters**

Unbudgeted insurance loss expenses were incurred, while the corresponding revenue reimbursement from Risk Management to FPM will not be received until FY 2025. These unbudgeted expenses were included in O&M actuals.

- **DCA Budget and Management Teams focused on fund level budgeting**

The teams realized at closing that the tracking reports used during the year to monitor FPM's spending miscoded expenses to the wrong line item. The team focused on the total FPM budget rather than individual components.

Work that was Approved and Performed

A wide range of primarily enterprise-type work was completed using the perceived underspending of the O&M budget. This included: unbudgeted costs associated with inclement weather, technology improvements, compliance work (i.e., elevator maintenance, stormwater treatment), electrical work, floor care maintenance, and locks inventory.

Corrective Actions Taken by DCA

DCA's Budget and FPM teams have identified specific actions to improve budget analysis and management, including:

- **Improving financial tracking and management** by making adjustments to how expenses are coded within our systems, increasing the frequency of analysis and review among the Budget and FPM teams, and adding new reporting that compares the adopted FPM budget to department billing.
- **Improving budgeting and planning** by explicitly requesting a budget to address insurance loss expenses, requesting budget modifications more expeditiously when necessary, and adjusting our approach to end-of-the-year forecasting to better account for late invoices and year-end projects.
- **Leveraging technology to improve processes** by implementing Tableau software for fewer manual processes, collaborating with the Enterprise Resource Planning (ERP) team to explore automation possibilities within Workday, and creating an FPM dashboard in Tableau to track expenses by department.
- **Implementation of Budget Audit Recommendations**
Along with departments and offices across the County, DCA is implementing budget audit recommendations related to a 6-month spend analysis. This information is shared with the Board of County Commissioners and provides a set point in time each fiscal year to reflect on current budget status while allowing time to implement budget modifications and year-end projections.

DCA takes our role as stewards of the County's assets to heart. We are committed to transparency, related process improvements, and implementation of measures to ensure expenditures remain within budget appropriation.