

STATE OF WEST VIRGINIA
PERFORMANCE AUDIT
OF THE

**West Virginia Parkways, Economic Development and
Tourism Authority**

Management of Economic Development
Projects
Turnpike Safety
Accounting of Tolls
Procurement Procedures
Turnpike Maintenance
Cessation of Tolls

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December 6, 1995

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The Honorable Joe Martin
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Gentlemen:

Pursuant to the West Virginia Sunset Law, we are transmitting this Performance Audit of the West Virginia Parkways, Economic Development and Tourism Authority, which will be reported to the Joint Committee on Government Operations on Monday, December 11, 1995. The issues covered herein are "Management of Economic Development Projects, Turnpike Safety, Accounting of Tolls, Procurement Procedures, Turnpike Maintenance and Cessation of Tolls."

Sincerely,

A handwritten signature in black ink, appearing to read "Antonio E. Jones".

Antonio E. Jones

AEJ/wsc

Enclosure

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West Virginia Parkways, Economic Development and Tourism Authority

Executive Summary

The West Virginia Parkways, Economic Development and Tourism Authority (the Authority) was created in 1989 by the Legislature to replace the West Virginia Turnpike Commission, which was created in 1947. The Authority is responsible for operating and maintaining an 88 mile long section of highway designated "The West Virginia Turnpike." In addition, the Authority was charged with promoting economic development and enhancing the State's tourism industry. Toward this end, the Authority is empowered to construct, reconstruct, improve, maintain, repair and operate parkway projects, economic development projects and tourism projects.

ISSUE AREA 1: The Parkway Authority Has Not Implemented a Comprehensive System of Controls for Managing its Economic Development Projects

The Authority has invested \$4,570,799 in Economic Development Projects. However, the Authority's program lacks clearly defined policies and procedures for project selection. The existing program does not assess the success or failure of these decisions with a performance measurement system and provides for little reporting to the Board during public meetings on progress of the various projects. Throughout its history, the Authority has relied on debt for much of its working capital. Because some risk must be expected from venture capital investments, the Authority must use management practices that demonstrate accountability to investors as well as to the average citizen that pays tolls. In addition, the Authority does not assess the effectiveness of the investment program to determine which investment techniques minimize the opportunity costs associated with such decisions. Therefore the decisions as to which projects to accept and which to reject may not be as sound as they could be.

ISSUE AREA 2: Quarterly Meetings Used to Maintain Safety

In light of the mountainous terrain covered by the Turnpike, safety is a critical aspect of managing the Turnpike. In response to the mission critical need to establish a safe roadway, the Authority has implemented a variety of methods that help decrease the danger, such as safety meetings on a regular basis to address safety concerns, the assignment of an entire company of State Police to patrol the Turnpike and the use of a modern weather detection system to warn the maintenance crews of inclement conditions.

ISSUE AREA 3: Overlapping Accounting Systems Protect Against Theft of Tolls

The Authority collects thousands of dollars per day in tolls. As a result, there is a potential for theft as well as a need for accurate accounting of daily collections. The Authority

has addressed these dangers through the use of overlapping systems. The toll plazas utilize a computerized tabulation of the tellers input as well as an automatic count of vehicles by a treadle placed in each lane. This system assures an accurate accountability for the thousands of dollars which the Authority collects every day.

ISSUE AREA 4: The Authority Follows Procurement Procedures

The Authority has established procurement procedures that are similar to those established by the West Virginia Division of Purchasing and incorporate the Division's procurement procedures by reference in the event that the Authority's policies lack complete coverage. When followed, these provisions help to ensure that the Authority can purchase the best available product at the lowest cost. The Authority delegates discretionary purchasing power for emergency situations to the General Manager. However the term "emergency" is not fully defined, and therefore presents the opportunity for misunderstanding of this power between the Manager and the Board. Greater clarity of definition would eliminate any potential for abuse of this authority.

ISSUE AREA 5: The Authority Uses Commonly Followed Maintenance Techniques on the Turnpike.

Each year the Division of Highways publishes the Interstate Maintenance Yearly Reports outlining the condition of the interstate highway system throughout the state. Rankings range from poor to excellent. During the audit period the Turnpike received a ranking of excellent. A comparison of maintenance cost per lane mile shows the Authority's maintenance costs to be below comparable figures for other Turnpikes in the region.

ISSUE AREA 6: Cessation of Tolls and the Future of the Parkways Authority

When the original enabling statute was enacted to create the Turnpike Authority the provisions for the cessation of tolls were included. Under its current incarnation, the Parkways Authority enabling statute retains this language. The Authority should therefore be attempting to settle all outstanding bond debt and prepare the 88 miles of Interstate 77 which is under its jurisdiction for transfer to the DOH, in accordance with the code. After this is accomplished, the code allows for the assumption of responsibility for new parkways projects by the Authority.

**WEST VIRGINIA PARKWAYS, ECONOMIC DEVELOPMENT AND
TOURISM AUTHORITY**

AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

This performance audit of the West Virginia Parkways, Economic Development and Tourism Authority (the Authority) is conducted in accordance with the West Virginia Sunset Law, *West Virginia Code*, Chapter 4, Article 10. The objectives of a performance audit are to determine:

- whether the Authority is acquiring, protecting and using its resources economically and efficiently;
- whether the Authority has complied with laws and regulations;
- whether the desired results and benefits established by the Legislature are being achieved; and
- the effectiveness of the Authority's program and functions.

The performance audit will assist the Joint Committee on Government Operations in making one of five recommendations:

- the department, agency or board be terminated as scheduled;
- the department, agency or board be continued and reestablished;
- the department, agency or board be continued and reestablished, but the statutes governing it be amended in specific ways to correct ineffective or discriminatory practices or procedures, burdensome rules and regulations, lack of protection of the public interest, overlapping of jurisdiction with other governmental entities, unwarranted exercise of authority either in law or in fact or any other deficiencies;
- a performance audit be performed on a department, agency or board on which a preliminary review has been completed; or
- the department, agency or board be continued for a period of time not to exceed one year for the purpose of completing a full performance audit.

The responsibilities of the Authority Board and staff are set forth in Chapter 17, Article 16A of the *West Virginia Code*, as amended. The Board is comprised of seven members that meet on the fourth Wednesday of every month. The Board members are appointed by the Governor, with advice and consent of the Senate. The Secretary of Transportation serves as the chair. The responsibilities of the Authority are carried out by a General Manager, who is assisted by a variety of directorates and advisory staff, including: Resource Management; Maintenance Engineering; Economic Development and Tourism; Human Resources; Tolls; Logistics and Procurement; Operations and Training; Engineers; Legal Council and a detachment of State Police.

The performance audit of the Authority covers the period of July 1, 1989 through October 1995. However, the review may include events prior to this period when necessary. The performance audit included: a planning process; identification of the agency's mission; development of a risk assessment to identify factors that may impede accomplishment of the Authority's mission; and the development of audit steps to examine whether the risks were realized. Information collected in the performance audit was obtained through interviews, inspections of facilities and operations, and a review of the Authority's records.

The audit did not include an in-depth investigation of the Tamarack project. The main emphasis of the audit concerns the efficiency, cost effectiveness and statutory adherence of the Authority in its operation of the Turnpike and its Economic Development Program. Since Tamarack is not yet a functional part of the Authority, its effectiveness could not be measured. The audit did include an examination of the procurement procedures used for selecting the architects and contractors involved in the design and construction of the facility. These were found to be satisfactory in that the legal requirements of Chapter 5G, Article 1 were followed when contracting the architectural firm, and that the contract for the construction of the facility was openly and fairly bid, and the lowest bid was accepted. Also, the operations of the craft procurement, storage and sales at travel plazas were examined and found to be satisfactory.

MISSION OF THE PARKWAYS AUTHORITY

To operate and maintain the West Virginia Turnpike safely and efficiently; promote and enhance the tourism industry; and foster economic development opportunities which create and retain jobs while enhancing the image of West Virginia.

Background

In February of 1947 the Legislature created the Turnpike Commission for the purpose of constructing a toll road from Charleston to Princeton. In 1952, \$96 million in revenue bonds were issued to finance the construction of the West Virginia Turnpike. The road was completed in 1954. Upgrading of the Turnpike to interstate standards occurred between 1973 and 1987, setting the stage for connection of the Turnpike to Interstate 64 in 1988.

The West Virginia Parkways, Economic Development and Tourism Authority (the Authority) was created on June 1, 1989, pursuant to Chapter 17, Article 16A of the Code of West Virginia, as amended, replacing the Turnpike Commission in the mission of operating the 88 mile long West Virginia Turnpike. At that time, the original Turnpike construction bonds from 1952 were due. However, the Commission had only \$25 million available to pay the outstanding debt of \$45 million. In addition to the financial crisis, there was an immediate need for renovation and capital improvement to the existing roadway, as well as a need to repay the State for matching funds that were used to upgrade the Turnpike to four lanes. In 1989, the newly established Authority issued \$143 million in revenue bonds which were used to pay off

the old bonds, reimburse the State for upgrading the road, establish a reserve account and provide for new construction.¹

In addition to transferring responsibility for the highway to the Authority, the Act also expanded the role of the Authority to include the promotion and enhancement of economic development and tourism of West Virginia through the construction, reconstruction, improvement, maintenance, repair and operation of economic development projects and tourism projects. The statute contemplates three types of projects:

Parkway Projects - Include any expressway, turnpike, trunkline, feeder road, state local service road or park and forest road which the Parkways Authority may at any time determine to construct, reconstruct, maintain, improve or repair.

Tourism Projects - Include any park or tourist facility and attraction which the Parkways Authority may at any time determine to create, develop, construct, reconstruct, improve, maintain or repair including all roads, interchanges, entrance plazas, approaches, service stations, administration and storage buildings. Also, a tourism project might be the construction, reconstruction, improvement, maintenance and repair of any park or tourist facility and attraction owned by the State on June 1, 1989.

Economic Development Projects - Includes any land or water site, structure, facility or equipment which the Parkways Authority may at any time determine to acquire, create, develop, construct, reconstruct, improve or repair to promote the agricultural, economic or industrial development of the State, together with all property rights, easements and interests which may be acquired by the Parkways Authority for the development, constructing or operation of such project.

The Authority finances its various projects primarily through two main funds.² First, the **Reserve Revenue Fund**, which contains the largest portion of the Authority's assets, is used to fund Parkway Projects. The Reserve Revenue Fund receives its revenue from toll collections, income from the craft shops at the travel plazas and interest. The funds are restricted to Parkway Projects by the provisions of the Tri-Partite Agreement and the Bond Indentures. As of May 1995, the fund had over \$18 million. Some examples of the projects financed from the fund include bridge painting, resurfacing of bridge decks, crack sealing, resurfacing pavement and widening of toll plazas. Additionally, any new projects that the Authority would undertake, if they were related to the construction of a roadway project, would also be financed from this fund.

The second major fund is the **Economic Development and Tourism Fund (EDTF)**. Initial start-up revenue for the EDTF of \$5.5 million was derived from concession revenues

¹ *In 1993 the Authority refinanced \$118 million of the 1989 revenue bonds. The estimated savings associated to refinancing is \$5.2 million. The bonds mature in the year 2019.*

² *The Authority has several other funds, including a debt service fund, the 1994 Tamarack bond fund and emergency reserve funds. While the total assets in all of these funds currently amounts to over \$60 million, a large percentage of these funds are restricted. However, the interest from these funds is placed into either of the two operating accounts. As a result, the actual operating revenue for the Authority is about \$26 million.*

collected from 1981 through 1989 that became unencumbered with the retirement of the original revenue bonds. In addition, the EDTF receives revenue from food and gas concessions, profits from the craft warehouse, returns from economic development projects and interest. As of May 1995, this fund contained over \$7.7 million.

The EDTF is used to fund Tourism Projects and Economic Development Projects. The largest Tourism Project developed by the Authority is TAMARACK, a 59,000 square foot facility located in Beckley, West Virginia. The facility is intended to be a destination location for tourists to southern West Virginia that provide retailing, wholesaling, warehousing and marketing of West Virginia goods. In addition, the project includes exhibition areas and galleries for West Virginia artisans, outdoor seasonal activities, a 200 seat tourism center/auditorium and food service. Other Tourism Projects supported by the Authority include assistance to Theater West Virginia, funding for a tourism faculty position at Concord College, sponsorship of festivals and fairs, assistance to the Youth Museum of Southern West Virginia and a production of a southern West Virginia Cultural History film.

The Authority also uses the EDTF to finance various Economic Development Projects. In general, the Economic Development Projects funded by the Authority are venture capital investments in businesses that may not be able to obtain all of their needed resources through traditional financing.³ Since receiving their expanded mission, the Authority has received approximately 75 requests for assistance. In those instances where the Authority made an investment (10 projects), financing was in the form of lease-purchase agreements, limited partnerships, or the purchase of preferred stock. It should be noted that procedural rules promulgated by the Authority prohibit the use of loans and grants. Table 1 provides a summary of the type and amount of economic development projects funded by the Authority.

TABLE 1 Parkways Authority Economic Development Projects (1989-1995)	
<u>Type of Investment (Number)</u>	<u>Amount of Investments</u>
Lease Purchase (5)	\$3,160,799
Limited Partnership (2)	\$2,385,000
Preferred Stock (3)	<u>\$825,000</u>
TOTAL...	\$4,570,799

SOURCE: West Virginia Parkways, Economic Development and Tourism Authority.

³ The Authority EDT staff also provides technical assistance and project referral to other funding sources.

ISSUE AREA 1: The Parkway Authority Has Not Implemented a Comprehensive System of Controls for Managing its Economic Development Projects

Since 1989, the Authority has invested \$4,570,799 in Economic Development Projects. However, the Authority's program lacks clearly defined policies and procedures for project selection. The existing program does not assess the success or failure of these decisions with a performance measurement system and provides little reporting to the Board during public meetings on progress of the various projects. Throughout its history, the Authority has relied on debt for much of its working capital. Due to the risk associated to venture capital investments it is important that the Authority use management practices that demonstrate accountability to investors as well as to the average citizen that pays tolls.

Statutory Vagueness

In 1989 the Legislature expanded the mission of the Parkways Authority to include "Economic Development Projects." In its expanded role, the Authority could provide direct assistance to firms that cannot obtain some portion of their needed resources through more traditional means. The mission critical goal of the program was to create and retain jobs in West Virginia, a state that has an unemployment rate that at times exceeds 10 percent. While the statute provides the Authority with this responsibility, it does not provide many restrictions on how the Authority should implement its new program.

By comparison, the Jobs Investment Trust Fund (JIT) authorized under Article 7, Chapter 12 of the West Virginia Code, has a similar mission as the Authority with respect to venture capital investments. However, the statute includes more detailed provisions that are not in the Authority's enabling legislation. For example, the Article establishing JIT describes:

- what is to be considered a conflict of interest (§12-7-15);
- the percentage of available funds that can be invested in a single project (§12-7-7);
- the types of investments that are allowable (§12-7-6);
- what is a qualified business (§12-7-3);
- the length of time for the investment (§12-7-7);
- the information that will be available for public inspection (§12-7-11);
- reports required to supervisory entities such as the Authority Board and Legislature (§12-7-12); and
- qualifications of the Executive Director (§12-7-5).

While statutes are not necessarily the place where management controls are established, the authorizing legislation can provide parameters for decision making regarding which types of investments are acceptable as well as organizational characteristics like those included in the JIT statute. Ultimately, it is the responsibility of the agency to develop rules, policies and procedures for the implementation of their mandate. The Authority has partially responded to this responsibility in crafting rules (CSR, Title 184). The Authority should further design a set

of guidelines similar to those found in the JIT enabling statute. This may be done in an internal policy and procedures system.

Rules Provide Partial Guidance

The Authority promulgated legislative rules (CSR, Title 184) in 1991 that further define the policy and procedure for implementing the Economic Development Program and include some of the components that are found in the JIT statute. For example, the rules limit the financing mechanisms that are available for use by the Authority to include "only projects which contemplate some active involvement or equity position on the part of the Authority." The rules define direct grants and loans as being outside the scope of the Authority's delegated powers. Additionally, the rules define what information the Authority should collect and review in the application process. A recent study issued by WVU's College of Business and Economics found that early collection and analysis of financial statements makes a critical difference between making successful or problematic commercial loans. The study identifies the strength of the company's working capital position, record of handling debt and operating efficiency as the strongest predictors of success. Therefore, the rules defining the information to be considered during the application review process should attempt to solicit this information so that the Authority can make a reasoned decision on whether to provide assistance. The application information described in the rules can be divided into the following five categories:

1. Full Project Description.
 - A. The project for which the application is made.
 - B. Its significance to the state/region/local area.
 - C. Its goals and objectives.
 - D. Names and qualifications of those persons who will be actively involved in management.
 - E. Time schedule for the project.

2. Budget and Financial Information.
 - A. Complete budget for the project.
 - B. Other sources of funding, lists of investors and amounts of investments
 - C. Entities with equity positions in the project and nature of their position.
 - D. Amount and type of aid requests from other organizations.
 - E. Time line for decisions on the project.
 - F. Description of ability to leverage other funds for the project.

3. Applicant Information
 - A. Description of applicant (members, officers, board of directors).
 - B. Evidence of applicant's tax status (exempt/non-exempt).
 - C. Latest annual financial report/operation statement.
 - D. Any descriptive brochures or promotional literature.

4. Compatibility/Profitability
 - A. Income producing potential of the project.
 - B. Extent of job production with long term viability.
 - C. Spin-off and indirect economic benefit to defined geographic areas.

- D. Effect on the Turnpike and its tolls.
- 5. Documentation of Projects Support.
 - A. Partnership for Progress groups.
 - B. City/County support.
 - C. Role of project in community's certified development program.
 - D. Regional Planning and Development Council review and status of project in regional plan.
 - E. Any other pertinent support documentation.

The content of applications from firms that received assistance as Economic Development Projects from the Authority is summarized in Table 2. As indicated in the table, the Authority collects most or all of the information contemplated in the rules.

The rules also include a point system that is to be used by the Economic Development and Tourism Committee to evaluate projects and ensure an objective review of applicants request for assistance. The point system is compatible with the suggestion made in the WVU study that the information collected during the application process be systematically analyzed to determine the probability of success. The point system defined in the rules includes the following categories:

- 1. Applicant Quality and Financial Soundness--20 points.
- 2. Desirability of Project and its positive Impact--30 points.
- 3. Stage of Development (Initial Stages to Maturity)--15 points.
- 4. Compatibility/Profitability--15 points.
- 5. Community and Regional Functional Priority--20 points.

As is indicated in the last row of Table 2 there does not appear to be a systematic use of the rating system by the Authority when deciding on projects to fund. Venture capital investments represent a higher risk of failure than conventional commercial loan. Therefore, a purposeful, systematic analysis of the risk exposure that a given project represents to the Authority's EDTF becomes all the more important and must be pursued. Finally, the Board should receive reports on the relative risk a project represents so that they may make a fully informed decision on project selection. While the Authority routinely receives the appropriate information for project analysis, the systematic analysis of the information and reporting of analytical results does not appear to occur with the same frequency.⁴

⁴ *Minutes in which Economic Development Projects are voted on typically include a recommendation from the Economic Development and Tourism Committee, but do not explain the relative risks involved through a detailed report.*

TABLE 2 Compliance With Requirements of Legislative Rules	
Application Information Required by Legislative Rules	Number of Applicants That Provided the Information*
Project Description	8
Significance to Area	6
Goals and Objectives	8
Names & Qualifications of Managers	7
Time Schedule	8
Complete Budget	7
Other Fund Sources	7
Description of Equity Holders	7
Amount/Type of Other Aid Requested	5
Time Line for Decisions	7
Ability to Leverage for other Funds	6
Description of Applicant	8
Tax Status	8
Latest Annual Reports (Applies to only 7 of the 8 applicants)	5
Any Brochures or Promos	2
Income Potential	8
Job Production Potential	7
Indirect Economic Impact	6
Effect on Turnpike & Tolls	5
Support From Other Entities	8
Use of Point System	1

* SOURCE: Business plans submitted to the Authority by successful economic development project applicants.

Once a project is selected by the Board, the rules contemplate the creation of a project checklist that will be monitored by the Economic Development and Tourism Committee and Authority staff. While the EDT staff appear to monitor the various projects, there are neither policies defining the type information that is to be monitored nor are there requirements for reporting (the list) to the Board or the public. By comparison, the JIT statute requires defined reporting and makes the following information available to the public:

- (1) The names and addresses of the principals of the business and its board of directors;
- (2) The location or locations of the projects;
- (3) The amount of the investment or financial assistance provided by the board;
- (4) The purpose of the investment or financial assistance;
- (5) The maturity, interest rate and other pertinent terms of the investment;
- (6) The fixed assets which serve as security for the investment; and
- (7) Names and addresses of all persons holding twenty-five percent or more of the equity of the entity receiving investment assistance.

Information about the performance of individual investments and the program as a whole could be added to this information in order to create a reporting mechanism to be used to evaluate the success of the Economic Development Projects individually and programmatically.

However, the Authority has not taken action to further define the venture capital program in policy and procedures. Decision making on project selection and program success, while at least predicated on the information required by the procedural rules, is not guided by evaluable policies and procedures. Additionally, there does not appear to be systematic reporting to the full Authority Board on the success or failure of the investments individually or of the program as a whole.⁵

Table 3 provides an analysis of the types of investments and the investment program overall. The table uses the number of jobs added to each project after the investment was made, and a ratio of dollars invested per jobs created as indicators of success. Obviously, not all investments are targeted at job creation. For example, a project might be designed for the purpose of cultural enrichment or job retention. However, the measures included in the table provide an alternative for assessing whether the scarce resources available to the Authority for economic development through venture capital investments are being used effectively and are having an impact on the mission critical goal of "creating and retaining jobs." The table also provides information that can be used to assess the relative efficacy of the various investment methods utilized by the Authority. For instance, the superior collateral position of a lease purchase (and therefore lower risk) appears to come at the cost of a higher ratio of dollars invested per job created. On the other hand, some of the least successful investments (few or no jobs created) were predictably associated to more risky investment methods. Given that the

⁵ *The Authority makes extensive use of Executive Sessions. It is possible that, due to the proprietary nature of some of the information, the investments are reported on during these sessions. If this is the case, the Authority may want to assess whether this practice provides a fair picture of the uses of the Economic Development and Tourism Fund and if it is fully accountable to the public given the extensive use of bonding by the Authority.*

Authority has not established policies and procedures for use as performance criteria for the economic development program it is difficult to conclude which position is more acceptable.

TABLE 3 Parkways Authority Economic Development Investments (1989-1995)					
Type of Investment	Number of Employees when funded	Current employees	Employees Added	Amount Funded	Dollars Invested per Jobs Created
Lease Purchase	8	17	9	\$200,000	\$22,222
Lease Purchase	2	2	0	\$797	N/A*
Lease Purchase	4	4	0	\$10,002	N/A*
Lease Purchase	12	21	9	\$300,000	\$33,333
Lease Purchase	0	225**	225	\$850,000	\$3,778
Subtotal	26	269	243	\$3,160,799	\$13,007
Limited Partnership	200	330	130	\$2,000,000	\$15,385
Limited Partnership	0	0	0	\$385,000	N/A*
Subtotal	200	330	130	\$2,385,000	\$18,346
Preferred Stock	0	4	4	\$125,000	\$31,250
Preferred Stock	15	0	0	\$450,000	N/A*
Preferred Stock	0	165	165	\$250,000	\$806
Subtotal	15	169	169	\$825,000	\$4,881
TOTAL	241	764	538	\$4,570,799	\$8,496

NOTES: *N/A = Ratio cannot be computed with zeros. ** Projected.
SOURCE: West Virginia Parkways, Economic Development and Tourism Authority.

Opportunity Costs

Whenever there are scarce resources available for a program, there is risk of both direct loss and indirect opportunity costs. For example, the Authority's 1994 audited financial statement stated:

"Certain of the investees have encountered economic difficulties and, in 1994, based on an evaluation of the invests' prospects for future economic success and anticipated return of the Authority's investment, management provided a \$735,000 charge against operations that is included in general and administrative expenses."

If these losses materialize, the Authority may lose the \$735,000 unless the loss can be reclaimed through some collateral arrangement or litigation. However, the Authority will also lose the *opportunity* to use those resources to provide assistance to other firms that may be eligible as an Economic Development Project.

Conclusion

The Authority has not developed policy and procedures for management of the Economic Development program. Particularly, the Authority lacks clearly defined criteria for project selection, a performance measurement system and regular reporting. Management controls establish and demonstrate accountability and provide management information for service improvement. Additionally, performance measurement provides decision makers with information for making informed decisions and customers with information to assess the value of the service that they receive.

Recommendation 1

The Authority should establish policies and procedures that further define decision making on Economic Development Projects. The Authority should use the JIT statute as a model to be incorporated as a basic framework including the provisions on conflict of interest, reporting requirements, proportions of the EDTF that can be invested in a particular type of projects and a given project, what constitutes public information and a definition of a qualified business.

Recommendation 2

The Parkways Authority should implement a performance measurement system.⁶

⁶ Such a system can be developed using the following six step approach: 1) Affirm the purpose of the program or service and determine the program's mission and goals, target population and needs; 2) Identify uses and users of performance information; 3) Select what to measure and choose benchmark comparisons; 4) Develop the measurement system by refining selected measures with regard to unit of measure, appropriate methodology, data availability, cost beneficial collection, and ease of verification; 5) Establish a monitoring system to track, analyze and report performance, comparing actual performance to benchmarks; and, 6) Make decisions based on program performance and adjust programs where necessary.

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OPERATION OF THE TURNPIKE

The performance audit included an examination of risks associated to the daily operation of the Turnpike including: safety, toll collection, procurement procedures and highway maintenance.

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ISSUE AREA 2: Quarterly Meetings Used to Maintain Safety

In light of the mountainous terrain covered by the Turnpike, safety is a critical aspect of managing the Turnpike. In response to the mission critical need to establish a safe roadway the Authority has implemented a variety of methods that help decrease the danger.

Safety Meetings

On a quarterly basis, the entire management staff of the Authority gathers to voice concern over the safety of both employees and motorists. At each of these meetings, the managerial and supervisory personnel of the Authority discuss any safety hazards of which they have become aware. Suggestions for remedies are exchanged and a solution is chosen. These meetings address not only safety practices such as techniques and procedures for performing tasks in a safe manner, but also any physical hazards, such as structural deficiencies in a facility.

Additionally, the safety meetings address highway features which may have in the past or may in the future contribute to hazardous road conditions. Additional cautionary signs are frequently placed as a result of these meetings. Discussions about whether guard rails or other physical safety devices are needed at certain locations are held. Any accidents which occurred since the previous quarterly meeting are reviewed, and methods to prevent such accidents in the future are discussed along with plans to assure greater safety for emergency personnel and other motorists during such future crises.

Public Safety Personnel

Furthermore, the 88 mile long Turnpike is the sole responsibility of an entire company of State Police. As a result there are between two and three State Police cruisers patrolling the highway at any given time. Each cruiser is responsible for roughly thirty miles of highway. According to sources at the State Police headquarters, this is a significantly shorter distance than is usual on other interstates in the state. Due to the terrain of the Turnpike, this extra patrolling is necessary to deter speeders, which helps to keep fatalities down. In addition, the low mile to cruiser ratio helps to provide for a rapid response to emergencies.

Emergency Medical Service (EMS) teams are located at many points off the Turnpike. There are 10 different EMS teams which the Authority may call on to respond to an emergency. The longest distance between any two entry points used by these teams when responding to an emergency is 22 miles. The longest section of highway that a team would be responsible for is 15 miles. The Authority estimates that the longest response time is approximately 15 minutes. However, no records are kept that would confirm this.

Minimizing Hazardous Driving Conditions

During the winter months the maintenance department uses computerized highway temperature sensors and weather data systems to alert plow operators and salt dispensers of dangerous conditions. At several points along the Turnpike, highway temperature sensors are in place which transmit data to the maintenance locations enabling maintenance personnel to know ahead of time when the highway is approaching freezing temperatures, and plows and salt trucks are alerted. In addition, the Authority has access to national weather data banks, which alert the Authority to approaching weather conditions and allow them prior warning to prepare responses. Large quantities of salt are stored in the several maintenance locations, and, during the winter months, the maintenance personnel devote full attention to the weather related duties. The early warning techniques enable the Authority staff to provide safe driving conditions through the mountainous terrain covered by the Turnpike.

Recommendation 3

The Authority should collect response times from the various EMS teams who provide assistance on the Turnpike. Added to the records kept by the Authority staff regarding State Police response time, this information could be used to monitor and improve response times on the Turnpike.

ISSUE AREA 3: Overlapping Accounting Systems Protect Against Theft of Tolls

The Authority collects thousands of dollars per day in tolls. As a result, there is a potential for theft as well as a need for accurate accounting of daily collections. The Authority has addressed these dangers through the use of overlapping accounting systems. For example, computerized strips, called treadles, are located on the road surface at each toll plaza which count the number of axles that pass over each lane. This provides a secondary check against the collections reported by the toll collectors. In addition, the tellers press a button on their computers for each vehicle using their lane. The button pushed depends on the type of vehicle, which in turn determines the amount of the toll. A main terminal computer tabulates the activities of each toll collector, who has a personal ID number which prevents another collector from collecting tolls on someone else's ID. At the end of each shift, each collector places his or her money into a locked pouch and reports the amount collected. The supervisor checks the amount of money against both the computerized readout of the collector's booth computer and of the treadle. **This double checkup system is designed to prevent mistakes on the part of the collectors, and to serve as a protection against theft.** The collector's computer entries should match the axle count on the treadle. The computation of the axles and vehicle types gives a sum that the teller should have collected during his or her shift. This is compared against the actual money amount the collector deposited at the end of the shift. Individual records on each teller are kept to discern if any teller is developing a pattern of shortages or overages.⁷

Security of the toll money, which can amount to several thousand dollars by the end of each day at each toll plaza, is likewise strictly maintained. A courier collects the toll moneys early each morning and deposits them in the banks used by the Authority. The courier arrives each morning in an unmarked car, signs for the amount of money he gathers, and takes it to the bank. Several different counts are made of the number of pouches. The pouches are never opened by the courier, and the courier is the only person other than management who knows the combinations to the safes at each toll plaza. The pouches of money are once again counted and signed for by the bank personnel receiving the deposit.

⁷ *The auditor assigned by PERD to the Parkways audit spent an afternoon observing the collectors at work. During the shift that the auditor observed, about \$18,000 dollars was collected, or about \$2000 for each teller. At the end of the shift there was only one teller with a different sum of money than the computers had tabulated for that teller. The teller was 10 cents over.*

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ISSUE AREA 4: The Authority Follows Procurement Procedures

The Authority has established procurement procedures that are similar to those established by the West Virginia Division of Purchasing and incorporate the Division's procurement procedures by reference in the event that the Authority's policies lack complete coverage. When followed, these provisions help to ensure that the Authority can purchase the best available product at the lowest cost.

The one notable difference between State procedures and Authority procedures is a procedure that extends a special allowance for the purchase of up to \$20,000, at the discretion of the General Manager, in the event of an emergency. No greater amount may be spent without Board approval. In extending this discretion, the definition of emergency has two limitations. First, the definition is vague in stating that an emergency "...must be unforeseen and may include delays by contractors, delays in transportation and an unanticipated volume of work." Second, the definition ignores threats to the public safety. In order to effectively protect the Authority's scarce resources, an authorization of expenditures in this amount should be associated to clearly defined decision rules defined in the procurement procedures.

All purchases reviewed were made in accordance with applicable standards. All purchases reviewed are open to competitive bids. Review of contract and purchase documents reveals that the Authority habitually accepts the lowest bid that meets the requirements of the purchase. For example, between 1991 and 1995 there were 77 purchases of commodities or equipment. On all but 10 occasions, or 87% of the time, the lowest bidder was selected. On those occasions when the lowest bid was not accepted, the selection was justified on special requirements related to safety, technical compatibility or efficiency. Some of the needs for maintenance equipment are quite particular, and, as a result, the number of vendors able to meet the requirements are sometimes limited. State rules provide for a similar process for direct purchases. Finally, while the Authority is not required to use the statewide contracts entered into by the Division, the Authority will patronize the contractors when practical.

Recommendation 4

The Board should amend procurement procedures to further define an "emergency" as it relates to the General Manager's discretion to purchase up to \$20,000 on the open market.

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ISSUE AREA 5: The Authority Uses Commonly Followed Maintenance Techniques on the Turnpike

The most important resource maintained by the Authority is the Turnpike. The actual maintenance of the surface of the roadway and the shoulders, bridges and adjacent landscape was demonstrated to the audit team. Each year the Division of Highways publishes the Interstate Maintenance Yearly Reports outlining the condition of the interstate highway system throughout the state. Rankings range from poor to excellent. From the 1991 report onward, the DOH has rated the condition of the road surface on the Turnpike as "excellent." This condition is attributed in part to the relative youth of the Turnpike's surface. However, the Authority has a 30 Year Maintenance Plan which is used to maintain this condition. The 30 Year Maintenance Plan implements the American Public Works Association Micro Paver Pavement Management System. The system was developed by the U.S. Army Corps of Engineers and is used throughout the world, providing information that assists management in predicting future pavement conditions.

Maintenance Activities

The Authority's maintenance schedule is preventative in nature, including measures such as sealing cracks on the roadway before they develop into major fissures. The bridges receive special care as well, with joint sealing done through the spring and summer months each year. Most of the highway construction on the Turnpike that the audit team observed was repair of potential trouble spots, and was designed to lengthen the lifespan of the road surface. In addition, through the use of the American Public Works System, the long term costs of deferred maintenance can be determined. This in turn helps the Authority to plan years in advance which section of the highway is most likely to need repair and when. As a result, the 30 year plan is a "living" document and is changed on a regular basis to reflect changes in existing highway conditions. Finally, bridges on the Turnpike receive special attention and inspection. Federal Highway Administration (FHWA) standards must be met when inspecting and maintaining bridges, and the Authority utilizes these standards when planning the future of its bridge program.

Efficiency of Maintenance Efforts

In order to determine whether the 30 Year Plan is an efficient use of the Authority's resources, the Authority was asked to provide a figure representing the cost of maintenance. The figures, shown in Table 4, are given in dollars per lane mile compared against the figures for other turnpikes.⁸

⁸ *The figures given for the other turnpikes were verified by phone calls to those turnpikes. The exception being the New York Thruway, with whom PERD was unable to make contact.*

TABLE 4 Lane Mile Costs	
Agency	Lane Mile Cost
New York Thruway	\$18,462
Ohio Turnpike	\$17,300
Pennsylvania Turnpike	\$16,200
West Virginia Turnpike	\$15,713

SOURCE: WV Parkways

Due to the difference in age, length and terrain, it is difficult to compare one highway against another. However, the table provides one method for trying to ascertain if the Authority is spending too much or not enough on maintenance. The fact that the cost per mile figures (cost of material, equipment and man-hours divided by combined length of all lanes on Turnpike) is lower in West Virginia than in other states with longer turnpikes tends to indicate that the Authority's maintenance effort is within an appropriate range. Further, the positive rating by DOH on the condition of Interstate 77 from Charleston to Bluefield suggests that enough resources are devoted to maintenance.

Conclusion

By using proper planning and reporting, the West Virginia Parkways Authority is adequately maintaining the West Virginia Turnpike. Proper cost effectiveness and efficiency measures are being followed and the highway has been ranked by the DOH as being in excellent condition.

Recommendation 5

The Authority should report the implementation dates for all of the above recommendations to the Co-chairs of the Joint Committee on Government Operations by February 1, 1996.

ISSUE AREA 6: Cessation of Tolls and Future of the Parkways Authority

According to the enabling statute, the Authority is to be working toward the eventual removal of the toll plazas and the transfer of the Turnpike to the DOH. This is to occur when provisions are made to pay all bonds issued under the Parkways enabling statute. This mandate is found in Chapter 17, Article 16A, Section 18 of the West Virginia Code. The following is directly quoted from that section:

Except as provided herein, when all bonds issued under the provisions of this article in connection with any parkway project or projects and the interest thereon shall have been paid or a sufficient amount for the payment of all such bonds and the interest thereon to the maturity thereof shall have been set aside in trust for the benefit of the bondholders, such project or projects, if then in good condition and repair to the satisfaction of the commissioner of the state division of highways, shall be transferred to the state division of highways free of tolls: Provided, That the parkways authority may thereafter charge tolls for the use of any such project and for the reconstruction, improvement, maintenance and repair thereof, except as may be limited by applicable federal laws, and pledge such tolls to the payment of bonds issued under the provisions of this article in connection with another project or projects, or any combination thereof, but any such pledge of tolls of a parkway project or projects shall not be effectual until the principle of and the interest on bonds issued in connection with the first mentioned project shall have been paid or provision made for their payment.

In light of this section, it seems reasonable to conclude that the original intent of the Legislature was that the Turnpike remain a toll road only until the bonds which financed it have been paid along with their interest, or until enough money has been placed into accounts to pay these bonds when they come due in the future. After that time, the Turnpike was meant to become integrated completely into I-77 as a non-toll road.

Given this obvious legislative intent, it is therefore the duty of the Authority to be working toward the eventual goal of eliminating the tolls and transferring the 88 miles that currently constitutes the Turnpike over to the DOH. In order to achieve this end, the Authority must make the necessary provisions to pay off the existing bond debt. Significantly, it is not necessary under the statute to actually wait for the maturity of the bonds, but simply to have, in an account, the necessary capital to pay the bonds as they mature. This assumes no new bond issuances by the Authority which would increase the debt.

The Authority plans for its future highway maintenance in its 30 Year Plan. The plan is based on projected revenues for each year until 2025. This projected revenue is assumed to come from tolls. These three facts lead to the conclusion that the Parkways Authority intends

to be still collecting tolls on Interstate 77 in the year 2025. The Authority therefore has no apparent plan to transfer the existing Turnpike to DOH at any time in the planned future. This conclusion can be supported further by statements made to the audit team by members of the Authority Board. When questioned concerning the envisioned future of the Authority, some members indicated that they felt that the tolls should remain for the foreseeable future.

The two conditions which need to be met before the DOH is to accept responsibility for the Turnpike are provisions for payment of the bonds and the Turnpike itself being in good condition. According to the DOH yearly reports mentioned earlier in this report, the Turnpike is considered by the DOH to be in excellent condition. This leaves only the first condition to be met before a transfer can occur. Therefore, the Authority should take all necessary action to provide for the payment of the bonds at the earliest possible time.

According to the above quoted statute, it seems furthermore reasonable to conclude that at the time that the Turnpike is transferred to the DOH, the Parkways Authority was not to dissolve, but to begin new projects elsewhere in the state. In essence, this section of the code indicates that a new Turnpike could be built by the Authority at this time.

There are a number of reasons that this would be beneficial to the state. The economy of the state could be greatly enhanced by the existence of greater ease of transportation. Regions of the state which are currently accessible only by two lane highways could receive economic benefits from the creation of a four-lane highway connecting this region to other areas. Greater accessibility could facilitate the use of whatever resources are located in the said region. Additionally, the existence of a main highway artery near a community generally enhances the development of the community. Gas stations, restaurants and motels frequently locate at the entry/exit points of these highways. Such businesses generate not only employment opportunities, but also revenue receipts for the community. Therefore the construction of a highway is more than infrastructure development, but also can be economic development of a type that the Authority is currently attempting through other methods.

Another major benefit to the creation of a four-lane highway is one of safety. Records kept by the Authority indicate that the overall rate of accidents on the Turnpike decreased significantly after the Turnpike was upgraded from a predominantly two-lane highway to a four-lane highway. In 1980 the fatality rate on the Turnpike (number of fatalities per 100,000,000 miles travelled) dropped to 3.7 from 11.8 the previous year, and have since remained below 4.0. This is attributed in the Parkways' Annual Report to speed limit enforcement and the gradual upgrading to four lanes. In 1988, the first full year that the Turnpike was a completely dualized four-lane highway, the fatality rate dropped to 0.4 from 1.7 the previous year. This rate has fluctuated somewhat since 1988, but has not gone above 1.6 since that time. Overall accident rates show a similar decline until 1990, since which time they have been rising. This could be due to the increasing volume of traffic. However, although the accident rate rose in 1994 from 54 (per 100,000,000 miles travelled) to 73, the fatality rate declined from 1.3 to 0.8. These figures clearly indicate that a four-lane divided highway will sustain fewer accidents per miles travelled than a two-lane road, and that what accidents that occur are less likely to be fatal.

Therefore, the upgrading of dangerous two-lane roads to four-lane highways will probably have an effect of increased safety for travellers. Tables 5 and 6, in Appendix 1, illustrate this point.

The PERD has obtained from the DOH a list of highways throughout the state which have been considered for expansion from two to four lanes. The DOH responded with a list of 19 roadways that have been considered. Among these are Corridor "H", Corridor "L", U.S. 35 and WV Route 2. There are obviously many areas of the state which could benefit from the existence of such a highway, which would pay for itself through bond sales and tolls. Again, when the bonds which would be sold to finance any such new highway are paid, then the tolls on that road should likewise be discontinued and the Authority move on to new projects.

Recommendation 6

The Legislature should consider placing a target date by which the Parkways Authority shall have made all provisions necessary for the payment of the existing bonds. The Legislature might further consider placing a restriction that the Authority shall assume no new bond debt without the consent of the Legislature. The Legislature could then stipulate the target date on which the responsibility for the 88-mile section of Interstate 77 that is currently known as the West Virginia Turnpike shall be transferred to the Division of Highways.

Recommendation 7

If the Authority is to be used as a mechanism to build other roads, the Legislature should consider directing the Authority to perform a feasibility study for all other projects throughout the state that are considered. The goal of creating a new West Virginia Turnpike in a location which is in need of a four lane, limited access highway should reflect both the transportational and the economic needs of the entire state, as well as the region in which the proposed project would be located. This would require amending Article 16A of Chapter 17 of the Code to remove the 75 mile limitation when the project would begin.

APPENDIX 1

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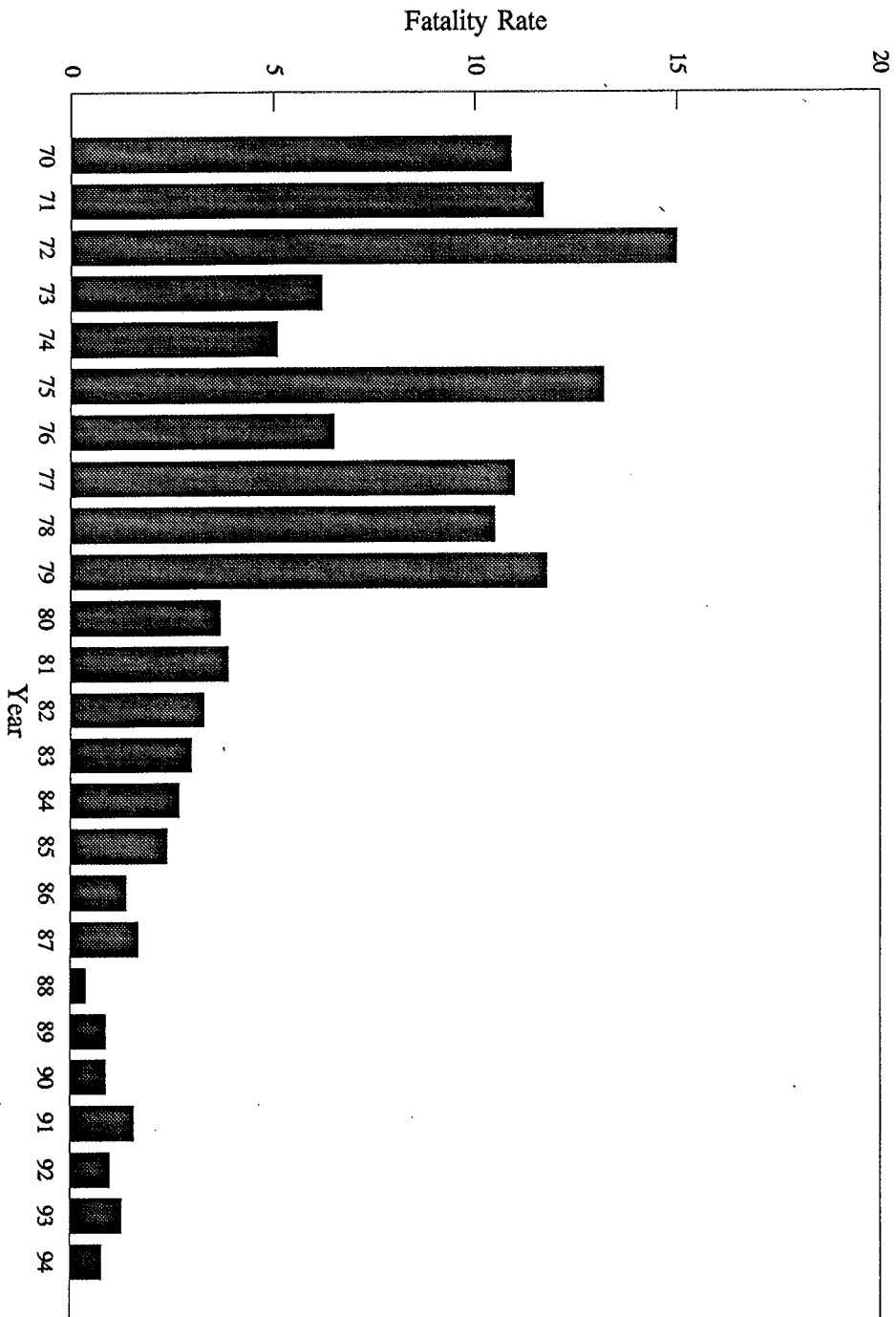


TABLE 5
FATALITY RATE ON WV TURNPIKE

Draft Copy for Review Purposes Only

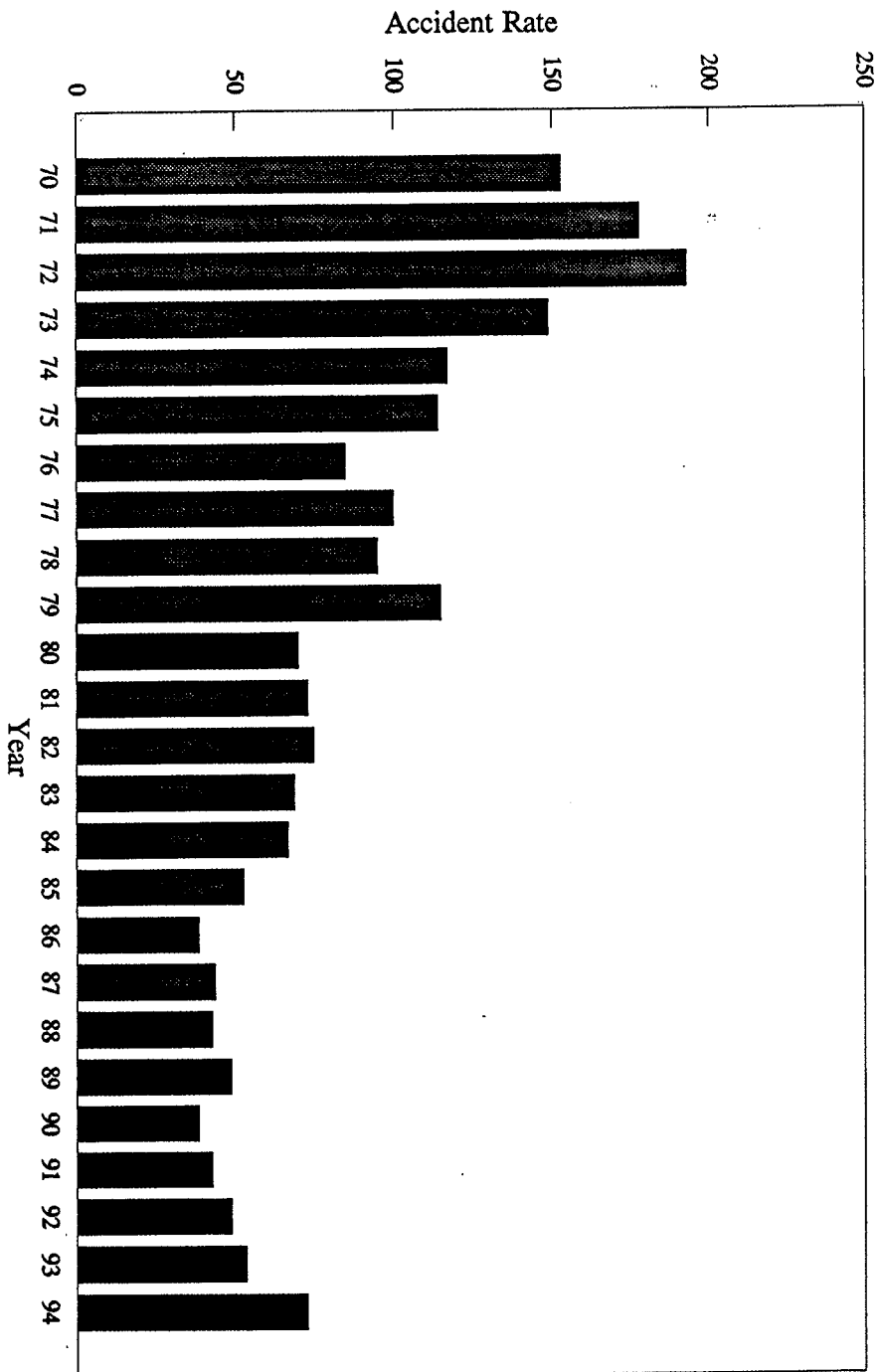


TABLE 6
ACCIDENT RATE ON WV TURNPIKE

APPENDIX 2

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Draft Copy for Review Purposes Only



WILLIAM H. GAVAN
General Manager

WEST VIRGINIA PARKWAYS
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December 4, 1995

Office of Legislative Auditor
Attn: Mr. Antonio E. Jones, Ph.D., Director
Performance Evaluation and Research Division
Building 5, Room 751
State Capitol Complex
Charleston, West Virginia 25305

*Re: Performance Audit of the West Virginia Parkways, Economic Development and
Tourism Authority*

Dear Doctor Jones:

The purpose of this correspondence is to forward the West Virginia Parkways, Economic Development and Tourism Authority's response to the DRAFT copy of the performance audit performed by Performance Evaluation and Research Division of the Office of Legislative Auditor. The response is attached as an enclosure.

The Parkways Authority staff appreciates the professionalism and candid relationship of the members of the Performance Evaluation and Research Division during the conduct of the audit.

Sincerely,

William H. Gavan
William H. Gavan
General Manager

WHG/tgn

Enclosure

Draft Copy for Review Purposes Only

ISSUE AREA 1:

The Parkway Authority Has Not Implemented a Comprehensive System of Controls for Managing its Economic Development Projects

Recommendation 1

The Authority should establish policies and procedures that further define decision making on Economic Development Projects. The Authority should use the JIT statute as a model to be incorporated as a basic framework including the provisions on conflict of interest, reporting requirements, proportions of the EDTF that can be invested in a particular type of projects and a given project, what constitutes public information and a definition of a qualified business.

Recommendation 2

The Parkways Authority should implement a performance measurement system.

COMMENT

In general, the Authority would agree that there is some room for improvement but, after carefully reviewing the audit draft, believes some very important aspects of our investment business may not have been considered.

One of the most interesting things noted in the review was the numerous references to JIT as a comparable program. It should be noted that the JIT Executive Director, Richard Ross, is also in charge of the Authority investments. We are convinced that our approach to receiving, reviewing, deciding on applicants as well as the subsequent monitoring of an investment is very similar to JIT with the following exceptions:

- 1) **The procedural rules promulgated by the Authority prohibit the use of loans and grants because the enabling legislation creating the Authority as interpreted by the Authority and its counsel prohibits the use of loans and grants. This preclusion causes the Authority to be less flexible in securing its investment, as evidenced by investments where we must take an equity position and therefore have an inferior position to secured creditors.**

2. **While the enabling legislation does not, in the opinion of the Authority members, limit our economic development investments to the area adjacent to the Parkway, the Authority clearly believes that it was the intent of the enabling legislation that the Authority would provide an economic surge for southern West Virginia. Page 7 of the audit refers to the difficult task "to create and retain jobs in West Virginia, a State that has an unemployment rate that at times exceeds 10 percent". It should be noted that all but one of the Authority's investments are in the area adjacent to the Parkway which encompasses much of southern West Virginia, a region of the State that has an unemployment rate that at times exceeds 20 percent.**

Accordingly, when one considers the restrictions on loans as well as the geographic area of responsibility in the most economically depressed area of the State, the reference to JIT and its commercial lender flexibility seems less than a fair comparison. However, when all of the above points are taken into consideration, they underline the diversity and the success of our program. The Authority takes pride in the chart on page 13 which shows \$8,496 invested per job created. This is an exceptional accomplishment given the restrictive environment we work in.

Page 7, paragraph 2 states, "the Authority could provide direct assistance to firms that cannot obtain some portion of their needed resources through more traditional means". This would seem to be an acknowledgement by the auditors that we are the "lender of last resort" which would seem to make references to commercial lender practices somewhat off the mark. Recently, the Economic Development and Tourism Committee declined to recommend an investment because, in its opinion, the applicant was financially sound and capable of obtaining the requested funds from other sources, thereby leaving our funds unencumbered and available for perhaps more marginal applicants. In other words, in this case the Authority approached the project totally counter to what one would consider good commercial lending guidelines. Such guidelines, if in place, would have passed this request and eliminated the availability of funds for a somewhat less credit worthy concern that could not obtain funds from other sources but might have a reasonable chance of success and for providing job opportunities in southern West Virginia.

Approved projects of the Board are monitored in a variety of ways. The Authority attempts to balance the requirements for public disclosure with the necessity for protection of proprietary information as it pertains to each investment. Accordingly, the Authority has used a variety of means to evaluate its investments to include Executive Sessions, Monthly Economic Development and Tourism (EDT) Investment Update Reports, periodic special reports for EDT investments, new EDT project overviews and an annual review of EDT investments all of which are prepared by the economic development staff.

In conclusion, it appears that the audit was not directed at the results of our program but rather at the rules and regulations in our files. Clearly, we could improve in this area. However, it is an interesting problem to approach in that the absence of a rigid format has allowed for a creative approach to making deals work that would have otherwise never fit within a more structured system. While none of these points may be compelling enough to justify changing the recommendations of the audit, they should be brought forward in order to give the reader a clearer understanding of our mission and the associated restrictions.

ISSUE AREA 2:

Quarterly Meetings Used to Maintain Safety

Recommendation 3

The Authority should collect response times from the various EMS teams who provide assistance on the Turnpike. Added to the records kept by the Authority staff regarding State Police response time, this information could be used to monitor and improve response times on the Turnpike.

COMMENT

The Authority strives to maintain as safe an Interstate highway system as possible and constantly seeks innovative ways to improve the safety of its operations. In an effort to improve and monitor response times, the Parkways Operations Center has implemented Recommendation 3.

ISSUE AREA 3:

Overlapping Accounting Systems Protect Against Theft of Tolls

Recommendation

None made in this area.

COMMENT

The Authority concurs with Issue Area 3 as written.

ISSUE AREA 4

The Authority Follows Procurement Procedures

Recommendation 4

The Board should amend procurement procedures to further define an "emergency" as it relates to the General Manager's discretion to purchase up to \$20,000 on the open market.

COMMENT

The Authority diligently exercises fiscal responsibility in all areas of its procurement processes. While the General Manager has never had the occasion to exercise the provision for emergency purchases, the definition of "emergency" has been further defined as recommended. The refined definition has already been incorporated into the appropriate sections of the Authority's Purchasing Procedures rules.

ISSUE AREA 5

The Authority Uses Commonly Followed Maintenance Techniques on the Turnpike

Recommendation 5

The Authority should report the implementation dates for all of the above recommendations to the Co-chairs of the Joint Committee on Government Operations by February 1, 1996.

COMMENT

The Authority concurs with the discussion on Issue Area 5.

ISSUE AREA 6

Cessation of Tolls and Future of the Parkways Authority

Recommendation 6

The Legislature should consider placing a target date by which the Parkways Authority shall have made all provisions necessary for the payment of the existing bonds. The Legislature might further consider placing a restriction that the Authority shall assume no new bond debt without the consent of the Legislature. The Legislature could then stipulate the target date on which the responsibility for the 88-mile section of Interstate 77 that is currently known as the West Virginia Turnpike shall be transferred to the Division of Highways.

Recommendation 7

If the Authority is to be used as a mechanism to build other roads, the Legislature should consider directing the Authority to perform a feasibility study for all other projects throughout the State that are considered. The goals of creating a new West Virginia Turnpike in a location which is in need of a four lane, limited access highway should reflect both the transportation and the economic needs of the entire State, as well as the region in which the proposed project would be located. This would require amending Article 16A of Chapter 17 of the Code to remove the 75 mile radius limitation when the project would begin.

COMMENT

The issues involved in Recommendation 6 and 7 are too complex for comment without comprehensive studies that are not possible under the time constraints of this audit.

The Authority has in place a plan to retire the debt of the 1989 bond issue in 2019. At the appropriate time, legislation should be introduced to amend the current enabling legislation of the West Virginia Parkways, Economic Development and Tourism Authority contained in Article 16A of Chapter 17 of the Code.



WILLIAM H. GAVAN
General Manager

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December 4, 1995

Office of Legislative Auditor
Attn: Mr. Antonio E. Jones, Ph.D., Director
Performance Evaluation and Research Division
Building 5, Room 751
State Capitol Complex
Charleston, West Virginia 25305


*Re: Performance Audit of the West Virginia Parkways, Economic Development and
Tourism Authority*

Dear Doctor Jones:

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The Parkways Authority staff appreciates the professionalism and candid relationship of the members of the Performance Evaluation and Research Division during the conduct of the audit.

Sincerely,


William H. Gavan
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WHG/tgn

Enclosure

ISSUE AREA 1:

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Recommendation 1

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COMMENT

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ISSUE AREA 2:

Quarterly Meetings Used to Maintain Safety

Recommendation 3

The Authority should collect response times from the various EMS teams who provide assistance on the Turnpike. Added to the records kept by the Authority staff regarding State Police response time, this information could be used to monitor and improve response times on the Turnpike.

COMMENT

The Authority strives to maintain as safe an Interstate highway system as possible and constantly seeks innovative ways to improve the safety of its operations. In an effort to improve and monitor response times, the Parkways Operations Center has implemented Recommendation 3.

ISSUE AREA 3:

Overlapping Accounting Systems Protect Against Theft of Tolls

Recommendation

None made in this area.

COMMENT

The Authority concurs with Issue Area 3 as written.

ISSUE AREA 4

The Authority Follows Procurement Procedures

Recommendation 4

The Board should amend procurement procedures to further define an "emergency" as it relates to the General Manager's discretion to purchase up to \$20,000 on the open market.

COMMENT

The Authority diligently exercises fiscal responsibility in all areas of its procurement processes. While the General Manager has never had the occasion to exercise the provision for emergency purchases, the definition of "emergency" has been further defined as recommended. The refined definition has already been incorporated into the appropriate sections of the Authority's Purchasing Procedures rules.

ISSUE AREA 5

The Authority Uses Commonly Followed Maintenance Techniques on the Turnpike

Recommendation 5

The Authority should report the implementation dates for all of the above recommendations to the Co-chairs of the Joint Committee on Government Operations by February 1, 1996.

COMMENT

The Authority concurs with the discussion on Issue Area 5.

ISSUE AREA 6

Cessation of Tolls and Future of the Parkways Authority

Recommendation 6

The Legislature should consider placing a target date by which the Parkways Authority shall have made all provisions necessary for the payment of the existing bonds. The Legislature might further consider placing a restriction that the Authority shall assume no new bond debt without the consent of the Legislature. The Legislature could then stipulate the target date on which the responsibility for the 88-mile section of Interstate 77 that is currently known as the West Virginia Turnpike shall be transferred to the Division of Highways.

Recommendation 7

If the Authority is to be used as a mechanism to build other roads, the Legislature should consider directing the Authority to perform a feasibility study for all other projects throughout the State that are considered. The goals of creating a new West Virginia Turnpike in a location which is in need of a four lane, limited access highway should reflect both the transportation and the economic needs of the entire State, as well as the region in which the proposed project would be located. This would require amending Article 16A of Chapter 17 of the Code to remove the 75 mile radius limitation when the project would begin.

COMMENT

The issues involved in Recommendation 6 and 7 are too complex for comment without comprehensive studies that are not possible under the time constraints of this audit.

The Authority has in place a plan to retire the debt of the 1989 bond issue in 2019. At the appropriate time, legislation should be introduced to amend the current enabling legislation of the West Virginia Parkways, Economic Development and Tourism Authority contained in Article 16A of Chapter 17 of the Code.