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Compliance Review

WEST VIRGINIA PARKWAYS ECONOMIC DEVELOPMENT AND TOURISM AUTHORITY

AUDIT OVERVIEW

The Parkways Authority Has Responded in Large Part to the Tamarack Report Recommendations

The Parkways Authority Has Responded to a Majority of the Maintenance Department Report Recommendations

The Parkways Authority Has Given Consideration to the Recommendations of the Tourist Information Centers Report; However, to Date None of the Recommendations Have Been Implemented



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OVERVIEW

The Parkways Authority Has Eliminated Excessive Expenditure Policies and Reduced Staffing, but Significant Inefficiencies and Overstaffing Remain, Primarily Because of the Number of Staffed Tourist Information Centers.

Since January 2007, the Legislative Auditor has issued three reports concerning the Parkways Authority. The first report (Tamarack), issued in January 2007, addresses the Parkways Authority's involvement and management of economic development and tourism (EDT) projects and an analysis of the Tamarack project. The Tamarack report made six recommendations. The second report (Maintenance Department), issued in May 2008, discusses the staffing, operation and performance of the Maintenance Department, as well as the internal controls and expenditure policies of the overall administration of the Parkways Authority. The Maintenance Department report made 18 recommendations. Finally, the third report (Tourist Information Centers), issued in December 2008, examines the cost and efficiency of the Tourist Information Centers (TICs) located along the West Virginia Turnpike. The TIC report made seven recommendations.

Through administrative procedure, the Parkways Authority has modified its mission statement to phase out its EDT activities in order to focus more on the maintenance of the Turnpike.

Tamarack Report Update

The Parkways Authority has responded to several recommendations. Through administrative procedure, the Parkways Authority has modified its mission statement to phase out its EDT activities in order to focus more on the maintenance of the Turnpike. However, the agency's enabling statute still authorizes EDT activities. **Therefore, the Legislature should consider legislative clarification to make the agency's enabling statute consistent with the agency's amended mission statement.** Despite these changes, the Parkways Authority still operates Tamarack due to legal and financial obligations, but it intends to transfer Tamarack to the Department of Commerce (DOC) in the future. It is the intention that the DOC will be able to develop a business plan that will make Tamarack profitable. Also, as part of the phase-out process, the Parkways Authority sold its interest in the CASCI building for \$2.3 million in 2007. The Legislative Auditor questioned the CASCI project and similar investments in which the agency was investing in part-ownership of private businesses. The sale of the CASCI interest ensured this project a return to the agency of \$1.8 million. At the

Therefore, the Legislature should consider legislative clarification to make the agency's enabling statute consistent with the agency's amended mission statement.

time of the sale, the Parkways Authority had received \$1.5 million of the initial \$2 million investment made in 1992. **It would have taken approximately 23 years for the Parkways Authority to receive this return on investment if it maintained its interest in CASCI.**

The Parkways Authority has addressed several of the issues raised in the Maintenance Department report.

Maintenance Department Update

The Parkways Authority has addressed several of the issues raised in the Maintenance Department report. The Legislative Auditor identified a few areas of overstaffing and excessive expenditure policies. The Parkways Authority has discontinued these types of expenditure policies, such as the mandatory Sick Leave Buy-back, the Toll Bonus System, and the employee recognition and appreciation policies. The agency has adequately responded to the internal control issues raised in the report. In terms of the staffing issues of the report, the Parkways Authority acknowledged that it had too many mechanics and has reduced this number by one and will phase out two other mechanic positions through attrition. Also in response to the report's recommendations, a supervisory position has been eliminated as a result of retirement. The Legislative Auditor contends that the Fleet Management section can be overseen by one supervisory position instead of two. The agency has not responded to the Fleet Management staffing issue. However, the Parkways Authority has eliminated other positions that were not identified in the Maintenance Department report. The Parkways Authority also has not responded to the issue raised in the report that identified a supervisor who oversees the work of related individuals.

The TIC report identified significant inefficiencies and overstaffing in the TIC operations.

Tourist Information Centers Update

The Parkways Authority has discussed the Legislative Auditor's 2008 performance review of the Tourist Information Centers; however, to date, it has not made any changes in this area. Five of the six recommendations made in the report were directed to the agency. Of these five recommendations, the agency either disagrees or has not responded. The TIC report identified significant inefficiencies and overstaffing in the TIC operations. The Legislative Auditor showed that compared to similar Turnpike Authorities, the West Virginia Turnpike had the highest number of staffed TICs per lane miles by a considerable margin. In comparison to the West Virginia Department of Transportation (DOT), the Parkways Authority has 5 TICs over the 88 mile stretch of highway compared to the DOT's 8 Welcome Centers throughout the state, and these are staffed by the State's Department of Commerce.

The Legislative Auditor showed that compared to similar Turnpike Authorities, the West Virginia Turnpike had the highest number of staffed TICs per lane miles by a considerable margin.

The inefficiency of having this many TICs along a relatively short roadway is seen in their proximity to each other. Appendix B shows a map of the West Virginia Turnpike and the locations of the five TICs. The Bluestone TIC is only nine miles north of the Princeton TIC (Welcome Center), and the TIC located in the Tamarack facility is less than a mile from the Beckley TIC. The need for tourist information at these locations is not the issue, the issue is the need for staff at these locations. The Legislative Auditor contends that reducing the number of staffed TICs to two (Beckley and Princeton) is sufficient for travelers along the Turnpike. The Parkways Authority can still provide tourist information at Bluestone, Tamarack and Morton and also provide a telephone at these locations for travelers to call either the Beckley or Princeton TIC if they have any questions. Reducing the number of TICs to two would reduce staff by 12 positions. Two additional positions can be reduced at Princeton because their primary responsibility is to sell Tamarack merchandise. This retail activity lost money in each of the four years reviewed, the largest loss was over \$100,000. Therefore, the total staff reduction that can be made in the TIC operations without significant loss of service is 14 positions, with a cost reduction of over \$570,000.

The Parkways Authority has indicated in its previous response that these positions and the service they provide promote the state and the tourism industry. The Legislative Auditor has recommended to the Legislature that all staffing of TICs along the Turnpike be provided by the DOC. The DOC staff is used to staff all of the DOT's Welcome Centers, and it is common for other Turnpike Authorities to have their TICs staffed by a tourist-related state agency. Furthermore, since the Parkways Authority has amended its mission statement to phase out the EDT functions and focus strictly on the maintenance of the road, it would be consistent with this revised mission to transfer staffing responsibilities of the TICs to the DOC. This would make available over \$1.2 million to the Parkways Authority for road maintenance, but shift only \$650,000 to the DOC if it follows the Legislative Auditor's recommendations and reduce staff by 14 positions. The Parkways Authority has commented against this transfer because it indicated that most of the Turnpike's revenues come from out-of-state travelers; therefore, transferring TIC staffing to the DOC would place the cost strictly on West Virginia taxpayers. The Legislative Auditor argues that over \$1.2 million is a significant amount to make available for road maintenance, and to continue an inefficient operation simply because its funding is primarily from out-of-state travelers is not fiscally responsible.

The total staff reduction that can be made in the TIC operations without significant loss of service is 14 positions, with a cost reduction of over \$570,000.

The Legislative Auditor argues that over \$1.2 million is a significant amount to make available for road maintenance, and to continue an inefficient operation simply because its funding is primarily from out-of-state travelers is not fiscally responsible.

Conclusions

Since the release of the three performance reviews, the Parkways Authority has responded to several recommendations, and it has also reduced expenditures in areas not identified by the Legislative Auditor. Table 1 shows the costs savings associated with actual or proposed implementation of certain recommendations.

Table 1 Parkways Authority Cost Savings & Returns From Investments Actual & Planned Measures*	
Savings & Returns Per Legislative Auditor Recommendations:	Savings
Actual staff reductions	\$131,558
Planned staff reductions	\$57,142
Adopted State’s Sick Leave Incentive policy:	
Cash pay out	\$49,832
Discarded portion of sick day	\$37,374
Eliminated toll bonus system	\$34,000
Sale of CASCI partnership share	\$2,300,000
Measures Taken During or After the Performance Review:	
Staff reductions after performance review	\$197,497
Eliminated employee bonuses during performance review	\$186,413
Total Cost Savings	\$2,993,816
<i>* The cost savings for adopting the State’s Sick Leave Buyout Policy is assumed to result in an 80 percent reduction in the amount the agency spent in its previous Sick Leave Incentive policy. The cost savings from eliminating employee bonuses in 2007 is the average of the two previous bonus totals awarded to employees.</i>	

The Parkways Authority has made strides in lowering costs and becoming more economical in response to the Legislative Auditor’s performance review and cost-cutting measures of its own initiatives. However, the Legislative Auditor determines that there remains overstaffing in the agency of 15 positions, 14 within the TIC operations and 1 supervisory position in the Fleet Management section. The agency’s reluctance to eliminate staffed TICs appears to be focused on the tourism aspect of the positions and the retail activity of Tamarack products. Selling Tamarack merchandise appears to be a way to justify the need for staff at some TICs. The

Parkways Authority needs to acknowledge that selling Tamarack products at TICs has not been profitable. The Parkways Authority should apply its revised mission statement to its TIC operations by eliminating the retail activity at TICs, reducing staffed TICs from five to two, and apply the saved resources to the road way. The Legislature should also consider transferring all TIC staffing responsibilities to the Department of Commerce. This would free over \$1.2 million to the Turnpike. Moreover, since the Parkways Authority has amended its mission statement to phase out its economic development and tourism function, **the Legislature should consider amending the Parkways Authority’s enabling statute to reflect the amended mission statement.**

The Parkways Authority should apply its revised mission statement to its TIC operations by eliminating the retail activity at TICs, reducing staffed TICs from five to two, and apply the saved resources to the road way.

This update of the Parkways Authority uses the following designations for the levels of compliance with previous Legislative Auditor recommendations:

Levels of Compliance	
In Compliance	The West Virginia Parkways Authority has corrected the problem(s) identified in the Legislative Auditor’s 2007 and 2008 reports.
Partial Compliance	The West Virginia Parkways Authority has partially corrected the problem(s) identified in the Legislative Auditor’s 2007 and 2008 reports.
Planned Compliance	The West Virginia Parkways Authority has not corrected the problem but has provided sufficient documentary evidence to find that the agency will do so in the future.
In Dispute	The West Virginia Parkways Authority does not agree with either the problem identified or the proposed solution.
Non-Compliance	The West Virginia Parkways Authority has not corrected the problem(s) identified in the Legislative Auditor’s 2007 and 2008 reports.
Requires Legislative Action	The recommendation was intended to call the attention of the Legislature to one or more issues that may or may not require statutory changes.
Legislation Enacted	Legislature responded to issues raised in the Legislative Auditor’s 2007 and 2008 reports.

OBJECTIVE, SCOPE & METHODOLOGY

Objective

This update on the West Virginia Parkways Economic Development and Tourism Authority was conducted pursuant to West Virginia Code §4-2-5. The objective of this report is to determine the extent to which the West Virginia Parkways Economic Development and Tourism Authority (Parkways Authority) has responded to recommendations made in three performance reviews issued by the Legislative Auditor during 2007 and 2008.

Scope

The scope of this update ranges from January 2007 through October 2009. The report concentrates exclusively on the actions taken by the Parkways Authority in response to the recommendations made by the Legislative Auditor's 2007 and 2008 reports.

Methodology

The Legislative Auditor corresponded with the Parkways Authority throughout the duration of this update. Most of the information used in this update was received from the Parkways Authority. In some instances the Legislative Auditor's staff requested greater detail from the Parkways Authority on the initial information it provided. In other cases, the Legislative Auditor had to confirm Parkway information through other sources. This update followed all aspects of the Generally Accepted Government Auditing Standards.

BACKGROUND

Background

In January 2007, the Legislative Auditor released a report on the West Virginia Parkways Authority that focused on its Economic Development and Tourism (EDT) functions, including Tamarack. The findings of the report indicate that some of the Parkways Authority's EDT activities may not have been appropriate and that other projects were a financial drain on the agency. Since the release of this report, the Parkways Authority has modified its mission administratively to no longer include EDT activities; however, the agency's enabling statute still authorizes EDT activities. Despite these changes, the Parkways Authority still operates Tamarack due to legal and financial obligations but it intends to transfer Tamarack to the Department of Commerce in the future.

In May 2008, the Legislative Auditor released a report on the Parkways Authority that addressed the staffing, operation and performance of the Parkways Authority's Maintenance Department, and the internal controls and expenditure policies of the administration of the Parkways Authority overall. The Parkways Authority agrees with and has responded to a majority of the 18 recommendations in the report. Overall, the Parkways Authority has made efforts to enhance the efficiency of the Maintenance Department operations; however, some areas such as uniforms, step wage increases, and supervisory staffing can be further improved. Finally, the agency has not responded to two recommendations concerning nepotism and courtesy patrol.

In December 2008, the Legislative Auditor released a report that addressed the Parkways Authority's five staffed Tourist Information Centers (TICs) located along the WV Turnpike. The report's findings contend that there is overstaffing in the agency's TIC operations because the number of staffed TICs is more than what is needed. However, the Parkways Authority disputes and/or has not responded to a majority of the report findings and recommendations. No changes have been made to the Parkways Authority's TIC operations since the release of this report. The Parkways Authority asserts that the TICs provide a valuable service to the traveling public that benefits the State's image, its travel and tourism industries, and also its arts and crafts industries.

The Parkways Authority still operates Tamarack due to legal and financial obligations but it intends to transfer Tamarack to the Department of Commerce in the future.

Overall, the Parkways Authority has made efforts to enhance the efficiency of the Maintenance Department operations; however, some areas such as uniforms, step wage increases, and supervisory staffing can be further improved.

The report's findings contend that there is overstaffing in the agency's TIC operations because the number of staffed TICs is more than what is needed.

UPDATE 1

The Parkways Authority Has Responded in Large Part to the Tamarack Report Recommendations.

Update of January 2007 Performance Review of Parkways Authority

In January 2007, the Legislative Auditor released a report on the West Virginia Parkways Authority that focused on its EDT operations and Tamarack. The report made six recommendations, five of which were addressed to the Parkways Authority and one was directed toward the Legislature. To date, the Parkways Authority is in either full or partial compliance with four of the five Legislative Auditor's recommendations. The Parkways Authority has terminated all EDT activities with the exception of Tamarack and is transitioning to an agency with the sole mission of operating and maintaining the WV Turnpike. The Legislature has not acted on the recommendation to amend the Parkways Authority's enabling legislation concerning EDT projects and activities.

The Parkways Authority has terminated all EDT activities with the exception of Tamarack and is transitioning to an agency with the sole mission of operating and maintaining the WV Turnpike.

Status of Tamarack

In April 2007, the Parkways Authority Board passed a resolution that among other things instructed the Parkways Authority to phase out all EDT projects and lay the groundwork for the transfer of Tamarack operations to the Department of Commerce. However, before Tamarack can be transferred to the Department of Commerce, it must be self sufficient or profitable. Due to the outstanding Tamarack bonds (Series 2001A and Series 2001B) and the annual subsidies provided by the Parkways Authority, the transfer of the facility and its operations requires considerable preparatory measures.

At the July 1, 2009 board meeting, the Parkways Authority Board voted to create an escrow defeasance account for the \$6.25 million outstanding Tamarack bonds (Series 2001A and Series 2001B). The defeasance removes the bond indenture's restrictions and frees up over \$1.2 million annually in concession and fuel sales revenues that were previously pledged to pay the Tamarack bonds. As a result, these non toll revenues will be used by the Parkways Authority for highway rehabilitation projects and to increase the levels of discounts made available to WV E-Z Pass customers. The final maturity date for all Tamarack bonds to be paid is June 1, 2011.

The Parkways Authority indicated that the defeasance of the bonds was one step toward making Tamarack self sufficient. Additionally, modifications to Tamarack's business model are currently being explored with the goal of boosting traffic, customers, and profit. Other activities include the issuance of a pre-solicitation notice to gauge interest in developing the 80 acres of property adjacent to Tamarack in hopes of increasing traffic to the facility and the Conference Center. Formal requests for proposals are planned for late 2009.

Modifications to Tamarack's business model are currently being explored with the goal of boosting traffic, customers, and profit.

Recommendation 1

The West Virginia Parkways, Economic Development and Tourism Authority should seek economic development and tourism projects that provide a financial return to the agency.

Status: **In Compliance**

The Parkways Authority has not sought or engaged in any new economic development and tourism (EDT) projects since the release of the Tamarack report. Due to an April 2007 Parkways Authority Board resolution, economic development and tourism (EDT) is no longer part of the agency's mission. An existing EDT project referred to as CASCI (Capital Area Services Co., Inc.) was terminated in August 2007 by a payment of \$2.3 million to the Parkways Authority for its interest in the CASCI building. The CASCI project produced an estimated net profit of \$1.8 million, making it one of the Parkways Authority's most financially profitable EDT projects. Currently, the Parkways Authority has dissolved all EDT projects and activities with the exception of Tamarack which at this time cannot be removed from the Parkways Authority for legal reasons.

The CASCI project produced an estimated net profit of \$1.8 million, making it one of the Parkways Authority's most financially profitable EDT projects.

Recommendation 2

The West Virginia Parkways, Economic Development and Tourism Authority should evaluate the intangible benefits from the Tamarack system to the State in comparison to the opportunity costs of financial resources that could be used for other purposes of the agency, and the potential loss of revenue if the Tamarack facility was a source of revenue.

Status: Partial Compliance

The Parkways Authority has partially responded to this recommendation. The Parkways Authority referenced a study prepared by the Marshall University Center for Business and Economic Research for the Tamarack Foundation, released in February 2009, which concluded that Tamarack contributes \$18.6 million to the West Virginia economy, \$5.9 million in additional income for West Virginia workers and supported 236 jobs during fiscal year 2008. The report further indicated that since Tamarack opened, it has had gross sales revenue of over \$89 million, it has generated over \$4.5 million in sales tax revenue, provided a marketplace for more than 3,000 artisans and attracted more than 5.6 million visitors, and promotes a positive image of the state.

The report further indicated that since Tamarack opened, it has had gross sales revenue of over \$89 million, it has generated over \$4.5 million in sales tax revenue, provided a marketplace for more than 3,000 artisans and attracted more than 5.6 million visitors.

However, this study is not objective in that it does not evaluate Tamarack's opportunity costs to the State. The Legislative Auditor's report acknowledged that the Tamarack project provided an economic stimulus to local communities. Nevertheless, the Tamarack project was intended to be financially self-sufficient in its first year, but this has not occurred in its 13-year history. In fact, the project, instead of providing a return to the agency, has required subsidization of nearly \$3 million a year. This has been a diversion of funds that could be used for the roadway. The Legislative Auditor's recommendation was for the Parkways Authority to reevaluate Tamarack in terms of its opportunity costs; that is, are there other opportunities that would provide a greater economic stimulus than Tamarack and not require subsidization from the Parkways Authority? Thus, an objective reevaluation of the Tamarack project was not conducted.

The Tamarack project was intended to be financially self-sufficient in its first year, but this has not occurred in its 13-year history.

Recommendation 3

If the West Virginia Parkways, Economic Development and Tourism Authority determines that changes to the Tamarack system cannot be made to make it a profitable endeavor, the agency should consider alternative uses for the Tamarack facility that may be more beneficial to the State than its current use.

Status: In Compliance

The Parkways Authority contends that changes can be made to Tamarack to make it either self sufficient and/or profitable while maintaining its current mission and structure.

Recommendation 4

The West Virginia Parkways, Economic Development and Tourism Authority should report to the Joint Committee on Government Operations during the May 2007 interim meetings on its options to make Tamarack a profitable project or alternative purposes for Tamarack that would be in the best interest of the State.

Status: **Non Compliance**

Parkways Authority staff was present at the initial release and presentation of the report on January 8, 2007. It appears that the Joint Committee on Government Operations did not schedule the Parkways Authority for the May 2007 meeting agenda thus, a Parkways Authority representative did not appear at that meeting.

The sale of the CASCI interest for \$2.3 million in 2007, has ensure a return on the investment and in a much shorter time period.

Recommendation 5

The Parkways Authority should discontinue investing in projects that do not fall within the enabling legislation.

Status: **In Compliance**

The Parkways Authority did not concur with the Legislative Auditor's position that some of the Parkways Authority's EDT projects did not fall within the scope of the enabling legislation. However, as previously stated, the Parkways Authority has discontinued all EDT projects and activities with the exception of Tamarack. The sale of the CASCI interest for \$2.3 million in 2007, has ensure a return on the investment and in a much shorter time period. **It would have taken approximately 23 years for the Parkways Authority to receive this return on investment if it maintained its interest in CASCI.** Therefore, despite its disagreement with the Legislative Auditor's findings in this issue, the Parkways Authority has responded appropriately with this recommendation.

It would have taken approximately 23 years for the Parkways Authority to receive this return on investment if it maintained its interest in CASCI.

Recommendation 6

If the Legislature approves of the Parkways Authority's economic development and tourism promotion activities, it should consider amending the agency's enabling statute to clearly authorize these activities.

Status: Requires Legislative Action

To date there has been no legislative amendments to the Parkways Authority's enabling statute (§17-16A-1 et seq.) concerning the types of acceptable EDT activities or projects. A resolution introduced by the Governor and adopted by the Parkways Authority Board in April 2007 narrowed the mission of the Parkways Authority to focus solely on the WV Turnpike and called for the phase-out of all EDT projects. This resolution removed the immediate need for clarification of this issue. Nevertheless, the Legislature should consider amending the Parkways Authority's enabling statute to eliminate future questions in the area of permissible EDT activities and also to reflect the Parkways Authority's current and sole mission of operating and maintaining the West Virginia Turnpike.

Recommendation

The Legislature should consider amending the Parkways Authority's enabling statute to reflect the Parkway's Authority's amended mission statement.

UPDATE 2

The Parkways Authority Has Responded to a Majority of the Maintenance Department Report Recommendations.

Update of May 2008 Performance Review of Parkways Authority

In May 2008, the Legislative Auditor released a report on the Parkways Authority that addressed the operation and performance of the Parkways Authority's Maintenance Department, agency internal controls, and the financial status of the WV Turnpike. The report made 18 recommendations. The Parkways Authority is in full, partial, or planned compliance with 16 of those recommendations. Overall, the Parkways Authority has made considerable efforts to enhance the efficiency of the Maintenance Department operations; however, some areas such as uniforms, step wage increases, and supervisory staffing can be further improved. Finally, the agency has not responded to the recommendations concerning nepotism and courtesy patrol.

Overall, the Parkways Authority has made considerable efforts to enhance the efficiency of the Maintenance Department operations; however, some areas such as uniforms, step wage increases, and supervisory staffing can be further improved.

Recommendation 1

The Parkway Authority should consider discontinuing its Sick Leave Incentive policy. Since the Legislature has established a less expensive policy in which sick leave can be converted for pay, the Parkways Authority should adopt the same policy as enacted by the Legislature.

Status: In Compliance

The Parkways Authority discontinued its Sick Leave Incentive policy as of November 24, 2008 and informed its employees that they may be entitled to payment for unused sick leave in accordance with WV Code §5-5-6.

The two main differences between the State's Sick Leave Incentive policy and the Parkways Authority policy are listed below.

1. The Parkways Authority program was mandatory for qualifying employees, while the State's policy is voluntary.
2. Parkways Authority employees were permitted to bank the remaining portion (75%) of the sick days that were not cashed in, while the State's policy does not allow employees to keep the remaining portion of sick leave.

Because the Parkways Authority program is no longer mandatory and employees cannot bank the remaining 75 percent of the sick day, it is likely that the number of participants will significantly decrease. Therefore, the Legislative Auditor estimates that the cash payout for the sick leave incentive program could be reduced by as much as 80 percent, or \$49,832. Additionally, for those employees who continue to participate, there is an estimated saving of \$37,374 for the portion of sick days that were previously banked by the employee but will now be discarded under the new policy.

Recommendation 2

The Parkways Authority should objectively review its step wage increase process, particularly with respect to highway maintenance workers, to determine if its wages are higher than necessary to be competitive.

Because the Parkways Authority has begun a review of its step wage increases but has not completed this process, the Legislative Auditor finds the Parkways Authority to be in planned compliance.

Status: **Planned Compliance**

To date no changes have been made to the Parkways Authority's Maintenance Department employees' pay schedule. At the October 2009 Parkways Authority Board meeting, agency staff agreed that the current progression of pay for Maintenance Department employees occurs quickly and recommended that the Board consider increasing the wage steps from the current three year period to five years for new hires. The Board requested that Parkways Authority staff gather additional salary/wage information for Parkways Authority and Division of Highways (DOH) workers and present those comparisons to the Board. Because the Parkways Authority has begun a review of its step wage increases but has not completed this process, the Legislative Auditor finds the Parkways Authority to be in planned compliance.

Recommendation 3

The Toll Bonus System should be revamped so that the Parkways Authority receives a majority share of enhanced revenues. A less expensive non-monetary incentive for toll collectors should also be considered as a substitute for the current toll bonus system.

Status: In Compliance

The Parkways Authority accepted this recommendation and discontinued its Toll Bonus System. By doing so, the Legislative Auditor estimates that the agency will realize an estimated annual cost savings of \$34,000. Additionally on March 5, 2009, the Parkways Authority implemented a new Toll Collector Standard Requirements policy that provides no monetary compensation.

The Legislative Auditor estimates that the agency will realize an estimated annual cost savings of \$34,000.

Recommendation 4

The Parkways Authority should consider other less costly ways of recognizing or showing appreciation to its employees.

Status: In Compliance

The Parkways Authority no longer provides its employees with any incentives, either monetary or non-monetary, that is not granted to all other employees of the State of West Virginia. The Legislative Auditor estimates that the discontinuation of the employee appreciation bonuses saves the Parkways Authority an average of \$186,413 per year, which is the average amount of the previous two bonus amounts awarded.

The Legislative Auditor estimates that the discontinuation of the employee appreciation bonuses saves the Parkways Authority an average of \$186,413 per year.

Recommendation 5

The Parkways Authority should examine the organizational structure of its Maintenance Department to assess the need for certain management level positions in the Highway Production and Fleet Management sections.

Status: Partial Compliance

Previously the Legislative Auditor identified some issues with overstaffing of supervisory positions in the Maintenance Department. Specifically there was concern about the General Supervisor and Deputy General Supervisor positions especially since each maintenance facility under their management has a foreman. After both supervisors retired in October 2009, the Parkways Authority combined the two supervisor positions into one position called a Roadway Manager. Therefore the Parkways Authority reduced the management layers from three to two in the Highway section. The

Therefore the Parkways Authority reduced the management layers from three to two in the Highway section.

Legislative Auditor estimates that this staff reduction will lower personnel costs by \$90,000.

Another concern discussed in the report was the supervisory positions within Fleet Management. The Parkways Authority eliminated one Mechanic Foreman position from the Ghent mechanic shop and plans to eliminate two additional mechanic positions in the future. Despite these reductions, more changes are needed. Currently, the Fleet Management section has two managers, Fleet Manager and Deputy Fleet Manager. Due to the managers' low span of control and the leadership roles of various shop personnel, it appears that only one management position is needed. Therefore the Parkways Authority has only partly addressed the Fleet Management overstaffing issues identified by the Maintenance Department report and should continue to make adjustments to this section.

It is important to note that, the Parkways Authority has made other staff reductions, supervisory and entry level, which were not recommended in the report. Since the release of the Maintenance Department report in May 2008, the Parkways Authority has eliminated a net total of eight positions within the Maintenance Department. This number takes into account two proposed position reductions and two recently filled positions. The Legislative Auditor estimates that with these staffing reductions, the Parkways Authority will reduce personnel expenditures by \$197,497. The Legislative Auditor commends the Parkways Authority for working towards a leaner maintenance staff and lowering personnel costs where possible.

Recommendation 6

The Parkways Authority should consider reducing its current level of mechanic positions to a more appropriate level.

Status: **In Compliance**

The Parkways Authority agrees with this recommendation and finds that the number of mechanics should be reduced by three, one at each of the mechanic shops. To date, one mechanic position has been eliminated. The Parkways Authority plans to make the two remaining reductions through attrition. The Legislative Auditor estimates personnel cost savings for the elimination of the Mechanic Foreman position at \$41,558. Once the remaining two mechanic

The Parkways Authority eliminated one Mechanic Foreman position from the Ghent mechanic shop and plans to eliminate two additional mechanic positions in the future.

Since the release of the Maintenance Department report in May 2008, the Parkways Authority has eliminated a net total of eight positions within the Maintenance Department.

The Parkways Authority agrees with this recommendation and finds that the number of mechanics should be reduced by three, one at each of the mechanic shops.

positions are eliminated, the Parkways Authority will further reduce staffing costs by \$57,142.

Recommendation 7

Consideration should be given to coordinating the use of mechanics between the Parkways Authority and the Department of Transportation if such an arrangement proves feasible and cost effective for both agencies.

Status: In Compliance

The Parkways Authority concluded that it would not be feasible to combine or coordinate the mechanic shop duties of the two agencies and that doing so would create significant issues that would negatively affect the performance of the Maintenance Department. Concerns cited by the Parkways Authority include the following:

- The proximity of maintenance employees to mechanics and repair facilities.
- The effects of DOH's larger fleet on the priority of repairs and turnaround time.
- The ability to service equipment or vehicles in the field as is currently done.
- The costs of transporting out of service equipment or vehicles to a DOH shop.
- The difficulty DOH has with recruiting and retaining qualified mechanics.

The Parkways Authority concluded that it would not be feasible to combine or coordinate the mechanic shop duties of the two agencies.

Recommendation 8

The Parkways Authority should assess the cost benefits of having certain maintenance services under private contract.

Status: Non Compliance

As noted in the May 2008 report, the Parkways Authority contracts out some maintenance services and has done so since prior to the release of the Maintenance Department report. Those contract services include: asphalt paving and full depth repairs, bridge retrofit and painting, pavement marking, culvert repairs and guardrail replacement. In addition to those services, the Maintenance Department report specifically suggested Courtesy Patrol as one area that the Parkways Authority should consider placing under private contract as it is within the DOH.

The Parkways Authority's initial response to this recommendation in May 2008 indicated that it would investigate the possible cost benefit of contracting its courtesy patrol services to mirror the DOH. However the Parkways Authority provided no evidence that an analysis was conducted and currently operates courtesy patrol from 3:00pm – 7:00am.

Recommendation 9

Consideration should be given to the cost advantages of the Parkways Authority and the Department of Transportation jointly contracting for similar services.

Status: In Compliance

In March 2008, the DOH began performing construction inspection services for the WV Turnpike highway and bridge construction projects. In addition, the Parkways Authority stated that over the past few years, there have been efforts to coordinate maintenance activities with the DOH by sharing equipment, purchasing specifications, and piggybacking contracts.

Recommendation 10

The Parkways Authority should consider amending its purchasing policies to include a standardized form to allow for adequate and consistent sole source justification statements by all departments.

Status: In Compliance

The Parkways Authority concurred with this recommendation and adopted the State Purchasing Department's standard form for sole source. An updated version of the Parkways Authority's Purchasing Policies and Procedures manual requires a "sole source justification form" and makes reference to the State Purchasing Divisions guidelines for sole source purchases.

Recommendation 11

The Parkways Authority's Maintenance Department should conform to the established guidelines for making purchases under \$1,000, especially with respect to ensuring that appropriate personnel are performing their designated tasks, complete purchase records are

kept and steps are taken to avoid the practice of stringing purchases.

Status: In Compliance

The Parkways Authority updated its Purchasing Policies and Procedures as of June 9, 2009. The agency indicated that the guidelines provide a method of expediting, recording, and processing purchases in a uniform manner with the intention of creating an audit trail that fully substantiates all purchases. The Legislative Auditor finds that the modified guidelines provide adequate and proper purchasing procedures that correspond with those standards established by the State's Purchasing Division. A newly created section entitled "Purchasing Violations" strictly prohibits stringing purchases. In the case of an employee performing the designated duties of another, the new policy has been changed to accurately reflect the current purchasing operations. Other incidents identified by the original report were minor and/or random occurrences.

The Legislative Auditor finds that the modified guidelines provide adequate and proper purchasing procedures that correspond with those standards established by the State's Purchasing Division.

Recommendation 12

The Parkways Authority should consider providing expanded or additional public notice or make stronger efforts to solicit bids from other contractors in order to stimulate multiple bidding.

Status: In Compliance

The Parkways Authority indicated that it "continues to solicit bids from as many vendors as possible while using every available tool to reach out to potential suppliers."

Recommendation 13

When issuing an RFP for investment management and/or custodian services, the Parkways Authority should also explore investment management and/or custodian services offered by state agencies as well as those provided by private entities.

Status: In Compliance

The Parkways Authority inquired, as recommended, about utilizing the State's Investment Management Board's (IMB) financial and custodial services; however, the IMB indicated that the Parkways Authority's portfolio did not fit in with their program. In another

effort to explore financial services provided by state agencies, the Parkways Authority's Director of Finance attended a Board of Treasury Investment (BTI) seminar. The Parkways Authority plans to have further discussions with the BTI regarding investment in short term securities.

Since September 2007, the Parkways Authority has been in the process of reviewing and updating its investment portfolio policies and procedures guide. As a result, the Parkways Authority is without a long term contract for investment management and custodial services. The previous service provider, United Bank, continues to work on a month-to-month basis. In preparation for a new investment management and custodial service contract, the Parkways Authority published a Request for Proposals in June 2008 and opened the bidding in July 2008. At the September 2008 Board meeting, the contract was awarded to Scott and Stringfellow at a cost of \$28,500 per year. However, due to the ongoing review and revision of the Parkways Authority's investment policies by the Public Resources Advisory Group (PRAG), execution of the contract award is delayed.

Recommendation 14

The Parkways Authority should contemplate revising its uniform policy and consider eliminating the provisions of uniform items that are optional to employees in order to make cost reductions.

Status: Partial Compliance

There have been no changes to the uniform policy since the release of the report. The Parkways Authority indicated that staff compared its current uniform policy to a statewide contract that provides uniform rentals and laundering services. In this analysis, the Parkways Authority's current system was found to be more cost effective than that offered by the statewide contract. However, the Legislative Auditor does not find this evaluation to be in full compliance because it does use comparative factors and it adds the additional service of laundering to the comparison. In addition, the Parkways Authority made no analysis of possible cost reductions by the elimination of certain uniform items that are optional to employees as suggested in the Maintenance report recommendation.

The Parkways Authority plans to have further discussions with the BTI regarding investment in short term securities.

Due to the ongoing review and revision of the Parkways Authority's investment policies by the Public Resources Advisory Group (PRAG), execution of the contract award is delayed.

The Parkways Authority made no analysis of possible cost reductions by the elimination of certain uniform items that are optional to employees as suggested in the Maintenance report recommendation.

Recommendation 15

The Parkways Authority should eliminate the occurrence of related employees supervising each other, and address other areas that may be negatively affecting the control environment.

Status: Non Compliance

In response to this recommendation, the Parkways Authority provided a statement similar to its original response that indicated that a personnel policy concerning nepotism is in place. The Legislative Auditor is aware of that policy, finds it to be sufficient, and takes no issue with the policy. The Legislative Auditor did however question an actual supervisory relationship within the Maintenance Department. The Parkways Authority has not agreed with or disputed the Legislative Auditor's assertion. Furthermore the Parkways Authority has not indicated that any specific action was taken to eliminate the occurrence of related employees supervising one another.

The Parkways Authority has not indicated that any specific action was taken to eliminate the occurrence of related employees supervising one another.

Recommendation 16

The Parkways Authority should continue its diligence in maintaining an appropriate segregation of duties with respect to the duties of the Deputy Director of Purchasing.

Status: In Compliance

Although the Purchasing Department has a small staff, the Parkways Authority maintains a separation of duties that provides checks and balances to enhance internal controls.

Recommendation 17

The Parkways Authority should improve adherence to its Purchasing Policies and Procedures for purchases under \$1,000. Consideration should also be given to modifying the Maintenance Department's Master Control Log to include a field to record if an employee signed for received items.

Status: In Compliance

The Parkways Authority concurs with this recommendation and stated that staff will continue to monitor its internal control policies to ensure compliance. Although the Parkways Authority did not indicate if the Master Control Log had been modified, its purchasing policies and procedures require regular reviews of the master control log by the Purchasing Director. In addition, a signed packing/receiving slip is required before payment is issued.

Recommendation 18

The Parkways Authority should consider implementing an automated purchasing system that records, organizes, monitors, and regulates all of the agency's purchasing processes.

Status: Planned Compliance

The Parkways Authority agrees with this recommendation and stated that, "Staff will work toward procuring a module that will tie in purchasing with the accounts payable and the general ledger system."

UPDATE 3

The Parkways Authority Has Given Consideration to the Recommendations of the Tourist Information Centers Report; However to Date None of the Recommendations Have Been Implemented.

Update of December 2008 Performance Review of Parkways Authority

In December 2008, the Legislative Auditor released a report that addressed the Parkways Authority's five staffed Tourist Information Centers (TICs) located along the WV Turnpike. The report's findings contend that the Parkways Authority's TICs are overstaffed. However, the Parkways Authority disputes and/or is not in compliance with a majority of the report findings and recommendations. No changes have been made to the Parkways Authority's TIC operations since the release of this report. The Parkways Authority asserts that the TICs provide a valuable service to the traveling public that benefits the state's image, its travel and tourism industries, and also its arts and crafts industries.

The report's findings contend that the Parkways Authority's TICs are overstaffed.

Recommendation 1

The Parkways Authority should consider discontinuing the Tamarack retail activities at all Tourist Information Centers.

Status: In Dispute

The Parkways Authority does not agree with the recommendation to discontinue Tamarack's retail activities at all TICs. Furthermore, the Parkways Authority's bond counsel and general counsel reject the Legislative Auditor's assertion that the sale of Tamarack goods at the TICs violates the Parkways Authority's Tri-Partite Agreement with the West Virginia Department of Transportation and the Federal Highway Administration. The Parkways Authority indicated that the purpose of the retail shops in each of the travel plazas to further promote not only the tourism industry, but also, to promote the artisan craft industry throughout the state. Additionally, the Parkways Authority noted that the retail shops generate sales tax revenue for the State of West Virginia.

The Parkways Authority asserts that the TICs provide a valuable service to the traveling public that benefits the state's image, its travel and tourism industries, and also its arts and crafts industries.

Recommendation 2

The Parkways Authority should consider using all floor spaces at TICs currently used for Tamarack retail activities for more profitable retail activities such as food services.

Status: **In Compliance**

The Parkways Authority examined the possibility of using potential floor space for additional food services provided by HMS Host and concluded it is not in its best interest to do so. An HMS Host representative indicated that the volume along the WV Turnpike is not large enough to sustain additional food operations at the TICs. The Legislative Auditor confirmed HMS Host's position that it is not interested in expanding its food concepts. In addition, the Parkways Authority claims that up front capital improvements needed to convert the existing facilities for a new concept would minimize any potential return on investment.

An HMS Host representative indicated that the volume along the WV Turnpike is not large enough to sustain additional food operations at the TICs.

Recommendation 3

All Travel Plaza facilities should be restructured to have centralized floor space in the lobby for a travel information desk or wall racks to display tourist information, depending on whether a TIC is staffed or unstaffed.

Status: **In Dispute**

The Parkways Authority stated that a centralized travel information desk in staffed facilities was previously found to be less efficient than placing the desk inside the shop, as is currently. However, if any of the TIC shops are closed in the future, consideration will be given to utilizing more wall racks and travel boards.

Recommendation 4

The Parkways Authority should consider discontinuing staffing the Morton, Tamarack and Bluestone Tourist Information Centers. Tourist information should be provided at these locations in an unstaffed manner, with contact information for motorists if they need to speak to a travel counselor at one of the staffed TICs.

Status: Non Compliance

The Parkways Authority has not eliminated staff at any of the TICs suggested by the recommendation. At an August 2009 Visioning Session, the Parkways Authority staff and Board members discussed the possibility of downsizing Parkways Authority TIC employees through attrition. Additional discussions indicated that if implemented, those Parkways Authority employees could be replaced by contracted W.C. Workshop, Inc. employees, leaving all TICs at current staff levels but at a reduced cost. If executed as discussed, this action would not adequately fulfill the recommendation's intent to eliminate personnel costs at the named locations. However, to date, the Board has not made any decisions nor have any changes to TIC staffing been implemented.

To date, the Board has not made any decisions nor have any changes to TIC staffing been implemented.

Recommendation 5

The Parkways Authority should consider reducing staff by two positions if it discontinues Tamarack retail activities at the Princeton Tourist Information Center.

Status: In Dispute

This recommendation is contingent upon the Parkways Authority's compliance with recommendation number one. Because the Parkways Authority disagrees with eliminating retail sales at all TICs, as recommended by number one, the Parkways Authority disputes this recommendation as well.

Recommendation 6

The Legislative Auditor recommends that the State consider transferring all staffing responsibilities of the Tourist Information Centers along the West Virginia Turnpike to the Division of Tourism within the Department of Commerce.

The Parkways Authority also argues that because 76% of toll revenues are paid by out-of-state motorists, the TIC staff is funded mostly by a non-state revenue source.

Status: Requires Legislative Action

There has not been a transfer of TIC staff to the DOC. Because the administration has stated that the DOC is not in the position to subsidize Tamarack operations, the Parkways Authority concludes that the DOC is not in a position to assume the responsibility of staffing the TICs on the West Virginia Turnpike. Furthermore, the Parkways Authority also argues that because 76% of toll revenues are paid by out-of-state motorists, the TIC staff is funded mostly by a non-state

revenue source. The Legislative Auditor rejects the reasoning that because the revenue source is primarily out-of-state motorists that inefficient spending is acceptable. The Legislative Auditor asserts that if the recommended staffing reductions are implemented, over \$1.2 million would be available to the Parkways Authority for road maintenance.

Recommendation 7

The Legislative Auditor recommends that the Parkways Authority or the State consider charging a fee for display and distribution of non-state tourism brochures at Tourist Information Centers along the Turnpike and state Welcome Centers.

Status: Non Compliance

The Parkways Authority has not considered the possibility of charging a fee for non-state tourism brochures posted at the TICs. The Parkways Authority indicated that it will follow suit with the State if and/or when the Division of Tourism develops a statewide contract for rack fees.

Appendix A: Transmittal Letter

WEST VIRGINIA LEGISLATURE
Performance Evaluation and Research Division

Building 1, Room W-314
1900 Kanawha Boulevard, East
Charleston, West Virginia 25305-0610
(304) 347-4890
(304) 347-4939 FAX



John Sylvia
Director

December 28, 2009

Mr. Gregory C. Barr, General Manager
West Virginia Parkways Authority
P.O. Box 1469
Charleston, WV 25325-1469

Dear Mr. Barr:

This is to transmit a draft copy of the Update of the West Virginia Parkways, Economic Development and Tourism Authority. This report is scheduled to be presented during the January 10-12, 2010 interim meetings of the Joint Committee on Government Operations, and Joint Committee on Government Organizations. We will inform you of the exact time and location once the information becomes available. It is expected that a representative from your agency be present at the meeting to orally respond to the report and answer any questions the committees may have.

If you would like to have an exit conference to discuss any concerns you may have with the report, please notify us to schedule an exact time. In addition, we need your written response by noon on January 6, 2010 in order for it to be included in the final report. If your agency intends to distribute additional material to committee members at the meeting, please contact the House Government Organization staff at 340-3192 to make arrangements.

We request that your personnel not disclose the report to anyone not affiliated with your agency. Thank you for your cooperation.

Sincerely,

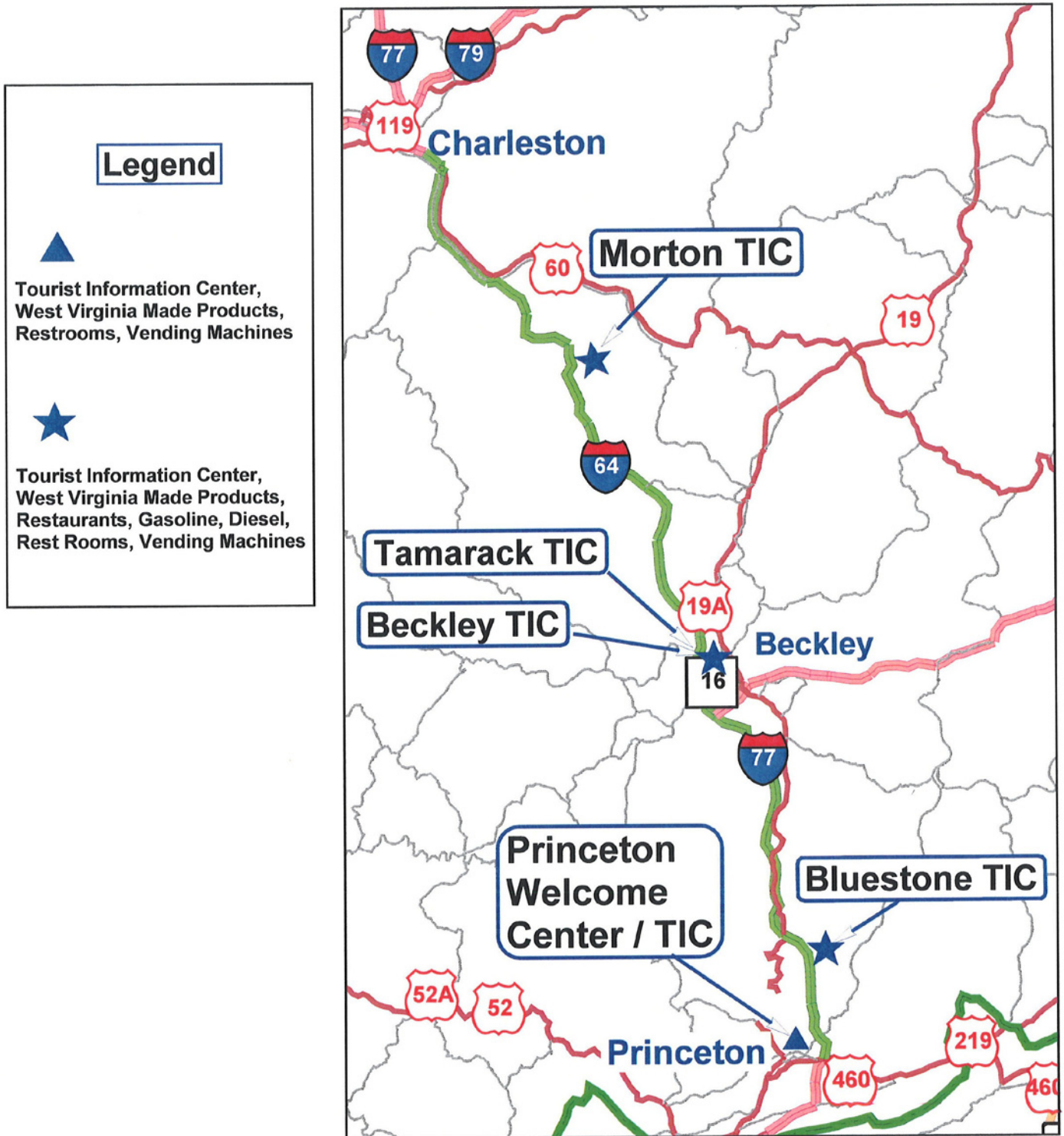
A handwritten signature in cursive script that reads "John Sylvia".

John Sylvia

Enclosure

_____ *Joint Committee on Government and Finance* _____

Appendix B: West Virginia Turnpike and Location of the Tourist Information Centers



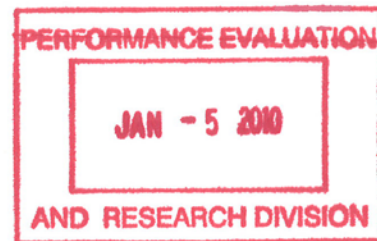
Appendix C: Agency Response



WEST VIRGINIA PARKWAYS
ECONOMIC DEVELOPMENT AND TOURISM
AUTHORITY
P.O. BOX 1469
CHARLESTON, WEST VIRGINIA 25325-1469
TELEPHONE: 304/926-1900
FAX: 304/926-1909
www.wvturnpike.com
E-ZPass: 1-800-206-6222

January 5, 2010

West Virginia Legislature Performance
Evaluation and Research Division
Mr. John Sylvia
Building 1, Room W-314
1900 Kanawha Boulevard, East
Charleston, West Virginia 25305-0610



Re: Response to PERD's Update of the West Virginia Parkways Economic Development and Tourism Authority's Three Performance Review Reports Issued During 2007 and 2008

Dear Mr. Sylvia:

I am in receipt of your update report and I am pleased to find that we are in compliance and/or partial compliance with many of the recommendations made by PERD. As you point out in your report, a reduction in costs approaching \$3 million has occurred since your initial report in 2007. I did want to take this opportunity to comment on a few open items mentioned in this most recent report.

Fleet Management Staffing Issue

Prior to 2007, the Parkways Authority had a Supervisor and two Foremen overseeing the Heavy Equipment Mechanics, Gas Shop Mechanics, Roadway Maintenance Shop Mechanics, Welding Shop and Paint and Body Shop. Upon retirement of the Supervisor, the supervision of these shops was reduced to two people who were previously the two Foremen. Their titles were changed to Fleet Manager and Deputy Fleet Manager. The Supervisor position was eliminated. It is important to note that the Fleet Manager deals with administrative level issues such as: planning for renewal and replacement of equipment; budgeting for future needs; purchasing equipment and materials; and, handling annual inspection of all equipment. The Deputy Fleet Manager is a working operational manager who still performs "wrench-turning" and who has direct supervision of the Gas Shop operations in Beckley. The workload that was previously performed by three individuals is now being done by two and it is our intent to maintain this organizational structure.

Supervisor Overseeing Work of Related Individual (Nepotism)

In your May 2008 report, you indicated that two of our four Shop Foremen reported either directly or indirectly to the Facilities General Supervisor who they were related to. The Facilities Division has been reorganized due to the retirement of the Facilities Manager. The reorganization downsized the management from three to two people. The titles of the two positions changed to Facilities Administrator and Facilities Superintendent. Also since the May 2008 report, the Sign Shop Foremen who had been related to the Facilities General Supervisor (now called the Facilities Superintendent) resigned. Presently, there is one Shop Foreman (Utility) who is related to the Facilities Superintendent; however, the organizational chart clearly reflects that all Shop Foremen report directly to the Facilities Administrator who is not related to any of these employees. We are very sensitive to any perceived favoritism and make it very clear that any issues involving reprimand or other disciplinary or compensatory actions are dealt with directly by the Facilities Administrator or the Director of Maintenance. Granted, there will be isolated instances where the Facilities Superintendent may come in contact with the Utility Shop Foreman in the field as certain work is being coordinated, but we are very cognizant of this situation. It is also important to note that both of these individuals have been with the Parkways Authority for nearly thirty years.

Courtesy Patrol

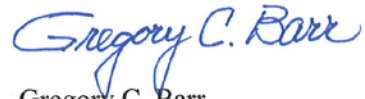
The Parkways Authority does not presently contract out Courtesy Patrol operations. We have developed a new classification of Maintenance employee that not only handles Courtesy Patrol, but also serves as back-up salt truck drivers as well as back-up Highway Maintenance workers. When one of our front-line highway technicians is on leave or on Workers Compensation, these Courtesy Patrol workers, who hold a CDL license, can fill their position and we backfill the Courtesy Patrol with a temporary. This has proven to create a fertile ground for experienced and qualified Maintenance workers who compete very well for new positions within the Maintenance Department of the Parkways Authority.

Tourist Information Center (TIC) Staffing

The Parkways Authority Board has decided to keep the matter of Tourist Information Center employees under review. As a matter of clarification, your update indicated that the TIC employees could be replaced by contracted W.C. Workshop, Inc. employees leaving all TIC's at current staff levels but at a reduced cost. This change is only being considered for the three staff positions currently being held at Tamarack and not for any of the other TIC's at the Travel Plazas.

If I can be of further assistance, please do not hesitate to contact me.

Sincerely,



Gregory C. Barr
General Manager

GCB/tgn

cc: Parkway Authority Board Members
A. David Abrams, Jr.



WEST VIRGINIA LEGISLATIVE AUDITOR

PERFORMANCE EVALUATION & RESEARCH DIVISION

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