

# Secretary of State Audit Report

Kate Brown, Secretary of State

Gary Blackmer, Director, Audits Division



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## Oregon Travel Experience: Improve Accountability

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### Summary

The Oregon Travel Information Council, operating as Oregon Travel Experience (OTE), is a semi-independent state agency currently managing a variety of travel assistance programs, including 11 of Oregon's 77 roadside rest areas. In 2012 the Legislature transferred additional rest areas from the Oregon Department of Transportation (ODOT) to OTE, along with state highway funds to pay for their operation and maintenance. OTE received \$3 million in 2010 and 2011, and \$3.5 million in 2012 for rest areas.

We audited the state highway funds at OTE in compliance with legislation passed during the 2012 Session. Our audit objectives were to determine if state highway funds were spent in accordance with state and federal rules; gain an understanding of OTE's management of rest areas; provide an overview of the structure, operation, and function of the OTE Council; and provide any recommendations to ensure accountability.

We did not find any improprieties at OTE, but we noted indications of risk in the organization and its procedures. As OTE's duties and funding have increased, including restricted-use highway funds, we recommend better reporting and transparency, and additional policies to ensure the appropriate and prudent use of public funds. We also recommend legislative consideration for a biennial financial review or reconsideration of the semi-independent status of OTE.

During our audit, we found that the CEO of OTE retired effective May 1, 2011, with the intention to hold her position through December 2012, though at reduced hours to comply with PERS restrictions. The CEO only discussed her intentions with a few members of the Council, and the full Council was not informed of the CEO's retirement until March 2, 2012, nearly a year later. We were told that the CEO's retirement was kept secret for fear of jeopardizing OTE's legislative efforts to transfer additional rest areas from ODOT to OTE in the 2012 session. We did not identify any rules that prohibit these actions, but we question whether they meet general expectations of transparency involving public officials and a public agency. The CEO resigned her position in mid-July 2012.

Unlike other semi-independent agencies, OTE is not required to have a biennial financial review of its operations as a whole. However, OTE initiated and contracted for a financial review of all its operations, which was completed in February 2012. Through legislation passed in 2012, the Secretary of State is required to audit only the highway funds OTE receives.

The legislature transferred management of rest areas to OTE with the expectation that rest areas would be cleaner, safer, and provide an improved impression of Oregon to the traveling public. OTE management reported that it is beginning to collect data to measure performance, though it has only anecdotal evidence to this point.

### **Agency Response**

The agency response is attached at the end of the report.

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## Background

The Oregon Travel Information Council, operating under the name, Oregon Travel Experience (OTE), was established in 1972 to implement the Federal Highway Beautification Act. The Act encouraged states to replace highway billboards with business logo signs as a means of directing motorists to essential services. From the mid-1970s to 2010, OTE added several motorist-related programs to its operations. Currently, OTE's portfolio includes business logo signs on the interstate highways, travel brochure display programs, rest area light-box advertising, travel plazas, TripCheck.com, and the management of select rest areas throughout the state. OTE's mission is to create a great visitor experience by providing direction to destinations, connecting travelers with Oregon's resources, and ensuring safe and convenient travel. The evolution of OTE's operations and budget is shown below.

Year	Programs Added	Annual Budget
1972	Interstate Logo Signs, Travel Information Centers	\$ 2,500
1984	Off Interstate Logo Signs, (1979) Tourist Oriented Directional Signs	250,000
1997	Historical Markers, Museum Signs, General Service Signs, State Welcome Centers	834,073
2008	Trip Check (2004), Heritage Trees (2004), Travel Plazas	2,698,606
2010	Roadside Rest Areas	5,698,606

OTE is governed by a Council of 11 members, 10 of whom are appointed by the Governor. One member is the chair of the Oregon Transportation Commission or his authorized designee. Council members have expertise in economic development, travel within Oregon, recreational opportunities in Oregon, and Oregon history or Oregon natural history. Council members meet quarterly and help set and uphold the mission and vision of OTE. They also provide oversight and direction for policy decisions. Members may provide OTE with advice on matters related to their areas of expertise. Committees exist to formulate and recommend policies to the Council for various program areas, such as the Heritage Trees and Historical Markers programs. The Executive committee consists of the Chair, Vice-Chair, Secretary of the Council, one at-large member, and the immediate past Council Chair as an ex-officio member. Members of the Finance Committee meet regularly to review OTE's financial statements and other financial health indicators. The Council appoints the director of OTE, who is responsible for the day-to-day operations.

### ***Semi-independent boards and commissions***

In 1993, the Oregon Legislature granted OTE semi-independent status; thus, allowing OTE to operate with more flexibility and financial discretion than regular state agencies. When the legislation passed, OTE was no longer subject to certain state statutes, such as public contracting and personnel laws. The same is true of Oregon's other 14 semi-independent boards and commissions. This status allows agencies to enter into relatively large contracts without seeking competitive prices. For example, OTE paid approximately \$90,000 to a board member's company for rebranding to create a new look for the agency, \$56,800 for 50 trash receptacles with the agency's logo, and \$5,000 per month for a lobbyist. While OTE management said they considered competitive pricing for these contracts, they did not maintain documentation of their process.

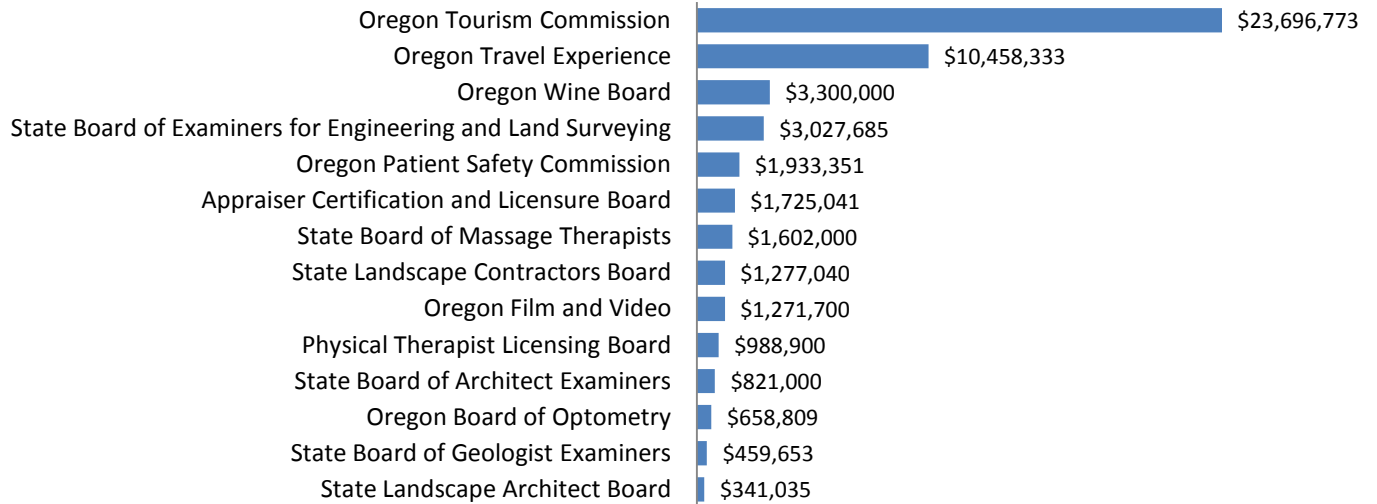
Relaxed personnel rules allow semi-independent agencies to establish their own pay scales and offer employee incentives for performance exceeding expectations. For its employees, OTE established four salary tiers below the executive management level ranging from \$20,800 to \$85,280 annually as the base pay. Health and retirement benefits complete the employee compensation packages. In addition, OTE offers its employees annual incentives from up to \$500 at the first tier to up to 10% of the base pay at the fourth tier. OTE paid incentives of approximately \$93,000 in state fiscal year 2011.

Functions for most semi-independent agencies are narrow, such as licensing and regulatory activities. OTE, the Wine Board, Oregon Film and Video, and the Tourism Commission are directed toward broader goals such as economic development.

Further, most semi-independent agencies have small budgets based upon revenues from their licensing constituency. OTE, Oregon Film and Video, and the Tourism Commission receive state funds. OTE receives fees for its advertising signage placed in the state highway rights-of-way and, more recently, state highway funds. Oregon Film and Video receives Lottery funds, and the Tourism Commission receives state transient lodging taxes.

The following chart shows budgets for 14 state programs designated by statutes as semi-independent.

**Semi-Independent Agency  
2011-2013 Biennial Budget Comparison**



### Highway rest areas

The Federal Highway Administration requires rest areas along the interstate systems. Rest areas are intended to provide facilities for the comfort, convenience, relaxation, and information needs of motorists. Oregon has 77 rest areas throughout the State. Of these, 11 are currently operated by OTE, 30 by the Oregon Department of Transportation (ODOT), 34 by the Oregon Parks and Recreation Department, and two by other entities. Most of the rest areas operated by ODOT and OTE were built in the 1950s and 1960s.

The number of vehicles visiting each rest area varies significantly. For example, the busiest rest area, Baldock, north and southbound, near Wilsonville, serves about 3,600 vehicles daily. The least used rest area, Ontario, westbound, serves about 300 vehicles daily. ODOT management noted that the current usage levels often exceed the designed capacity at some rest areas.

House Bill 2001, passed in the 2009 Legislative Session, and Senate Bill 1591, passed in the 2012 Legislative Session, transferred the operations and management of nearly all interstate rest areas from ODOT to OTE with the expectation that rest areas would be cleaner, safer, and more welcoming to travelers. As a result, January 2010 marked the first transfer

of \$3 million of highway funds from ODOT to OTE for the management of nine rest areas: seven rest areas initially granted by House Bill 2001, and two granted by an intergovernmental agreement with ODOT. Subsequently, Senate Bill 1591 gave OTE responsibility for managing additional rest areas to be phased in from 2012 to 2014. Once these rest areas are fully phased in, OTE will receive \$6.55 million of highway funds annually to maintain and operate 26 rest areas in 15 locations.

<b>Year</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
FTE	15	31	34	36	36 <sup>1</sup>	55-60 <sup>2</sup>
Rest Areas Assigned to OTE	0	9	9	11	20	26
Highway Funds	\$0	\$3,000,000	\$3,000,000	\$3,457,000	\$4,960,000	\$6,550,000
Business Logo Fees, Other Fees	2,698,606	2,698,606	2,153,000	2,153,000 <sup>3</sup>	2,153,000 <sup>3</sup>	2,153,000 <sup>3</sup>
Estimated Revenues	\$2,698,606	\$5,698,606	\$5,153,000	\$5,610,000	\$7,113,000	\$8,703,000

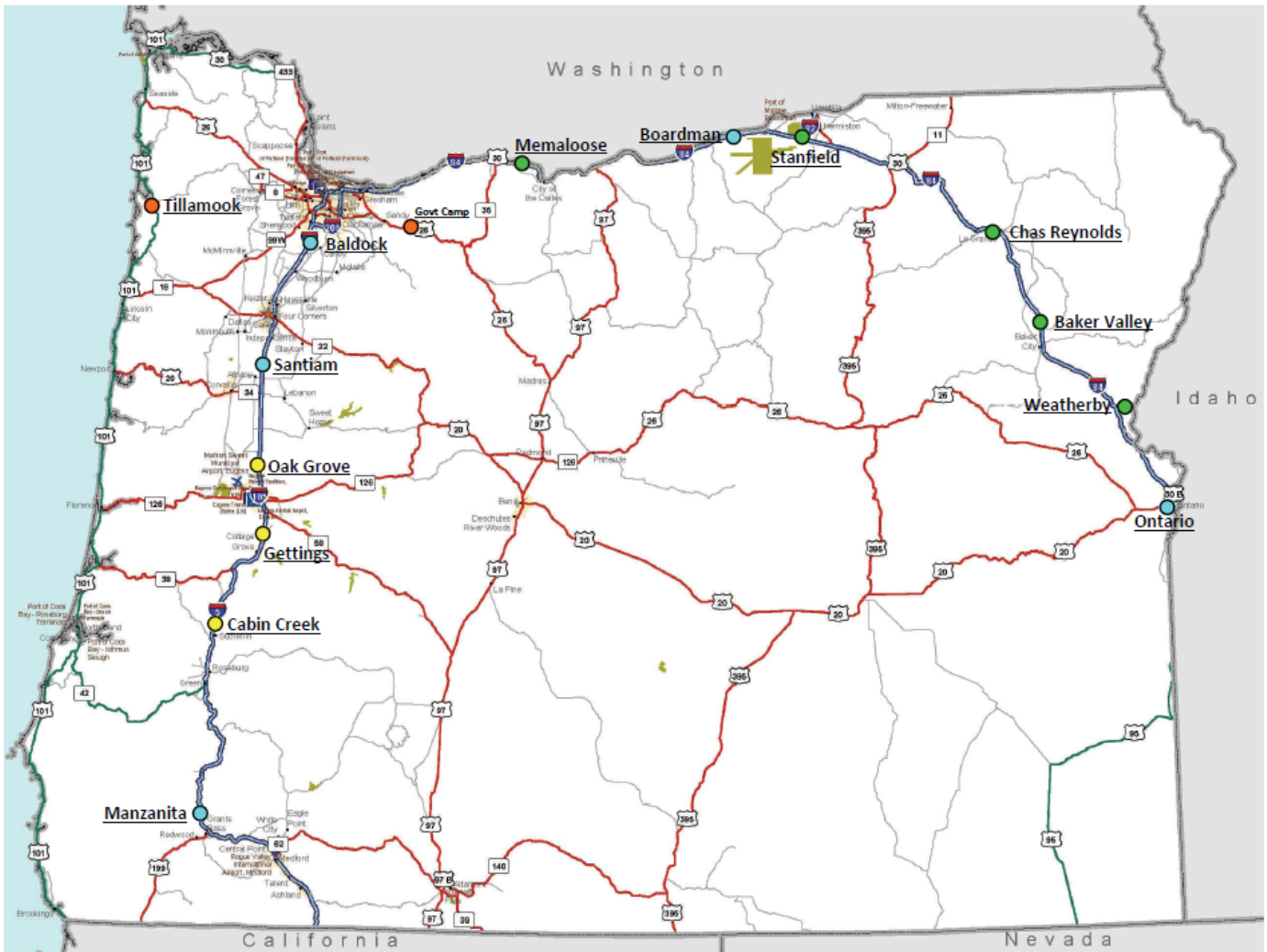
<sup>1</sup>Depends on OTE's assessment of need for rest areas added during FY2013.

<sup>2</sup>Estimate provided by OTE management.

<sup>3</sup>Assumes OTE's other revenues remain consistent with 2011.

Prior to 2009, the interstate business logo signs and other fees provided the majority of OTE's funding, totaling approximately \$2.6 million annually. With the addition of rest area management, OTE's annual budget will more than triple by January 2014.

The following map shows which rest area locations transferred or will transfer to OTE's management in the future.



- Rest Areas 2010
- Rest Areas 2012
- Rest Areas 2013
- Rest Areas 2014

### ***Restrictions on highway funds***

The State pays for the maintenance, operations, improvements, and development of the rest areas operated by ODOT and OTE with state highway funds, which are restricted in how they can be used. Specifically, the Oregon Constitution states that all revenues from motor vehicle taxes and motor or vehicle fuel taxes are to be used exclusively for the construction, reconstruction, improvement, repair, maintenance, operation, and use of public highways, roads, streets, and roadside rest areas in Oregon. In addition, highway funds may be used for the administrative costs to support a program or project on which highway funds permissibly may be spent. State officials must comply with the limitations and restrictions on the use of highway funds; misuse of the funds would constitute a breach of the fiduciary responsibility and misuse of public funds.

## **Management of Oregon's Rest Areas**

ODOT has maintained rest areas as one element of its efforts to ensure efficient and consistent maintenance and operation of Oregon's transportation infrastructure. Depending on the location, ODOT uses its staff for cleaning and maintaining landscaping at the rest areas or contracts the work to private companies. Each rest area restroom is cleaned twice daily; landscaping is maintained; and all facilities are kept operational.

The operating model established by OTE for its rest areas is significantly different than ODOT's. OTE management's vision for the rest areas is to make them welcoming, safe, and enjoyable for Oregon travelers and a center for economic development. OTE accomplishes this vision by staffing each rest area to provide a presence that welcomes travelers and provides a sense of safety.

Similar to ODOT's approach, OTE cleans the restrooms twice daily and maintains landscaping using staff or contractors. However, OTE also staffs most rest areas with two employees: a rest area Supervisor and an Assistant Supervisor, and has installed office trailers at these sites.

The supervisor's primary responsibilities include directing the work of the assistant supervisor, directing the oversight and management of day-to-day operations of the rest area, such as monitoring the activities and performance of contractors, monitoring and overseeing the rest area water, wastewater, and other systems, performing minor maintenance and repairs, maintaining an inventory of materials and supplies, performing related administrative tasks, and inspecting the property and facilities to ensure the safety of the public and employees. Also included in the rest area supervisor's responsibilities is contact with the traveling public that projects a positive image of OTE and the state, working with "free coffee" permit holders and other volunteers, and cooperating with local rest area



advocates who are working with OTE to help plan and develop improvements at the rest area. Supervisors are also responsible for budgetary and expenditure controls.

The assistant supervisors provide direct assistance to the supervisors in their duties and perform tasks assigned by the supervisors. Assistant supervisors also contact the traveling public, and work with permit holders, other volunteers, and local rest area advocates.

Additionally, the rest area staff is immediately available to respond to any incident and coordinate efforts with local authorities, if needed. If an incident occurs after business hours, a toll-free number will put the caller into contact with OTE staff responsible for incident response.

Another aspect of OTE’s rest area operational model that differs from ODOT’s is the promotion of local coalitions. The coalitions address the needs of users of the rest areas as well as the needs of the communities in which the rest areas exist. For example, at one time there was a permanent population of homeless individuals at the Baldock rest area. The coalition’s efforts brought together local law enforcement, local human services resources, and other community partners to find solutions for relocating these individuals and connecting them with needed services.

***Changes in Rest Area Costs***

It was known to decision-makers that the transfer of rest areas to OTE would change the way operations and maintenance of rest areas were administered and that the changes would cost more.

ODOT’s costs for nine rest areas during FY2009 are noted below. We selected FY2009 because that period was the last full year ODOT managed these rest areas.

<b>ODOT Costs for FY2009</b>	<b>Total</b>	<b>% of Total</b>
<b>Labor</b>	\$ 448,494	34%
<b>Equipment</b>	107,276	8%
<b>Remainder</b>		
Contracts	390,987	29%
Materials	91,824	7%
Services and Supplies	286,949	22%
Overhead	*	*
<b>Total</b>	<b>\$ 1,325,130</b>	<b>100%</b>

OTE's costs for the same nine rest areas in FY2011 are shown below. FY2011 was the first full year OTE managed these rest areas.

<b>OTE Costs for FY2011</b>	<b>Total</b>	<b>% of Total</b>
<b>Labor</b>	\$ 892,553	31%
<b>Equipment</b>	123,238	4%
<b>Remainder</b>		
Repairs and Maintenance	625,999	21%
Services and Supplies	465,387	16%
Overhead (administrative salaries)	402,485	14%
Rest Area Improvements	276,812	9%
Consultants	40,752	1%
Communications & Network	43,609	2%
Travel/Lodging/Meals	18,620	1%
Rest Area Office Trailer Rent	15,948	1%
Other	10,106	0%
<b>Total</b>	<b>\$ 2,915,509</b>	<b>100%</b>

The *Labor* category for both agencies includes direct labor. For OTE, that includes the costs for rest area supervisors and assistant supervisors at all nine rest areas and staff performing janitorial and landscaping duties at the Baldock rest areas. For ODOT, it includes staff dispatched to a rest area for any reason—repairs, maintenance, janitorial, or landscaping.

OTE includes its costs for contracted work for janitorial and landscape maintenance in the *Repairs and Maintenance* category, while ODOT includes those costs in its *Contracts* category.

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## Audit Results

We audited the state highway funds at OTE in compliance with legislation passed during the 2012 Session. Our objectives for the audit were to determine if state highway funds were spent in accordance with state and federal rules, gain an understanding of OTE's rest area management, and provide an overview of the structure, operation, and function of the OTE Council and provide any appropriate recommendations to ensure accountability.

### **Expenditure of Highway Funds Substantially in Compliance with laws**

With the transfer of rest area operations and highway funds to OTE comes the responsibility for spending in accordance with purposes defined for those funds. Expenditures can only be used for the construction, reconstruction, improvement, repair, maintenance, operation and use of public highways, roads, streets, and roadside rest areas in Oregon. Other restrictions may apply because the funds are state funds.

Our review found that OTE, in most cases, used highway funds for the purposes intended. Only a minimal amount, less than \$400 of approximately \$930,000 tested, was used for purposes not allowed. These transactions included a \$300 sponsorship for a golf tournament and \$40 for paint supplies not used for rest area purposes. In addition, \$40 was used for bottled water service, which is not generally allowed for state funds. OTE management indicated these items were charged to state highway funds in error and should have been charged to their other funds.

In addition, all transactions tested were accurately calculated and entered into OTE's accounting system. However, four of the 63 transactions tested did not have evidence of review or approval and five lacked supporting documentation.

Finally, we noted that although OTE's use of state highway funds for travel was allowable, OTE's travel payment procedures could be strengthened. While OTE has established some travel guidelines in its employee handbook, it has not developed a formal travel policy. A comprehensive travel policy helps ensure employee travel is consistent with business objectives and ensures fair and equitable treatment of employees. We noted the following instances when OTE paid travel expenses inconsistently with its guidelines.

- On two occasions, OTE paid \$109 for lodging in Salem for multiple employees when the guideline was \$100. OTE could have saved a total of \$253 if the guideline had been applied. Further, savings of \$522 could have been obtained had OTE adopted and used the common lodging standard established by the U.S. General Services Administration, which is the standard required to be used by state agencies.
- The rate paid in the previous example not only exceeded OTE's guideline, but the reason for the exceptions was not documented as required.
- Meal gratuities in excess of OTE's guideline of 20% maximum were reimbursed on several occasions. Paid rates ranged from 23% to 43%.
- OTE's guidelines require meal receipts, but not detailed receipts. We noted approximately \$1,000 in meal reimbursements that were not supported by detailed receipts. Thus, it was impossible to identify what was actually purchased.
- One individual was reimbursed for meals and lodging expenses of other employees, something not addressed by OTE's guidelines.
- This same individual was reimbursed for expenses on his personal rewards card, something that has been determined by the Oregon Government Ethics Commission to be a violation of Oregon's ethics laws.

## **Greater Transparency and Accountability Needed**

With public expectations of government transparency and accountability, it is important that managers of government programs provide reliable, useful, and timely information about their operations. As OTE's duties and funding have increased, including restricted-use highway funds, there is an increasing need for complete reporting and sound oversight. We did not find any improprieties at OTE, but we noted indications of risk in the organization and its procedures. Previous audits by the Secretary of State have identified risks inherent in boards and commissions, with consequences such as improper spending, fraud, and non-compliance with state laws and rules.

### ***Secrecy of CEO retirement***

During our audit, we found that the CEO, after holding her position since 1984, retired effective May 1, 2011, with the intention to stay through December 2012. The CEO held her position until mid-July 2012, 15 months after retirement. Under Public Employees Retirement System rules, retired

state employees can draw pension benefits and continue to work part time as long as the number of paid hours in a year does not exceed 1,039. Our review found that the CEO was in compliance with those rules.

The CEO only discussed her retirement with the Chair and Vice Chair of the Council prior to its occurrence. In November, the information was shared with the executive committee, comprised of 5 of the 11 Council members. However, the full Council was not informed of the CEO's retirement until March 2, 2012, nearly a year after her retirement.

The CEO's retirement was not treated in a transparent and accountable manner. Some Council members decided to keep the information secret from other members and the public until March 2012. Based on our interview with the Council Chair, the CEO's retirement was kept secret because if it became known, it could have jeopardized OTE's efforts to obtain legislation transferring additional rest areas from ODOT to OTE.

We did not identify any rules that prohibit these actions, but we question whether they meet general expectations of transparency involving public officials and a public agency.

#### ***Inconsistent requirements for accountability***

While semi-independent agency budgets are relatively small, most of these agencies are required by statutes to submit financial reviews to the Legislative Fiscal Office on a biennial basis. OTE was not required to have a financial review until the 2012 legislation, which requires a review by the Secretary of State of only highway funds and not of OTE as a whole. Due to the increase in its responsibilities and receipt of state highway funds, OTE initiated and contracted for a financial review of all its operations, which was completed in February 2012 and identified several areas for improvement.

## Measures of Rest Area Conditions Under Development

Since the early 1990s, there has been increasing focus in government on “managing for results.” Oregon government also has pushed for agencies to report on outcomes in an effort to measure progress towards a strategic vision to improve Oregon. Agencies are required to report on a set of key performance measures that are reviewed and approved as part of Oregon’s budget development process.

The legislature transferred management of rest areas to OTE with the expectation that rest areas would be cleaner, safer, and provide an improved impression of Oregon to the traveling public. Currently, OTE has only anecdotal examples of the increased cleanliness, safety, or quality of operations of the rest areas. OTE management reported it is beginning to collect data to measure its performance.

OTE’s budget and FTE will more than triple between 2009 and 2014 due to the additional responsibility of rest area management. For the same nine rest areas managed by OTE and ODOT, OTE incurred additional annual costs of \$1,590,379.

ODOT Costs for 9 Rest Areas in FY2009	\$ 1,325,130
OTE Costs for same 9 Rest Areas in FY2011	<u>\$ 2,915,509</u>
Additional Annual Costs Incurred by OTE	<u>\$ 1,590,379</u>

The complete development and regular collection of measures will help to determine if the increased costs are meeting the legislative expectations and if the quality, cleanliness, and safety has increased commensurate with the increase in costs.

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## Recommendations

We recommend the OTE Council:

- implement policies and procedures to ensure the appropriate and prudent use of State Highway funds as well as OTE monies;
- ensure that OTE management and Council members operate in a transparent and accountable manner, and make critical decisions public; and
- complete the development and regular collection of measures indicating the condition of the rest areas.

We recommend for legislative consideration:

- for consistency in accountability and due to its increased budget comprised of restricted-use highway funds, that a biennial financial review be required or the semi-independent status of OTE be re-evaluated.

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## Objectives, Scope and Methodology

The purpose of this audit was to comply with requirements of Senate Bill 1591. Specific audit objectives include the following:

- determine whether state highway funds used by OTE were spent in accordance with state and federal rules;
- gain an understanding of the operation model of OTE's and ODOT's rest area management; and
- provide an overview of the structure, operation and function of the OTE Council and provide any appropriate recommendations to ensure transparency and accountability.

To achieve our objectives, we interviewed management and staff at OTE, ODOT, and OTE Council members. We reviewed available documentation such as intergovernmental agreements, Oregon Revised Statutes, Oregon Constitution, federal rules, Department of Justice opinions, enrolled legislation, governing body meeting minutes, policies, and accounting and operational records.

We reviewed 63 transactions totaling approximately \$930,000 of the \$5.7 million in highway funds expended by OTE from January 1, 2010 through February 29, 2012. We used random and judgmental sampling methods to select transactions for review. Our review was limited to the use of state highway funds as required by Senate Bill 1591. We did not review OTE's use of its other funds.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.





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August 31, 2012

### **OTE response to the 2012 Oregon Secretary of State OTE audit report**

Oregon Travel Experience (OTE) is gratified that the central focus of the audit found OTE to be substantially in compliance with State Highway Fund requirements, and there were no improprieties found. OTE has the following response to the recommendations found in the Secretary of State's audit report.

**Prepared by:** Interim OTE Director/CEO Tim Pickett, Ed Bengtson, OTE Controller and approved by the Oregon Travel Information Council.

The following recommendations by the Secretary of State are listed independently of the full report, in order for OTE to document their response:

1. *"Implement policies and procedures to ensure the appropriate and prudent use of State Highway Funds as well as OTE monies."*
  - a. We agree with this recommendation. The agency has agreed to work closely with the Department of Administrative Services to update and align its policies to best practices. That process is expected to begin soon with completion by the end of calendar 2013. In the interim, we are tightening enforcement of existing procedures and using audit recommendations to improve adherence. The agency has already upgraded its systems and staff expertise in a fiscal management program to improve financial reporting and controls. The agency is now using a formal solicitation process to acquire significant services and projects. Examples include the launch of a Request for Proposal to provide lobbying service and an Invitation to bid for a construction project at the Boardman Rest Area.
  - b. The agency is partnering with the State of Oregon Chief Operating Officer to align OTE with best practices in key areas such as hiring of the next agency CEO. This process, developed by the Department of Administrative Services, includes significant stakeholder and public input. We anticipate completing the CEO hiring process by December 2012 and the rest of our alignment work by the end of calendar 2013.
2. *"Ensure the OTE management and Council members operate in a transparent and accountable manner, and make critical decisions public."*
  - a. We agree with this recommendation. The Council and agency leadership are committed to full accountability and transparency. The agency has initiated a voluntary outside review of its financial reports as defined by the Legislative Fiscal Officer and the Secretary of State's Audit Division. We agree this review should be biennial and mandatory, but the agency will continue this practice regardless of whether it is required to do so.
  - b. The Executive Committee will prepare recommendations for revisions to its By-Laws in order to clarify and strengthen language around the roles of the full Council, its officers and Executive Committee, and to increase transparency. This process will be complete by January 31, 2013.

3. *“Complete the development and regular collection of measures indicating the condition of the rest areas.”*
  - a. We agree that creating a system of measurements and benchmarks is a necessary vehicle for measuring performance, identifying areas for improvement, and providing clear progress reports to the Legislature and other stakeholders. We have, as indicated in the report, begun this process and expect to be able to provide the first report to the Council based on these measures by December 31, 2012. We expect to provide measure-based annual reporting beginning the close of our fiscal year, June 30, 2013.
4. *“For consistency in accountability and due to its increased budget comprised of restricted-use highway funds, that a biennial financial review be required or the semi-independent status of OTE be re-evaluated.”*
  - a. We agree that demonstrated accountability is important for all the funds entrusted to the agency, implementing the Legislative Fiscal Officer’s recommendation in the “Review of Semi-independent Agency Reports” dated December 2010. That report recommended adding the Legislative Fiscal Officer to the statutes (ORS 284.335 and ORS 377.838) to require the Travel Information Council to file a report on activities and operations with the governor and the Legislative Assembly. OTE will be pursuing this legislation for the 2013 session.

In concluding our response, we want to acknowledge the significant cost differences between ODOT’s and OTE’s rest area management model. The two models are vastly different, a difference that was specifically requested by the legislature to improve the quality of the travelers’ experience at rest areas across Oregon. The Oregon rest areas are aging and there is substantial deferred maintenance throughout the system. Over the long term, maintenance costs are increased, in some cases dramatically, by the constricted resources previously available to invest in them. There are several differences in the models that are attributable to on-going cost differences. First, overhead is not included in the ODOT cost, but is in the OTE model. Second, while both models include labor costs, the OTE cost is doubled by the increased staff presence within the rest areas, providing increased safety, emergency response, and traveler service. Last, the ODOT model includes the economies of scale of having a statewide system of rest areas. The OTE system is growing, but has not been able to realize any of those economies, as yet, but expects to as the remaining rest areas are transferred to OTE.



Gwenn A. Baldwin  
Oregon Travel Information Council Chair



Bob Russell  
Oregon Travel Information Council Vice Chair



Mary Olson  
Oregon Travel Information Council Secretary



Tim Pickett  
Oregon Travel Experience Interim CEO

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## About the Secretary of State Audits Division

The Oregon Constitution provides that the Secretary of State shall be, by virtue of her office, Auditor of Public Accounts. The Audits Division exists to carry out this duty. The division reports to the elected Secretary of State and is independent of the Executive, Legislative, and Judicial branches of Oregon government. The division audits all state officers, agencies, boards, and commissions and oversees audits and financial reporting for local governments.

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### Audit Team

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The courtesies and cooperation extended by officials and employees of the Oregon Travel Experience during the course of this audit were commendable and sincerely appreciated.