

Renewal and Replacement: Finalize asset management strategy to inform financial policies

Why this audit is important

Renewal and replacement practices protect public investments by ensuring these assets meet or exceed their estimated useful life. As of June 30, 2023, Metro owned or leased about \$310 million in buildings, exhibits, equipment, and vehicles. Over the past five fiscal years, at least \$41.8 million was spent from dedicated renewal and replacement funds.

The purpose of this audit was to evaluate Metro’s revenues and expenditures for renewal and replacement and determine how projects are prioritized and managed.



Source: *Thenounproject.com*

Metro has taken steps to strengthen its asset management practices. At the time of our audit, the Capital Asset Management department was leading the effort to finalize an agencywide asset management strategy and improve the asset data collected.

What we found

Several best practices were in place to manage renewal and replacement, but an agencywide asset management strategy was not finalized. This reduced Metro’s ability to increase the sophistication of information systems and processes. It also made it difficult to establish appropriate financial policies for renewal and replacement needs. Without clear and well-aligned financial guidance, decision makers will not know if they are budgeting too much or not enough for renewal and replacement.

Opportunities to improve Metro’s management of renewal and replacement existed across four areas

Component	Currently in place	Potential for improvement
Strategy	<ul style="list-style-type: none"> Commitment to take care of assets 	<ul style="list-style-type: none"> Finalized agencywide asset management strategy
Information System	<ul style="list-style-type: none"> Centralized database Development of data standards 	<ul style="list-style-type: none"> Finalized data standards and requirements Regular project reporting, as required in CAMP Agencywide asset condition reports
Processes	<ul style="list-style-type: none"> Defined process to prioritize projects 	<ul style="list-style-type: none"> Defined processes to identify projects Improved documentation to increase transparency in prioritization
Financial Policies	<ul style="list-style-type: none"> Renewal and replacement reserves Reserve guidelines and policies 	<ul style="list-style-type: none"> Reserve policies based on asset needs Consistency across policies, guidelines, and agencywide asset management strategy

Source: *Auditor’s Office summary of audit findings*

What we recommend

The audit includes ten recommendations to assist Metro as it develops its renewal and replacement processes. We made five to finalize Metro’s asset management strategy and meet reporting requirements. We made five additional recommendations to identify long-term asset requirements and strengthen the quality of information used in decision making.