

MEMORANDUM

OFFICE OF THE COUNTY EXECUTIVE COUNTY OF PLACER

TO: Honorable Board of Supervisors
FROM: Thomas M. Miller, County Executive Officer
DATE: January 12, 2010
SUBJECT: Summary report on the 2009 Community Development Resource Agency Audit

ACTION REQUESTED:

The Board is being asked to accept this summary report of the findings for the 2009 Community Development Resource Agency (CDRA) audit and authorize the County Executive Officer to implement/take actions to address recommendations.

BACKGROUND:

At the request of the County Executive Officer, an administrative, financial and operations audit of CDRA was initiated in 2009. The County Auditor Controller, and the Department of Administrative Services (IT Division), worked in cooperation with the County Executive Officer to conduct this audit. This effort is a point-in-time assessment since the consolidation of land development functions under the umbrella of the Community Development Resource Agency in 2005.

The overall purpose of the audit was to assess existing operations within CDRA and to provide recommendations to better align practices with policy and regulation, enhance efficiency and cost effectiveness, and enhance operations management and service delivery. The scope of the audit and resulting recommendations were developed to ultimately provide a uniform set of best management practices for administrative and functional areas and to ensure that the separate units that make up the Agency, with varied administrative and management practices, were appropriately aligned into a single agency with standard business practices. Specifically the audit evaluated the use of technology, application of internal controls with respect to financial management, purchasing and credit card use, employee management and application of personnel policies including use of overtime and extra help.

Given the current financial circumstances, the timing and results of the audit provides the opportunity for the development of a new organizational structure and strategy to address changing economic conditions, workloads and resourcing needs within CDRA. While CDRA has initiated enhancements as a result of the findings, a comprehensive implementation plan is being completed.

This audit represents the first of the anticipated department and functional audits that are planned within the County to ensure prudent business practices are in place to maximize efficiency and effectiveness in service delivery for County departments.

I. Growth Years and Organizational Changes in Land Development

Beginning In 2003, rapid growth in Placer County and the demand for land development services resulted in a need for expanded staffing for land development functions. An assessment of critical processes as part of a "Strategy for Continuous Improvement" was conducted within land development departments by Citygate and Associates (prior to CDRA consolidation). At that time, with land development in Placer County on the rise, the strategy and assessment effort focused on improving organizational practices, goal oriented management, coordination and integration of processes to enhance accountability, service quality, and customer service orientation. Since 2003, numerous strategies from that assessment have been implemented, and the document continues to inform ongoing evaluation of service delivery for land development. The principles and many of the outcomes in the action plan from that assessment remain relevant to maintaining an effective organization, regardless of the current downturn in the market and land development workload.

Since the 2003 assessment, many findings and recommendations have been implemented, including: (a) centralization of leadership by consolidating all land development departments into CDRA under one director, (b) consolidation of services into one building, (c) delivery of services at one counter, (d) increased communication with stakeholders to implement process improvements, (e) reduced project review timeframes due to streamlining efforts, (f) implementation of formal pre-submittal conferences with developers to communicate requirements early in the process, and (g) implementation of an automated permitting system.

By 2005, the consolidation of land development under the umbrella of CDRA was complete and those departments moved into the Community Development Resource Agency Center. Staff, in conjunction with stakeholder input, implemented process improvements as previously mentioned.

Implementation of these initiatives resulted in substantial increases in stakeholder and applicant satisfaction when using County land development services during very busy land development years. For example, the numbers of improvement plan check resubmittals were reduced 33%, use of consultants for plan checking and inspections increased, and iterations of information from applicants in the environmental review process were reduced by 50%.

Between 2003 and early 2006 when land development activity was peaking, CDRA made substantial improvement to increase efficiencies within programs and meet extraordinary workload demands. During that time, Placer County entitled more than 8000 acres of land in the western County area alone. If this land builds out as planned, during those years, staff processed entitlements that will increase our unincorporated population by 50,000 residents (or 45%).

On the heels of those successes, and with the numerous organizational and personnel changes that had occurred, the standard *Change of Office Audit* typically conducted was expanded to revisit the organization and assess practices through this current audit.

II. Summary of Scope - 2009 Audit

Assessment of:

- Financial and Internal Controls
Cash receipts/revenues; cash disbursements; payroll; fixed assets/asset inventory; procurement; trust and agency funds; and program requirements and budgeting
- Automation
- Operations, management, and use of resources as one agency

General Process Description:

- Meet with departments to discuss components of the audit
- Review prior audit reports
- Administer a questionnaire or survey to departments
- Evaluate current documentation and environment
- Evaluate workflows, as applicable
- Perform transactional testing of processes, as necessary
- Interview points of contact
- Periodically discuss assessment processes with department
- Prepare findings and summaries

Audit Team:

Auditor's Office
Administrative Services Department
County Executive Office

III. Overview of Findings and Initial Implementation

A. Financial and Internal Controls

Regular audit of financial systems and the condition of internal controls add credibility and value in the way of support to management regarding prudent handling of County assets.

The effects of rapid land development growth, consolidation of function, leadership changes, and implementation of automated systems over the past several years adds a level of complexity to the organization and requires deliberate modification or development of systems to ensure sufficient internal controls are in place.

Findings

CDRA has been successful in developing a number of internal systems processes, which have enhanced the automation of deposit and payroll. However, the audit does identify that within areas of administration and accounting, internal controls need to be enhanced. While the audit findings are detailed, the core improvement needs are summarized as:

- Documentation and approval of expenses,
- Use of credit cards,
- Securities handling and maintenance,
- Accounts receivables handling and maintenance, and
- Adequate tracking of assets

A few instances of more immediate attention were inappropriate use of credit cards for purchase of goods and services. Improved oversight, written clarification, training, and development of guidance documentation to reinforce policy and procedures are essential and underway to address many of these issues.

In addition to department specific application of existing policy and procedure, staff also recognizes that many issues raised through the audit dictate modification to countywide policy and procedures. To facilitate broader countywide policy and procedure improvement a working group has been established and will report to your Board in the coming months.

Initial actions by CDRA:

- Formalization of roles and clarified processes of communication between the Agency's accounting unit and staff when there are technical questions or discrepancies.
- Developed a detailed "documentation" form that must be submitted for approval of credit card expenses, along with other billing records.
- Began staff training sessions on existing County policy, rules, and codes, targeting to date: Credit Card Program Policies and Procedures, Accounting Policies and Procedures Manual, Placer County Procurement Services Division Delegated Purchasing Policy Guidelines and Restrictions, and Chapter 2 of the Administrative Rules (Meals, Lodging, Travel and Transportation).
- Departmental policies and procedures are being drafted to affirm correct practices specific within the Agency, for example, securities, accounts receivables, old deposits

B. Automation

In 2003 when an automated permit system, the Placer Land Use System (PLUS) was brought on line, the County recognized the need to improve communication and streamline activities in the land development departments. Better tools were needed to help staff track permits, land entitlement activities, and inspections. With the delivery of PLUS, CDRA began implementing its use to more effectively track and monitor project applications. Since that time, other automated systems have been put in place to help achieve goals to improve internal coordination between staff on projects and to provide information to customers and those external to the county. Q-flow is used to manage customer flow at the front counter in

Auburn, SIRE is a document management application to support efforts for electronic document storage and use. PLUS KIVA Citizen Access is used to provide Placer County citizens access to permit information from anywhere in the world. Interactive Geographic Information System (GIS) Website is used to disseminate mapped (GIS) information to the public, and videoconferencing is the tool used to conduct meetings between remote locations. While not fully quantified, these automated systems assist in reducing costs by allowing greater customer access to information instead of making requests to staff and by reducing staff need for travel to conduct business.

Findings

The audit generally identifies that many of these systems (Interactive GIS website, PLUS KIVA Citizen Access, Q-Flow, Planning Commission Room equipment, videoconferencing, PLUS – within most of the Agency) are operating as designed. There are, however, common recommendations for all systems for improvement that include:

- Centralized documentation and procedures relative to system configuration, administration, support, interfaces, staff and public use
- Centralized standardized training and tracking of training records
- Centralized tracking of all annual maintenance contracts and software licensing documentation
- Documentation and annual review of Disaster Recovery Plan
- Develop a system, policies and procedures, and training for configuration and changes within all CDRA automated systems.
- Enhance security through formalization of access changes and documentation of security configurations.
- For PLUS specifically, there is need for increased consistent use by users in adherence to procedures. This is of significant importance to achieving greater efficiencies that support other organizational systems, such as accounting and overall permit/project management.

Initial actions by CDRA:

- Updated the PLUS Policy Document (to include new information as recommended in the audit)
- Updated the GIS Strategic Plan
- Initiated PLUS Security evaluation and recommendations being implemented
- Initiated development of a PLUS Training Plan
- Initiated Information Technology Automated Issues Tracking
- Developed a Disaster Recovery Plan for PLUS
- Developed a Disaster Recovery plan for the Selectron Integrated Voice Response (IVR) system.
- Centralized Software Documentation, licensing, inventory, and manuals
- Developed a structure within the County's internal intranet, iPlacer for future distribution and storage of software manuals, 'how-to', and policy/procedures
- Expanded hours of internal CDRA IT support from 7:00 am to 5:00 pm
- Re-inventoried all hardware devices, updated inventory database and centralized location of all surplus hardware

C. Maximizing resources as one agency

As mentioned, centralization of leadership within a common building and integrated/efficient use of resources have been important factors for the County to meet expectations for quality public service. An assessment was conducted that: (a) evaluated progress in implementing the original 2003 assessment recommendations, (b) analyzed workload and staffing needs, (c) surveyed stakeholders on improvement, and (d) surveyed lead agency personnel on operational and administrative practices.

Findings

The results of the survey of stakeholders regarding improvements were very favorable as pertained to consolidation into one building, clarity from the County on application information requirements, overall knowledge of staff, and improvement in timely service delivery.

The results of the survey of key personnel on operational and administrative practices indicate that while the Agency has established some reporting, communication, and performance expectation norms, there is variation in practices that would best be standardized within all Agency departments, for example communication to staff, labor management, and training in organizational practices. Similarly, review of progress since the 2003 audit suggested that the Agency needed to more fully implement training programs within the organization.

At the same time this 2009 audit was being conducted, the Agency continued to respond to the economic downturn and implement the reassignment program. This added a minor layer of complexity in assessing staffing resources and targets for enhancing shared use within the Agency. Nonetheless, preliminary assessments were conducted such as an agency-wide administrative staffing analysis and program specific workload analyses.

Initial actions by CDRA:

- Recommending to the Board, a reorganization to enhance shared use of resources, restructure oversight of functions, and to further consolidate administration and fiscal.
- Developed initial staffing plans based upon preliminary workload analysis around the new structure to better delineate roles and expectations.
- Initiated development of a staff training plan to include department-wide business practices and automation procedures.
- Initiated work with County Executive Office and the policy and procedure development working group to draft procedures and guidance documents
- Initiated drafting of a department specific policy, procedure, and training manual

IV. Conclusion

As presented in this staff report, the audit of CDRA has been an effective tool for assessing the CDRA organization and has helped to further inform leadership on areas for enhancement and improvement. A fundamental challenge of large organizations, such as Placer County, can be individualized departmental approaches that may not be wholly consistent with standing norms and protocols. The audit team has worked to create a

template for analyzing operations of County departments to ensure there is more consistent and accurate implementation of the County's rules and regulations.

Specific to CDRA, the organization has implemented numerous organizational improvement initiatives in the past years during extraordinary land development growth. The CDRA audit has help pinpoint key areas for additional improvement. The audit team believes that implementation of the audit findings and recommendations, as well as any residual recommendations of the 2003 assessment will better align operations with standards and meet the goals of the County.

In addition to the early implementation efforts and the streamlining of functions such as administration and fiscal operations through reorganization, a comprehensive implementation plan is nearly complete and contains the following broad components:

- Development of processes and clarification of roles and responsibilities to ensure best practices and rules and regulations are followed.
- Development of a training program that is specific and ongoing.
- Development of new/revised policies and procedures and guidance documents, in coordination with the established working group (countywide and departmental policy and procedures) to ensure the consistent and accurate implementation of County policies, rules and regulations.

In order to assess the success of the implementation of the many findings and recommendations, the audit team will work with CDRA to assure the timely implementation of the findings and recommendations. It is the intent of the audit team to prepare a progress assessment, July 2010 for report back to your board.

V. Recommended Action

Staff recommends that the Board accept this summary report of the findings for the 2009 CDRA audit, and authorize the County Executive Officer to implement/take actions to address recommendations.

The 2009 CDRA Audit is on file with the Clerk of the Board.

