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Countywide Operational Performance Review – Santa Barbara Auditor Controller Department

November 2023

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Contents

Executive Summary

The County of Santa Barbara (the County) contracted with KPMG LLP (KPMG) in May 2019 to conduct an operational and performance review of all County departments. KPMG conducted a review of the Auditor Controller Department (the Department) commencing in April 2023. The purpose of this review was to provide a high-level assessment of the Department to identify strengths and opportunities across key focus areas with the goal of enhancing overall operational efficiency, effectiveness, and service delivery provided by the Department.

The following focus areas per division were developed in conjunction with the Chief Executive Officer's (CEO) Office and the Department to guide the focus of this review.

Internal Audit	— Operational review of current processes and prioritization and risk assessment methods
Staffing Analysis	— Staffing Analysis: Staffing strategy to include workforce mix, i.e., use of certified public accountants (CPAs) versus paraprofessionals, review of current cross-training and retention policies
Property Tax	— Process review of how the Department estimates General Fund property tax revenues, cross-departmental collaboration, in particular with the Assessor
ERP Implementation	— Assessment of future information technology (IT) support staffing needs following the implementation of the new enterprise resource planning (ERP) system, identify processes that can be streamlined or enhanced as Workday implementation continues
HR and Payroll	— Review of delineation of responsibilities between Human Resources (HR) and Payroll

Figure 1: Source: KPMG

Scope and Methodology

Over a 12-week period, the KPMG Team conducted the following activities:

- More than 30 interviews with Department leadership and staff to understand the organizational structure, roles and responsibilities, operations, and processes of the Department
- Analysis of available data and policy documents to understand the demands upon and the operations of the Department
- A benchmarking and leading practice review was also conducted across the eight benchmark counties specified in our contract at the request of the CEO's Office. Please refer to the Appendix for detailed full-time equivalents (FTE) and budget benchmarking across the Department.

Figure 2: Source: KPMG

Description

Being the County's primary financial knowledge center, the Department's long-term goals involve a financially strong County, well-informed residents, and an exemplary Department comprising competent and successful staff. The Department has a number of key responsibilities, which include:

- Maintaining accounts and records of the financial transactions for all departments and agencies whose funds are kept in the County Treasury
- Providing reports and systems necessary to manage the County's financial operations
- Levying, apportioning, and distributing property taxes to the County, schools, cities, special districts, and Redevelopment successor agencies as part of the Auditor function
- Furnishing customer-focused financial decision support to the Board of Supervisors, the County Executive Officer, and Department directors to advance the strategic goals and principles of the organization
- Providing independent, objective, and cost-effective audit services
- Performing advanced and specialty accounting services to departments, schools, and special districts.

Mission:

The Department's mission is to ensure the County's financial integrity and promote efficient, effective, and accountable government.

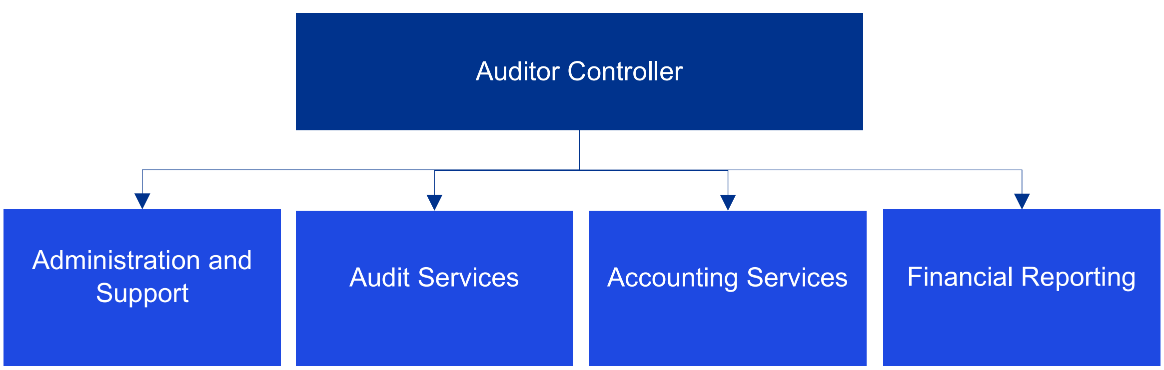


Figure 3: Source: KPMG

Budget Information for Fiscal Year 2021–2022

$10.7 million	$15,000	$8.7 million	51.6
Operating expenses	Capital assets	General Fund contribution	FTEs

Figure 4: Source: KPMG

County Benchmarks

Benchmark comparisons utilized to develop the average FTEs and budget below were conducted with the eight comparison counties specified in our contract at the request of the CEO's Office. It should be noted that not all counties offer a comparable range of services to that of the County. For example, Marin, Sonoma, Tulare, Santa Cruz, and San Luis Obispo have combined Auditor Controller and Treasurer-Tax-Collector into one department. Benchmarking these counties is challenging as budgets are not bifurcated divisionally. This results in the inability to identify budgets specifically for Auditor Controller to allow for accurate comparison. As such, they have been excluded from the average FTE and budget benchmarking below. Please see the *County Budget and FTE Benchmarks Appendix* for further detail.

		Santa Barbara	Average
FY 2022–2023	Division FTE	51.60	46
	Percent of Enterprise	1.16%	1.32%
	Division Budget ($'000)	$10,254	$12,158
	Wages and Salaries Budget ($'000)	$8,874	$7,334
	Percent of Enterprise	0.73%	0.82%
FY 2021–2022	Division FTE	47.60	45
	Percent of Enterprise	1.09%	1.34%
	Division Budget ($'000)	$9,489	$11,789
	Percent of Enterprise	0.70%	0.89%
FY 2020–2021	Division FTE	43.05	45
	Percent of Enterprise	1.09%	1.34%
	Division Budget ($'000)	$10,060	$10,908
	Percent of Enterprise	0.77%	0.85%

Figure 5: Source: KPMG

Commendations

The below commendations were identified during the course of the review and recognize the dedication of the Department to its mission.

Consistent achievement of key awards

The Department has consistently earned the Government Finance Officers' Association (GFOA) Award for Excellence in Financial Reporting for the County's Annual Comprehensive Financial Report as well as the GFOA Award for Outstanding Achievement for the County's Annual Financial Highlights publication since 1991 and 1998, respectively. The achievement of these awards underscores the Department's commitment to transparency and producing high-quality, accurate, and timely reporting.

Service as a leading department in the Countywide ERP Project

Over the past several months, the Department has continued to serve as one of the lead departments for the management of the Countywide ERP project. The Department is dedicated to supporting implementation of a robust ERP system that meets the County's needs and is supported by applicable business processes to help ensure effective system adoption and change management. In fiscal year (FY) 2022–2023 alone, the Department has billed an estimated 10,000 hours to the project.

Structured New Auditor Training Program

The Department operates a New Auditor Training and Development (NATD) program that is focused on recruiting new graduates and supporting them in building upon formal education by providing job training, skills, and professional development. The program acts as a training ground for staff to obtain their CPA licensure. Since 1991, more than 75 staff have participated in the program, with many of these staff continuing to work with the Department and several others obtaining employment with other County departments. This report identifies a number of recommendations to further enhance this program and promote further skill diversity.

Commitment to continuous quality improvement in property tax processes

The Department successfully distributed $1.08 billion in taxes to eight cities, the County, 24 schools, 49 special districts, and 5 Redevelopment successor agencies in FY 2021–2022. Throughout this allocation and distribution process, the Auditor Controller continued to collaborate with the Treasurer-Tax Collector to identify and implement opportunities to enhance information sharing and solution challenges in utilizing the Aumentum property tax system.

Deep and demonstrated commitment to Department mission

At all levels of the Department, there is a demonstrated commitment to mission. It is clear that the Department is deeply committed to serving its customers, including County departments, and consistently helping to promote the County's financial integrity.

Renew ’22 Mapping

The recommendations made within the operational and performance review have been aligned to the Renew ’22 transformation behaviors to help ensure that the recommendations are driving toward the Renew ’22 strategic vision, as seen in the figure below. The colored tiles identify the Renew ’22 transformation behaviors that align to each recommendation.

			Transformation behaviors				
			Alignment with vision	Data-driven decision-making	Strategic thinking	Risk taking	Collaborative problem-solving
Staffing Analysis and ERP Implementation	1.1	In conjunction with County HR, seek to expedite the filling of vacant roles across the Department to achieve planned staffing for permanent positions.					
	1.2	Enhance performance management processes to improve data-driven workload, resource allocation, and task assignment decision-making.					
	1.3	In conjunction with the ERP management team, consider transitioning to a hybrid Workday support organization structure as part of ERP implementation to help ensure optimal resource alignment.					
	1.4	Broaden accreditation pathways and recruitment focus to reflect changes in the diversity of staff skills required by the Department.					
Internal Audit	2.1	Strengthen risk assessment methodology to increase effectiveness of auditing procedures.					
	2.2	Re-evaluate internal audit plan and assess future resourcing needs.					
Property Tax	3.1	Enhance property tax budget and revenue forecasting based on available data, in conjunction with the County Assessor’s Office and the CEO’s Office.					
HR and Payroll	4.1	In conjunction with County HR, revise respective roles and responsibilities for the reconciliation of employee benefits payments.					

Figure 6: Source: KPMG

Prioritized Timeline

The following report consists of eight recommendations that were developed as part of this review. Proposed high-level timing and prioritization for each recommendation is depicted below. Please refer to the Appendix for a more detailed timeline by month.

			High-level timeline			
			Months 1–3	Months 4–6	Months 7–9	Months 10–12
Staffing Analysis and ERP Implementation	1.1	In conjunction with County HR, seek to expedite the filling of vacant roles across the department to achieve planned staffing for permanent positions.				
	1.2	Enhance performance management processes to improve data-driven workload, resource allocation, and task assignment decision-making.				
	1.3	In conjunction with the ERP management team, consider transitioning to a hybrid Workday support organization structure as part of ERP implementation to help ensure optimal resource alignment.				
	1.4	Broaden accreditation pathways and recruitment focus to reflect changes in the diversity of staff skills required by the Department.				
Internal Audit	2.1	Strengthen risk assessment methodology to increase effectiveness of auditing procedures.				
	2.2	Re-evaluate internal audit plan and assess future resourcing needs.				
Property Tax	3.1	Enhance property tax budget and revenue forecasting based on available data, in conjunction with the County Assessor's Office and the CEO's Office.				
HR and Payroll	4.1	In conjunction with County HR, revise respective roles and responsibilities for the reconciliation of employee benefits payments.				

Figure 7: Source: KPMG

Operating Model Maturity Scale

The figure below summarizes the Department's current-state operating model across five areas of analysis, as well as the target state that can be achieved by implementing the recommendations in the following sections. The purple boxes indicate the Department's capabilities at the time of the review, and the gold boxes illustrate the level of maturity that KPMG believes is attainable through the recommendations in this report. Each operating model layer describes a continuum of maturity related to optimal service delivery. While the highest-priority opportunity areas are detailed in callout boxes in the diagram below, full descriptions of the five design layers can be found in the Appendix.

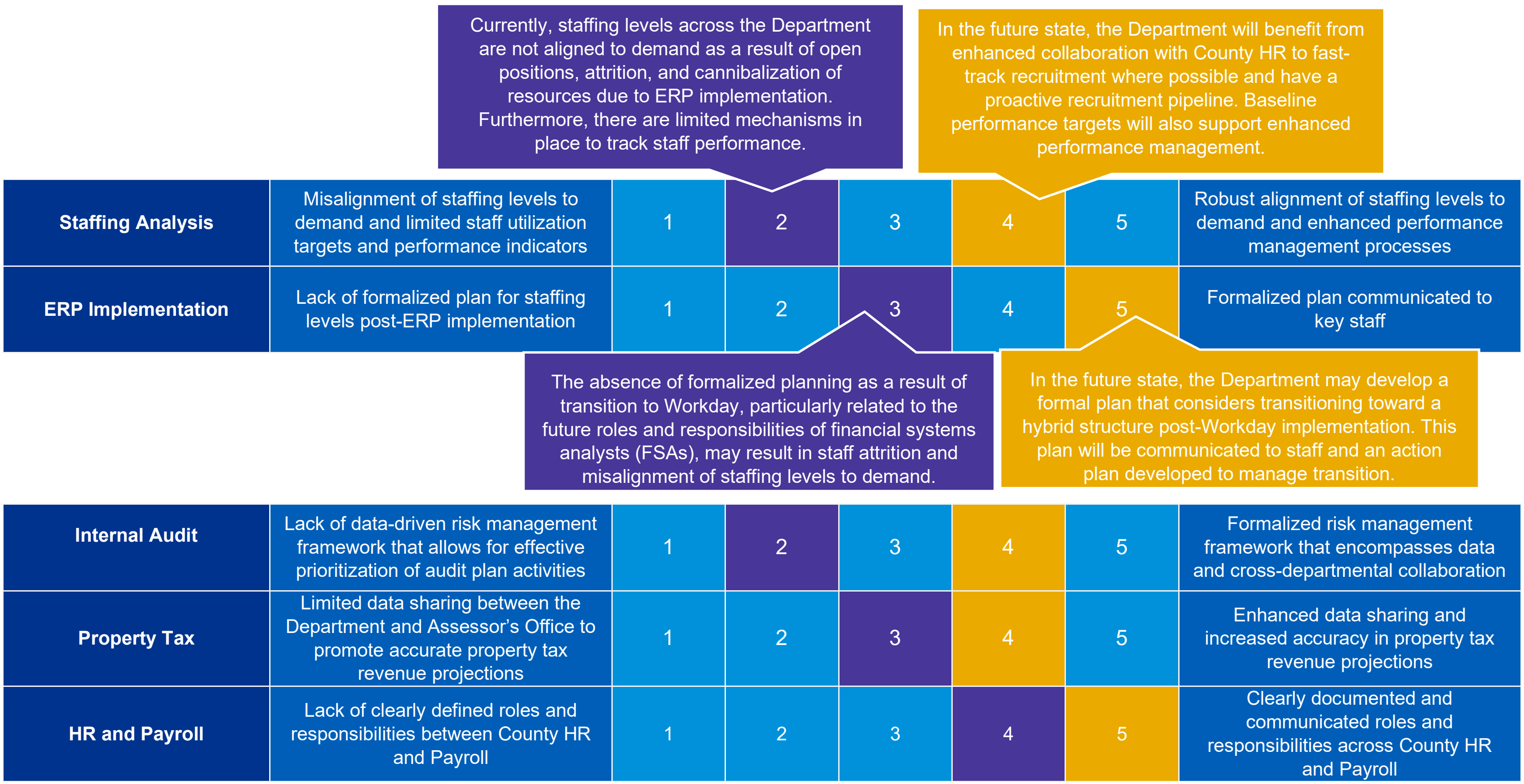


Figure 8: Source: KPMG

Staffing Analysis and ERP Implementation

The below recommendations focus on the key opportunities that may be considered by the Department to enhance alignment of staffing levels to demand, increase skill diversity, and enhance performance management practices.

1.1	In conjunction with County HR, seek to expedite the filling of vacant roles across the Department to achieve planned staffing for permanent positions.

Benefit

Collaborating with County HR to seek to expedite the filling of vacant, permanent roles will have a number of key benefits:

- It will aid Department staff in consistently assuming responsibilities corresponding to their formal positions, increasing staff morale, reducing risks of burnout, and reducing excess staff attrition.
- It will help to ensure that staffing levels are aligned with demand, reducing the potential for overtime and increasing the quality of work undertaken.

Current State

The Department is comprised of seven key divisions, each of which has specific roles and responsibilities. Currently, the Department is budgeted for 48 permanent FTE positions, spanning all divisions and related functions, and 4 temporary FTE positions budgeted in FY 2022–2023 to support the ERP implementation. The ERP implementation will result in the adoption of a countywide software system that will support the County's business processes including financials, human resources, procurement and more. However, as a result of unfilled positions, cannibalization of staff resources for strategic programs, and hiring processes not matching the pace of internal needs, the Department is operating well below its planned staffing levels. For example:

- As of July 2023, the Department has 40 of its 52 budgeted FTE positions filled.
- As noted, four of the Department's staff are fully dedicated to managing the ERP program implementation. An additional 31 FTEs are splitting between 30% and 70% of their time between ERP program implementation and their divisional responsibilities.
- Finally, the Department is continuing to experience attrition and cannibalization of staff resources at a rate considerably faster than their ability to fill vacant positions. For example, across interviews, staff reported that it can often take between two and six months to recruit and onboard new staff to fill an open position.

These combined challenges have impacted some departmental functions significantly, resulting in a number of implications for the Department:

- **Misalignment of staffing levels to demand:** Across interviews, staff reported significant difficulty in balancing the activities required for completion under the ERP program implementation with the mandated activities and planned commitments required for completion as part of their day-to-day roles. This can often result in challenges in completing certain tasks timely or in line with expectations.
- **Diminished staff morale:** Current processes create a risk of diminished staff morale, which can result in high rates of staff attrition. For example, based on an analysis of available data, the

Department has experienced a relatively high rate of staff attrition, averaging 12% between FY 2019–2020 and FY 2022-–2023, reaching a peak at 18% in FY 2021–2022 as outlined in the table below.

	FY 19–20	FY 20–21	FY 21–22	FY 22–23
Count of staff attrition	2	7	8	5
FTE count	44	43	44	52
Rate of attrition	**5%**	**16%**	**18%**	**10%**

Figure 9: Source: KPMG

- **Stretched internal supervision and quality controls:** Many of the Department's division chiefs and supervisors dedicate between 30% and 70% of their time to the implementation of the ERP program. This leaves significantly less time for line staff supervision, quality control management, and related training. For example, within Internal Audit, 75% of the Division Chief and supervisor's time has been redirected to activities related to the ERP implementation. This leaves the division with approximately 60% less hours to complete their planned commitments with near total reliance on the most junior staff member for project delivery.
- **Higher potential for overtime across the Department:** Finally, as the ERP program implementation continues to evolve, it may result in higher potential for overtime and related cost to the Department as staff strive to meet their divisional goals as well as the goals of ERP program implementation.

Recommendation

In the future state, the Department, in conjunction with County HR, should implement a proactive approach to improve the filling of permanent vacant roles across the Department, helping to ensure the achievement of planned staffing levels. This may involve conducting a thorough workforce analysis and supporting plan to identify current and projected more permanent staffing needs. This will help accelerate assimilation of new hires into the Department and further mitigate risks of early/post-hire attrition.

Suggested Action Steps to Implement Recommendation

Action one: Conduct a thorough workforce assessment and develop a workforce plan. As a first step, the Department should conduct a workforce assessment and supporting plan to identify current and projected staffing needs for permanent positions. This can be completed in conjunction with the staffing assessment recommended for completion in recommendation 1.3 in anticipation of ERP implementation. Undertaking this assessment may require the following key steps:

- **Step one:** Firstly, Department leadership should define the strategy and related goals of the workforce plan and develop a formal framework for the completion of the plan. This framework should include strategy, purpose, goals, timeline, and desired outcomes for the workforce plan.
- **Step two:** Following the development of a defined framework, an assessment of the existing workforce should be undertaken. There are a number of common strategies utilized for this purpose, including:
  - **Demand planning:** Consider the current and future potential roles required for the Department to effectively achieve strategic goals. Having considered the roles required, the Department should then consider the number of permanent FTEs required per role type based on current workload as well as future potential workload post-ERP implementation.

- **Internal supply:** Internal supply planning focuses on considering expected employee turnover rates based on historical trends as well as the potential future retirements.
- **Gap analysis:** Finally, conducting a skills gap analysis relates to considering current Department skills and identifying potential skill gaps in the workforce and making plans to close such gaps through recruitment, redeployment, and training.

- **Step three:** As a next step, Department leadership should analyze the results of the assessment completed under step two and consider the following key outputs at a minimum:
  - Are there opportunities to expand the skills, knowledge, and experience of existing employees?
  - Is any additional training required by current staff?
  - Are there new resources that could improve workforce performance?
  - Is there an opportunity to right-size current staffing levels?
  - Are there opportunities to enhance staff morale and reduce staff attrition?
- **Step four:** As a next step, Department leadership should consider developing a workforce plan to meet the needs identified by the workforce assessment. The plan may act as a roadmap for implementing strategies surrounding recruitment, onboarding, training, retention, redeployment, outsourcing, and succession planning. The strategies identified will be based on the needs identified by the workforce assessment under step three.

Action two: Develop a Memorandum of Understanding (MOU) and determine viability of implementing two recruitment process pathways (standard versus expedited). In the future state, there is an opportunity for the Department to collaborate with County HR to develop a MOU that outlines the specific turnaround times for recruiting to better meet the Department's business needs. In particular, the Department should consider working with County HR to implement an expedited hiring process for high-priority permanent positions in order to shorten recruitment timelines in areas where understaffing is significantly impacting the Department's operations.

First, the Department should work with County HR to develop guidelines for defining and initiating an expedited hiring process for high-priority situations as defined by the Department with concurrence from the CEO's Office. This process would allow Department leadership to collaborate with County HR to initiate an expedited hiring process in instances in which vacancies may significantly or adversely disrupt Department operations. In determining whether to initiate this expedited process, the Department and County HR should consider the following elements:

- Number of related permanent positions vacant in the Department
- Impact on direct client service delivery should the positions remain vacant for a protracted period
- Impact on state/federal requirements should the positions remain vacant for a protracted period.

Action three: Develop a proactive, continuous recruitment pipeline for "difficult to fill" positions. The Department may also consider working with County HR to develop a proactive, continuous recruitment pipeline under which they would continually advertise for "difficult to fill" permanent positions such as CPAs, to build a pipeline of eligible, interested applicants, with the expectation that candidates will be contacted for final interview once a position will become vacant. The initial process would screen candidates for suitability, with unsuccessful candidates being informed following screening and successful candidates remaining in the pipeline ready for a final interview once a position becomes vacant. This process could significantly reduce recruitment timelines by helping to ensure that the Department has a reservoir of potential qualified candidates at all times.

1.2	Enhance performance management processes to improve data-driven workload, resource allocation, and task assignment decision-making.

Benefit

Enhancing performance management processes will offer a number of key benefits to the Department:

- It will allow the Department to more proactively evaluate staff performance and facilitate management or supervisory support where suboptimal performance or over-reliance is identified.
- It will increase visibility of trends in staff workload by division, program, and position over time, enabling improved forward resource planning. This will become particularly important as Department workload may evolve over time as a result of the implementation of the ERP program.
- It will enhance understanding of staff workload and capacity and enable more data-driven decision-making with regard to resource allocation, task assignment, workforce investment, and overall process design.

Current State

Currently, the Department analyzes ten key performance indicators (KPIs) on a periodic basis that align to a number of overarching department goals. Such goals include maintaining independence and objectivity, providing high-quality financial services, providing useful and timely information, and effective management. Based on review, three of the ten KPIs focus on the efficiency with which certain mandated audits and reports are undertaken. These KPIs include:

- Percentage of Department mandatory audits completed by legal due date.
- Completion of the County's Annual Comprehensive Financial Report within 60 days after fiscal year-end.
- Number of annual financial highlight reports produced timely.

These KPIs are important indicators of the efficiency with which certain specific tasks are being completed across the Department. However, they do not provide leadership with a comprehensive view of staff productivity to benchmark at both the individual and the division level.

Further across interviews, staff reported that the utilization of activity data in the management of performance, workloads, and business planning is limited. Staff are required to code particular activities within their time sheet on a weekly basis. However, the resulting data is not easily interpreted or regularly analyzed to assess staff workload, develop targeted KPIs to evaluate staff performance, or conduct forward planning of staffing resources needs. The latter is evidenced by the challenges experienced in aligning staff capacity to planned activities, as outlined in recommendation 1.1.

As such, management may have reduced visibility into true resource demands and performance. As a result, there may be a risk that the distribution of workload across staff may be uneven at times or extremes in staff productivity and performance (high and low) may not be visible to management. Furthermore, there may be reduced visibility into emerging issues and problems, ultimately preventing their proactive or timely correction. As a result, the Department may experience the following key challenges:

- **Risk of inefficient resource allocation:** The absence of quantitative targets and metrics to track the effectiveness and efficiency of staff in undertaking tasks results in limited oversight into staff productivity and performance. As a result, Department leadership does not have a data-driven mechanism to understand suboptimal performance and support staff in developing strategies to enhance performance, where necessary.

- **Limited data sources for self-evaluation and continuous improvement**: Finally, the current processes result in limited incentives among staff members to enhance efficiency, effectiveness, and overall performance. Staff members are not given baseline targets to work toward, nor can they self-evaluate their own performance.
- **Reduced visibility of process inefficiencies:** The identification of process inefficiencies may be impeded. In turn, these inefficiencies and improvement opportunities may not be acted upon.

Recommendation

In the future, there is an opportunity for the Department to enhance processes in place to track staff productivity and implement a performance management framework to allow for a more consistent approach to evaluating staff performance. This can be achieved by:

- Analyzing available data to understand how staff are spending their time and develop baseline targets and performance expectations for staff across each division
- Developing processes for supervisors' review of staff performance to improve consistency and objectivity of performance management
- Regular staff engagement (e.g., on a biweekly or monthly basis) to discuss workload and potential performance challenges.

Comparative Practices

The following are examples of KPIs that the Department may consider adopting based on leading practice research undertaken:

Placer County, California[1]: Placer County has adopted the following KPIs, which focus on division and staff level productivity:

- Number of audit reports issued
- Percentage of audit recommendations implemented
- Number of Journal entries reviewed and processed
- Number of whistleblower cases closed.

Ventura County, California[2]: Ventura County has adopted the following KPIs, which focus on division level performance:

- Number of audits completed and recommendations offered
- Department agreement rate on corrective actions identified as a result of audit
- Cost savings/avoidance or revenue enhancement opportunities
- Number of calls received and issues identified on the whistleblower hotline
- Number of follow-up audits completed

[1] Auditor-Controller-PDF (ca.gov)
[2] Auditor-Controller's Office - Ventura County

- Percentage of staff members who met Continuing Professional Education requirements for the last two-year reporting period.

Suggested Action Steps to Implement Recommendation

Action one: Evaluate available staff activity data to inform baseline staff productivity KPIs for adoption across divisions. The Department should consider analyzing available staff activity data to consider current workload based on demand, identify repetitive program tasks, and identify both the number of program tasks completed as well as the average median timeframes within which such program tasks are completed at the divisional level. Undertaking this action may involve the following key steps:

- **Step one:** Evaluating the results of the staff activity data to substantiate the most prevalent activities undertaken by each division and assess the workload per employee and division.
- **Step two:** Identify the range, median, and maximum time spent by employees on the most prevalent activities.
- **Step three:** Conduct focus groups with those staff members to validate the timeframes and identify opportunities to enhance efficiencies and develop baseline KPIs.

Action two: Develop division level KPIs. Based on the time and workload analysis detailed in action one above, the Department should develop division level KPIs. Such KPIs will help ensure that staff members are being given goals based on their roles and responsibilities and allow for a more tailored approach to performance management. Example of division level KPIs adopted by benchmark Department offices are outlined in the comparative practices section of this recommendation.

Action three: Task supervisors to engage collaboratively with staff on a biweekly basis to evaluate performance. Once the Department has established division level KPIs, Department leadership should provide guidance to supervisors on working collaboratively with staff members to support them in achieving these KPIs. This guidance should require supervisors to connect with staff on a biweekly basis to discuss workload and performance, and collaboratively develop strategies for improvement where necessary.

Action four: Integrate practices and processes with Workday upon rollout. Finally, the Department may collaborate with Department IT and County IT to develop performance dashboards, and to facilitate the adoption of the human capital management modules of Workday and/or more simply in Power BI, as appropriate. These dashboards should be capable of visualizing Department and program performance and can cascade to identify individual performance on a weekly or monthly basis. Once finalized, Department leadership should analyze the dashboard on a biweekly or monthly basis to evaluate performance and measures that can be put in place to enhance performance, where necessary.

1.3	In conjunction with the ERP management team, consider transitioning to a hybrid workday support organization structure as part of ERP implementation to help ensure optimal resource alignment.

Benefit

A Hybrid Workday Support Organization describes an organization structure that would consist of a dedicated Workday support organization within the Information and Communications Technology Department (ICT) with dedicated FTEs. This organization would be supported by a number of FSAs within the Department with specialist knowledge in Department business processes. Coordinating with the ERP management team to consider transitioning to a hybrid Workday support organization post-ERP implementation will have the following benefits:

- It will help to ensure that the Department is equipped to proactively assesses future departmental roles and responsibilities as it relates to the transition to Workday. This will allow the Department to have a defined vision and plan for future operations postimplementation, reducing service disruption and uncertainty.
- Transitioning toward a hybrid structure will also help to ensure that the Department and County HR play a key role in the countywide Workday support organization, which will be responsible for overall system management. This is important to help ensure that nuanced processes across functions that are critical to County operations are well understood.

Current State

Currently, the Department supports and maintains the County's Financial Information (FIN) system, having developed and sustained the FIN system internally over the past several years. As a result, the Department is responsible for system management, training, maintenance, and troubleshooting of the FIN system, as well as other secondary systems, such as Pay Plus and Aumentum. Pay Plus is the County's payroll system, while Aumentum is the system utilized to support property tax valuation. In the interest of fulfilling these responsibilities, the Department currently employs seven FSAs across four divisions who have the following key roles:

- **Advanced and Specialty Accounting Division**: One FSA responsible for maintaining FIN; maintaining chart of accounts; and making coding updates utilizing python, SQL, and C-Sharp, etc.
- **Financial Reporting Division:** One FSA is responsible for process improvement, upgrades, and troubleshooting within the FIN system.
- **Payroll Division:** Two FSAs are responsible for updating Pay Plus for various mandates and changes in labor laws, troubleshooting, system upgrades, etc.
- **Property Tax:** Three FSAs responsible for maintaining Aumentum, exporting data, running SQL queries to generate and upload journal entry to FIN, and more.

The County is now in the process of implementing a new ERP system, Workday, which will replace FIN and integrate Pay Plus and a number of other systems utilized by the Department. Aumentum is not planned for integration during the initial implementation. In the future state, it is expected that the Workday support organization will be housed in ICT.

This transition will likely result in a significant change to the day-to-day roles and responsibilities of the four FSAs who work across Advanced and Specialty Accounting, Financial Reporting, and Payroll. As the current phases of the Workday implementation will not result in integration with Aumentum, the roles and responsibilities of the Property Tax FSAs are expected to remain unchanged.

Additionally, implementation and effective operationalization of Workday will not be instantaneous. It will require changes to business processes, procedures, and workflows across County departments and functions. This is particularly true of the Department, given the Department's pivotal role in developing and maintaining the FIN system in the past. For example, across interviews, staff reported that several financial system controls embedded in the FIN system may not exist in Workday. As a result, this will necessitate the development of new work-arounds, reimagined processes, and/or implementation of mitigation controls. Dedicated staffing will likely be required for this support following implementation to help ensure effective workflows and strong internal controls are maintained for customers across the County.

Failing to proactively plan for the impending changes that will be brought about by the transition to Workday, particularly related to the future roles and responsibilities of FSAs, may result in the following key implications:

- **Misalignment of staffing levels to demand:** As it relates to the transition period, failure to consider future workload as a result of Workday implementation may result in a misalignment of staffing levels to demand. This challenge may be two-fold—for example, in instances of high demand and low staffing levels, it may result in higher levels of overtime, reduced staff morale, and inability to complete tasks within mandated timelines. In contrast, where staff levels are higher than the level required to meet demand, it may result in higher wages and salary costs.
- **Staff attrition:** The absence of a defined plan for the future of FSA workload and support organization operation post-Workday implementation may pose uncertainty for key staff, which may result in staff attrition.

Recommendation

In the future state, there is an opportunity for the Department to consider engaging with the ERP management team and the CEO's Office to evaluate transitioning toward a hybrid structure post-ERP implementation. This hybrid structure would include a dedicated support organization within ICT supported by a number of FSAs within the Department with specialist knowledge of Department business process.

Suggested Action Steps to Implement Recommendation

Action one: Proactively assess roles, responsibilities, and potential workload of the Department's FSAs post-ERP implementation. As a first step, the Department should proactively assess the future potential role and responsibility of its FSAs given the future changes that may be brought about by the implementation of Workday. This may include undertaking the following key steps:

- **Step one:** Consider the current job classification, role, responsibility, and activities undertaken by the Department FSAs. This may include conducting a review of available activity reports and engaging with staff via focus groups to understand the breadth of the tasks completed by FSAs across divisions.
- **Step two:** Evaluate how FSA workload may change in the future post-Workday implementation and estimate the number of hours and FTEs that may be needed to manage this workload. This should include consideration of a transition period as the County moves from FIN to Workday as well as additional workload brought about as a result of the development of new business processes, mitigation controls, etc.
- **Step three:** Based on steps one and two above, consider how FSA roles may be redirected toward other activities post-Workday implementation.

Action two: Evaluate the feasibility of transitioning toward a hybrid support organization structure post Workday implementation. In the future state, the Department may collaborate with the ERP Management Team to evaluate the feasibility of transitioning toward a hybrid structure post-Workday implementation. A hybrid structure would consist of a dedicated Workday support organization within ICT with dedicated FTEs. This organization would be supported by a number of FSAs within the Department with specialist knowledge in Department business processes. In considering this structure, the following may be considered:

- **Step one: Assess the advantages and disadvantages of a hybrid structure:** As a first step, the Department, in collaboration with the ERP Management Team, may conduct an assessment of the advantages and disadvantages of a hybrid structure versus a more centralized structure for the purposes of the Workday support organization. There are both advantages and disadvantages to both structures and we have outlined several of these at a high level in the table below. However, the Department may consider undertaking a deeper-dive assessment to consider the structure that best suits the needs of the Department and the County at large.

Hybrid structure	Centralized structure
Advantages	
— It will support specialist knowledge and expertise from such departments as the Department and County HR	— Greater flexibility in managing talent deployment and greater ease in aligning staffing levels to demand
— Enhanced reachback into specialized staff pools at the department level, including for corporate memory, where required	— Greater ease in the measuring and managing performance
— Greater flexibility and opportunity to innovate across key departments, which may increase buy-in	— Clearer ownership and accountability
— Greater collaboration across departments, which may result in enhanced communication and coordination	— Centralized cost management and accountability for improved visibility
Disadvantages	
— Requires clearly defined roles and responsibilities to prevent duplication	— Reduced knowledge of individual department operations and nuances
— Potential risk of organization silos if not operated correctly; this can lead to challenges with accountability	— Reduced innovation and empowerment at the department level, which may result in decreased buy-in and low staff morale
— Greater ease in the measuring and managing performance if reporting structure is not clearly defined	— Fewer career opportunities for career growth at the individual department level

Figure 10: Source: KPMG

- **Step two: Conduct a cost-benefit analysis:** Having considered the various advantages and disadvantages, the Department, in collaboration with the ERP Management Team, may also consider conducting a cost-benefit analysis to identify the potential benefit-to-cost ratio as a result of each structure.

- **Step three: Identify a solution:** Utilizing the information gathered under steps one through three above, the Department, ERP Management Team, and CEO's Office should identify the structure that best suits the needs of the key departments who will play a role in the future maintenance of the ERP system.

- **Step four: Consider staffing levels for the future support structure:** Where a hybrid structure is considered to be the most advantageous option, the Department should consider the capabilities and number of FSAs that will be required for the Department to best support the Workday support organization in the future. There are a number of options open to the Department in considering how it will staff its FSAs to best support the Workday support organization in the future, for example:

  – Evaluate whether the future-state support roles can be undertaken solely by Property Tax FSAs.

- Consider whether a number of existing non-property-tax FSAs can remain as business process specialists.
- Consider whether all existing non-property-tax FSAs be redirected to ICT to form part of the ERP support organization.

Action three: Develop an implementation plan: The Department, in collaboration with the ERP Management Team and CEO's Office, should develop an implementation plan to support transition to the new support structure. This plan should identify a timeline, the activities to be undertaken to implement the structure, as well as the activity owner. The action plan should also include a communication plan, the purpose being to help ensure that a formalized process is undertaken to communicate the changes that will be brought about by the new structure to the staff affected in a timely manner.

Action four: Re-evaluate the hybrid structure poststabilization: Following the implementation and stabilization of the ERP system, the Department, in collaboration with the ERP Management Team and CEO's Office, should re-evaluate the hybrid structure. The re-evaluation will focus on assessing whether the hybrid structure effectively meets the needs of the County and the key departments that support the ERP or whether another structure should be considered.

KPMG developed these action steps for the Department's consideration. However, KPMG understands that the Department in collaboration with the ERP Management Team and CEO's Office have undertaken an ERP system design process and have developed an alternate mechanism for developing a hybrid structure that meets the County's needs. However, it is important to note that the Department should re-evaluate the implemented structure post stabilization as recommended in action four above.

1.4	Broaden accreditation pathways and recruitment focus to reflect the increasing diversity of staff skills required by the Department.

Benefit

Continuing to broaden accreditation pathways and recruitment focus to reflect changes in the diversity of staff skills will have the following benefits for the Department:

- It will expand the total recruitment pool where current role descriptions and advertisements may not reflect the breadth of skills required by the Department.
- It will support the Department in fostering skills outside of those developed as a part of the NATD program, enhancing the breadth of the Department's experience and expertise in adjacent practices—such as continued growth in IT, data analytics, audit and assurance skills, and more. This may be particularly important post-ERP implementation.

Current State

The Department operates a NATD program, which commenced in 1991. The program recruits graduates who wish to work within the Auditor Controller's Office and provides development and training opportunities for them during the first two to four years of their career with the Department. This program is viewed as a success given its ability to retain the essential skills required in public accountancy and administration and to create a pipeline of qualified staff for other county departments in the Chief Financial Officer role. As such, it should continue.

Currently, 45% of the Department's staff are licensed CPAs, with a further 15% training for their CPA licensure via the NATD program. Leadership note that the NATD program was not established to solely focus on recruiting individuals with a desire to complete CPA certification. However, across interviews, staff reported that there is a unintended preference for recruiting and promoting individuals who have a CPA certification or a desire to obtain certification.

The performance of certain roles, such as payroll, property tax, and certain aspects of financial accounting, do not require an individual to be a licensed CPA. Rather, interviewees outlined that alternative certifications may be more beneficial in certain instances, including Certified Internal Auditor (CIA), Certified Management Accountant, Chartered Financial Analyst, Certified Payroll Professional (CPP), as well as postgraduate qualifications in Finance and/or Data Analytics. Technology-oriented programs such as Certified Information Systems Auditor (CISA) and Certified Analytics Professional (CAP) were also cited as potential growth areas.

Furthermore, over the past number of years, the Department's roles and responsibilities have changed. This is in part due to the planned ERP implementation, which the Auditor Controller is playing a key role in leading. In addition, as outlined in recommendation 1.3, the implementation of Workday will require changes to business processes, procedures, and workflows across the Department. As a result, this may necessitate the recruitment of staff with varying skills outside of the traditional role of a CPA, such as technical specializations.

The current perceived approach to recruitment and promotion may result in a number of challenges for the Department including a reduced labor pool as a result of unintended focus on candidates that demonstrate interest, eligibility, or a commitment to obtaining a CPA. It may also result in staff attrition where staff perceive that CPA certification is required for all promotion opportunities, which leadership have indicated is not in fact a requirement.

Recommendation

In the future state, the Department should conduct a skill diversity analysis to identify the future skill needs of the Department as a result of the transition to Workday. This will subsequently allow the Department to target the broadened career pathways, including skills, accreditations, and promotion paths that may be of benefit in the future. The analysis should encompass future skill needs, taking into account the ERP system and its anticipated changes.

Suggested Action Steps to Implement Recommendation

Action one: Conduct a skill diversity analysis. As a first step, the Department should consider undertaking an in-depth skill diversity analysis, including an assessment of skills and resources as well as key divisional responsibilities to identify the future skill needs of the Department post-ERP implementation. The Department may consider undertaking the following key steps in completing this analysis:

- **Step one:** Identify and assess the existing skill sets and capabilities across each division within the Department. This may be undertaken by completing staff surveys, focus groups, and skill assessments, for example.
- **Step two:** Re-evaluate the role and function of each division and identify the key skills and capabilities that are most beneficial for each division to most efficiently and effectively undertake its responsibilities.
- **Step three:** Engage with key Department customers across the County to understand what they view as critical need and how these needs may change in the future. This may be undertaken by conducting surveys or focus groups with Department leads across the County.
- **Step four:** Develop a capability matrix that identifies the key skills and resources that exist within the Department, as well as any opportunities to expand current skill sets and related capabilities.

Action two: Identify target additional career that may benefit the Department. In undertaking this action, the following key steps may be required:

- **Step one:** Based on the skill diversity analysis completed under action one above, the Department should consider one to two target career pathways that may benefit the Department in the future. Benefits may include skill benefits, hiring benefits, retention benefits, fiscal benefits, etc. Based on our benchmarking research and staff interviews, the Department may consider specializations including CIA, CPP, CISA, and CAP in the future.
- **Step two:** Once the key specializations have been identified and considered, the Department may consider utilizing the successful NATD program template to develop further career pathways based on the targeted specializations identified in step one above. The NATD program has proved successful for the Department in providing staff the opportunity to rotate across Department divisions and specialties to help ensure well-rounded and skilled CPAs. This training approach may prove successful if applied to other specializations.
- **Step three:** Once career pathways have been developed, consider advertising for key specializations identified. The Department should also measure the success of the advertising and recruitment process by asking questions such as:
  - Has this process increased the pool of candidates available?
  - Has this process enhanced the Department's approach to recruitment or do challenges continue to exist?
  - Is candidate experience and skill aligned to departmental need?
- **Step four:** Assess this program and specializations year-over-year to determine program effectiveness and help ensure that specializations continue to align to Department need. However, to assess true effectiveness, the Department should operate the program over a three- to five-year period.

Internal Audit

The below recommendations are associated with enhancing risk assessment processes in place and re-evaluating audit plan scope.

2.1	Strengthen risk assessment methodology to increase effectiveness of auditing procedures.

Benefit

Strengthening fraud and financial risk assessment methodology and enhancing information sharing and collaboration on countywide fraud and financial risk factors will have a number of key benefits:

- It will reduce subjectivity, by allowing the Department to combine the results of qualitative surveys with quantitative data to identify the key risks associated with business processes across departments, as well as the related materiality to support more effective audit planning.
- It will help to ensure that the Internal Audit Division (IAD) consistently prioritizes and performs the most impactful audit engagements based on County and individual department-level risk profile that is supported by data and the insights and perspectives of key complimentary departments.

Current State

Audit Plan – Financial Risk Assessment Methodology

Currently, IAD identifies risks and prioritizes activities for inclusion in the audit plan based on a questionnaire that was developed and issued to County departments in 2018. The questionnaire comprises 10 questions that request designated department representatives to identify key processes, risks, and internal controls within their respective department.

This mechanism is used as the premier data source for identifying and prioritizing countywide and department-level fraud and financial risks and identify mitigating activities for inclusion within the internal audit plan. However, the data captured by this questionnaire may be considered limited and potentially outdated. Further, it is not supported by a standardized assessment methodology that couples the results of the department feedback with data-rich sources.

Finally, the County does not have an audit committee at the Board level. In the absence of such a committee, the results of the risk questionnaire and activities selected for subsequent prioritization within the audit plan are not subject to challenge, nor shared with key county departments or agencies that may offer critical insight or specialization in the risk areas identified. Such departments/agencies include Risk Management, the Compliance and Accountability Division of the CEO's Office, as well as the department-assigned Assistant CEO (ACEO) and budget analyst.

As a result, the County faces a number of key challenges:

- **Limited data for management decision-making:** Limited data has prevented data-driven and longitudinal tracking of risks, as well as comparability across departments and shared risks across the County.
- **Reduced objectivity and transparency:** Relying on the response of a small number of department representatives without data validation may result in reduced objectivity and transparency, which may undermine the quality of the audit.

- **Information silos:** The limited collaboration across agencies that focus on risk and compliance can result in information silos and limited holistic visibility in material countywide financial risk factors.

These combined challenges can result in the potential selection of inappropriate risk factors for the internal audit planning process and reduced internal controls. These combined implications can result in increased risk of fraud, error, and litigation across departments.

Recommendation

Auditor Controller Recommendation

In the future state, there is an opportunity for IAD in collaboration with Department leadership to re-evaluate its current risk framework to transition toward a more consistent and data-driven approach to risk management. This approach should also include greater collaboration with other departments and agencies—in particular, Risk Management, the Compliance Unit of the CEO's Office, and each department's assigned ACEO and budget analyst. This enhanced risk framework can be coupled with the implementation of computer-aided audited techniques (CAATs) supported by artificial intelligence (AI) to enhance the scope, accuracy, and efficiency with which audits are undertaken.

The Department may also consider engaging with the CEO's Office and Board of Supervisors to evaluate the benefits of implementing an Audit Committee at the Board level to provide greater support and oversight to the County's risk management activities as a whole.

Suggested Action Steps to Implement Recommendation

Action one: Review and enhance the current risk assessment framework: IAD may consider re-evaluating its current risk assessment methodology to transition to more data-driven approach, based on internal and external factors, prior audit findings, and inherent risk. In conducting this re-evaluation, IAD may collaborate with the Compliance Office within the CEO's Office to undertake the following key steps:

- **Step one: Identify "audit universe" sources:** The first step focuses on identifying the key sources under which the Auditor Controller may obtain data and information in order to assess county risk in the future. This may include undertaking annual surveys and questionnaires, evaluating past audit findings, conducting data analysis, and/or hold focus groups with key County departments to understand risk profile and areas that may be material.

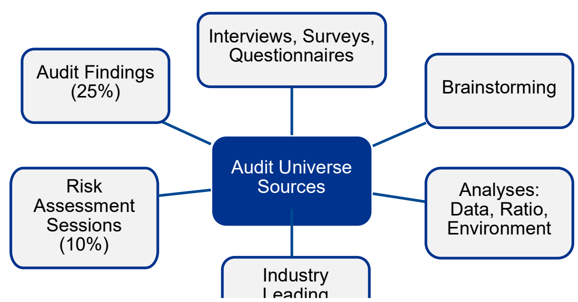


Figure 11: Source: KPMG

- **Step two: Consider key risk factors under which each department will be prioritized.** As a next step, IAD should consider developing a framework to score and rank auditable departments based on risk factors. Risk may be scored based on varying factors as identified by IAD. These may include funding complexity, volume/size (i.e., number of employees, funding, etc.), result of prior audit, high expenditure, etc.
- **Step three: Communicate and implement the framework.** As a next step, IAD should document the key sources of data collection, key risk factors, as well as the related scoring methodology. This risk assessment framework should be documented and shared with Department staff and County departments to help ensure they understand how departmental audits will be prioritized.

The framework should also identify the role and responsibility of each department in sharing critical risk information with the Auditor Controller.

- **Step four: Roll out the updated risk assessment process.** Next, IAD should roll out the risk assessment process in the development of its next audit plan in order to transition to a more formalized and data-driven approach to prioritizing departmental audits based on key risk factors.
- **Step five: Act on the results of the risk assessment.** As a next step, IAD should identify key risk areas and prioritize and complete departmental reviews based on the results of the risk assessment. Following the completion of any related audit, IAD should identify key risks and communicate critical high risks to the CEO's Office. IAD should also engage with each audited department to provide audit findings and help ensure that suboptimal internal controls are resolved proactively.
- **Step six: Review the framework.** IAD should also periodically review the framework and resourcing to help ensure that scoring, risk factors, and activities continue to remain appropriate and achievable.
- **Step seven: Consider governance, risk, and compliance (GRC) solution:** In the future state, IAD may consider issuing a Request for Information (RFI) to understand the GRC solutions currently available, as well as the varying capabilities, cost, and timeframe for implementation for each solution. The RFI will allow IAD to consider whether a GRC would more effectively support IAD in the future in more collaboratively sharing information with County departments.

Action two: Enhance collaboration with key County departments in prioritizing activities for inclusion in the audit plan: In addition to Action one above, key County departments, including IAD, Risk Management, and the CEO's Office including the Accountability and Compliance Officer; department ACEOs; and department budget analysts should collaborate to consider key activities for inclusion and prioritization within the Audit Plan. At a minimum, key representatives across these departments should be engaged at the outset of the Auditor Controller's risk assessment process, by holding meetings and focus groups to gain perspectives on individual department key risk areas. The Department should also consider sharing risk assessment methodology, outcomes, and the draft audit plan with these departments to obtain feedback prior to finalization as part of its current annual cycle.

Action three: Evaluate the benefits of an internal audit committee: Department leadership and the CEO's Office should evaluate the benefits of adopting an internal audit committee to review and support the development of an audit plan and provide additional oversight to internal and external auditors. Benefits may include increased risk and fraud mitigation, enhanced oversight support, improve internal controls, and increased support in the development of the annual audit.

In the event the Department moves forward with the development of a government audit committee, the following key activities should be undertaken per leading practices published by the American Institute of Public Accountants:

- **Consider audit committee members:** An audit committee should include one designated financial expert. The County may consider having representation from the Board of Supervisors, Treasurer-Tax-Collector, County HR, the CEO's Office, and the Auditor Controller.
- **Development of an audit committee charter:** This charter should lay out the specific governance responsibilities, expectations, and measures as applicable. This includes the committee's purpose, reporting hierarchy, committee membership, authority, and responsibilities.
- **Develop an agenda and annual cycle for committee meeting:** A schedule and agenda should be developed for audit committee meetings. Based on leading practices published by CGMA, the audit committee should meet at least twice annually.

Action three: Implement CAATs supported by AI: Implementing CAATs will allow for enhanced utilization of data to continually monitor department data and controls, allow for increased sampling of data, and more efficiently identify data anomalies that may pose risk to the County. CAATs powered by AI will allow the entire data population to be analyzed with all outliers and exceptions easily accessible. Furthermore, if the scope of the data available to the Auditor Controller is expanded, then data such as emails and contracts can be examined with a capacity far above human capacity. IAD may consider the following in designing CAATs aligned to the needs of the Department:

- Identify the staff representatives who may participate in the design and application of CAATs
- Set the objective of CAATs applications
- Consider whether CAATs applications will be powered by AI
- Define the procedures to be performed on the data
- Define the output requirements.

Based on the design and needs of the Department, they may consider identifying suitable tools for adoption.

2.2	Re-evaluate internal audit plan and assess future resourcing needs.

Benefit

Re-evaluating the Department's internal audit plan and assessing future resource needs will result in the following key benefits:

- It will realign team resourcing with planned internal audit activities to achieve plan goals, timely.
- It will also help to ensure that key fraud and financial risk areas based on the risk assessment framework recommended for adoption in recommendation 2.1 are effectively prioritized and potential issues are proactively resolved.
- It will also support IAD in positioning itself as a key strategic business partner to County departments and promote the continuous development of a strong internal control framework countywide that mitigates financial and operational risk.

Current State

IAD, with the support of the Auditor Controller, develops an internal audit plan for presentation to the Board of Supervisors on an annual basis. The plan determines the upcoming priorities of IAD as well as the hours required to conduct the related activities.

In FY 2022–2023, the audit plan estimated that it would require 7,060 hours (4 FTEs) for IAD to complete the 26 projects outlined in the plan that encompass mandated, discretionary, and administrative activities. However, IAD currently is functioning with approximately 40% of budgeted, available staff capacity. The limited capacity is due to a combination of staff attrition, and redirection of effort toward other activities, such as the ERP program implementation. As a result, the IAD is experiencing:

- Delays in executing the audit plan activities, resulting in missed deadlines and risking potential noncompliance with policy, procedure, or regulatory requirements across County departments. For example, in FY 2021–2022, approximately 40% of IAD's planned activities remained uncompleted.
- Limited scope and depth of audits conducted which may lead to inadequate coverage of key areas and potential oversight of significant risks or control weaknesses. For example, staff across interviews expressed interest in expanding the scope of audit activities to include assets, such as County-owned artwork, and to other areas outlined in the comparative practices section. However, IAD does not currently have the capacity to support such expansion, nor a recent, comprehensive risk assessment to which the Department could align both its scope and internal audit plan.
- Limited capacity to position IAD as a key strategic business partner to County departments to promote the continuous adoption of a strong internal control framework to more proactively manage potential countywide risk.

These combined challenges have resulted in a number of implications for the County at large. These include:

- **Increased risk of undetected fraud and error:** The limited capacity reduces opportunity to consistently audit material areas of County department operations. This can increase risk of undetected error and provide greater opportunity for fraud and/or potential misappropriation to occur undetected across departments.
- **Reduced accountability across County departments:** Finally, current processes also reduce accountability measures across departments, potentially diminishing the strength of internal controls and compliance with County policies, procedures, and other regulatory requirements.

Comparative Practices

Based on comparative practices research, Ventura County and Placer County conduct a number of varying audit activities based on their individual audit plans:

Ventura County, California: Ventura County Auditor Controller undertakes targeted internal control reviews across varying departments. The following are examples of several key activities that are undertaken at a department-level, based on their FY 2022–2023 audit plan:

- Key internal controls over revenue streams in the Health Care Agency
- A review of the internal processes to administer in-home support services within the Human Services Agency
- A review of cost recovery from contract cities for Animal Services shelters.
- Inventory of pharmaceuticals, microchips, and license tags in Animal Services
- A review of technical controls and phishing mitigation in the Information Technology Department
- Administration of fiscal provisions for inmate medical in the Sheriff Department
- Review of premium payments to employees in Fire Protection District, Health Care Agency, and Sheriff.

Placer County, California: In addition to a number of other activities completed by the Department, Placer County conducts procurement card monitoring across a range of departments. They also conduct an inventory review of county-owned fleet.

Recommendation

In the future state, there is an opportunity for IAD to re-evaluate its internal audit plan strategy and resourcing to help ensure the realistic allocation of resources and timelines as well as the effectiveness of key internal controls across the County. In re-evaluating future internal audits, IAD with the support of Department leadership may also consider opportunities to outsource or cosource internal audit functions to help ensure IAD has the bandwidth to conduct the necessary audit and internal controls testing. This may be an option for IAD in the near term given the staffing challenges faced as a result of the ERP implementation and a competitive labor market.

Suggested Action Steps to Implement Recommendation

Action one: Re-evaluate internal audit plan: As a first step, IAD should re-evaluate its audit plan to help ensure realistic allocation of resources and adjust timelines to effectively address key risks while mitigating the negative impacts of staffing limitations on audit quality. This may be completed by undertaking the following steps:

- **Step one:** Re-establish audit plan goals in collaboration with Department leadership. These goals should consider short-term and long-term objectives of IAD and the Department as it relates to the Auditor Controller's role across countywide risk management, governance, and internal controls.
- **Step two:** Consider a range of future potential audit engagements that align with these goals as well as with the results of the risk assessment process recommended for adoption in recommendation 2.1.
- **Step three:** Consider the workload associated with these potential engagements in terms of employee hours and timelines.
- **Step four:** Consider current resources available to IAD and available productive time.
- **Step five:** Prioritize future potential engagements and associated timelines based on available resources, mandated assignments, and risk factors.

Action two: Consider outsourcing or cosourcing: In the near term, given the staffing challenges faced as a result of the ERP implementation, IAD may consider outsourcing internal auditing to help ensure they have the bandwidth to conduct the necessary audit and internal controls testing to reduce County risk.

As part of this process, IAD may conduct a cost-benefit analysis to support the decision-making process regarding outsourcing/cosourcing. This cost-benefit analysis may consider the following:

- Cost of outsourcing or cosourcing versus internally recruiting staff
- Benefits of each model across a range of factors (e.g., risk, security, staff morale, capacity to complete audit plan activities, experience, independence and objectivity, etc.).

The completion of a cost-benefit analysis will allow IAD and the Department to have a structured approach to considering outsourcing, which includes the economic impact of the decision to outsource or cosource. If the Department makes a decision to move forward with outsourcing or cosourcing, then the following key factors should be considered as part of any RFP process:

- Industry experience required by any firm/individual engaged by the County for the purposes of outsourcing/cosourcing
- Years of experience and accreditations required by any firm/individual engaged by the County for the purposes of outsourcing/cosourcing; this should include the breadth of audit staff experience relevant to that of the County's diverse operations

- Roles and responsibilities of current internal audit staff and auditor in an outsourced/cosourced model
- The infrastructure and security requirements for any potential party engaged for the purposes of outsourcing/cosourcing.

Property Tax

The below recommendation is associated with the enhanced data-sharing mechanisms between the Assessor's Office and the Department to promote greater accuracy in the development of property tax projections.

3.1	**Enhance property tax budget and revenue forecasting based on available data, in conjunction with the County Assessor's Office and the CEO's Office.**

Benefit

Increasing collaboration with the Assessor's Office to enhance property tax revenue and budget forecasting will offer a key benefit related to property tax revenue projections:

- It will result in greater accuracy in developing property tax projections for the purposes of financial planning, by providing the Property Tax Division with data on a range of historical trends that influence property tax revenue.

Current State

The Property Tax Division is responsible for extending the property tax roll and calculating property tax fees for the community based on the assessed valuations enrolled by the County Assessor's Office. As part of this process, the Department is also responsible for projecting future potential property tax revenues on an annual and five-year basis during the County's budgeting process.

It is important to note that property assessments and, consequently, property tax revenues are driven by several factors, including market conditions, property transfer tax, and supplemental property tax growth, each of which are challenging to accurately predict in the absence of historical trend data across multiple years or predictive analytics capabilities. While the Assessor's Office has recently developed a dashboard that tracks trends in property sales and values over time, the Auditor Controller only obtains access to data specific to assessed values from the Assessor's Office on June 30 of each year, as required by law. However, the fiscal year begins on July 1 and budgets are developed eight months prior in September of each year. Therefore, to project property tax revenues, the Property Tax Division looks at prior-year revenues and applies a conservative growth rate based on its understanding of future market conditions.

However, based on analysis of available data, there were variances in the property tax revenue projected versus actual property tax received, particularly in FY 2019–2020 and FY 2020–2021, with a minimal variance in FY 2021–2022 of $29,223, as outlined in the table below:

	FY 2019–2020	FY 2020–2021	FY 2021–2022
Projected	$142,101,100	$151,310,500	$157,389,400
Actual	$142,843,206	$150,128,629	$157,418,623
Variance	$742,106	($1,181,871)	$29,223

Figure 12: Source: KPMG Review of Department data

Difficulties in projecting accurate property tax revenue may have the potential to impact long-term financial planning and decision-making by the County, including the cost-effective management of County debt and investment.

Recommendation
In the future state, there is an opportunity for the Department to enhance collaboration with the Assessor's Office to develop a shared dashboard that tracks trends in certain historic data across multiple years that would be beneficial in predicting future property tax revenues. The CEO'S Office should also be engaged in the process given they help manage discretionary revenues. In time, the dashboard may be expanded to provide predictive analytic capabilities based on machine learning.

Suggested Action Steps to Implement Recommendation

Action one: Engage with the Assessor's Office and the CEO's Office to establish a working group to develop shared data points for inclusion with the dashboard. Firstly, the Department may consider engaging with the Assessor's Office and the CEO's Office to establish a working group with representatives from Assessor's Office, CEO's Office, and the Department including the Property Tax Division to collaboratively consider the key data points and metrics to be included within a shared dashboard. Examples of such key data points include:

- Property tax growth rates
- Property sales
- Property transfers as a result of death/gift, etc.
- Property tax assessment values
- Property transfer tax.

Action two: Coordinate with the Assessor's Office and the CEO's Office to update the existing dashboard to include the data points identified above. Having identified key data points to track, the working group established under step one above should develop a plan to update the existing dashboard. This may involve undertaking the following key steps:

- Developing a plan for updating the dashboard developed by the Assessor for the data points considered
- Identifying the roles and responsibilities of each department as it relates to developing the dashboard
- Establishing a timeline for completion
- Considering developing data-sharing agreements across departments outlining the key data points to be shared; the mechanisms for sharing; as well as the purpose, departmental roles, and responsibilities related to data sharing; these data-sharing agreements should also consider the privacy and confidentiality of data and appropriate access controls for the dashboard, where necessary
- Identifying a staff member across the departments who will be responsible for reviewing both current and future data for inclusion in the dashboard to allow for the proactive identification of trends.

HR and Payroll

The below recommendation relates to collaborating with County HR to develop defined roles and responsibilities related to the management and reconciliation of employee benefit funds.

4.1	In conjunction with County HR, revise respective roles and responsibilities for the reconciliation of employee benefits payments.

Benefit

Coordinating with County HR to formally revise respective roles and responsibilities for employee benefits will have the following key benefits:

- It may allow for greater clarity across departments on accountabilities, roles, and responsibilities, helping to ensure staff are consistently undertaking tasks aligned to their department and position.
- It will help to ensure that defined processes and procedures are consistently followed and accurately completed, reducing the potential for error.

Current State

The County offers a wide range of benefits to its employees, including health benefits, Flexible Spending Accounts (FSA), Health Saving Accounts, retirement benefits, and many more. County HR is primarily responsible for managing benefit programs and administering and verifying employee benefit elections. However, the Department's Payroll Division must ensure that employee benefit deductions are consistently and correctly applied to employee payroll during the biweekly payroll cycle.

Across interviews, staff reported there is often a lack of clearly communicated and formally defined roles and responsibilities between the departments as it relates to completing certain activities related to benefits management, including the reconciliation of certain benefit funds. For example, the County has engaged a vendor to auto-debit the Treasurer-Tax Collector's bank account for the FSA. The vendor issues daily invoices to support related auto-debits. These auto-debits must be manually reconciled by the County to help ensure that invoices match auto-debits and employee deductions, with inconsistencies regularly identified as part of the reconciliation process.

As noted, the Auditor Controller is responsible for applying benefit deductions to employee salaries. However, in recent times, the Department has also been reconciling the FSA benefit fund on a monthly basis. Although interviewees understand that such reconciliation activities are not within their area of responsibility, they report undertaking such reconciliations to sustain the process in the absence of others' actions.

The current lack of clearly defined roles and responsibilities across County HR and the Department's Payroll Division results in reduced capacity for assigned activities. For example, current processes result in staff across the Payroll Division undertaking activities that do not align to their role(s). This can result in reduced capacity to complete key tasks and workload specifically assigned to the Division. This is particularly important given that capacity across the Department is constrained due to vacant positions and participation in the ERP program implementation.

Recommendation

In the future state, there is an opportunity for the Payroll Division and County HR to continue to facilitate structed communication on a regular basis and collaborate to more clearly define roles and responsibilities related to employee benefit programs.

Suggested Action Steps to Implement Recommendation

Action one: Continue to facilitate structured communication channels between County HR and Payroll: The Payroll Division should continue to facilitate biweekly meetings with County HR to continue to improve collaboration and allow for both departments to promptly address challenges or conflicts that may arise. These meetings may also facilitate the collaborative development of defined roles and responsibilities across departments as it relates to key activities related to the Employee Benefit Program.

Action two: Review role definitions between County HR and Payroll: Additionally, there is an opportunity for both County HR and the Payroll Division to more clearly define and document the responsibilities and tasks assigned to both departments as it relates to benefit reconciliations. This may be undertaken by conducting the following:

- Determine the key tasks and activities that must be undertaken to continue to manage and administer employee benefit programs
- Identify any potential gaps in processes and related responsibilities as they currently stand
- Utilize the RACI framework to define roles and responsibilities; RACI stands for responsible, accountable, consulted, and informed as outlined in the graphic below and can be used to define and document the roles of each department related
- Document the roles and responsibilities across each department under RACI and communicate defines roles and responsibilities to line staff.

R	**Responsible:** The section of the framework can outline the Department and position responsible for each key activity related to Employee Benefits management and reconciliation.
A	**Accountable:** This section should outline the key decision makers across departments as it relates to Employee Benefit activities.
C	**Consulted:** All key stakeholders should be consulted in the development of roles/responsibilities to help ensure effective adoption.
I	**Informed:** Identifying those individuals who should be informed on implementation and monitoring on departmental roles/responsibilities.

Figure 13: Source: KPMG

Based on a review of roles and responsibilities, the following future state may be considered:

- County HR may recommence the reconciliation of employee benefit accounts as had been undertaken more historically.
- If, based on collaboration with County HR, it is considered that County HR does not have the capacity or expertise to undertake regular reconciliation, then the Department may take on this function. However, this should be taken on by a Department function other than the Payroll

Division (e.g., IAD) and a reconciliation report should be provided to the Audit Committee recommended for establishment in recommendation 2.1 on an annual basis.

Appendix

Department Recommendation Table

Department recommendations relate to the systems and processes needed for the Department to more efficiently manage its operations and provide services to County residents. The following table outlines the recommendations and related actions for each focus areas, including (1) Staffing Analysis, (2) ERP Implementation. (3) Internal Audit, (4) Property Tax, and (5) HR and Payroll.

	Department Recommendations
Staffing Analysis and ERP Implementation	
1.1	In conjunction with County HR, seek to expedite the filling of vacant roles across the Department to achieve planned staffing for permanent positions: • **Action one:** Conduct a thorough workforce assessment and develop a workforce plan. • **Action two:** Develop a MOU and determine viability of implementing two recruitment process pathways (standard versus expedited). • **Action three:** Develop a proactive, continuous recruitment pipeline for “difficult to fill” positions.
1.2	Enhance performance management processes to improve data-driven workload, resource allocation, and task assignment decision-making: • **Action one:** Evaluate available staff activity data to inform baseline staff productivity KPIs for adoption across divisions. • **Action two:** Develop division-level performance targets. • **Action three:** Task Supervisors to engage collaboratively with staff on a biweekly basis to evaluate performance. • **Action four:** Integrate practices and processes with Workday upon rollout.
1.3	In conjunction with the ERP management team, consider transitioning to a hybrid Workday support organization structure as part of ERP implementation to help ensure optimal resource alignment: • **Action one:** Proactively assess roles, responsibilities, and potential workload of the Department’s FSAs post-ERP implementation. • **Action two:** Evaluate the feasibility of transitioning toward a hybrid support organization structure post-Workday implementation. • **Action three:** Develop an implementation plan. • **Action four:** Re-evaluate the hybrid structure poststabilization.

1.4	Broaden accreditation pathways and recruitment focus to reflect changes in the diversity of staff skills required by the Department: • **Action one:** Conduct a skill diversity analysis. • **Action two:** Identify target additional career that may benefit the Department.
Internal Audit	
2.1	Strengthen risk assessment methodology to increase effectiveness of auditing procedures: • **Action one:** Re-evaluate the current risk assessment framework. • **Action two:** Enhance collaboration with key County departments in prioritizing activities for inclusion in the audit plan. • **Action three:** Evaluate the benefits of an internal audit committee. — **Action four:** Implement CAATs powered by AI.
2.2	Re-evaluate the internal audit plan and assess future resourcing needs: • **Action one:** Re-evaluate Internal audit plan. • **Action two:** Consider outsourcing or cosourcing.
Property Tax	
3.1	Enhance property tax budget and revenue forecasting based on available data, in conjunction with the County Assessor's Office and CEO's Office: • **Action one:** Collaborate with the Assessor's Office and CEO's Office to develop shared data points for inclusion with the dashboard. • **Action two:** Coordinate with the Assessor's Office and CEO's Office to update the existing dashboard to include the data points identified above.
HR and Payroll	
4.1	In conjunction with County HR, revise respective roles and responsibilities for the reconciliation of Employee Benefits payments. • **Action one:** Continue to facilitate structured communication channels between County HR and Payroll. • **Action two:** Review role definitions between County HR and Payroll.

County Benchmarks

Benchmark comparisons were conducted with the eight comparison counties specified in our contract at the request of the CEO's Office. It should be noted that not all counties offer a comparable range of services to that of the County. For example, Marin, Sonoma, Tulare, Santa Cruz, and San Luis Obispo have combined Auditor Controller and Treasurer-Tax-Collector into one department. Benchmarking these counties is challenging as budgets are not bifurcated divisionally. This results in the inability to identify budgets specifically for Auditor Controller to allow for accurate comparison. As such, they have been excluded from the benchmarking undertaken.

*It is important to note that Placer County includes a Workday support organization within the Auditor Controller's Office. Budgeted wages and salaries for Placer County for FY22-2023 outlined in the table below include $2.8 million in salaries for the County's Workday Support Organization. Therefore, budgeted wages and salaries related specifically to Auditor-Controller activities amount to $6.3 million.

	Budgets actual in $'000	Santa Barbara	Average	Monterey	Solano	Placer[3]
Recommended FY 2022-2023	Department FTE	51.60	46	44.00	38.00	56.00
	Percent of Enterprise	1.16%	1.32%	0.77%	1.18%	2.00%
	Department Budget	$10,254	$12,158	$17,886	$6,594	$11,995
	Percent of Enterprise	0.73%	0.82%	0.97%	0.50%	0.98%
	Wages and Salaries	8,874	7,334	7,144	5,671	9,187*
Adopted FY 2021-2022	Department FTE	47.60	45	43.00	38.00	55.00
	Percent of Enterprise	1.09%	1.34%	0.78%	1.21%	2.03%
	Department Budget	$9,489	$11,789	$17,673	$6,218	$11,476
	Percent of Enterprise	0.70%	0.89%	1.06%	0.49%	1.12%
Actual FY 2020-2021	Department FTE	43.05	45	43.00	37.00	55.00
	Percent of Enterprise	1.09%	1.34%	0.80%	1.18%	2.05%
	Department Budget	$10,060	$10,908	$16,301	$5,540	$10,883
	Percent of Enterprise	0.77%	0.85%	0.92%	0.56%	1.07%
Actual FY 2019-2020	Department FTE	43.40	45	44.00	37	55.00
	Percent of Enterprise	1.11%	1.30%	0.82%	1.20%	1.88%
	Department Budget	$9,284	$22,538	$51,358	$5,027	$11,228
	Percent of Enterprise	0.80%	1.54%	3.00%	0.54%	1.09%

Figure 14: Source: KPMG

[3] Placer County's Auditor-Controller Department has two cost centers, i.e. (i) Auditor Controller and (ii) Workday support organization. Currently, summed the two as department's budget.

Interview Schedule

This section provides detail on the meetings held with the Department during the review. Throughout the review period, the KPMG team held over 30 interviews and focus groups with Department staff and providers to understand the organizational structure, roles and responsibilities, operations, and processes of the Department.

Meeting name	KPMG attendees	Client attendees	Date
KPMG A-C Follow-up – Property Tax	Olivia Rabbitte, Kareem Ismail	Trevor Lysek, Claudia Ornelas, Ed Price	4/5/2023
KPMG Review of Auditor Controller – Meeting with Betsy Schaffer (Auditor Controller)	Banjo Anderson, Olivia Rabbitte, Kareem Ismail	Betsy Schaffer	4/7/2023
KPMG Review of Auditor Controller – Meeting with Ward Quon (Chief Technology Officer)	Kareem Ismail, Olivia Rabbitte, Banjo Anderson	Ward Quon	4/12/2023
KPMG Review of Auditor Controller – Meeting with Kyle Slattery (Chief Deputy Controller)	Kareem Ismail, Olivia Rabbitte, Banjo Anderson	Kyle Slattery	4/12/2023
KPMG Review of Auditor Controller – Interview with Ed Price (Assistant Auditor Controller)	Kareem Ismail, Olivia Rabbitte, Alexander Rothman	Ed Price	4/12/2023
KPMG Review of Auditor Controller – Meeting with Joel Boyer (Internal Audit)	Kareem Ismail, Olivia Rabbitte, Banjo Anderson	Joel Boyer	4/14/2023
KPMG Review of Auditor Controller – Meeting with Jonathan Rodriguez (Audit Supervisor)	Kareem Ismail, Olivia Rabbitte, Banjo Anderson	Jonathan Rodrigues	4/18/2023
KPMG Review of Auditor Controller – Meeting with Brandi Cass (Division Chief)	Kareem Ismail, Olivia Rabbitte, Banjo Anderson	Brandi Cass	4/19/2023
KPMG Review of Auditor Controller – Meeting with Juan Izquierdo (Division Chief)	Kareem Ismail, Olivia Rabbitte, Banjo Anderson	Juan Izquierdo	4/20/2023
KPMG Review of Auditor Controller – Meeting with Trevor Lysek (Division Chief)	Kareem Ismail, Olivia Rabbitte	Trevor Lysek	4/20/2023
KPMG Review of Auditor Controller – Meeting with Lamont Grissom (Administration Division)	Kareem Ismail, Olivia Rabbitte	Lamont Grissom	4/25/2023

Meeting name	KPMG attendees	Client attendees	Date
KPMG Review of Auditor Controller – Meeting with Claudia Ornelas (Financial System Analyst)	Kareem Ismail, Olivia Rabbitte	Claudia Ornelas	4/26/2023
KPMG Review of Auditor Controller – Meeting with Jackie Salvador (Division Chief)	Kareem Ismail, Olivia Rabbitte	Jackie Salvador	4/26/2023
KPMG Review of Auditor Controller – Meeting with Steven Herrera (Financial Accounting Analyst)	Kareem Ismail, Olivia Rabbitte	Steven Herrera	4/26/2023
KPMG Review of Auditor Controller – Meeting with Jenavieve Shiloh (Audit Supervisor)	Kareem Ismail, Olivia Rabbitte	Jenavieve Shiloh	4/27/2023
Data Meeting with KPMG	Kareem Ismail	Lamont Grissom	4/28/2023
KPMG Review of Auditor Controller – Focus Group with Jason Le and Barbara Zamora (Payroll Division)	Kareem Ismail, Olivia Rabbitte, Banjo Anderson	Jason Le, Barbara Zamora	5/15/2023
KPMG Review of Auditor Controller – Meeting with Marisol Villalobos and Jeremy Pena (Financial Accounting and Customer Support Division)	Kareem Ismail, Olivia Rabbitte, Banjo Anderson	Marisol Villalobos, Jeremy Pena	5/15/2023
KPMG Review of Auditor Controller – Meeting with Gineli De Vara (Internal Audit Division)	Kareem Ismail, Olivia Rabbitte, Banjo Anderson	Gineli De Vara	5/15/2023
KPMG Review of Auditor Controller – Meeting with Nicolas Nocker (Financial Reporting Division)	Olivia Rabbitte, Banjo Anderson	Nicolas Nocker	5/15/2023
KPMG Review of Auditor Controller – Meeting with Alex Overbey and Wyeth Jorgensen (Advanced and Specialty Accounting Division)	Kareem Ismail, Olivia Rabbitte, Banjo Anderson	Alex Overbey and Wyeth Jorgensen	5/15/2023
KPMG Review of Auditor Controller – Follow-up Meeting with Trevor Lysek (Property Tax)	Kareem Ismail, Olivia Rabbitte	Trevor Lysek	5/31/2023
KPMG Focus Group with Property Tax Financial Analysts	Kareem Ismail, Olivia Rabbitte	Andrea Labbe, Shen Liu, Danny Forner	6/5/2023

Meeting name	KPMG attendees	Client attendees	Date
KPMG Review of Auditor Controller – Follow-up Meeting with Wyeth Jorgensen (Advanced and Specialty Accounting Division)	Kareem Ismail, Olivia Rabbitte	Wyeth Jorgensen	6/5/2023
KPMG Focus Group with Payroll Division Financial Systems Analysts	Kareem Ismail, Olivia Rabbitte	Jeffrey Arthur, Jan Vanover	6/7/2023
KPMG Review of Auditor Controller – Follow-up Meeting with Kyle Slattery	Kareem Ismail, Olivia Rabbitte, Banjo Anderson	Kyle Slattery	6/9/2023
AC Meeting	Kareem Ismail	Lamont Grissom	6/14/2023
KPMG – ERP and Review of Auditor Controller	Kareem Ismail, Olivia Rabbitte, Banjo Anderson, Alex Rothman	Jeff Frapwell, Chris Chirgwin	6/21/2023
KPMG Santa Barbara Auditor Controller Touchpoint	Kareem Ismail, Olivia Rabbitte, Banjo Anderson	Betsy Schaffer, Ed Price	6/23/2023
Midpoint Themes for Auditor Controller	Kareem Ismail, Olivia Rabbitte, Banjo Anderson, Alex Rothman	Jeff Frapwell, Nancy Anderson	6/26/2023
KPMG Midpoint Themes	Kareem Ismail, Olivia Rabbitte, Banjo Anderson, Alex Rothman	Betsy Schaffer, Joel Boyer, Brandi Cass, Robert Geis, Ed Price, Lamont Grissom, Juan Izquierdo, Trevor Lysek, Ward Quon, Jackie Salvador, Kyle Slattery, Jenavieve Shiloh	7/21/2023

Figure 15: Source: KPMG

Data Inventory

The below chart outlines the data received from the Department to complete the Departmental Review.

Data item	File name
A-C Org Chart FY 2022–2023 KPMG	01 A-C Org Chart FY 2022-23 KPMG.docx
Auditor Dept – Time Allocation	02 Auditor Dept - Time Allocation.xls
AC Background AC Mandates Combined – Final	03A AC Background AC Mandates Combined_FINAL V2023-03-14.xlsx
AC Background All Staff Meeting	03B AC Background All Staff Meeting Jan 2023 2.pptx
Budget and Actual	04-05 Budget_and_Actual.xlsx
Breakdown of Funding	06 Breakdown_of_Funding.xlsx
IA Audit Plan 2022–2023	08A IA Audit Plan 2022-23.pdf
IA BOS 2022-09-13 FY 2022–2023 Internal Audit Plan and Report on PY Performance	08B IA BOS 2022-09-13 FY 22-23 Internal Audit Plan and Report on PY Performance.pdf
FY 2022–2023 Audit Plan	09A FY 2022-23 Audit Plan.pdf
FY 2022–2023 Audit Plan Support	09A-1 FY 2022-23 Audit Plan Support.xlsx
FY 2021–2022 Internal Audit Plan	09B FY 2021-2022 Internal Audit Plan.pdf
FY2018–2019 Audit Plan Final with Appendices	09C FY2018-19 Audit Plan Final with Appendices.pdf
2018 Risk Assessment Dept Head Memo	14A 2018 Risk Assessment Dept Head Memo.pdf
FY 2018–2019 PROTOTYPE (NONWORKING VERISION) CoSB Annual Audit Plan Risk Assessment Questionnaire	14B FY 18-19 PROTOTYPE v2 (NON WORKING VERISION) CoSB Annual Audit Plan Risk Assessment Questionnaire v3.xlsx
Staffing Analysis Written Response	16-17 Staffing Analysis Written Response.docx
Job Descriptions	16A Job Descriptions.pdf
Labor Transactions Report	18 LaborTransactionsReport.xlsx
Current Chart of Accounts KPMG	18A Current Chart of Accounts – KPMG.xlsx
AC Background FTE history	18B AC Background FTE history.xlsx
AC Background NATD Program Charter	19A AC Background NATD Program Charter.pdf
AC Background NATD-Alumni	19B AC Background NATD-Alumni (updated 02.23.23).xlsx
AC Background New Employee Mentor Program	19C AC Background New Employee Mentor Program.docx
AC Background CAFR Training Goals	20 AC Background CAFR Training Goals.docx

Data item	File name
ARTA Presentation for New Auditors	21A ARTA Presentation for New Auditors 2022-02-22.pptx
PTax Overview	21B PTax Overview.pdf
ARTA – Revenue Allocations	21C ARTA - Revenue Allocations.pptx
Accenture Statement of Work	27A Accenture Statement of Work.docx
Project Timeline	27B Project Timeline.pdf
Legacy Systems Being Replaced by ERP	28 Legacy Systems Being Replaced by ERP.xlsx
Business Application Inventory	30 Business Application Inventory 4-9-21.xlsx
Santa Barbara County Combined Finance Alignment Opportunities	32A Santa Barbara County_Combined Finance Alignment Opportunities_Final (9).xlsx
Santa Barbara County Combined Phase 2 HCM_PAY Alignment Opportunities	32B Santa Barbara County_Combined Phase 2 HCM_PAY Alignment Opportunities_Final.xlsx
Payroll Questions	33-35 Payroll Questions.docx
AC – Data Request Tracker	AC_Data Request Tracker_3_07_23.xlsx
Auditor Controller Lost Time Analysis	Auditor Controller Lost Time Analysis.xlsx
Santa Barbara Auditor Controller Data Request	Santa Barbara Auditor Controller Data Request 03_07_2023.pdf

Figure 16: Source: KPMG

Operating Model Maturity Scale

The figure below describes a continuum of maturity related to optimal service delivery across five areas of analysis. The purple boxes indicate the Department's capabilities at the time of the review, and the gold boxes illustrate the level of maturity that KPMG believe is attainable through the recommendations in this report.

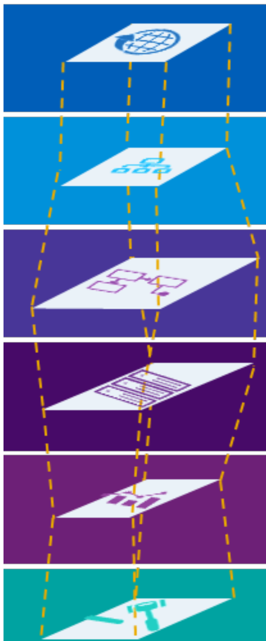
Staffing Analysis	Limited staff utilization targets and performance indicators and misalignment of staffing levels to demand	1	Staffing levels across the Department are not aligned to demand as a result of open positions, attrition, and cannibalization of resources towards ERP implementation; furthermore, there are limited mechanisms in place to track staff performance	3	In the future state, the Department will benefit from enhanced collaboration with County HR to fast-track recruitment where possible and have a proactive recruitment pipeline; baseline performance targets will also support enhanced performance management	5	Enhanced performance management processes and robust alignment of staffing levels to demand
Internal Audit	Lack of data-driven risk management framework that allows for effective prioritization of audit plan activities	1	Countywide risks for inclusion within the audit plan are identified via a risk questionnaire developed and issued to departments in 2018; the questionnaire may be limited and outdated and is not driven by data or validated by key agencies across county	3	Formalized risk management framework will be in place, such as GRC, and will include data-driven insights and encourage enhanced collaboration with key departments that have specific risk or compliance functions	5	Formalized risk management framework that encompasses data and cross-departmental collaboration
ERP Implementation	Lack of formalized plan for staffing levels post-ERP implementation	1	2	In the absence of proactively planning for the impending changes as a result of transition to Workday, particularly related to the future roles and responsibilities of FSAs may result in staff attrition and misalignment of staffing levels to demand	4	In the future state, the Department may develop a formal plan that considers transitioning to a hybrid structure post-Workday implementation; this plan will be communicated to staff and an action plan developed to manage transition	Formalized plan communicated to key staff

Property Tax	Limited data sharing and reduced accuracy in the development of accurate property tax revenue projections	1	Limited data sharing between Auditor Controller and Assessor's Office to promote the accurate development of property tax revenue projections	3	Enhanced data sharing of key data points via a shared dashboard between the Assessor's Office and Auditor Controller to promote greater accuracy in the development of property tax revenue projections	5	Enhanced data sharing and increased accuracy in property tax revenue projections
HR and Payroll	Lack of clearly defined roles and responsibilities between County HR and Payroll	1	2	3	Lack of clearly defined roles and responsibilities between County HR and Payroll as it relates to the management and reconciliation of employee benefit funds	Defined, documented, and communicated roles and responsibilities across County HR and Payroll as it relates to employee benefit funds	Clearly documented and communicated roles and responsibilities across County HR and Payroll

Figure 17: Source: KPMG

Operating Model Framework

This section describes the operating model framework that was developed to articulate how a function should be designed, structured, and operated to improve operational efficiency, effectiveness, and service delivery. It consists of six interacting layers that need to be considered in conjunction with each other to determine how to optimally deliver services to the public.



	Design Layer Considerations
Service Delivery Model Layer	Describes how services are delivered and by who, ranging from a lack of coordination to optimized.
Education and Training Layer (People)	Describes the organizational structure, accountabilities, capabilities, and performance expectations for people and functions required to deliver on services.
Process Layer	Describes how specific processes link to functions and/or departments and related policies and procedures.
Technology Layer	Describes the required technologies to support the execution of processes, manage data and generate reporting.
Data & Reporting Layer	Describes the performance insights and reporting needs to support the execution of processes and decision-making.
Governance& Controls Layer	Describes the approach to govern the organization and manage associated strategic, operational, financial and compliance risks.

Figure 18: Source: KPMG

Prioritized Timeline

The following report consists of eight recommendations across divisions within the Department. Proposed timing and prioritization for each recommendation is depicted below.

			High-level timeline											
			Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Internal Audit and ERP Implementation	1.1	In conjunction with County HR, seek to expedite the filling of vacant roles across the Department to achieve planned staffing for permanent positions.												
	1.3	Enhance performance management processes to improve data-driven workload, resource allocation, and task assignment decision-making.												
	1.3	In conjunction with the ERP management team, consider transitioning to a hybrid Workday support organization structure as part of ERP implementation to help ensure optimal resource alignment.												
	1.2	Broaden accreditation pathways and recruitment focus to reflect changes in the diversity of staff skills required by the Department.												
Internal Audit	2.1	Strengthen risk assessment methodology to increase effectiveness of auditing procedures.												
	2.2	Re-evaluate internal audit plan and assess future resourcing needs.												
Property Tax	3.1	Enhance property tax budget and revenue forecasting based on available data, in conjunction with the County Assessor's Office and the CEO's Office.												
HR and Payroll	4.1	In conjunction with County HR, revise respective roles and responsibilities for the reconciliation of employee benefits payments.												

Figure 19: Source: KPMG

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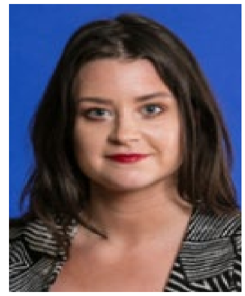

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