FINAL REPORT

County of Orange

PERFORMANCE AUDIT OF THE AUDITOR-CONTROLLER'S OFFICE

May 5, 2021

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I. EXECUTIVE SUMMARY

A. BACKGROUND, SCOPE, AND METHODOLOGY

The Orange County Auditor-Controller's Office (A-C or A-C's Office) is part of General Government Services within the County of Orange (the County) with a mission to promote public oversight, provide accountability, and support financial decision-making for the County. The A-C's Office has oversight of five distinct divisions, which are each made up of several sections. The County of Orange contracted with Moss Adams LLP (Moss Adams) to conduct a performance audit of the A-C's Office with a goal of identifying opportunities to increase efficiency, improve effectiveness and achieve economy in the employment of available resources. The performance audit focused on the following areas:

- The A-C's Office current organization structure
- Existing position/staffing levels across the various sections
- Policies and procedures, as well as desk manuals across the A-C's Office
- Use of technology
- The level and quality of CAPS+ training and other training programs available to A-C Office employees

The performance audit was conducted between July and November 2020 and included conducting interviews, reviewing documents, assessing system reports, performing staffing analysis and budget trend analysis, conducting an employee survey of all A-C Office employees, and other procedures to assess performance.

B. SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

Based on the input gathered from interviews, document review and testing, and the employee survey, as well as comparisons to peers and best practices, we prepared a comprehensive set of observations and recommendations.

OBSERVATIONS AND RECOMMENDATIONS		
Organizational Structure		
1	Observation	There are hundreds of desk procedures across the A-C's Office, and there appears to be the misconception that those desk procedures are consistently documented, current, and reviewed at the individual section level. A formalized process of tracking desk procedures and accountability, as well as performing quality assurance on them, is not in place.
	Recommendation	Identify all desk procedures that are required across all sections, develop a means of tracking required desk procedures and accountability for them, define quality assurance requirements, and implement an ongoing monitoring process to ensure that all desk procedures are documented, current, and reviewed.

OBSERVATIONS AND RECOMMENDATIONS

Staffing

2	Observation	The A-C Office's approved FTEs have decreased by 8% between 2018 and 2021, resulting in a loss of 37 positions. Employees widely report that workloads are high, and that department staffing is insufficient to meet current demands.
	Recommendation	Take steps to address reductions in staff, inefficient processes, and a lack of management capacity.
3	Observation	The A-C's Office is at risk for further staffing shortages in key areas due to eligible retirements in FY 2020 to FY 2025.
	Recommendation	Expand on current succession planning efforts to ensure cross-training has occurred, adequate desk procedures to define the details of key processes and functions are developed, and a formal plan to fill key positions when a retirement occurs is in place.

CAPS+ and Technology

4	Observation	CAPS+ has limited capability for integrating with the internally developed Mileage Claim system, resulting in the need for manual intervention, and the current process for other employee reimbursements is completely paper based. Manual processes result in inefficiencies throughout the County.
	Recommendation	The County should consider exploring providers to develop a means of integrating an employee reimbursement system. Until this is possible, continue to evaluate the fillable PDF format for opportunities for improvement or efficiencies in processing.
5	Observation	Employees reported using outside processes to compensate for certain analysis and reporting needs that cannot be performed directly in the CAPS+ or other systems.
	Recommendation	IT should continue to work with sections to identify where outside or other manual processes can be reduced through using CAPS+ or the Data Warehouse, and for those cases where there are CAPS+ system limitations that cannot be resolved, sections should implement controls to ensure data integrity is not compromised.

Training

6	Observation	New employees do not receive overall CAPS+ system training or CAPS+ training specific to the A-C's Office; therefore, employees learn through hands-on training provided by existing employees when they enter a new role.
	Recommendation	Consider developing a new hire training on the overall CAPS+ functionalities to get employees oriented with the system and to provide a high-level understanding of its functionality and capabilities. Additionally, consider developing yearly training for new and existing employees to encourage efficient sharing of information across the A-C's Office.

	OBSERVATIONS AND RECOMMENDATIONS	
7	**Observation**	New hires joining the A-C's Office do not receive specific onboarding/new hire training outside of the general County HR training; therefore, new employees rely solely on hands-on training from their group. In addition, Leadership development and training has not been provided consistently to supervisor/manager employees across the A-C's Office.
	Recommendation	The A-C's Office should consider investing more staffing resources toward internal training to support new employee onboarding and strategic staff development. A leadership development program should be established to further support new and developing leaders within the A-C's Office.

C. COMMENDATIONS

Based on the insights gathered through interviews, survey responses, and document review, it is evident that the A-C's Office has many commendable attributes. Some examples are provided below:

- **Satisfaction with Leadership:** Based on interviews, employees reported positive feedback toward leadership and the leadership structure in place since the appointment of the Auditor-Controller in October 2019. They consistently identified that transparent communication has led to higher employee morale and feelings of support.

- **Desk Procedures:** Employees rely on desk procedures to guide most of their job responsibilities and view them as resources that they take ownership for.

- **Staff Benefits and Recruitment:** Employees across sections and staffing levels reported being pleased with the benefits offered, employee evaluation process, ability to give feedback to leadership, and the overall recruitment and retention efforts by the County.

- **Technology:** Overall satisfaction with technology and the CAPS+ system was high across all survey respondents.

II. BACKGROUND, SCOPE, AND METHODOLOGY

A. BACKGROUND

The Orange County Auditor-Controller's Department (A-C or the A-C's Office) is part of the General Government Services within the County of Orange (the County) and is comprised of five divisions: Central Accounting Operations, Satellite Accounting Operations, Executive and Administration Services, Information Technology, and Internal Audit (not to be confused with the Internal Audit Department). In October 2019, the Board of Supervisors requested a performance audit of the A-C Department considering the appointment of Frank Davies to the Auditor-Controller position and given that an audit had not recently been performed.

Moss Adams was contracted to conduct a performance audit of the A-C Department, focusing on the following key areas:

- Review the current A-C organizational structure and operations and make recommendations for enhanced efficiency within existing resources. This includes review of each unit within A-C and review the working relationships between each of the units to identify areas for improvement.

- Review existing A-C position/staffing levels for adequacy in completing mandated work. Identify resources dedicated to non-mandated functions that could be reallocated to mandated functions.

- Review A-C policies, practices, and procedures for consistency with statute and County policy and procedures.

- Review A-C policies and procedures for consistent application across all County departments.

- Review A-C current use of technology and make recommendations for improvements and enhanced efficiency.

- Review the level and quality of CAPS+ and other training provided by A-C to County departments for adequacy and satisfaction. Review department satisfaction with the level/quality of services/leadership provided by A-C.

B. SCOPE AND METHODOLOGY

This performance audit evaluated selected processes, organization, and management of the A-C's Office to assess efficiency, effectiveness, and economy in the employment of available resources. The analysis focused on:

- Overall organization, workload, and capacity of staff

- Potential constraints, redundancies, and inefficiencies in the current organizational structure

- Consistency in desk procedure coverage between the various A-C units and departments and overall consistency with County policies and procedures

- Current use of technology for possible improvements and enhancements

- The age, support provided, and utilization of software systems, including CAPS+

- Overall department satisfaction

- Opportunities for best practice implementation

The performance audit was conducted between July and November 2020. Analysis was informed by interviews, document review, cost-benefit analysis, an employee survey, and research into best practices from similar governmental entities. The project consisted of four major phases:

1. **Project Initiation and Management:** This phase concentrated on comprehensive project planning and management, including identifying interview participants, identifying documents to review, developing recommendations and evaluating their practicality, communicating results, and regular reporting on project status.

2. **Fact Finding:** This phase included interviews, conducting an employee survey, document review, and research related to technology/software and best practices. We worked with A-C leadership and sections to obtain the most currently available information and insights.

   - *Interviews:* We conducted interviews with A-C staff and leadership from all five divisions.

   - *Employee Survey:* A-C Office employees were invited to participate in a confidential survey that asked about their satisfaction with leadership, technology, and staffing of the A-C's Office. Of the 381 survey requests sent, we received 182 responses, a 48% response rate. Complete survey results are included in Appendix C.

   - *Document Review and Analysis:* We reviewed documents that included A-C policies, desk procedures, staffing reports, and others. Specifically, we performed the following:

     - *Desk Procedures*: Initially, we requested all current policies and procedures utilized across the A-C's Office to assess for consistency and overall coverage. However, based on the volume of desk procedures, we opted to select three key functions for review: accounts payable (A/P), journal voucher entries, and payroll processing/audits.

       - For each of the three functional areas, we requested that all sections within the A-C's Office provide all relevant desk procedures. We utilized these documents to evaluate coverage across nine sections.

       - For payroll specifically, we identified key processes, such as timecard reviews, time adjustments, leave processing, etc., and compared the desk procedure coverage for these processes in greater detail.

     - *Software Systems*: We obtained a listing of all significant software utilized within the A-C's Office along with the current version or last update. We used this information to identify outdated software. We assessed the various training tools and needs for the CAPS+ system and assessed the last update date for the modules utilized.

     - *Staffing Levels*: To evaluate staffing levels across the A-C's Office, we performed the procedures described below:

       - We performed a five-year analysis (2017 through 2021) on budgeted employees, authorized positions, and vacant positions to assess for significant changes in staffing levels.

       - We evaluated the number of retirements for five key areas over the next five years to identify significant anticipated gaps and succession planning.

       - We evaluated the number of employees, by section, at each position level (i.e., Technician, Staff, Senior, Supervisor, etc.) to identify any potential gaps.

   - *Best Practice Research:* Based on the opportunities for improvement identified, we conducted research to ascertain best practices.

3. **Performance Assessment:** Based on the information gathered, we evaluated the importance, impact, and scope of our observations in order to develop recommendations designed specifically to improve operations of the A-C's Office, including gap and alternatives analysis.

4. **Reporting:** This phase concluded the project by providing a report to the Auditor-Controller and the Chief Deputy Auditor-Controller.

This performance audit was performed in accordance with the Standards for Consulting Services established by the American Institute of Certified Public Accounts.

III. OBSERVATIONS AND RECOMMENDATIONS

Based on the input gathered from interviews, document review, analysis, and surveys, as well as comparisons to best practices, we prepared a comprehensive set of observations and recommendations.

A. ORGANIZATIONAL STRUCTURE

A-C's Office Policies and Procedures

1.	**Observation**	**There are hundreds of desk procedures across the A-C's Office, and there appears to be the misconception that those desk procedures are consistently documented, current, and reviewed at the individual section level. A formalized process of tracking desk procedures and accountability, as well as performing quality assurance on them, is not in place.**
	Recommendation	**Identify all desk procedures that are required across all sections, develop a means of tracking required desk procedures and accountability for them, define quality assurance requirements, and implement an ongoing monitoring process to ensure that all desk procedures are documented, current, and reviewed.**

The current decentralized organizational structure of the A-C's Office serves to empower employees and allow for decisions to be made based on the needs of an individual section. To support the various sections of the A-C's Office, many key functions, such as accounting, are serviced at the individual section level. While this model of operations can have many benefits and can recognize the variations of accounting needs across the different sections of the A-C's Office, it also increases the importance of well-documented, comprehensive policies and procedures for employees to rely upon as resources and guidance for development of the section desk procedures.

Following the decentralized model, the A-C's Office relies on the sections to develop their own desk procedures, detailing the procedures followed in the key functional areas. These desk procedures are meant to provide more detailed, sometimes step-by-step, guidance for each position and job responsibility at the individual section level. Based on interviews, this model has resulted in hundreds of individual desk procedures across the various sections of the A-C's Office.

We conducted a high-level review of the desk procedures for three key functional areas, including A/P, journal vouchers, and payroll processing, obtaining all desk procedures (which included 55 across the 10 sections). It appears that there is inconsistent coverage of the various procedural areas carried out by each section. Not all functions were covered by each section; however, each section had some portions of each function documented. Refer to Appendix A for a detailed table of the desk procedures reviewed. Given the lack of formal documented guidance defining which sections must have each process/function covered by desk procedures and the minimum information that must be

included in each, it was difficult to determine where true gaps in coverage existed. Given the volume of desk procedures, we performed a more focused review of the desk procedures obtained for the payroll and timekeeping functions. This more detailed review further supported that individual sections do not consistently have current desk procedures for key functional areas. Refer to Appendix B for detail on the gaps identified specific to payroll and timekeeping desk procedures.

There appears to be a misconception that all sections of the A-C's Office are consistently ensuring that all key functions are supported by current, comprehensive desk procedures. The responsibility for maintaining desk procedures is placed on the individual sections, without a formal quality assurance process in place for ensuring management reviews are performed and documented and without a centralized tracking process for ensuring desk procedures are drafted, updated and reviewed consistently. Given the volume of potential desk procedures required, ensuring a standardized quality assurance review process is in place is important.

Consider implementing the following steps to provide for efficiencies and consistency across the A-C's Office:

- Develop a process for identifying and tracking all required desk procedures by section. Tracking should include all areas that must be supported by desk procedures and the assigned accountability for drafting/updating and the last update date. To begin this process, consider performing a full updated inventory of all desk procedures to identify all existing gaps in coverage across all sections.

- Define a quality assurance process for monitoring desk procedures, which should include assigning accountability for each section for ensuring current desk procedures are in place and that the required reviews are performed and documented.

- Define the expectations for performing desk procedure reviews and updating. Best practices require that procedures are updated at least annually, or when any significant changes (i.e., roles/responsibilities, systems used, etc.) occur.

- Create or update existing templates for employees to utilize when they are tasked with documenting desk procedures in a specific area. These templates could incorporate the detailed coverage areas required and provide a starting point to ensure consistent coverage.

B. STAFFING

Staff Capacity

2.	Observation	The A-C Office's approved FTEs have decreased by 8% between 2018 and 2021, resulting in a loss of 37 positions. Employees widely report that workloads are high, and that department staffing is insufficient to meet current demands.
	Recommendation	Take steps to address reductions in staff, inefficient processes, and a lack of management capacity.

During interviews, personnel from nearly every section reported that they were understaffed, and workloads were unsustainably high. There are several factors that may have contributed to this situation, including a reduction in overall staff, inefficient processes, and a lack of management capacity.

Reduction in Staffing

An analysis of the A-C Office's budget over the last five years demonstrates that overall staffing has decreased during this time period.

The A-C's Office incurred a budget cut of 20% between fiscal year (FY) 2018 and FY 2019 (going from approximately $20.5 million down to $16.4 million). While there have been increases since then, the A-C's Office is yet to get back to the level it was in FY 2018 (approximately $18.2 million for FY 2021).

As a result of budget cuts and restructuring across the organization, the A-C's Office incurred a reduction in its approved full-time equivalents (FTEs) budget of 3% between FY 2018 and FY 2019 (448 budgeted FTEs for FY 2018 and 433 for FY 2019). While there was a minimal increase in FY 2020 (up to 435), there is an additional 6% cut seen in FY 2021 (down to 411 FTEs). Based on discussions with A-C Office leadership, some of this reduction in FTEs can be attributed to reorganization. However, the group has experienced a net loss of 37 positions.

In addition to the budget cuts described above, the A-C's Office also sustained average position vacancy rates of 8% to 10% each fiscal year. In FY 2020, the vacancy rates resulted in 392 actual FTEs compared to 435 approved budgeted FTEs (variance of 43 FTEs). The vacancy rate is directly tied to the County's practice of establishing a vacancy factor that is applied unilaterally to each organization County-wide, which allocates a specific number of vacancies that each organization must maintain, based on a percentage of total FTEs, in order to balance the County budget.

Taken as a whole, staff report that the decrease in approved staffing and high vacancy rates has increased workloads and created issues around burn-out and employee engagement.

At the end of 2019, the A-C's Office developed a staffing action plan, which included performing a review of all vacancies and the development of strategies for hiring considering budget cuts. In addition, the A-C's Office performs staffing analysis, at some level, as part of the annual budget assessment and on an ad hoc basis for when a section identifies a need to hire. The A-C's Office should continue to update the staffing action plan each year to prioritize new and backfilled positions using an enterprise-prioritization approach. As new hiring needs arise during the year, the plan should be updated accordingly to ensure hiring needs are assessed holistically.

In addition, the County should reconsider the use of the vacancy factor to balance budgets. Industry best practice recommends using vacancy rates to create accurate budget estimates based on historical vacancies by department, rather than using it as a unilateral tool to balance budgets. By using vacancy rates in this manner, the County is obscuring the true staffing needs within departments and creating challenges to appropriately staff key functions.

Inefficient Processes

Key operational functions within the A-C Office—including A/P, journal entry processing and payroll/timekeeping, and others—are decentralized. This model gives individual sections the flexibility to build processes that align with their specific business and operational needs. However, this decentralized structure has also resulted in redundant work and the potential for some inefficient processes across the organization. For example, as noted in Observation #1, staff that fill similar functions across the various sections have independently developed hundreds of desk manuals, even though many cover similar topics.

In March of 2020, the A-C's Office adjusted the organizational structure to provide more effective and efficient operations, including elimination of the Government & Community Relations division, which produced an organizational structure that is better aligned with the mission of the A-C's Office, and the reassignment of the related staff to operational positions in other divisions.

In addition to streamlining some desk procedures (see Observation #1), the A-C's Office should consider performing a staffing study to evaluate whether there are opportunities to either centralize some repetitive processes or specific functions, or further streamline functions across the A-C's Office. For instance, some of the A/P, journal entry, payroll and other accounting-related processes that various sections within the A-C Office perform, could benefit from some level of centralization or streamlining and result in efficiency gains and reduce overall staff workloads. While the current decentralized model appears to be popular among staff and may be beneficial for those functions that have a high-degree of variability between sections, it may not be the most cost-effective method for the County for all functional areas.

Management Capacity

Staff widely reported, in nearly every section interviewed, that there was a gap in front-line employee positions, and that managers were frequently required to engage in highly tactical, daily operations. Without appropriate delegation of work, it can be difficult for managers to have enough bandwidth to engage in more strategic work. In turn, this can increase workloads for individual managers and reduce the A-C Office's capacity to perform process improvement work and other proactive initiatives that could increase efficiency.

An evaluation of the A-C Office's staffing, by employee level, revealed that the ratio of supervisor/leadership to non-supervisory/independent contributor positions is approximately 1:2. While that ratio does not indicate a significant gap in front-line workers, the frequency of concerns raised by interviewed staff suggest that there may be ongoing challenges to ensuring managers can appropriately delegate work.

The A-C Office should consider performing a workload analysis (or utilize other methods) to determine whether managers throughout the A-C's Office are engaged in the correct level and type of work. Workload analyses typically include the following steps:

- **Identify Roles and Work Activities:** Create a comprehensive list of major activities for the given management position.

- **Obtain Time Estimates for Workload Activities:** Using a worksheet that lists each major activity, managers track their time over the course of two to four weeks. It can also be helpful for managers to report the tasks they were unable to accomplish during the timeframe due to bandwidth constraints.

- **Analyze Activities:** Once tracked, the data can be aggregated to get a sense of overall workload for the specific role, time associated with particular functions, and activity gaps.

- **Take Action:** Once the analysis is complete, it should provide actionable data about areas of success, workload challenges, and staff capacity.

Although performing a workload analysis, as outlined above, provides information about potential resource needs, it does not take the quality of work into consideration. As such, it should not be used as a stand-alone metric, but rather part of a wider conversation around management capacity.

Succession Planning

3.	Observation	The A-C's Office is at risk for further staffing shortages in key areas due to eligible retirements in FY 2020 to FY 2025.
	Recommendation	Expand on current succession planning efforts to ensure cross-training has occurred, adequate desk procedures to define the details of key processes and functions are developed, and a formal plan to fill key positions when a retirement occurs is in place.

Many sections throughout the A-C's Office rely heavily on personnel who have been in their current role, or with the County, for much of their career. Due to hiring freezes, these positions may not be filled or adequately backfilled prior to these long-standing employees retiring. To evaluate the potential risk around retirements of personnel in key positions across the A-C's Office, we performed an analysis of individuals that recently became eligible to retire and those that will be eligible to retire in the next five years. Based on this analysis:

- Between FY 2017 and FY 2020, an average of 15 employees became eligible for retirement each year.

- Between FY 2021 and FY 2025, based on current employees, an average of 13 employees will become eligible for retirement each year.

- In assessing several key areas of the A-C's Office, the following three sections were identified as having elevated risk related to eligible retirements:

  ○ The CAPS+ Support team had 12 of 35 (34%) employees that became eligible to retire in FY 2020 and have another four (11%) who will become eligible for retirement in the next four years.

  ○ The Claims & Compliance unit had four of 14 (29%) employees that became eligible to retire in FY 2020 and have another three of 14 (21%) who will become eligible for retirement in the next four years.

○ The Social Services Agency Accounting unit had 17 of 78 (22%) employees that became eligible to retire in FY 2020 and have another nine (12%) who will become eligible for retirement in the next four years.

Based on the information provided, we were unable to determine the number of employees that actually did retire from these three sections during FY 2020 to fully assess the potential risk of those that were eligible in FY 2020 compounding the newly eligible retirements in future years. The A-C's Office should further evaluate these areas of increased risk to evaluate the impact of the large number of FY 2020 employees who became eligible for retirement in these areas. Succession planning should be a key focus for all areas, as the current and required vacancy rates, along with the recent budget constraints, further compound the risk of losing long-standing employees in key operational roles throughout the A-C's Office. In evaluating and prioritizing upcoming staffing needs, succession planning should be considered to ensure that staffing is adequate to perform the minimum mandated duties.

Notably, the CAPS+ Support team began internal succession planning during calendar year 2020 to ensure that they had a plan in place if the 12 eligible retirees did retire in the near term; however, efforts to ensure seamless transition in these succession plans was limited due to the inability to adequately plan for backfill and training for these upcoming vacant positions. The A-C's Office should ensure adequate cross-training is in place and desk procedures are adequately documented in key functional areas to ensure the continuity of operations.

C. CAPS+ AND TECHNOLOGY

Manual Processes

4.	Observation	CAPS+ has limited capability for integrating with the internally developed Mileage Claim system, resulting in the need for manual intervention, and the current process for other employee reimbursements is completely paper based. Manual processes result in inefficiencies throughout the County.
	Recommendation	The County should consider exploring providers to develop a means of integrating an employee reimbursement system. Until this is possible, continue to evaluate the fillable PDF format for opportunities for improvement or efficiencies in processing.

The A-C's Office Information Technology (IT) needs are serviced by the IT Division, which is made up in part, by the CAPS+ Support team. The A-C's Office uses several systems to support its operations including CAPS+, Assessment Tax System, Mileage Claim, Microsoft Office Suite products, and others. According to employee interviews, hardware is not always replaced in order to avoid breakdowns, and software is outdated and does not integrate seamlessly with CAPS+ for ease of use. However, per employee survey results, 98% of respondents said that the usability and functionality of the CAPS+ system was average or better, as presented in the graph below.

UNDERSTANDING OF CAPS+ FUNCTIONALITY

| 9% | 48% | 41% |

■ Poor ■ Average ■ Good ■ Excellent
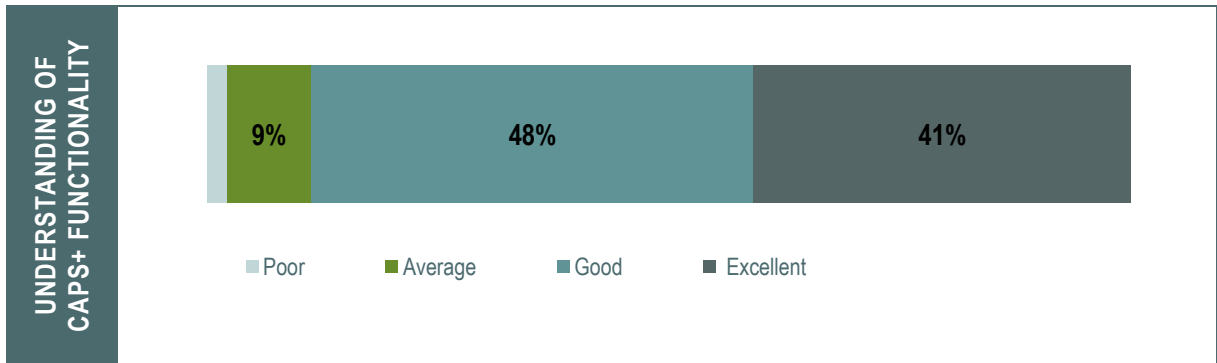
In addition, during interviews, employees expressed concerns over the age, version, and capability of the software systems in use; however, it appears that the systems the CAPS+ Support team manages are being maintained with adequate upgrades. Specific to CAPS+, the County has two contracts with CGI Inc. for maintenance and support for both the human resources (HR) and financial systems. Of the 29 systems/software we assessed, we identified that most systems had been upgraded within the last five years and were due for license renewal between October 2020 and March 2022.

Based on feedback received, there are certain time-consuming and inefficient manual processes involved with mileage and travel reimbursement claims and other employee reimbursement processing. These two areas were identified as being highly manual, requiring a lot of work by either the requesting employee or the accounting/payroll teams. Forty percent of survey respondents stated that they have job functions that require manual processing a few times a month or more, and 53% reported that manual processes create a moderate or greater amount of inefficiencies. The details of these responses are presented in the tables below.

FREQUENCY OF MANUAL PROCESSES BEING USED

Daily	14.44%
A Few Times a Week	12.78%
A Few Times a Month	12.78%
Very Rarely/Never	57.78%
Other	2.22%

INEFFICIENCY THAT RESULTS FROM MANUAL PROCESSES

Category	Percentage
A Lot	13.51%
A Great Deal	8.11%
A Moderate Amount	31.08%
A Little	28.38%
None At All	18.92%
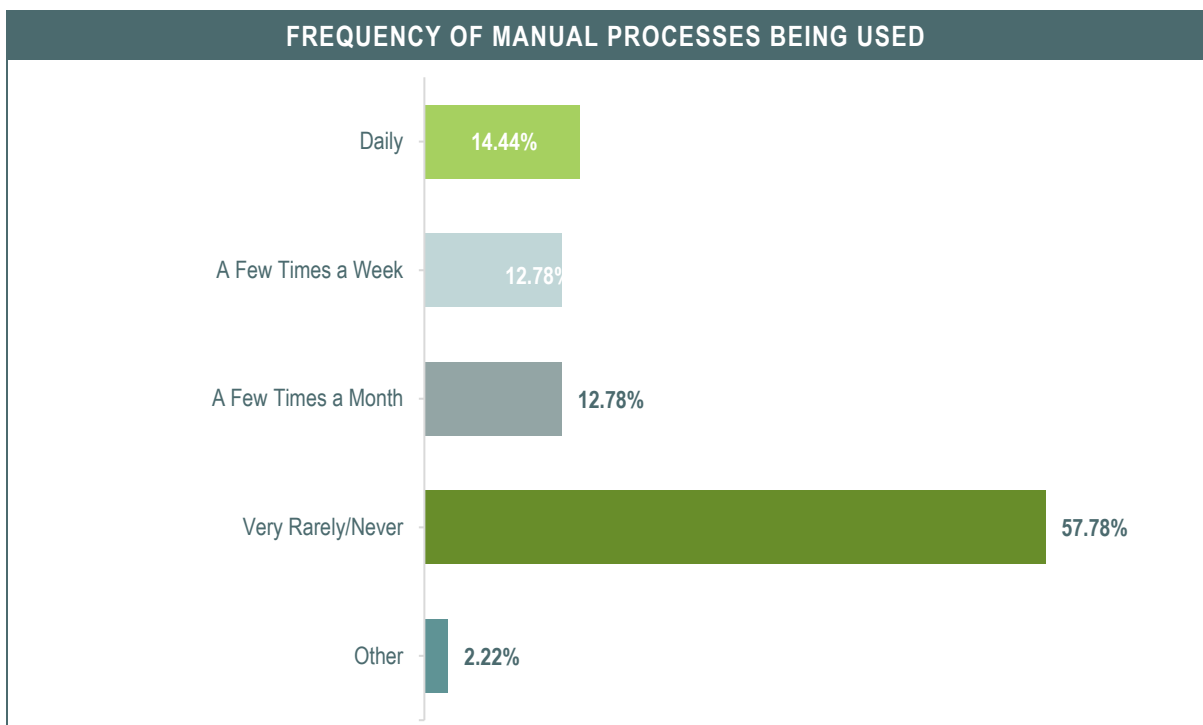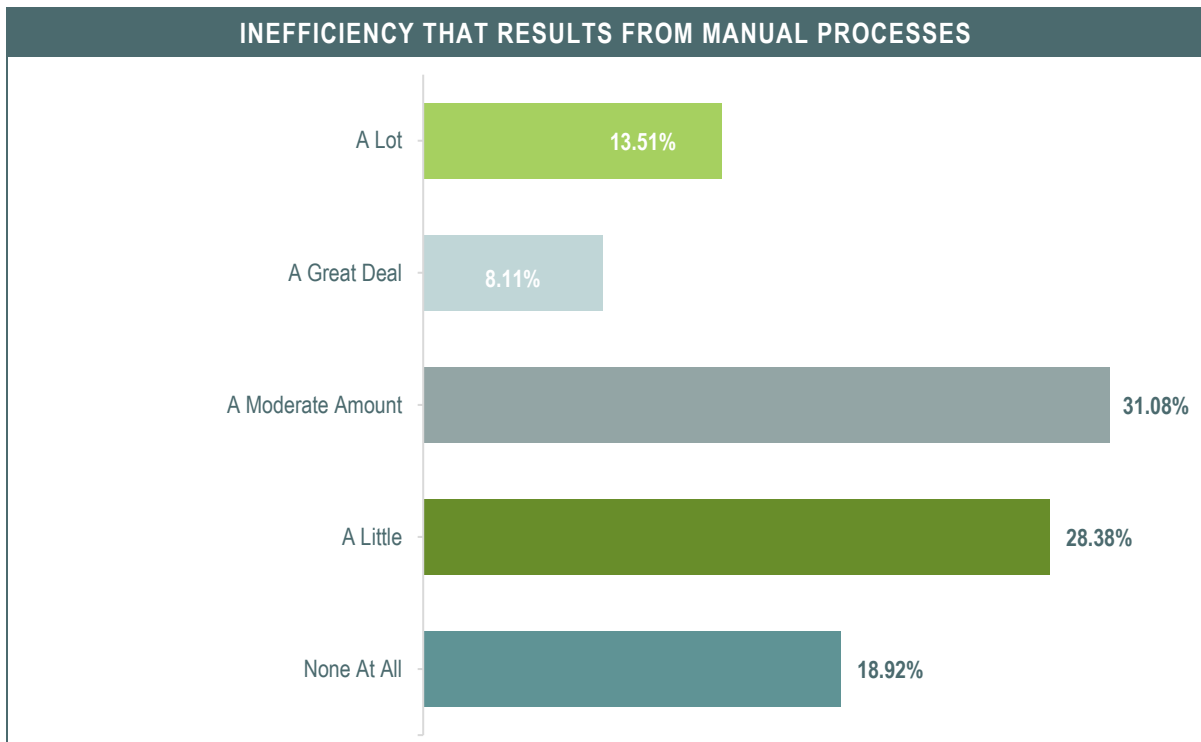
The Mileage Claim system is only in use by seven departments throughout the County due to old technology and limited ability to integrate with CAPS+, leaving much of the County to process completely manual mileage and travel reimbursement claims. Additionally, the employee reimbursement process, for items such as tuition reimbursement, is a completely paper-based process. Both manual processes require a form to be filled out, routed for review and approval, and given a wet signature prior to a reimbursement being processed. These processes are creating significant inefficiencies that have only been exacerbated by COVID-19 remote working where employees are unable to turn in these hard copy forms, and the steps required for reviewing, approving, and processing have become even more time-consuming.

In our analysis, we attempted to perform benchmarking for other counties in California and throughout the country that use the CAPS+ system; however, we were not able to identify other counties using the systems, or using systems that were similar, for comparison. While other counties in California, like Los Angeles County, use a version of the CAPS system, it appears that the systems have been highly modified for each county, making it difficult to use them for a comparison. In addition, based on the minimal information available online from the software developer, we were unable to identify any reimbursement-type systems that would integrate with CAPS+.

The County should consider partnering with either the current CAPS+ support provider, or another provider identified who has the needed expertise/capabilities, to determine if they can help develop a program that will integrate with CAPS+ to eliminate the manual processes and reduce the risk for errors. If this is not possible in the near future, the County should consider, at a minimum, converting the forms to fillable PDF formats that allow for electronic approvals.

Outside Processes

5.	Observation	Employees reported using outside or other manual processes to compensate for certain analysis and reporting needs that cannot be performed directly in the CAPS+ or other systems.
	Recommendation	IT should continue to work with sections to identify where outside or other manual processes can be reduced through using CAPS+ or the Data Warehouse, and for those cases where there are CAPS+ system limitations that cannot be resolved, sections should implement controls to ensure data integrity is not compromised.

During interviews, employees stated that they use outside or other manual processes to compensate for certain analysis or reporting needs that cannot be performed directly in the CAPS+ system. For the purposes of this finding, the use of "outside or other manual processes" refers to the use of processes outside of CAPS+ and the Data Warehouse, such as Excel files and internally developed systems and processes. In many cases, employees are exporting data from CAPS+ and then using the data to allow for specific analysis to be performed for certain reporting needs. This sort of process is prone to error and typically results in redundancies and inefficiencies; however, it was unclear how pervasive the use of outside or other manual processes may be. Based on survey results, there may be systems currently utilized by employees that are not supported by IT, as 11% of employees reported that unsupported systems were used. However, it was unclear what systems outside of CAPS+ or the Data Warehouse the respondents were referring to. IT referred to the use of these types of systems and it is unclear how pervasive this issue really is. Through analyzing the desk procedures submitted, many described the manual processes related to the use of Excel worksheets for functions such as accounts receivable reconciliations, budget to actual tracking and analysis, Waste & Recycle fee calculations, accrual calculations, job costing analysis, etc.

The use of outside or other manual processes can result in inefficiencies and creates the risk of increased errors. IT should continue to work with the A-C Office's sections to identify these systems and work to identify system capabilities that can reduce their use or other potential workarounds. In those instances where these outside systems or processes must be used, controls should be put into place by the user section, such as checking figures, additional levels of reviews, etc., to ensure the integrity of the data/information is not compromised.

D. TRAINING

CAPS+ Training

6.	Observation	New employees do not receive overall CAPS+ system training or CAPS+ training specific to the A-C's Office; therefore, employees learn through hands-on training provided by existing employees when they enter a new role.
	Recommendation	Consider developing a new hire training on the overall CAPS+ functionalities to get employees oriented with the system and to provide a high-level understanding of its functionality and capabilities. Additionally, consider developing yearly training for new and existing employees to encourage efficient sharing of information across the A-C's Office.

Throughout interviews, concerns were communicated regarding the lack of training provided to new employees on the functionalities of the CAPS+ system, and the lack of tailored training provided throughout the course of employee tenure with the A-C's Office. Based on the employee survey, 73% of employees who responded reported that they have not received any training specific to CAPS+. The A-C's Office has historically relied on hands-on training of the CAPS+ system. When a new employee starts, the section they join is typically responsible for training them in their new role, and they learn the CAPS+ system as they go. While online tools are available to support all employees, the philosophy has typically been to reach out to other sections when there is a question on CAPS+.

The County does have a CAPS+ Online Learning System that is available to all employees, which provides quick online training on a variety of topics. In addition, there have been a few hands-on trainings in the past to supplement the online system, as well as a few trainings related to the purchasing module, year-end financial close process, system changes, and system basics.

However, only 27% of employees who responded to the survey stated that they received online and/or in-person CAPS+ training, and 89% of those respondents felt that the training was good or better. Although on-the-job training is common in many industries for a variety of roles, the lack of training provided to new hires specific to CAPS+ may lead to inefficiencies in getting an employee trained in a new role, as well as inconsistent guidance on CAPS+ functionalities and a steeper learning curve for new system capabilities or changes.

The A-C's Office should consider developing a new hire training on the overall CAPS+ functionalities to get employees oriented with the system and to provide a high-level understanding of the different modules and capabilities. This training could also be provided as a refresher course for existing personnel. In addition, given the decentralized model of operations of the A-C's Office, a yearly training related to CAPS+ to cover new or changed system capabilities or tools, as well as to encourage the sharing of information among the various groups, could be beneficial and increase efficiency.

Employee Training and Onboarding

7.	Observation	New hires joining the A-C's Office do not receive specific onboarding/new hire training outside of the general County HR training; therefore, new employees rely solely on hands-on training from their group. In addition, Leadership development and training has not been provided consistently to supervisor/manager employees across the A-C's Office.
	Recommendation	The A-C's Office should consider investing more staffing resources toward internal training to support new employee onboarding and strategic staff development. A leadership development program should be established to further support new and developing leaders within the A-C's Office.

New Hire Training

County HR provides a general onboarding overview for new hires on topics such as timekeeping, benefits, direct deposit setup, etc. However, an A-C Office-focused training for new hires has not been developed. While there have been efforts in the past to provide orientation for new A-C Office employees, a formal and consistent training process was not achieved. Many employees mentioned that a standard new hire training for employees new to the County, or just new to the A-C's Office, would be very helpful to provide an overview of the structure of the Office, the various roles and responsibilities, technology utilized, standard procedures for routine processes, etc., to reduce the levels of inconsistency amongst training received.

Additionally, most sections do not attend industry-specific trainings or conferences. These types of training opportunities are a valuable tool to keep the A-C's Office on the cutting edge of trends, improvements, and innovations in specific areas. Without exposure to these ideas and the ability to learn from others who have implemented new practices to streamline processes, the A-C's Office may fall behind.

The A-C's Office should consider investing more staffing resources toward internal training to support strategic staff development. To better support employee orientation and development, the A-C's office should consider incorporating employee orientation trainings and annual growth and development planning into their standard employee review process. These new employee trainings could be offered semi-annually or quarterly in order to welcome and orient groupings of new employees at once and reduce burden that training development and implementation can have on an already strained staffing base.

Leadership Development

Given the significant changes in supervisor and manager level roles within the A-C's Office in the last several years, which occurred through internal movement and promotion of employees, leadership training and development has become increasingly important among employees. Based on interviews, there have not been opportunities for leadership training and development provided for

new or existing managers/supervisors to ensure that consistent leadership practices and approach are being applied across the A-C's Office. Similar to new employee onboarding and training, these offerings could be found online so that leadership can access them on-demand or they can be provided to a group of leadership semi-annually or quarterly in order to reduce the burden of training development and implementation on the A-C's Office.

The County offers a County-wide leadership training once a year, which A-C Office employees could attend; however, given the cost of the training, current budget constraints to not always permit attendance. Consider continuing to strategically identify one or a few up-and-coming leaders that could attend each year, when possible, and potentially bring back information to present the larger A-C Office leadership group. In addition, help facilitate a uniform leadership approach, the A-C's office should consider implementing an internal (i.e. A-C Office-specific) leadership development program, given this is an area that employees are interested in, that focuses on standardized training for several purposes. The programs outlined below could be done informally as part of "lunch & learns" or as part of the existing mentorship program:

- New Managers/Supervisors: Training and development should focus on employees who are new to a management or supervisor role with the intent of helping them to understand their new role and responsibilities This training should also include topics including, but not limited to:
  - Creating an inclusive workforce
  - Conflict resolution
  - Hiring and firing
  - Nurturing talent
  - Coaching and employee retention
- Existing Management/Supervisor Development: Managers need a broad variety of skills in leadership, supervision, and communication. Providing ongoing management training will ensure that there are higher levels of management and employee engagement and retention. This form of training could include topics including, but not limited to:
  - County-specific processes, offerings, and changes
  - Internal ethics discussions
  - Performance management and motivating employees
  - Conflict management
  - Team building
  - Career development

E. DEPARTMENT SATISFACTION

In general, employees surveyed reported positive feedback towards the A-C's Office as a whole and current leadership since the appointment of the current Auditor-Controller in October 2019 and the subsequent installation of the Chief Deputy Auditor-Controller. Employees reported that the transparent communication and open-door policy has been helpful. It was also reported that the current leadership approach and recent organization expansion has led to higher employee morale and feelings of support.

F. COVID-19 IMPACT

Given the current COVID-19 environment, we included questions in the employee survey to gauge the overall impact and the areas of increased concern to employees. The table below presents the responses, which can be utilized by management to identify areas of focus for the upcoming year.

IMPACT OF COVID-19 ON PERSONNEL

Category	Percentage
Hiring	16.06%
Changes to how work is done	22.80%
Impact on operating budget	7.77%
Reduction in services provided	2.07%
Impact on upgrading or purchase of new equipment	2.85%
Increased workload on personnel	18.39%
Increased demand on certain services	2.85%
Remote work issues	14.77%
Strain on organization culture or morale	7.77%
Other	1.30%
None	3.37%

APPENDIX A: DESKTOP PROCEDURE COVERAGE

We reviewed the County's Accounting Manual, as well as selected desk procedures from all sections that specifically addressed accounts receivable, journal voucher entries, and payroll processing/audit functions to ensure adequate coverage of responsibilities in each area. The table below depicts the coverage by function/service area across the sections under the oversight of the A-C's Office.

SERVICE/FUNCTION	SECTION									
	Accounting & Reporting	Central Accounting Operations	Claims & Compliance Accounting	OC Community Resources Accounting	Health Care Agency Accounting	IT	Central Payroll	OC Public Works Accounting	Social Services Agency Accounting	OC Waste & Recycling Accounting
1099 Reporting			X					X		X
Accruals			X		X			X		X
ACH Payments									X	
AP		X	X		X	X		X		X
AP – Stop Notice	X		X							X
AR	x			X				X	X	X
AR – Negotiable Instruments	X							X		X
Asset Management Standards						X				
Authorized Signature Approval			X							
Bank Reconciliation								X		
Billing	X				X			X		X

SERVICE/FUNCTION	SECTION									
	Accounting & Reporting	Central Accounting Operations	Claims & Compliance Accounting	OC Community Resources Accounting	Health Care Agency Accounting	IT	Central Payroll	OC Public Works Accounting	Social Services Agency Accounting	OC Waste & Recycling Accounting
Bonds								X		X
Budget	X	X						X		
Capital Assets	X	X								X
Cash Procedures	X		X					X		X
Cash Receipts	X	X			X			X	X	X
Check Procedures	X							X	X	X
Check Writing			X				X	X	X	
Claims	X				X			X	X	X
Contracts		X	X					X		X
Cost Accounting		X								
Credit Reference										X
Deferred Payments										X
Deposits	X								X	X
EBT (Electronic Benefit Transfer)									X	
EFT Procedures			X						X	
Encumbrances	X							X		X

SERVICE/FUNCTION	Accounting & Reporting	Central Accounting Operations	Claims & Compliance Accounting	OC Community Resources Accounting	Health Care Agency Accounting	IT	Central Payroll	OC Public Works Accounting	Social Services Agency Accounting	OC Waste & Recycling Accounting
Expense Payments					X		X	X		
General Accounting	x	X			X			X	X	X
Hiring		X			X			X		
Invoice Procedures			X		X			X		X
Job Corrections		X		X	X			X		X
Journal Vouchers	X	X		X				X	X	X
Leases			X					X		X
Leave – FLSA Overtime							X	X		
Leave Pay		X		X	X		X	X	X	
Mail Procedures									X	X
Master Agreements		X			X					
Mileage & Expense Claims			X		X					X
NSF Procedures									X	X
Overtime and Straight Overtime (OT/SOT)				X	X				X	
Payroll		X		X		X	X	X	X	

The top header "SECTION" spans all the accounting section columns.

SERVICE/FUNCTION						SECTION				
	Accounting & Reporting	Central Accounting Operations	Claims & Compliance Accounting	OC Community Resources Accounting	Health Care Agency Accounting	IT	Central Payroll	OC Public Works Accounting	Social Services Agency Accounting	OC Waste & Recycling Accounting
Payroll – Separation Pay		X		X			X	X		
Payroll Adjustments		X							X	X
Payroll System									X	
P-cards			X						X	X
Personnel Actions Forms		X		X				X		
Petty Cash			X							X
Procurement		X				X				
Revenue	X									X
Timesheet Adjustments				X	X		X	X	X	X
Timesheets				X	X		X	X	X	X
VTI System				X	X			X	X	X
Wire Payments			X							X
Workers' Comp							X	X	X	X

APPENDIX B: PAYROLL PROCEDURE COVERAGE

We reviewed the County's Accounting Manual, as well as desk procedures for eight sections that have responsibility for payroll processing and payroll auditing to ensure adequate coverage of function responsibilities. The table below depicts the coverage by function/service area across the sections.

PROCESS	SECTIONS								
	Accounting Manual	Accounting & Reporting	Central Accounting Operations	OC Community Resources Accounting	Health Care Agency Accounting	Central Payroll	OC Public Works Accounting	Social Services Agency Accounting	OC Waste & Recycling Accounting
Active Employee Changes								X	
Annual Leave				X				X	
Blank Timecards/Error Reports								X	
Catastrophic Leave						X		X	
FMLA						X	X		
Holiday Pay				X		X	X		
Jury Duty	X	X		X		X			
Leave Audit/Review				X				X	
Leave Payouts			X		X	X	X	X	
Merit Increases & Promotions	X	X	X	X		X	X	X	
Missing Timecards				X	X			X	
Payroll Adjustments	X		X			X	X	X	X
Payroll System Procedures								X	

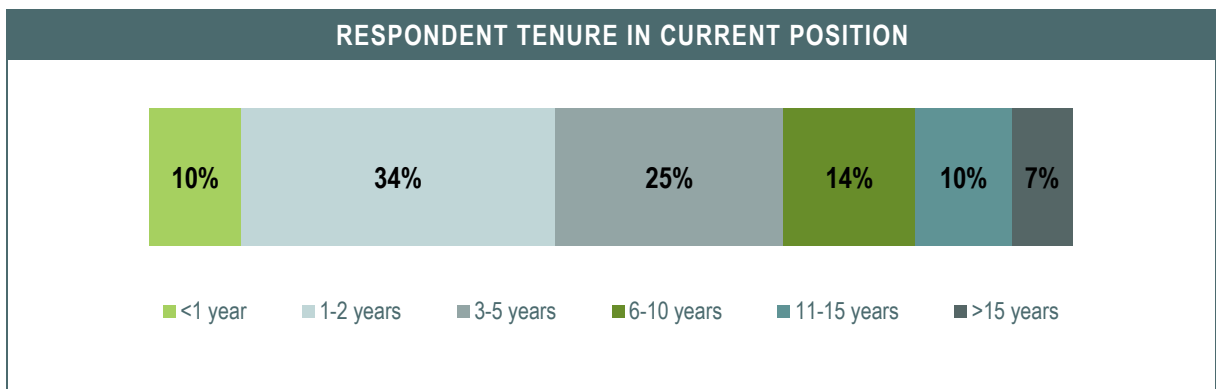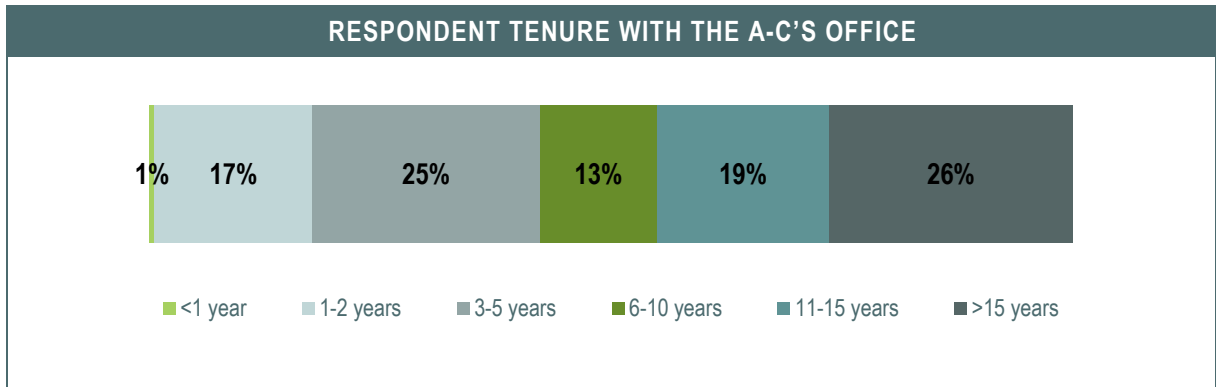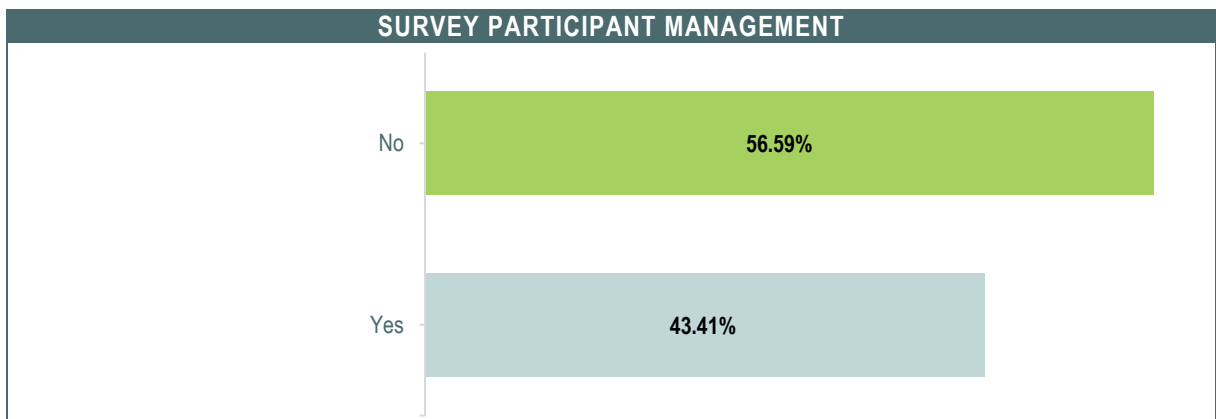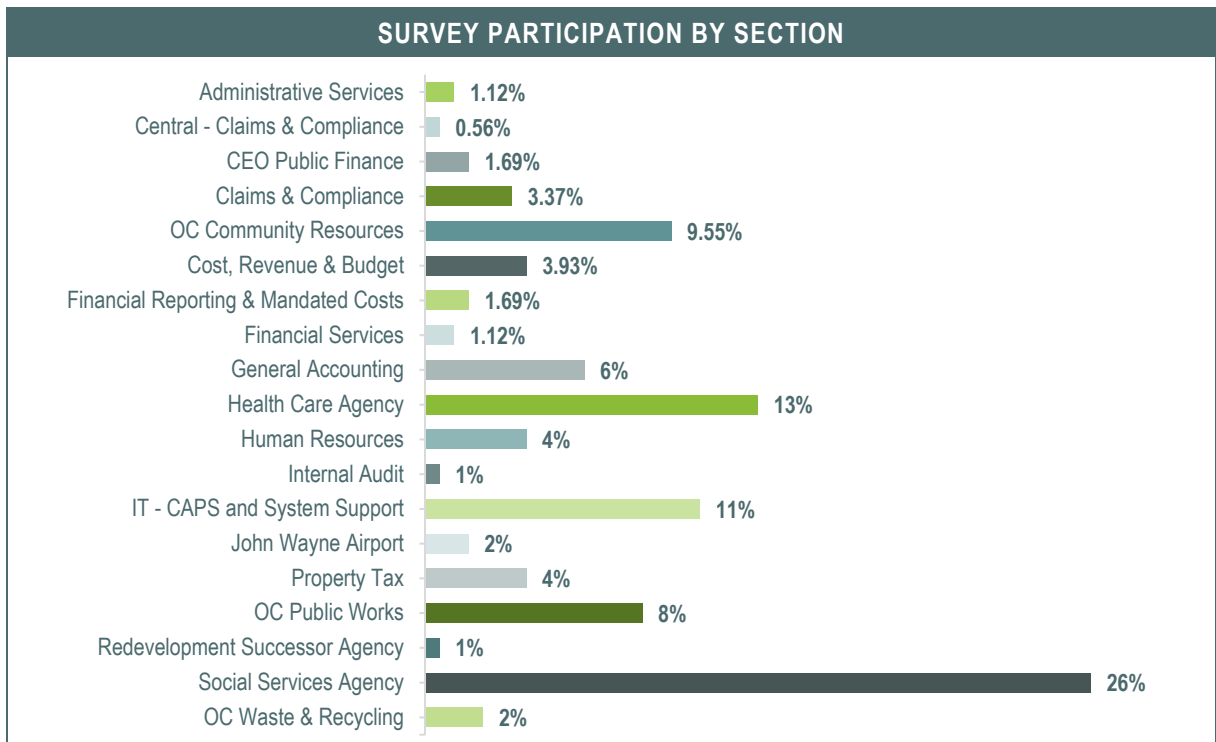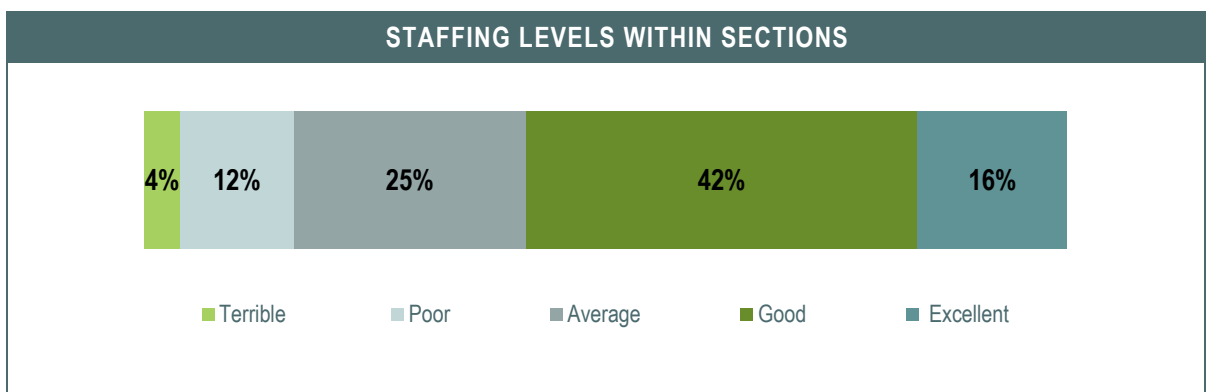|	SECTIONS								
PROCESS	Accounting Manual	Accounting & Reporting	Central Accounting Operations	OC Community Resources Accounting	Health Care Agency Accounting	Central Payroll	OC Public Works Accounting	Social Services Agency Accounting	OC Waste & Recycling Accounting
Personnel Action Changes			X						
Position Changes	X	X	X						
Protected Leave					X	X		X	
Review of Timecards	X			X	X				X
Review OT/SOT Hours				X		X		X	
Separation Pay			X	X		X			
Timecard Audit				X	X	X	X	X	
Timesheet Adjustments				X	X	X	X	X	X
Unused Leave / 457 Accounting					X	X	X	X	
Uploading Timecards in VTI				X			X	X	X
User Access in VTI					X		X	X	
Vacation Time						X			
Workers' Compensation						X		X	X

APPENDIX C: EMPLOYEE SURVEY RESULTS

As part of this engagement, Moss Adams designed an online questionnaire and distributed it to all A-C Office employees via the survey platform Qualtrics. Out of the 381 emails sent to the contact distribution list provided by the A-C's Office, 182 individuals submitted either full or partial responses to the survey (a high participation rate of 48%).

SURVEY RESPONDENT PROFILE

RESPONDENT TENURE WITH THE A-C'S OFFICE

1%	17%	25%	13%	19%	26%

■ <1 year   ■ 1-2 years   ■ 3-5 years   ■ 6-10 years   ■ 11-15 years   ■ >15 years

RESPONDENT TENURE IN CURRENT POSITION

10%	34%	25%	14%	10%	7%

■ <1 year   ■ 1-2 years   ■ 3-5 years   ■ 6-10 years   ■ 11-15 years   ■ >15 years

SURVEY PARTICIPATION BY SECTION

Section	Percentage
Administrative Services	1.12%
Central - Claims & Compliance	0.56%
CEO Public Finance	1.69%
Claims & Compliance	3.37%
OC Community Resources	9.55%
Cost, Revenue & Budget	3.93%
Financial Reporting & Mandated Costs	1.69%
Financial Services	1.12%
General Accounting	6%
Health Care Agency	13%
Human Resources	4%
Internal Audit	1%
IT - CAPS and System Support	11%
John Wayne Airport	2%
Property Tax	4%
OC Public Works	8%
Redevelopment Successor Agency	1%
Social Services Agency	26%
OC Waste & Recycling	2%

SURVEY PARTICIPANT MANAGEMENT

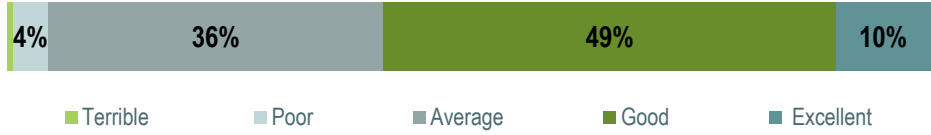|	Percentage
No	56.59%
Yes	43.41%

STAFFING, EMPLOYEE RECRUITMENT, AND RETENTION

STAFFING LEVELS WITHIN SECTIONS

Terrible	Poor	Average	Good	Excellent
4%	12%	25%	42%	16%

STAFFING LEVELS ACROSS SECTIONS

4%	36%	49%	10%

■ Terrible ■ Poor ■ Average ■ Good ■ Excellent

COUNTY EFFORT TO RETAIN/ATTRACT EMPLOYEES

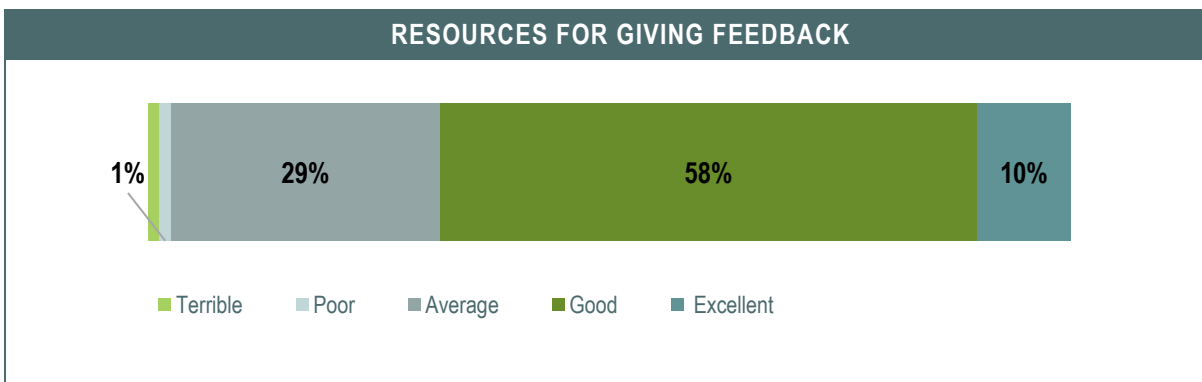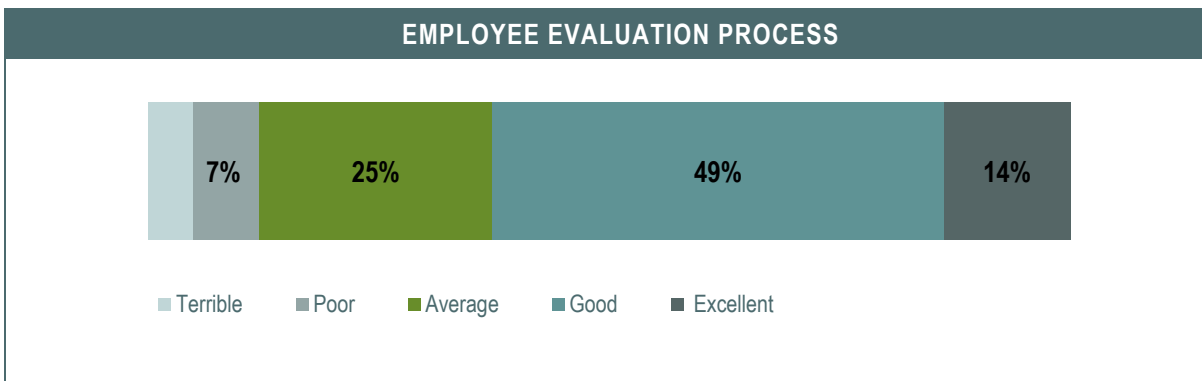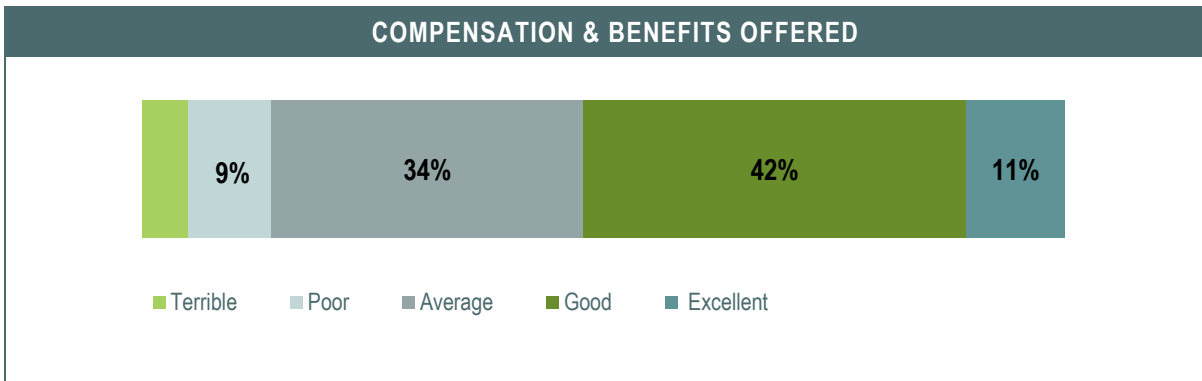|	10%	33%	38%	14%

■ Terrible ■ Poor ■ Average ■ Good ■ Excellent
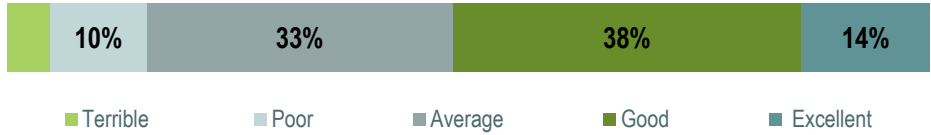
RECRUITMENT/HIRING PROCESSES

3%	30%	48%	18%

■ Poor ■ Average ■ Good ■ Excellent
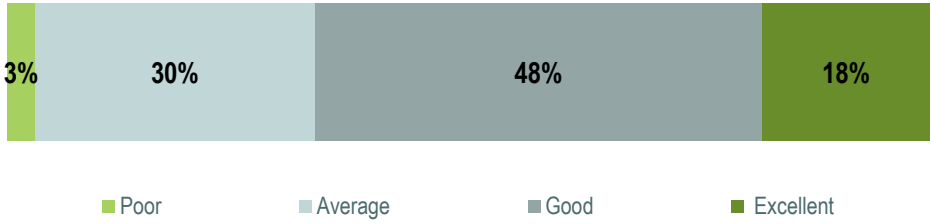
ACTIVELY INVOLVED IN RECRUITING

No — 81.87%

Yes — 18.18%

COMPENSATION & BENEFITS OFFERED

Terrible	9%	34%	42%	11%

Legend: Terrible · Poor · Average · Good · Excellent

EMPLOYEE EVALUATION PROCESS

7%	25%	49%	14%

Legend: Terrible · Poor · Average · Good · Excellent

RESOURCES FOR GIVING FEEDBACK

1%	29%	58%	10%

Legend: Terrible · Poor · Average · Good · Excellent

RECRUITMENT BY SECTIONS

3%	30%	48%	18%

Legend: Terrible · Poor · Average · Good · Excellent
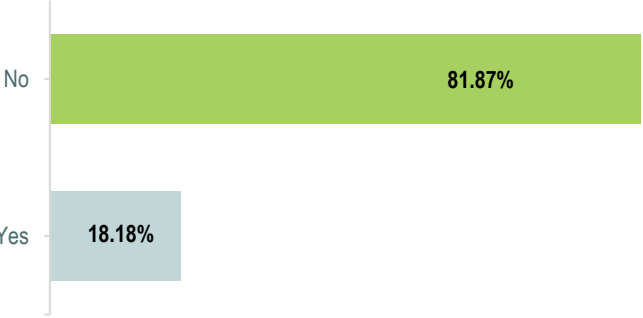
COMMUNICATION WITH CENTRAL ACCOUNTING

WORKS WITH CENTRAL ACCOUNTING REGULARLY

No — 59.18%

Yes — 40.82%

REACHES OUT TO CENTRAL ACCOUNTING

| | 53% | 16% | 18% | 11% |

■ Never　■ Sometimes　■ About Half the Time　■ Most of the Time　■ Always

COMMUNICATION FROM CENTRAL ACCOUNTING IS TIMELY

| 5% | 37% | 5% | 53% |

■ Sometimes　■ Most of the Time　■ About Half the Time　■ Always

COMMUNICATION FROM CENTRAL ACCOUNTING IS QUALITY

| 4% | 44% | 5% | 47% |

■ Sometimes　■ Most of the Time　■ About Half the Time　■ Always

RESOURCES/TRAINING PROVIDED BY CENTRAL ACCOUNTING
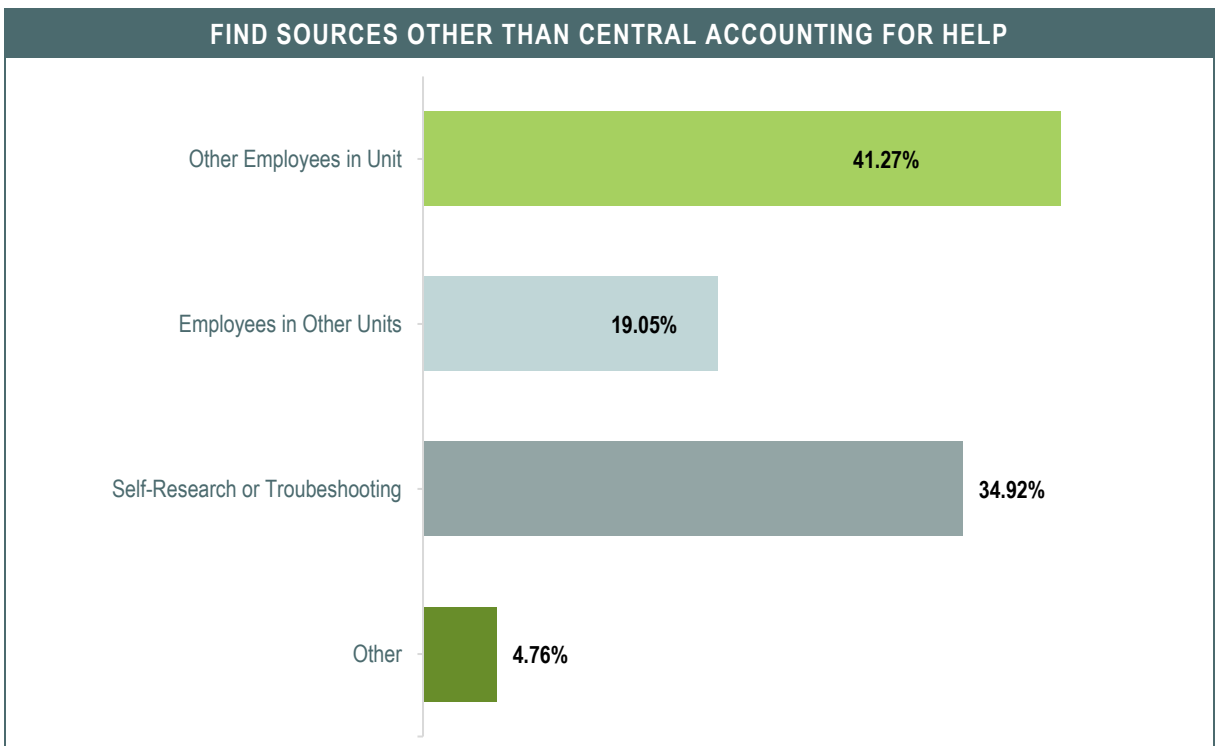
6%	13%	58%	23%

■ Poor   ■ Average   ■ Good   ■ Excellent

FIND SOURCES OTHER THAN CENTRAL ACCOUNTING FOR HELP

Category	Percentage
Other Employees in Unit	41.27%
Employees in Other Units	19.05%
Self-Research or Troubeshooting	34.92%
Other	4.76%

CAPS+

MODULES IN CAPS+ USED

Module	Percentage
General Accounting	32.07%
Budget Control	5.86%
Accounts Payable	15.86%
Accounts Receivable	5.86%
Cost Accounting	12.07%
Fixed Assets	4.14%
Payroll	14.83%
HR	4.48%
Other	4.83%

UNDERSTANDING OF CAPS+ FUNCTIONALITY

Poor	Average	Good	Excellent
	9%	48%	41%

USABILITY AND FUNCTIONALITY OF CAPS+

Poor	Average	Good	Excellent
	14%	60%	23%

TRAINING RECEIVED FOR CAPS+

Category	Percentage
No Training	73.24%
Online & In-Person Training	6.34%
In-Person Training Only	10.56%
Online Training Only	9.86%

ADEQUACY OF CAPS+ TRAINING

Average	Good	Excellent
11%	58%	32%

■ Poor ■ Average ■ Good ■ Excellent

USES SYSTEMS THAT DON'T INTEGRATE WITH CAPS+

I'm Not Sure	No	Yes
33%	49%	18%

■ I'm Not Sure ■ No ■ Yes

FREQUENCY OF MANUAL PROCSSES BEING USED

- Daily — **14.44%**
- A Few Times a Week — **12.78%**
- A Few Times a Month — **12.78%**
- Very Rarely/Never — **57.78%**
- Other — **2.22%**

INEFFICIENCY THAT RESULTS FROM MANUAL PROCESSES

- A Lot — **13.51%**
- A Great Deal — **8.11%**
- A Moderate Amount — **31.08%**
- A Little — **28.38%**
- None At All — **18.92%**

DEPENDS ON SOFTWARE THAT IT DOES NOT FORMALLY SUPPORT

No	89.27%
Yes	10.73%

COVID-19 IMPACT

IMPACT OF COVID-19 ON PERSONNEL

Hiring	16.06%
Changes to how work is done	22.80%
Impact on operating budget	7.77%
Reduction in services provided	2.07%
Impact on upgrading or purchase of new equipment	2.85%
Increased workload on personnel	18.39%
Increased demand on certain services	2.85%
Remote work issues	14.77%
Strain on Organization culture or morale	7.77%
Other	1.30%
None	3.37%