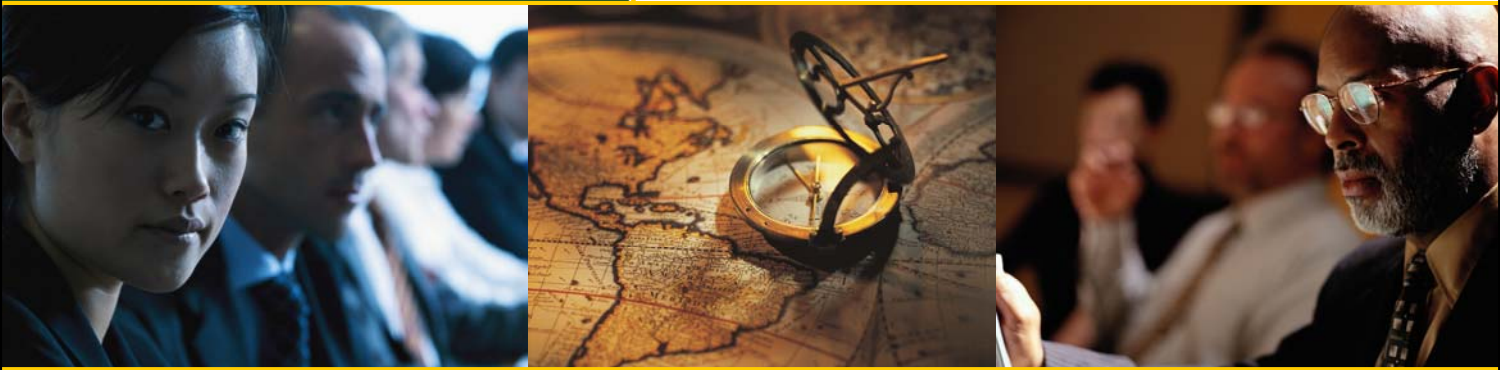# Land of Sky Regional Council
Performance Audit

FINAL REPORT

Evergreen Solutions, LLC

May 23, 2014

Land of Sky Regional Council Performance Audit

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CHAPTER 1:
INTRODUCTION

1.0 INTRODUCTION

In January 2014, Evergreen Solutions, LLC was retained by Land of Sky Regional Council (LOSRC) to conduct a comprehensive performance audit of the agency. The study was intended to focus on the organizational, operational, and financial efficiency and effectiveness of LOSRC operations. Specifically, Evergreen reviewed past reports and existing data sources (policies, organizational charts, financial audits, job descriptions, salary schedules, employee handbook, etc.), conducted interviews, and established a channel for receiving broad-based input.

1.1   _METHODOLOGY_

Evergreen's methodology for conducting the performance audit was divided into two distinct phases: Phase I (project initiation and diagnostic review) and Phase II (in-depth analysis and reporting). This phased approach ensured that objectives were clearly articulated before commencing the study and were completed in a logical manner. The two phases were further disaggregated into seven tasks, including the following:

Phase I

- initiating the project;

- collecting and reviewing existing reports and data sources; and

- conducting a diagnostic review, including interviews with LOSRC members, Board of County Commission members, County leaders, and LOSRC department heads.

Phase II

- determining operational requirements, and conducting analyses and best practice research;

- conducting the formal in-depth audit with a team of three Evergreen consultants;

- conducting gap analysis and formulating findings and recommendations; and

- preparing the draft and final reports.

Project Initiation

During project initiation, Evergreen worked with the LOSRC Executive Director to finalize the project work plan, time lines, and deliverables that would lead to successful accomplishment of all objectives of the performance audit. In addition, expectations were defined for both LOSRC and for the Evergreen Team. Project initiation also included the initial step of developing a comprehensive understanding of Land of Sky Regional Council as an organization and at the individual department levels. This included developing profiles of departments and functional areas, and mapping the dependencies between each. Further, key project stakeholders were

identified and contact information was provided to Evergreen to establish effective lines of communication to be used throughout the audit.

Review of Existing Reports and Data Sources

Initially, Evergreen consultants collected existing reports and data sources that provided the team with recent information related to the various administrative functions and operations to be reviewed. Examples included, but were not limited to the following:

- policies and administrative procedures;
- organizational charts and flow charts of work processes in each department;
- program and compliance reports;
- strategic and departmental plans;
- mission, vision, goals, objectives and performance standards;
- annual performance reports;
- independent financial audits;
- annual budget and expenditure reports;
- job descriptions;
- technology data;
- staffing data;
- salary schedules; and
- employee handbook.

Data were analyzed from each of these sources and the information was used as a starting point for collecting additional data during onsite visits. Paired with research conducted on LOSRC prior to commencing this study, state-level data collected by Evergreen, and Evergreen's understanding of North Carolina municipalities derived from our experience working with multiple North Carolina counties, these data solidified our understanding of LOSRC and allowed us to establish a firm context in which the performance audit would be conducted. The final outcome of this task was a comprehensive and detailed profile of Land of Sky Regional Council.

Diagnostic Review

The diagnostic review of Land of Sky Regional Council consisted of an onsite review of LOSRC operations conducted in February 2014. With information in hand from the previous task, Evergreen team leaders were able to submerse themselves into the operations of the regional council and begin identifying areas for further analysis. Two Evergreen consultants interviewed or conducted focus groups with Council members, Board of County Commissioners, County leaders, LOSRC department heads, and other employees concerning the management and operations of Land of Sky. Care was taken to ensure that a diverse cross-section of staff at all levels and functions of LOSRC were included in this process.

In-Depth Performance Audit

A team of consultants conducted the in-depth performance audit of LOSRC operations during the week of March 17, 2014. This formal onsite review allowed detailed analysis in those areas identified during the previous diagnostic review.

As part of this onsite review, the following systems and operations were examined:

- Organization and Management
- Financial Management
- Human Resources/Staffing
- Information Technology

Prior to conducting the onsite audit, each team member was provided with an extensive set of information about Land of Sky operations (formed during previous tasks). During the onsite work, Evergreen team members conducted a detailed performance audit of the structure and operations in their assigned functional areas.

1.2   OVERVIEW OF LAND OF SKY REGIONAL COUNCIL

Land of Sky Regional Council is a multi-county, local government planning and development organization. The Council reaches across county and municipal borders providing technical assistance to local governments and administering projects and programs which benefit the region's citizens. Land of Sky Regional Council is one of 16 regional councils in North Carolina and one of 556 such organizations nationwide. LOSRC serves North Carolina's Region B – Buncombe, Henderson, Madison, and Transylvania counties as shown in **Exhibit 1-1**.

LOSRC is one of the smallest geographic regions in North Carolina and includes four counties; other regional councils vary in size from four counties up to 12 counties (Piedmont Triad Regional Council). LOSRC serves 15-member municipalities not including the four county governments, but including six cities or towns in Buncombe County; four villages, cities, or towns in Henderson County; three towns in Madison County; and two cities or towns in Transylvania County. Lastly, the region contains one university, five colleges, and two community colleges and technical schools. With regard to population, LOSRC is not that small since the Asheville Metro area is included.

LOSRC is funded by member governments, federal funds, state funds, and private/other funds.

The mission of Land of Sky Regional Council is:

> *…to provide creative regional solutions to relevant and emerging issues in Buncombe, Henderson, Madison, and Transylvania counties while providing a standard of excellence in the delivery of federal, state, and regional services for our member communities.*

Exhibit 1-2 shows the services LOSRC offers.

Exhibit 1-1
North Carolina's Region B

Source: Land of Sky Regional Council website, 2014.

Exhibit 1-2
Services LOSRC Offers

> *Economic & Community Development* - Planning, economic, and community development services for our local governments and communities.
>
> *Volunteer Services* - Connects adults 55 and older with people and organizations that need them most.
>
> *Area Agency on Aging* - Promotes the well being of older adults and their families in our region.
>
> *Mountain Area Workforce Development* - Plans for and addresses workforce development needs our citizens and businesses.

Source: Land of Sky Regional Council, 2014.

1.3   OVERVIEW OF THE REPORT

The final report for this study consists of the following five chapters:

- Chapter 1:   Introduction
- Chapter 2:   Organization and Management
- Chapter 3:   Financial Management
- Chapter 4:   Human Resources/Staffing
- Chapter 5:   Information Technology

Chapter 2 through **Chapter 6** contain findings, commendations, and recommendations for specific operational areas, provided in the following sequence:

- a description of the operation in Land of Sky Regional Council;
- a summary of our audit findings;
- a commendation or recommendation for each finding; and
- estimated costs or cost savings (if a fiscal impact exists) over a five-year period which are stated in 2014 dollars.

CHAPTER 2:
ORGANIZATION AND MANAGEMENT

2.0 ORGANIZATION AND MANAGEMENT

During the past decade, the environment in which local and regional governmental agencies has experienced some significant changes. The onset of major financial stressors related to the precarious economic landscape, constant changes in expectations of the public, and continuing shifts in service responsibilities to the local level are just a few of the primary drivers behind this environmental change. This new environment has magnified the need for local elected bodies and local government managers to work as a team to ensure the effective and efficient delivery of public services.

Most, if not all, organizations—both public and private—have the lofty goal of 'success' and strive to be 'successful' in the delivery of services. Yet few organizations have a clear definition of 'success.' Even fewer organizations actually meet the goal of being "successful." In pursuit of 'success,' numerous local and regional governments have undertaken strategic planning initiatives and implemented performance management systems. These tools, if used correctly, can assist public sector agencies in finding new, innovative, and cost-effective ways to deliver public services, and can, in many cases, result in success.

The blueprint for effective and efficient service delivery is quite simple in theory, but can be extremely complex in practice. In order to ensure top-notch service delivery, three key components must be in place:

- a well-defined organizational/governance structure;
- a reliable management system; and
- a pro-active, deliberate planning process.

It is imperative that elected officials and managers work as a team to ensure that these components are in place and, in turn, work in a unified manner to meet the constantly changing needs and demands of the public. Through this team approach, there has to be clear delineation between the development and enacting of policies (the governing process) and the strategic implementation of policies (the management process).

Increased demand for high-level services, insistence for low tax burdens, an uncertain economic environment, and the passing down of responsibilities from higher levels of government have created an atmosphere in which local and regional governments must find new, innovative, and cost effective way to deliver services.

Some local and regional agencies have begun to crumble under this pressure. Yet few local and regional governments have embraced these challenges. These unique jurisdictions have implemented organizational changes and enacted progressive management systems that have resulted in increased performance, greater citizen satisfaction, and increased accountability. These jurisdictions are on their way to reaching the goal of 'success.' The challenge to other units of local and regional government is to adjust to the new reality and chart a course to success.

This chapter examines and evaluates the effectiveness of the organization and management of Land of Sky Regional Council in the following five sections:

    2.1   Governance
    2.2   Organizational Structure
    2.3   Policies and Procedures
    2.4   Strategic Planning
    2.5   Communications and Public Relations

2.1   *GOVERNANCE*

LOSRC is governed by a board comprised of local elected officials, economic development professionals, and key regional stakeholders. The Council employs an Executive Director and professional staff to carry out the day-to-day operations of the agency. Each member government appoints two delegates—one primary delegate and one alternate delegate. Primary delegates are elected officials of the appointing member governments. Delegates serve at the pleasure of their appointing governing body. Each County government appoints one delegate to represent economic development interests. Chairs of the Aging Advisory Council and Senior Volunteer Service Advisory Council also serve as delegates. Four at-large delegates are appointed by the Land of Sky Board to represent regional minority interests.

The Executive Committee, elected by the Land of Sky Board, consists of seven members—four members to represent each county, three at-large members, and one member to represent regional minority interests. The officers of Land of Sky Regional Council are the Chair, 1st Vice Chair, 2nd Vice Chair, Secretary, and Treasurer. Officers are selected from members of the Executive Committee and serve one-year terms.

Members of the current Executive Committee of the Council are:

- Chairman – George Goosmann, Village of Biltmore Forest
- 1st Vice Chair – Ellen Frost, Buncombe County
- 2nd Vice Chair – Charlie Landreth, City of Brevard
- Secretary – Mike Hawkins, Transylvania County
- Treasurer – Wayne Brigman, Madison County
- At Large – Dona Mennella, Town of Laurel Park
- At Large – Simone Bouyer, Madison County

The responsibilities of the Board of Directors are shown in **Exhibit 2-1**.

FINDING

Land of Sky Regional Council has a set of bylaws. An outline of the bylaws is shown in **Exhibit 2-2.** These bylaws were revised numerous times between 1972 and 2005. Since 2005, the bylaws are not been changed, except for an adjustment in the annual meeting from January to March. Nonetheless, it is apparent that several changes are needed.

Exhibit 2-1
Responsibilities of the Council's Board of Directors

The Board of Directors is responsible for adopting the policies and procedures of the organization as well as the development of regional priorities and program emphasis.

These include:

- approving of annual budget and amendments;
- developing legislative priorities;
- prioritizing funds for regional projects, other infrastructure needs and the use of human service program funds;
- advocating policy on behalf of the Council or a component thereof to federal or state officials or to the general public;
- establishing advisory committees and their by-laws or policies and procedures for their operation;
- considering recommendations of advisory committees or task forces in regard to policies, plans, programs priorities or other Council matters;
- providing general supervision of the Executive Director; and
- approving the compensation plan and employee benefits.

In addition, the following items must have Council Board approval:

- by-laws changes (requires a two-thirds vote in the affirmative);
- election of Officers and selection of the Executive Director;
- contracts including memoranda of agreement and other like-named documents which involve funds or significant Council resources and are binding on the Council; and
- amendments of contracts, which may include extension of time, changes in amount of consideration or changes in any contract provisions.

Source: LOSRC, 2014

Exhibit 2-2
Land of Sky Regional Council Bylaws
Outline

Article I	Name
Article II	Geographic Region
Article III	Purpose and Objectives
Article IV	Offices
Article V	Membership and Voting
Article VI	Meetings
Article VII	Budgets
Article VIII	Executive Committee
Article IX	Officers
Article X	Duties of Officers
Article XI	Compensation
Article XII	Indemnification
Article XIII	Amendments
Article XIV	Summary

Source: LOSRC Bylaws, 2014.

RECOMMENDATION

Recommendation 2-1:

Modify the Council's bylaws to reflect current conditions and other changes which are not consistent with the agency's way of work.

Among the changes necessary in the bylaws are, at minimum, the following:

- removing the need for other council offices (Article IV);

- modify the weighted vote addressed in Section 3 of Article V as it is not enforced; and

- delete the requirements for alternative members on the Executive Committee (Article VIII)—unless it will be enforced.

FINDING

The Executive Director reports to Land of Sky Regional Council. The Council is responsible for holding the Director accountable for accomplishing his major responsibilities. The current job description of the Executive Director is shown in **Exhibit 2-3**. While comprehensive, the job description is too broad and parts of it (e.g., *computerization of Council functions and participates in special education*) need to be modified, as they are not applicable to the Director's primary responsibilities. Also, this job description was never approved by the Council.

RECOMMENDATION

Recommendation 2-2:

Revise the job description for the Executive Director.

The Council should revise and approve the job description of the Executive Director. When revising the new job description, the components of the transition prepared by the new director should be considered. These are shown in **Exhibit 2-4.**

FINDING

Land of Sky Regional Council has no system in place to evaluate its Executive Director. Yet, evaluating the performance of an Executive is one of the most important responsibilities of the Council. According to Robert Bacel, in his article entitled "What Is the Point of Performance Appraisal?" (Bacel & Associates, 2010):

Exhibit 2-3
Land of Sky Regional Council
Executive Director
Job Description

Job Title:	Department:
Executive Director	Land of Sky Regional Council
Status:	**Reports to:**
Exempt	Member Governments of LOSRC

Description of position:
Performs complex managerial and administrative work in directing comprehensive regional planning, aging, and volunteer services for member local governments of Land of Sky Regional Council. Works in cooperation and compliance with Council's mission and other policies and procedures are applicable.

Major responsibilities include, but are not limited to:

- Plans, organizes, and directs program services and operations in collaboration with the management team; provides leadership in strategic planning and budget and resource development; establishes sound communications structures, work priorities and provides daily advice and consultation as needed through appropriate supervisory levels.

- Meets regularly and works closely with the Regional Council Chairperson and the Executive Committee to provide recommendations and consultation on policy, budget and direction of program services, and to consult with the Council in carrying out policy and other directives; serves as a member of the Executive Committee; attends Council meetings and reports on business matters, activities, meetings, proposals and cooperative endeavors, etc.

- Develops, reviews and establishes operating policies and procedures for the Council's staff; researches and prepares recommendations and reports on activities issues, programs, and projects for the Council.

- Prepares annual budgets for adoption by the Council; makes recommendations to the Council on financial policies; provides oversight on accounting and administration of funds and computerization of Council functions.

- Provides oversight and ensures a current and modern personnel management system including personnel policies, benefits and classification plan is implemented and maintained; coordinates and consults with the Executive Committee on policy adoption and interpretation, personnel actions and benefits decisions.

- Develops, coordinates and serves as team leader and/or planner for economic and community development planning issues with regional implications such as telecommunication infrastructure knowledge coalition; researches and identifies potential funding sources; develops and writes plan proposals and grant applications; serves as liaison to regional groups such as WNC Highway Corridor Association and the Department of Transportation, the Regional Tourism marketing Group and other groups; and prepares and makes presentations.

- Establishes a system and processes for building, enhancing, and maintaining strong effective relationships with member-clients, and local, state, and federal officials, funding sources, and private sector and civic leaders.

- Serves as principal contact for member governments; attends meetings with community leaders and officials, including state and regional meetings of the League of Municipalities and Association of County Commissioners'; attends a wide variety of meetings involving city and county managers; serves as liaison on various committees and task force groups, professional and local associations; and participates in special education and community relations-building.

- Supervises personnel through subordinate supervisors and directly; serves as a resource and sounding board for staff including dealing with difficult personnel problem solving; performs personnel management functions including participating in and recommending hiring, discipline and dismissal to the Executive Committee, training, motivating, and evaluating performance; may designate and utilize teams in the screening of applicants.

- Organizes and implements public relations effort for the Council; develops contacts and builds networks through organizations such as the WNC Development Association; oversees publication of promotional materials on LOSRC; serves as spokesperson for the Council before public groups; attends a variety of meetings representing the Council; responds to inquiries on all aspects of Council's operation from the media, etc.

- Performs other duties as assigned.

Exhibit 2-3 (Continued)
Land of Sky Regional Council
Executive Director
Job Description

Minimum Skill Requirements:

- Thorough knowledge of applicable local, state and federal laws, regulations, procedures, and programs that govern LOSRC program services and activities.

- Thorough knowledge of the principles and practices of intergovernmental relations.

- Thorough knowledge of the Council's purpose and functions, requirements, policies, processes, procedures and precedents.

- Considerable knowledge of the needs and resources of the region.

- Considerable knowledge of governmental accounting and purchasing policies and regulations.

- Considerable knowledge of management and leadership principles and practices as applied to human behavior, motivation, budgeting, purchasing, grant administration and related issues.

- Considerable knowledge of information technology in relation to application to the planning and environmental management fields including the use of GIS systems.

- Considerable skill in the collection, analysis, and presentation of technical data and planning recommendations.

- Considerable knowledge of community development funding sources, including grants.

- Skills in leadership, management and supervision.

- Skill in handling highly sensitive and controversial situations in an objective, confidential, impartial and diplomatic manner.

- Skill in developing and applying innovative solutions to regional problems.

- Skills in using personal computers for word processing, spreadsheet, presentation and GIS software, e-mail, internet and database applications.

- Ability to exercise sound judgment and discretion in decision making and in communicating with the member-governments, state and local government officials, business and civic leaders, and others.

- Ability to express ideas effectively in oral and in written forms, and to make presentations.

- Ability to establish and maintain effective management and organizational structures.

Minimum Education and Experience Requirements:

Master's degree in planning, community development, regional and urban planning, public administration or related field and considerable progressively responsible regional planning experience including considerable supervisory and management experience; or an equivalent combination of education and experience.

Special Requirements:

Possession of a valid North Carolina driver's license and access to a car on a regular basis that may be required in the performance of work.

Physical Demands:

- Must be able to physically perform the basic life operational functions of fingering, talking, hearing, and repetitive motions.

- Must be able to perform sedentary work exerting up to 10 pounds of force occasionally, and/or a negligible amount of force constantly to move objects.

- Must possess the visual acuity to prepare and analyze data and figures, to read extensively, and to operate a computer.

Source: LOSRC Executive Director, 2014.

**Exhibit 2-4
A Plan to Support Land of Sky Regional Council's
Successful Transition to New Direction**

Change in leadership can create a sense of anxiety and apprehension for most organizations. Staff may experience a feeling of uncertainty, leaders may second guess decisions, and customers may begin to question levels of commitment. At the same time, new leadership can create excitement, present new opportunities, and re-energize stale environments. Land of Sky Regional Council's new Executive Director must be committed to a transition that builds on the organization's past, while focusing on opportunities for the future.

Strengthen Relationships Build new and strengthen existing relationships with member jurisdictions through a proactive, client-driven approach to membership support. Place an emphasis on fostering a sense of trust through targeted outreach to elected officials, managers, administrators, economic development professionals, and other key partners.	**Energize Staff** Initiate group and one-on-one conversations to engage staff in order to gain a better understanding of organizational and individual strengths and weaknesses. Encourage and motivate staff to perform at the highest level, while embracing a "customer service" approach to the delivery of services.
Evaluate Service Delivery Though input from customers, evaluate types and levels of services provided. Develop a plan for improving customer service and service delivery to ensure the needs of member jurisdictions are met. Make certain that work plans are aligned with customer needs.	**Focus on Strategic Planning** Understanding that if everything is a priority, nothing is a priority, work with the Executive Committee to construct a process to develop a strategic plan. Develop a plan that defines organizational priorities and is the basis for a performance management system.
Reinforce Advocacy Continue and enhance advocacy activities for local and regional issues with elected officials, appointed officials, and agencies at both the federal and state levels. Strengthen alliances and collaboration with our state and federal partners.	**Analyze Structure & Internal Operations** Work with the Executive Committee and the Management Team to develop a process for analyzing the organizational structure and internal operations. Focus on building capacity, customer service, economies of scale, staffing levels, and cost savings.

Source: LOSRC Executive Director, 2014.

Probably the most misused and abused and disused management tool in history is the performance appraisal. It's the strangest thing. Ask any manager or human resources person whether they think performance appraisal is an important thing to do, they are almost unanimous. "Of course it is", is the common response. If you ask why it's important, they will tell you and tell you and tell you.

The odd thing is that they often don't get done, and managers, supervisors and employees hate the darned things. Human resource professionals spend a lot of time whipping people into doing them, while managers look for a variety of reasons to delay and delay. Why is that?

It's uncomfortable to do performance appraisals. But why is it uncomfortable? Because people undertake them for the wrong reasons and wrong perspective, which ends up putting the manager and the employee on different "sides". Appraisals are used for determining pay increases, who gets let go, who gets promoted. Often they are used to focus on what people have done wrong.

So what is the point of performance appraisals? Here's a starting point that actually works. The most important purpose or goal of the appraisal is to improve performance in the future...and not just for the employee. Managers can get valuable information from employees to help them make employee's jobs more productive. Work units and organizations can identify problems that interfere with everyone's work.

If we shift from affixing blame, to identifying barriers to performance we begin to remove the fear and dread people have about these "appraisals". When we focus on the present and the future, we change our focus to what's been to what can be better tomorrow.

An appraisal that works involves a number of things, but first and foremost is the process of identifying what has gotten in the way of better performance (regardless of the level of performance), and how manager and employee can work together in the future, to improve it. It's really that simple.

When managers put away the "blaming stick" in appraisals and move to a cooperative, dialogue approach, the whole process can become more comfortable and effective. Because, it puts the manager and employee on the same side, and working towards the same goals, getting better and better.

Sure, we do use appraisals for a number of reasons but if we are going to get real value out of the time and energy we put into them, we have to look at the process in a more constructive way. And, bottom line, that's making performance better.

As one example, **Exhibit 2-5** provides an effective evaluation tool used to evaluate the County Manager in Lee County, North Carolina.

RECOMMENDATION

Recommendation 2-3:

Evaluate annually the Executive Director of Land of Sky Regional Council.

Exhibit 2-5
County Manager Performance Evaluation Tool
Lee County, North Carolina

Final Performance Summary Document

Use these guidelines to complete the Performance Summary Document:

The Supervisor should complete the Performance Planning and Review Document including summary ratings and specific comments <u>and</u> the Performance Summary Form by providing an overall rating of performance for the year. In brief narrative form, the Supervisor should outline specific examples which support the overall performance rating.

Performance Rating Definitions

Overall Performance Ratings

5	**Exceeds Expectations**	*Makes significant contribution to the department or County results. Overall performance consistently exceeds the requirements necessary to fulfill the principal duties objectives and expectations of the position.*
4	**Meets Expectations +**	*Overall performance exceeds many of the requirements necessary to fulfill the principal duties objectives and expectations of the position.*
3	**Meets Expectations**	*Overall performance meets all requirements necessary to fulfill the principal duties objectives and expectations of the position.*
2	**Meets Expectations -**	*Overall performance meets some but not all requirements necessary to fulfill the principal duties objectives and expectations of the position.*
1	**Unacceptable**	*Overall performance fails to meet all or most of the requirements necessary to fulfill the principal duties objectives and expectations of the position.*

Operating Philosophy	
Evaluate HOW results are achieved consistent with the terms of the Operating Philosophy	
Operating Philosophy Elements:	**Rating**
Empowering People: *Entrusts people with the authority to make decisions, take action and accept responsibility within their job parameters in order to achieve the County's goals and expectations.*	
Training & Development: *Provides information, coaching and support which will enable employees to understand how to improve and maximize their potential.*	
Recognition & Rewards: *Acknowledges employees for their accomplishments and rewards them for their contributions and high standards of performance*	
Integrity: *Consistent adherence to County's standards, beliefs and values; "walks the talk"*	
Diversity: *Values individuals on an equal and non-discriminatory basis. Treats others fairly and equitably in every aspect of the employment relationship.*	

Exhibit 2-5 (Continued)
Final Performance Summary Document

Operating Philosophy	
Evaluate HOW results are achieved consistent with the terms of the Operating Philosophy	
Operating Philosophy Elements:	**Rating**
Teamwork: *Communicates and accomplishes a mutual goal through willing cooperation to achieve satisfaction for our internal and external customers.*	
Timely Decisions: *Secures and analyzes relevant information and then promptly arrives at a definitive course of action.*	
Open and Honest Communications: *Ensures accurate, honest and timely transfer of ideas and facts to those affected directly both inside and outside the organization.*	
Striving for Excellence: *Establishes benchmarks as stepping stones to next level of perfection thereby guaranteeing continuous improvement*	
Aggressive Execution: *Focuses on accomplishing goals and challenges set before you with a sense of urgency and team involvement, eliminating bureaucracy wherever possible.*	
Proactive Attitude: *Promotes the identification and development of new opportunities, encouraging action on existing opportunities, making the "impossible possible" by promoting change and aggressively seeking solutions to problems through teamwork.*	
Continuous Improvement: *The achievement of ever-lasting levels of excellence in all aspects of our County organization.*	
Innovation: *Encourages new ideas and helps support and develop these ideas into improvements in our products, processes, and dealings with our internal and external customers.*	
Comments **(Provide specific examples for elements rated 1, 2, 4, or 5)**	

Source: Lee County Manager's Office, North Carolina, 2014.

A performance evaluation system for the Executive Director should be implemented immediately. The system should be based on the job description approved by the Council. The Council's Executive Committee should conduct this evaluation annually and no later than September 2014. The completion of a self-assessment by the Executive Director, and its review by the Council's Executive Committee prior to the annual evaluation, could also be effective and should be considered.

2.2   *ORGANIZATIONAL STRUCTURE*

According to Dr. Craig W. Fontaine in his article entitled "Organizational Structure: A Critical Factor for Organizational Effectiveness and Employee Satisfaction" (Northeastern University, 2007):

Organizational structure is a topic seldom contemplated by most people working in organizational settings. We all go to work every day, go to assigned locations, and perform our jobs – and we don't even think about how our organization is arranged.

However, organizational structure is critical both for a company and its employees. People should think carefully about the organizational structure of the companies for which they work or of companies for which they intend to work. In the long run, organizational structure can spell the difference between success and failure for a company, as well as for the individuals who work there.

Graduate students in public administration programs learn there are four core management functions:

- planning;
- organizing;
- leading; and
- controlling.

The organizing function entails the process of determining what needs to be done, how it will be done, and who will do it. In this example, organizing or organizational structure, is just as important as the other core management functions, but is quite often overlooked.

Successful management of a governmental organization starts with an effective organizational structure—a structure that reinforces the overall strategic direction of the agency and allows specific leaders to concentrate on the most valuable aspects of their role. Conversely, an ineffective organizational structure can hamper a government's ability to address the needs of its citizens, plan for future growth and resource needs, and implement valuable and necessary strategic initiatives.

Organizational structure is often viewed merely as a chart in a document or, in some cases, as an obscure academic discipline only examined by management professors and graduate students. However, the structure of an organization is one of the primary keys to ensure effectiveness and efficiency. If the proper organizational structure is not in place, an organization will fail to meet

its basic goals and will, in the long run, take on many dysfunctional attributes. This has been proven time and time again in both the private and public sectors.

The organizational structure and management system of a public sector agency are key factors in determining the agency's ability to meet its goals and to operate in an effective and efficient manner. An effective organizational structure systematically arranges the functional areas of the agency in a manner that supports its mission and goals. A successful organization has the capacity to alter its structure to meet the changing needs of its customers. The management system of the agency—including the ability to make informed decisions, communicate effectively, and provide appropriate planning and accountability functions—ultimately determines the extent to which the agency (whether state, regional or local) can successfully carry out its mission and accomplish its goals.

The development and maintenance of an effective organizational structure are formidable tasks. Fundamentally, an organizational structure is a support system, designed to facilitate the primary mission of the agency and sustain its efforts to accomplish its goals. To the extent that its mission does not drive its organizational structure, the support system is weakened, and consequently, the agency's ability to accomplish its primary mission is compromised.

An agency is often bureaucratic and subject to the inertia created by tradition and size. In many instances, the organizational structure evolves based more upon tradition and the special interests of the Board or Council, as well as senior leadership, rather than being developed systematically. Often times, little organizational analysis is done and the agency continues, in large part, to resemble its predecessors. Nonetheless, to maintain effectiveness, the agency must continue to focus its energy on the needs of its constituency group and constantly adapt to serve the needs of its stakeholders.

While maintaining an effective organizational structure is a challenging task, the end results can yield enormous benefits for the counties, cites and other organizations that the system supports. As Carter McNamara said in *Basic Context for Organizational Change*, "Typically, organizations must undertake organization-wide change to evolve to a different level in their life cycle."

FINDING

Mr. Justin Hembree became the Executive Director of Land of Sky Regional Council on September 25, 2013. The current organizational structure of LOSRC is shown in **Exhibit 2-6.**

As can be seen, senior leaders of LOSRC include:

- Executive Director

- Deputy Executive Director

- Three Program Directors (Economic and Community Development, Aging and Volunteer Services, and Mountain Area Workforce Development Board)

- Finance Director

**Exhibit 2-6
Land of Sky Regional Council
Current Organizational Structure
2014**

Source: Land of Sky Regional Council website, 2014.

These individuals comprise the LOSRC Leadership Team. Leadership team meetings occur twice a month with one meeting focused on general issues and the other meeting on budget issues. Each meeting is accompanied with an agenda and summary notes.

LOSRC has lost several employees during the past couple of years due to the decline of specific grants and funding. Some positions have gone unfilled when employees have retired or left for other reasons.

The organizational structure shown in **Exhibit 2-6** is not as efficient and effective as it could or should be. Among the many challenges facing the agency are the following regarding its structure and operations:

- The Administration Department does not function as a cohesive unit providing quality services to its internal clients. Many unit administrators and staff do not understand the roles and responsibilities of Administration Department staff.

- The human resources function is practically non-existent (with few polices and procedures (see **Chapter 4**).

- Technology responsibilities are scattered (see **Chapter 5**).

- The Deputy Director is responsible for managing administration and human resources functions of the organization. However, much of her time and efforts are focused on external activities and projects.

- LOSRC is plagued with too many part-time employees.

RECOMMENDATION

Recommendation 2-4:

Reorganize Land of Sky Regional Council to be more efficient and effective, especially regarding administrative functions.

Land of Sky Regional Council should be reorganized. Evergreen consultants recommend the following changes:

- The Deputy Director's primary job responsibilities should be refocused to enable adequate management, supervision, and oversight of general administrative, human resources, and information technology functions. The overall majority of the Deputy Director's time should be spend on internal organizational management.

- All administrative service functions should be moved out of program areas and into the general administrative services area of the organization.

- At the time when the budget allows, the organization should consider creating the position of Director of Administration.

- The number of part-time employees in administrative services should be reduced.

- The Director of Administration and Director of Finance should be customer-service oriented with a strong focus on internal customers—LOSRC program directors and staff.

At the time of the onsite visit, there was a great deal of unrest about changes being imposed by the new management team. Also, the anticipation of additional changes as the result of the performance audit augmented this unrest. Evergreen recommends that the changes being recommended regarding organizational structure both in this chapter and others in this report be considered immediately and acceptable changes should be made and implemented by the Leadership Team in the near future so that employees can be assured of stability. Team building activities should follow this reorganization.

FINDING

The Director of Economic and Community Development has over 20 direct reports and the Director of Aging and Volunteer Services has almost as many. This is too great a span of control, can lead to ineffective management, and needs to be restructured.

RECOMMENDATION

Recommendation 2-5:

Create a Team Leader position under the Director of Economic and Community Development and Director of Aging and Volunteer Services.

Exhibit 2-7 shows the proposed organizational chart.

Exhibit 2-7
Proposed Organizational Chart
for Mid-Level Program Management
Land of Sky Regional Council

Source: Created by Evergreen Solutions, 2014.

The persons appointed to these positions should be existing employees; no new employees should be hired. An annual stipend of approximately $3,000 for coordination/supervisory responsibilities should be added to the existing salaries of the six identified team leaders for a total investment of $18,000.

FINDING

The three LOSRC directors of program and operations are regularly meeting to "reduce the silos" that have plagued the agency for years. These horizontal, as well as vertical lines of communication, will continue to build more effective staff relationships.

COMMENDATION

The Leadership Team is commended for its efforts to improve internal communication.

2.3   *POLICIES AND PROCEDURES*

The most progressive and effective local governments are those that not only have the vision to plan for their needs ahead of time, but which also clearly have a present day perspective on their activities. This is done first and foremost through diligent adherence to documented policies, procedures, and regulations governing activities. Polices ensure accountability and responsibility that is required when public funds are being spent.

Governing bodies set policies that guide the organization. Having a clear set of policies—that are current and integrated or cross-referenced to current laws, rules, and regulations and available to every staff member—is important to the overall organization of the agency. Policies help the agency protect itself against potential lawsuits and penalties from employees violating laws, rules, or regulations.

There is no substitute for up-to-date and well-written policies. Policies promote stability and:

- maintain continuity and consistency;
- lend legitimacy to Board or Council actions;
- provide guidance for the agency's leadership;
- allow the Board and administration to operate in a more efficient manner; and
- provide the basis for a legal record.

Well-written and organized procedures guide employees in carrying out the policies in its various organizational units. Properly written procedures:

- implement and assure compliance with policies as well as document the intent of those policies;

- protect the institutional knowledge of an organization, so that as experienced employees leave, new employees have the benefit of the others' years of experience;

- provide new employees with training; and

- offer a tool for evaluating employees based on their adherence to agency and departmental procedures.

Administrative procedures should be formally documented, with each administrator being held responsible for creating and maintaining understandable procedures that are cross-referenced to Council policies.

FINDING

Land of Sky Regional Council has two documents that provide policies and procedures:

- Operational Manual
- Employee Handbook

Both documents are outdated and void of a comprehensive set of current policies and procedures. The Operational Manual has not been revised since 2007 and contains many outdated policies. For example:

- no technology policies nor procedures exist, including those on Internet use, a disaster recovery plans, etc.;

- several employee procedures are in the Operations Manual instead of the Employee Handbook;

- many finance-related policies are not in the Operations Manual (with the exception of purchasing and cash disbursements).

Recognizing this concern, the new Executive Director charged the Finance Director and the Deputy Executive Director with updating these manuals. To date, little action has been taken to revise these two documents.

During interviews, employees referred to policies for specific activities and programs, and provided copies of these policies which individually have been updated. Yet, many of these policies are not contained in the manual.

RECOMMENDATION

Recommendation 2-6:

Develop a comprehensive LOSRC Policy Manual with up-to-date and comprehensive policies.

Clear, comprehensive, and up-to-date policies should provide a framework for decisions made by the Council and Executive Director. Generally, a policy manual necessitates a complete comprehensive review at least every five years.

FINDING

Once a Policy Manual has been developed, it should be available as an electronic document on LOSRC website. Currently, policies are not published on this website.

RECOMMENDATION

Recommendation 2-7:

Develop the Policy Manual as an electronic document, and make it available to LOSRC staff on the website.

The implementation of this recommendation will serve as a catalyst to create a culture of accountability within LOSRC. Employees should be thoroughly knowledgeable of all policies, procedures, and regulations which affect their duties and responsibilities. This can only be accomplished when they are exposed to the policies and procedures on a regular basis. In addition, all policies and procedures need to be consistently applied.

2.4   *STRATEGIC PLANNING*

At its core, the most critical component to organizational success in the new governmental environment is effective strategic planning. Simply defined, strategic planning is an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy, including its capital and people.

New approaches to management in the public sector are imperative as governments grow in the new millennium. Market dynamics have created challenges for public organizations, with the emergence of the global economy, advances in technology, increased societal demands, and the need to provide more social services with fewer resources. In addition, a widespread desire for increased organizational scrutiny has increased the pressure for change, given more accessible globalized information systems, and heightened media attention critical of government inefficiencies in service delivery. Response mechanisms have emerged within the private market to meet these recent challenges, but government organizations have been slower to respond. This is understandable, given fiscal constraints and the bureaucratic process axiomatic to governments. However, a new approach, which incorporates modern strategic planning and management tools, is necessary for the public sector to achieve improved performance and overall service quality.

The guiding principles in any strategic planning process—whether in the public or private sector—are about understanding what changes are needed, how to implement and manage these changes, and how to create a roadmap for sustaining improvements that lead to better performance. The difficulty in strategic planning is the challenge of laying a foundation for success in the future while meeting today's challenges.

The primary tools available to organizations—for understanding, implementing, delivering and managing services and change—are outlined in **Exhibit 2-8**.   The diagram presented is a brief overview of a common public sector strategic management model (with the addition of change management tools) used in the strategic planning process. This exhibit provides a dynamic

method—not just a planning model—for evaluating the success of public sector organizations in meeting customer demands in the new public management.

Exhibit 2-8
Overview of Strategic Planning Process

- External Assessment
- Internal Assessment
- Market Assessment

Review Performance and Renew Process

- Information Gathering
- Identify Critical Issues

Vision

Mission

Development of Strategic Goals

Formulation of Strategies for Each Goal

Operational Plan Based on Strategic Plan

Must Include Annual Objectives

Must Incorporate Change Management

Source: Created by Evergreen Solutions from Bryson, John M., Strategic Planning for Public and Nonprofit Organizations.

The application of this model helps to identify the components for success and the capabilities of an organization in its strategic planning. As illustrated, the first step is information gathering, which identifies key market, industry, and internal organizational trends and opportunities that will impact the organization ("market", in the public sector context, refers to all relevant stakeholders).

The organization's ability to respond to these critical strategic issues and challenges is manifested in its vision and the mission statement describing what the organization does, with/for whom it does it, its distinctive competence, and why the agency does it. The strategic goals and specific strategies for achieving these goals should be formulated in an operational plan that also addresses change management issues. From this point, a review of this process and performance should be ongoing.

FINDING

LOSRC does not have a five-year strategic plan. Consequently, in years past, decisions were often made based on insufficient or incomplete information, or on who can 'shout the loudest.' Based on research and interviews, Evergreen found that LOSRC has never fully undertaken nor implemented a strategic plan. The Council has undertaken strategic programs and some strategic planning for specific services.   However, these plans are not comprehensive in scope and certainly do not consider the plan for the entire Council.

The new Executive Director clearly recognizes this void and has outlined a proposed action plan for developing a strategic plan for Land of Sky Regional Council. This is shown in **Exhibit 2-9**.

Exhibit 2-9
Land of Sky Regional Council
Strategic Planning Process

<table>
<tr><td>

PHASE I – CONDUCT RESEARCH
Document the current state of reality.
↓
PHASE II – ORGANIZATIONAL MISSION &
PRIORITIES
Develop mission statement, guiding principles, and
priorities.
↓

PHASE IIIA – EXTERNAL	**PHASE IIIB – INTERNAL**
STRATEGIC PLAN	**STRATEGIC PLAN**
What will we do?	How will we do it?

↓
PHASE IV – IMPLEMENTATION PLAN
Objectives, tactics, and indicators.
↓
PHASE V – PERFORMANCE
MEASURES
S.M.A.R.T.
↓
PHASE VI – REPEAT
Review, revise, adjust, and
improve.

</td></tr>
</table>

Source: LOSRC Executive Director, 2014.

RECOMMENDATION

Recommendation 2-8:

Develop a comprehensive five-year Strategic Plan for Land of Sky Regional Council.

LOSRC's lack of a comprehensive strategic plan is at the core of the many issues facing the Council. The lack of true direction, staffing priorities, and organizational mission all relate back to a vacuum created by the lack of a comprehensive strategic plan. As noted, if everything is a priority, nothing will be a priority—a strategic plan will assist LOSRC in setting priorities.

When considering undertaking the process of developing a strategic plan, LOSRC should keep in mind the following statement that is often associated with strategic planning—if everything is a priority, nothing is a priority. At its most basic point, undertaking a strategic planning process will enable the Council's Board of Directors and LOSRC senior leadership to set priorities for the agency. A strategic plan would allow for these issues to be placed into the context of the long-term goals and priorities of LOSRC. In turn, the decision-making process for the Board of Directors will be greatly enhanced.

Initiating the planning process correctly is both critical and challenging. A helpful resource to initiate the process is described in the book *Balanced Measures for Strategic Planning: A Public Sector Handbook* by Kathleen Monahan. It might be advisable to first bring the key stakeholders together (e.g., County Commissioners, County leaders, LOSRC Board of Directors, department heads) and have them read this publication—to ensure that everyone is working from the same perspective. It is critical that the Board of Directors participates in the process, as well as local agencies, and community and business leaders.

The strategic plan should have both a macro-level approach (agencywide) while incorporating micro-level subcomponents (department level). At the department level, specific staffing models are critical to ensure that each department is properly equipped to carry out the objectives set forth. The key to success is in establishing the plan—as well as the process itself—as a living and dynamic initiative through which implementation can be clearly demonstrated.

2.5   *COMMUNICATIONS AND PUBLIC RELATIONS*

In today's political climate, it is not sufficient to be an effective local or regional agency; the public must be continually shown the advances and value of the agency. An agency must be publicly accountable for every dollar spent—every program created. Good public accountability is often found in the form of an annual report which contains pertinent information on the progress of the agency over the preceding year.

A regional council is accountable to many different groups: its counties, cities and towns, the federal and state government, local businesses, and the community at large—each have invested time and money, and all have a stake in its success. In return, the regional council is obligated to demonstrate that it has spent the time and money afforded to it wisely, and is making its best effort to produce results.

Compounding this challenge is the increasing competition for every public dollar—a common situation in every regional local government agency. The era of public indifference to the use of limited tax dollars is over. Today, citizens demand the most out of every cent contributed to public entities. A regional council can only be successful in this environment if it can consistently prove that it has a product which is worth continued public investment.

FINDING

In the past, LOSRC has focused extensively on state and federal initiatives and less time on building local and regional relationships. Realizing this void, the new executive director is beginning to build and strengthen ties with the counties and cities its serves in the region.   For example:

- The Council has recreated a new logo.

- Numerous presentations have been made to the governing boards of the agencies in its region.

- An Open House was held for external stakeholders on January 22, 2014 and over 110 people attended. Each LOSRC department was set up in a different conference room and provided information to participating guests about their programs/activities. The general public, local elected officials, and one state representative attended. Funding partners (EDA and ARC) also participated.

- A membership certificate was recreated and presented to member counties and municipalities.

- The Council developed a "Who We Are" publication for regional groups.

- The Leadership Team created several Client Service Reports to show LOSRC activities and outcomes in its municipalities.

- In most presentations to external stakeholders, LOSRC emphasizes the following theme: "Refresh - LOS Focuses on Customer Service."

COMMENDATION

The Executive Director is commended for strengthening LOSRC relationships with local constituency groups.

FINDING

In many of its recent outreach activities, LOSRC has used the services of the local firm, Allison Development Group. This firm was instrumental in designing the new logo for LOSRC, as well as facilitating the 2013 Annual Meeting.

RECOMMENDATION

Recommendation 2-9:

Continue to contract with the Allison Development Group or another public relations firm.

LOSRC is not large enough to support a full-time public relations position. Nonetheless, the agency needs to continue to promote its image, reach external stakeholders, and build trust and support in the community. An ongoing contractual relationship with a public relations firm can fulfill this need as an estimated cost between $5,000 and $10,000 annually.

CHAPTER 3:
FINANCIAL MANAGEMENT

3.0 FINANCIAL MANAGEMENT

This chapter of Evergreen's report addresses the finance-related activities of Land of Sky Regional Council (LOSRC). For purposes of this report, financial management is presented in the following broad areas:

3.1 Financial Organization and Management
3.2 Accounting and Budgeting
3.3 Payroll
3.4 Purchasing and Accounts Payable
3.5 Cash and Investments
3.6 Asset and Risk Management
3.7 Auditing

LOSRC's Fiscal Year (FY) begins on July 1 and ends on June 30 of each year. **Exhibit 3-1** shows the Budget Resolution approved by the LOS Regional Council on June 26, 2013.

Exhibit 3-1
FY 2014 Approved Budget

Fund	2013-14 Budget
General Fund	$103,048
Special Revenue-WIA	$3,185,104
Special Revenue-All Other	$8,995,082
Agency Fund	$30,140
Total Budget	**$12,313,374**

Source: LOSRC FY 2014 Budget Resolution, June 26, 2013.

Exhibit 3-2 presents the agency's budget history for the last ten years, as shown in the 2014 Budget.

Exhibit 3-2
LOSRC Budget History

Fiscal Year	Total Beginning Budget	Current or Ending Budget	Increase	% Increase	Dues
FY 14	$12,313,375			0.00%	195,165
FY 13	$12,592,786	$16,155,553	$3,562,767	28.29%	195,165
FY 12	$11,754,640	$16,568,254	$4,813,614	40.95%	195,165
FY 11	$9,739,290	$14,460,285	$4,720,995	48.47%	195,165
FY 10	$7,603,616	$11,726,256	$4,122,640	54.22%	195,165
FY 09	$8,043,751	$9,347,003	$1,303,252	16.20%	195,165
FY 08	$7,362,351	$10,718,145	$3,355,794	45.58%	195,165
FY 07	$7,039,303	$8,592,709	$1,553,406	22.07%	189,480
FY 06	$6,710,588	$7,894,778	$1,184,190	17.65%	187,980
FY 05	$5,373,687	$7,759,726	$2,386,039	44.40%	184,980

Source: LOSRC FY 2014 Budget Package, June 26, 2013.

Exhibit 3-3 provides a four-year history of the Government-Wide, Condensed Statements of Net Position found in the Annual Financial Reports. As shown, LOSRC's net position has improved over the last four years.

Exhibit 3-3
Government-Wide Condensed Statements of Net Position
June 30, 2010 to 2013

	2010	2011	2012	2013	Percent Change
Current Assets	$1,555,051	$1,994,259	$2,849,636	$2,746,315	43.38%
Capital Assets	$2,179,091	$2,230,916	$2,166,897	$2,067,842	-5.38%
Total Assets	**$3,734,142**	**$4,225,175**	**$5,016,533**	**$4,814,157**	**22.43%**
Current Liabilities	$885,293	$1,330,197	$2,049,688	$1,536,247	42.37%
Long-Term Liabilities	$2,245,618	$2,230,818	$1,472,071	$2,188,891	-2.59%
Total Liabilities	**$3,130,911**	**$3,561,015**	**$3,521,759**	**$3,725,138**	**15.95%**
Deferred Inflows			$768,454	$254,543	
Net Position:					
Invested in Capital Assets, Net of Related Debt	$1,563	$94,842	$69,988	$42,457	96.32%
Restricted			$84,823	$617,348	
Unrestricted	$601,668	$569,318	$571,509	$174,671	-244.46%
Total Net Position	**$603,231**	**$664,160**	**$726,320**	**$834,476**	**27.71%**

Source: LOSRC Audited Annual Financial Reports, FY 2010 through FY 2014

3.1   *FINANCIAL ORGANIZATION AND MANAGEMENT*

With only a few exceptions, all finance-related functions for the organization are carried out under the direction of the Finance Office. When the Mountain Area Workforce Development Board (MAWDB) came into LOSRC, they brought with them a Finance Officer who oversees and reconciles all purchasing, payroll, and financial accounting and reporting functions to ensure compliance with the unique state and federal guidelines. LOSRC processes the payroll, pays invoices and accounts for the operational activities of that organization, while the MAWDB Finance Office reports and reconciles LOSRC accounting records to the state records on a daily and monthly basis.

Exhibit 3-4 shows the organization structure of the Finance Office in Land of Sky Regional Council.

Purchasing in LOSRC is currently a decentralized function. Until 2006, the purchasing function was organizationally under the Office Manager. In 2006, one of the Administrative Program Specialists took over all indirect purchasing, which includes general supplies and equipment for the organizations. Project Assistants in each of the program areas assumed responsibility for all direct program purchases.

Exhibit 3-4
Finance Office Organizational Chart
Land of Sky Regional Council

```
                        ┌──────────────────────┐
                        │   Land of Sky        │
                        │   Regional Council   │
                        └──────────┬───────────┘
                                   │
                        ┌──────────┴───────────┐
                        │   Land of Sky        │
                        │ Executive Committee  │
                        └──────────┬───────────┘
                                   │
                        ┌──────────┴───────────┐
                        │  Justin Hembree      │
                        │  Executive Director  │
                        └──────────┬───────────┘
                                   │
                        ┌──────────┴───────────┐
                        │   Peggy Barnes       │
                        │   Finance Direcor    │
                        └──────────┬───────────┘
```

Rose Sabo, Accounting Specialist (1 FTE)	Tricia Adell, Budget Analyst (.8 FTE)	Arlene Wilson, Accounting Specialist (.8 FTE)	Wanda Clark, Accounting Assistant (.5 FTE)
❖ Payroll and Payroll Accounting ❖ Maintenance of Employee Files ❖ Employee New Hire Set Up and Processing of Personnel Action Forms ❖ Worker's Compensation ❖ Petty Cash Reimbursements ❖ Vendor Adds for Payables ❖ Payroll Taxes and Voluntary Deduction Reporting and Payment	❖ Project Care ❖ Journal Vouchers ❖ FCSP – Respite ❖ Coding of Cash Receipts ❖ Budget Entry and Amendments ❖ DrillPoint Reports ❖ Payroll Back Up ❖ Pre-Audits in Director's absence ❖ Journal Entry Back Up ❖ Verizon Account Management	❖ Accounts Payable ❖ Credit card Reconciliations ❖ Accounts Receivable billings ❖ Travel Advance Reconciliation ❖ Aging Services Payables ❖ Foster Grandparent and Senior Companion Payables/Payroll ❖ Grants Reporting (Waste Reduction Program and Carolina West)	❖ Accounts Payable Invoice Matching and Data Entry ❖ Journal Voucher Entry ❖ Bank Reconciliations ❖ Voltrax Entry of foster Grandparent and Senior Companion Timesheets ❖ Inkind Report Entry for Senior Community Service Employment ❖ Capital Asset Inventory ❖ Annual Program Reporting

Source: LOSRC Finance Office, March 2014

FINDING

LOSRC has an Operations Manual with a three-page replacement insert dealing with purchasing, but does not have a comprehensive Accounting Manual. During the onsite review, a number of program staff said they did not understand the accounting processes, nor did they know how those processes affected their programs.

The actual content of an Accounting Manual varies based on the type and size of the organization. A typical Accounting Manual might include:

- copies of relevant forms;

- a chart of accounts outlining the various types of accounts to which revenues and expenditures can be charged;

- a list of the types of reports that can be generated through the accounting system with an explanation of how to read and interpret the items presented in those reports;

- policies and procedures relating to the accounting function, including the method used to calculate and allocate indirect costs;

- budget guidance, including a budget calendar; and

- any items requiring special handling such as travel, mileage and the like.

Since grants provide much of the revenue for LOSRC programs, the grantors have restrictions and conditions under which the grant funds can be drawn down (i.e., whether the money comes in as a cash advance or is drawn down as a reimbursement for past expenditures), restrictions on how the funds can be spent, and reporting requirements. As part of the preliminary data request, the Finance Office provided the following Grant Code List for 2014 (**Exhibit 3-5**), along with the codes used in prior years.

While the list of Grant Codes is very useful, neither the department heads nor the Finance Director could provide a complete list of all grants showing the grant restrictions, reporting requirements, reporting due dates, and the like.

Throughout the interview process, department heads and program staff said the Finance Office received monthly financial reports, but were uncertain as to what they meant and how the Finance Office arrived at the numbers. Yet, program staffs are responsible for monitoring grant funds and ensuring that all grant funds are used appropriately and within budgetary guidelines.

Grant revenues, and the timing of drawn downs or requests for reimbursements from grantors are also somewhat challenging for program administrators. The Finance Director indicated that most grants allow for reimbursements or draw downs on a quarterly basis. Many grant payments are tied directly to required progress reports, which the departments prepare. A documented process would be one way to ensure that all parties are aware of the due dates and requirements so that a focused effort could be made to ensure that funds are secured in a timely and efficient manner.

RECOMMENDATION

Recommendation 3-1:

Create an Accounting Manual that provides program staff sufficient information to understand the accounting processes and financial reports, and participate with the Finance Office in properly administering and monitoring grants and budgets.

An Accounting Manual can provide a level of transparency for program managers and staff. A manual is also an appropriate step in the process of holding program managers accountable for all aspects of the grants and grant budgets. Therefore, it is important that the creation of the manual be done in concert with department heads and some program managers, so that the information they feel they need is included and explained in ways that they understand and can apply.

Exhibit 3-5
LOSRC Grant Code List

2014 Grant Code	Account Title	2014 Grant Code	Account Title
4xx	**General Government**	**6xx&7xx (cont)**	**Economic and Community Development(cont)**
400	Overhead Administration	643	BF RLF matching
401	Overhead Finance	644	EPA BF Revolving Loan Funds
402	Overhead LC General Building Expense	645	EPA Brwnflds RLF Administration
403	LC & Capital Usage Allowance & Facility Fees	XX647	EPA BF RLF FY13 Supplemental (rolled into 645)
		662	AB Tech Prof Svcs - Energy Project
406	LC Regional Brownfields Partnership		
408	Leicester Crossing - Leasehold Improvements	668	AdvantageWest - BioFuel Market Study
409	LOSRC Fleet	669	AdvantageWest - BioFuels TVA
410	Local	675	BF Lenoir Technical Assistance
		676	BF DeKalb County, GA Technical Assistance
412	Local Fundraising	680	Brownfields Conference Support
414	Wellness-Activities	692	PRF LLC Haywood Co
415	Wellness- Lunch'n'Learns (EAP)		
423	ARC 01/13-12/13	696 Fund 6 (Agency)	Carolina West
424	ARC 01/14-12/14	**7xx**	**Housing (sub of Economic & Community Dev)**
		703	ARC Housing 10/12-9/13
433	EDA 2013	XX 704	ARC Housing 10/13-9/14 **see 474**
434	EDA 2014		
		734	CDBG-Madison Co Scattered Site **Admin (2011)**
455	Black Mountain Technical Assistance	735	CDBG-Madison Co Scattered Site **Svc Del**
456	Town of Marshall Technical Assistance		
		745	NCRC Mars Hill Clean Water Prtnr 2009 Suppl, Ph 2&3
474	ARC Technical Assistance		
		754	NCRC Marshall Supplemental Phase II
2xx	**Workforce Investment Act**	761	CDBG-Brevard Cottages @
201	Workforce Dev Prof WNC Event		
210	MAWD-Admin	773	Environmental Assessment/Planning, etc
211	MAWD-Special Activities	780	Buncombe Co Housing Plan Implementation TA
220	MAWD-Adult Services	**8xx**	**Environmental Protection**
221	MAWD-Adult Svcs-Accountability	**800-829**	**Air**
222	MAWD-Adult Svcs-Business Svcs	800	Clean Air Campaign
230	MAWD-Dislocated Worker Services	803	ARRA-Triangle J, Carolina Blue Skies
231	MAWD-DW-Accountability		
232	MAWD-DW-Business Svcs	806	Propane/Autogas Road Show
236	MAWD OJT <6/14	810	CMAQ-DOT Congestion Mitigation
237	MAWD IWP	812	BRPkway, Clean Cities (NREL)
240	MAWD-Youth Services		
		820	SEO-Clean Cities
		822	DOE Clean Cities Designation Program Support
5xx	**Human Services**	824	NCSU-DOE AFIT(Alternative Fuels Implementation for NC)
501	Buncombe Co Pass-Through funds		
502	BuncCo Aging Plan Event	**830-849**	**Solid Waste**
505	Active Aging (Fall Prevention, etc)	830	Recycling Education Vehicle
508	Buncombe Co Aging Plan		
509	MIPPA	843	RUS-Solid Waste 10/1/12 - 9/30/13 **(WRP>363)**
510	Aging - Planning	844	RUS-Solid Waste 10/1/13 - 9/30/14 **(WRP>364)**
511	SB1559 Aging Funds - P&A	**2014 Use:** **Replaces:**	WRP **FieldWork** reported thru 33#, time/trvl only
		348-369 848-869	**WRP**
513	Aging - Health Promotions	331	WRP-EPA Hospitality II-**Field Svc(HRJ)**
514	Health Assessment Local	336	WRP USDA Energy Audit-REDA-**Field Svc(HRJ)**

Exhibit 3-5 (Continued)
LOSRC Grant Code List

2014 Grant Code	Account Title	2014 Grant Code		Account Title
515	LGBT activities			
516	CRC/LCA	348	848	Triangle J DENR SW project (#4813)
		349	849	WRP SEO Energy Assessments
		350	850	DPPEA SWMTF WRP
520	Aging - Services	351	851	DPPEA/WRP
521	Aging-Sr Cntr Outreach & Gen Purpose	352	852	Duke Endowment-Water Conservation Pilot
522	Aging-Fan & Heat Relief	353	853	Regional Water Authority - Asheville
529	FCSP Pass-Through	355	855	WRP - Private Contributions
530	Family Caregiver Support	356	856	WRP Buncombe Co Schools TA
		357	857	WRP-NCSU
533	Project CARE, Carryover and FCSP services			
534	Project CARE administration	359	859	WRP-Henderson Co AFV TA
535	Project CARE respite support			
536	PC REACH admin	361	861	WRP-EPA Hospitality II (see 331=Field Svc)
537	PC REACH respite	362		WRP-EPA Source Reductions, Lean & Green
545	CDSMP - self sustaining option	363	863	WRP-RUS Solid Waste 10/1/12 - 9/30/13 **(LGS>843)**
546	BuncCo Minority Health Collaboration CDSMP	364	864	WRP-RUS Solid Waste 10/1/13 - 9/30/14 **(LGS>844)**
550	Regional Ombudsman			
551	Elder Abuse	366	866	WRP USDA Energy Audit-REDA (see 336=Field Svc)
552	BuncCo CAC supplement	367	867	WRP-Eastern Band of Cherokee Indian Preservation
560	OASEP (Title V)	369	869	WRP-TJCOG-DAQ energy assessments
561	Title V-Local		**870-899**	**Water**
			873	ARC Water 10/12-9/13
573	RSVP, new grant year 4/1/13 - 3/31/14		XX 874	ARC Water 10/13-9/14 **(see 474)**
574	Volunteer Services FundRaising (includes Diabetes 579)		876	TVA-Haywood Waterways Assoc Stormwater
575	RSVP, new grant year 4/1/14 - 3/31/15			
			880	Riverweek
586	Foster Grandparent (same as LOSRC FY)		882	EPA-Urban Waters
593	Senior Companion FYE 9/29/13		883	PRF-French Broad Stormwater
594	Senior Companion FYE 9/29/14			
6xx & 7xx	**Economic and Community Development**		**9xx**	**Transportation**
600	HUD-GroWNC Sustainable Communities Initiative		900	RPO
			901	Transportation Conference
621	MPI Match & Leverage		912	US DOT Pipeline Safety
622	NCRC My Gluten Free Bread Place-New Generations Careers		915	Bicycle Maps
623	USDA Agriventures		920	NC DOT-Regional Bike/Ped Plan
624	CFWNC Agriventures		930	Bunc Co Mountain Mobility Admin
625	AdvantageWest Agriventures Match		931	BCo MM, operations receipts
626	ARC Growing Local		932	BCo MM, RIDE-5310 Elderly&Disabled
			933	BCo MM, RIDE-5310 New Freedom
630	CDBG Grantwriting/Planning KAK		934	BCo MM, operations receipts, **Prior Year**
			935	Bco MM, EDTAP
637	HendCo-NCRC Sierra Nevada, Private			
			952	French Broad River MPO - DOT
639	HendCo-NCRC Sierra Nevada, Public		998 Fund 6 (Agency)	I-26 Corridor Association

Source: LOSRC Finance Office, April 2014.

FINDING

Some Finance staff have created their own desk procedures to assist them in carrying out their functions. In at least one instance, staff said that these procedures were useful in training a new employee as a back up for the function they perform. Despite the fact that not all key functions are fully documented, the work of the department can and does continue when one person is out of the office, as staff are cross-trained and capable of performing these other functions.

Finance staff are tenured employees with considerable accounting experience as well as experience with LOSRC. Two critical members of the Finance staff have retired and returned to work at LOSRC. To protect this institutional knowledge, however, comprehensive documentation of the processes and procedures is critical.

RECOMMENDATION

Recommendation 3-2:

Document Financial Operating Procedures for all key finance-related functions, and prepare a succession plan that will allow the agency to make the transition should a key member of the staff leave or retire.

During the course of this review, Evergreen worked with staff to create flow charts of the Purchasing and Accounts Payable process, as well as the Payroll processes. These flow charts should provide a foundation on which the operating procedures for the office are formally documented. Once processes are fully documented, assigned employees must then continually update and revise those procedures as system and procedural changes occur.

3.2   *ACCOUNTING AND BUDGETING*

The accounting and budgeting functions are jointly carried out by the Finance Director and program staff.

FINDING

In interviews, department heads and program managers indicated that the agency's indirect rate was high. When asked about what went into the calculation of the indirect rate, most indicated that they knew there were some salaries charged to indirect, and there was a cost for the use of the facility.

At Evergreen's request, the Finance Director contacted the finance officers in other regional councils asking them to provide indirect cost rates. **Exhibit 3-6** shows the FY 2014 indirect rates for other regional councils, and the basis used for those rates.

As shown, of the 14 regional councils responding to LOSRC's request for information, seven have indirect rates in FY 2014 above LOSRC, and six have rates below LOSRC. Although LOSRC's rates are in the mid-range, clearly some regional councils have been able to reduce their indirect rates, presumably through cost-saving measures.

Exhibit 3-6
Indirect Rates for Regional Councils
FY 2014

Region	Indirect Cost Rate	Base (i.e. Salary + Fringe or Salary only or square footage…)	FY 14 Beginning Budget Total	FY 14 Beg Budget Operating	FY14 Beg Budget Pass-thru
Region N (Lumber River)	67.00%	Salary + Fringe Benefit Pool (Rate includes Alloc 54%, Indirect 13%	$8,354,734	$3,755,091	$4,599,643
Region F (Centralina)	60.00%	Salary + Fringe Benefit Pool	$23,417,839	$7,501,061	$15,916,778
Region Q (Mid East Commission)	59.00%	Salary + Fringe Benefit Pool	$8,655,457	$3,524,394	$5,131,063
Region K (Kerr Tar)	57.00%	Salary + Fringe Benefit Pool	$5,448,580	$2,075,551	$3,373,029
Region D (High Country)	50.00%	Salary + Fringe Benefit Pool	$5,551,459	$1,886,867	$3,664,592
Region O (Cape Fear)	49.00%	Salaries + Fringes	$10,104,474	$8,609,967	$1,494,507
Region C (Isothermal)	46.02%	Salary only	$14,194,993		
Region B (Land of Sky)	**46.00%**	**Salary + Fringe Benefit Pool**	**$12,313,375**	**$5,772,967**	**$6,540,408**
Region J (Triangle J)	45.00%	Salary + Fringe	$13,438,941	$3,768,468	$9,670,473
Region G (Piedmont Triad)	40.50%	Salary + Fringe Benefit Pool	$29,894,796	$14,168,865	$15,725,931
Region A (Southwestern)	37.40%	Salaries	$6,621,873	$1,621,873	$5,000,000
Region L (Upper Coastal Plain)	33.27%	Salary & Fringe; Indirect Rate does not include occupancy	$9,908,894	$3,800,409	$6,108,485
Region E (Western Piedmont)	28.00%	Salary + Fringe Benefit Pool	$15,365,274	$4,484,044	$10,881,230
Region R (Albemarle Commission)	25.00%	Salary + Fringe	$6,355,807	$4,710,046	$1,645,761
Region M (Mid Carolina)		no response at this time			
Region P (Eastern Carolina)		no info provided	$5,647,071		

Source: Compiled by LOSRC Finance Office, February 2014.

During interviews, Evergreen asked department heads and others in a leadership role if they understood how the Finance Office calculated the indirect rates. Most were aware that some salaries and facility expenses were included, but did not understand the formulas. The Finance Director indicated that she had provided training on the indirect cost calculations in the past, but had not done so in several years, meaning that with recent staffing changes, it was unlikely that the current leadership team had received this training.

As explained in the 2013 Annual Financial Report (p. 27):

> *Indirect costs are allocated to the various grants, based on the proportion of each grant's salaries, to the total of direct salaries for all grants…The Appalachian Regional Commission, the council's oversight agency, has reviewed and found no fault in the provisional rate. The indirect provisional rate is adjusted to actual at year-end if the actual rate is determined to be lower than the provisional rate. However, if the actual rate is higher than the rate used, local income is used to supplement the indirect cost instead of adjusting the rate used."*

The 2013 AFR states that the actual indirect cost rate for the year ended June 30, 2013 is 46 percent of direct salaries and fringe. **Exhibit 3-7** shows the indirect rate calculation and compares the actual rates for FY 2012 to FY 2013.

Exhibit 3-7
Schedule of Indirect Costs
FY 2013 and FY 2012

	FY 2013	FY2013	FY2013	FY2012	FY2012	FY2012	
	Total Indirect Actual Costs	A. Indirect Expenses specific to LOSRC Site	C. Indirect Expenses for all staff including MAWD	Total Indirect Actual Costs	A. Indirect Expenses specific to LOSRC Site	C. Indirect Expenses for all staff including MAWD	Total Change FY2012 to FY 2013
Total Indirect Annual Salaries	$398,014	$68,200	$329,814	$395,109	$86,201	$308,908	0.7%
Total Indirect Fringe Benefits at 38.25% of Salary (includes part-time with FB rate	$144,973	$25,984	$118,989	$144,748	$32,972	$111,776	0.2%
Professional Services	$48,406	$18,968	$29,438	$13,900	$13,250	$650	71.3%
Travel (and training)	$27,822	$0	$27,822	$37,728	$0	$37,728	-35.6%
Occupancy costs (depreciation, interest expense, utilities & maintenance)	$327,054	$327,054	$0	$253,751	$253,751	$0	22.4%
Operating Expense	$188,914	$85,501	$103,413	$207,801	$108,562	$99,239	-10.0%
Contribution to Occupancy Costs	$0	$0	$0	$0	$0	$0	0.0%
Total Indirect Expenses	**$1,135,183**	**$525,707**	**$609,476**	**$1,053,037**	**$494,736**	**$558,301**	**7.2%**

Source: LOSRC Annual Financial Reports, FY 2013 and FY 2012,

As discussed in the Annual Financial Report (AFR), the Finance Director calculates the indirect percentages by comparing the indirect expense information above to the agency's total costs.

Exhibit 3-8 show the calculations and the percentages used for the last two fiscal years.

For 2014, the Finance Office is using the same rates as were used in 2013, which can be adjusted at year-end as discussed in the Annual Report.

RECOMMENDATION

Recommendation 3-3:

Provide training on how indirect costs are calculated and applied, and enlist the help of agency leaders in identifying ways to reduce the indirect cost percentages.

All of the programs administered by LOSRC can benefit if they understand how the indirect cost rates are calculated, and what all goes into those calculations, and if strategies can then be developed to reduce these costs. During interviews, Finance and other staff noted administrative efficiencies that might be possible; these are included in other areas of this report. This process also would provide LOSRC an opportunity to re-examine current tasks and functions carried out and charged to indirect that may in fact be directly attributable to a specific program.

Exhibit 3-8
Indirect Rate Calculation
FY 2012 and FY 2013

	FY 2013	FY2013	FY 2012	FY2012
Total Personnel Costs	$3,342,517		$3,045,526	
Less Total Indirect Salaries	-$398,014		-$395,109	
Less Total Indirect Fringe Benefits	-$144,973		-$144,748	
Total Direct Salaries and Total Direct Fringe Benefits		**$2,799,530**		**$2,505,669**
B. MAWD staff, offsite, not including Occupancy Costs	$625,561		$603,744	
A. All other Direct Staff	$2,173,969		$1,901,924	
C. Total Direct Staff Salaries and Total Direct Staff Fringe Benefits		**$2,799,530**		**$2,505,668**
Indirect Rate Calculation				
LOSRC Site Specific				
A. LOSRC Site Specific Indirect Expenditures =	$525,707	**24.2%**	$494,737	**26.0%**
A. Total Direct Salaries and Total Direct Fringe Benefits	$2,173,969		$1,901,924	
LOSRC & Mountain Area Workforce Development without Occupancy and Site Support				
C. LOSRC & MAWD Indirect Expenditures =	$609,476	**21.8%**	$558,301	**22.3%**
A.+B. Total Direct Salaries and Total Direct Fringe Benefits	$2,799,530		$2,505,668	
A.+C. Land-of -Sky Regional Council Indirect Rate	**A.+C.**	**46.0%**		*** 48.0%**
C. (LOSRC d/b/a Mountain Area Workforce Development Indirect Rate	**C.**	**21.8%**		**22.3%**

Source: LOSRC Annual Financial Reports, FY 2013 and FY 2012,

* AFR shows 48% although the chart adds to 48.3%; confirmed with Finance Director that this was the first year they were required to split the indirect costs in this way, and LOSRC used 48% in FY 2012.

NOTE: For FY 2012 and 2013 shown above, LOSRC d/b/a Mountain Area Workforce Development (MAWD) was housed offsite and paid Occupancy Costs and various Site Support Costs directly. Therefore, the costs shown in Column A as a portion of the LOSRC Indirect costs do not apply to MAWD. In FY 2014, MAWD staff physically moved to LOSRC, therefore for FY 2014 and beyond, these costs will shift.

Note: This report contains recommendations that will reduce the indirect costs or improve services provided by administrative staff. Recognition of those cost saving opportunities are directly associated with those recommendations. The provision of training and enlisting the support of leadership and staff in attempting to identify other cost-saving opportunities can be implemented with existing resources.

FINDING

LOSRC has not in the past effectively use its annual budget process as a planning tool, giving Department Heads only limited input into budget discussions.

The Finance Office provided the following explanation of the budget process:

Council approves budget at the grant level. During [the] original budget presentation, information is provided to Council at the gross function level (Organization-wide Salary, Organization-wide Fringe, Organization-wide Travel, Organization-wide Miscellaneous, Organization-wide Contractual, Organization-wide Pass-Through and Organization-wide Indirect).

The Annual Budget is presented to Council Executive Committee in May and then to full Council also in May. [The following documents are referenced]

- *Preliminary Budget package (7 worksheets provided to both the Executive Committee and full Council)*

- *Fringe Benefit Recap (to Executive Committee only)*

- *Local Government Services (now Economic and Community Development) outlook, shows projections of staffing levels and possible management responses to future awards or lack thereof.*

At the June Council meeting, a Budget Hearing is appropriately advertised and is on the agenda.

[The following documents are referenced]

- *Budget Package FY14 includes the by grant comparison to prior year*

- *Updated Local Government Services outlook (for Executive Committee), shows projections of staffing levels and possible management responses to future awards or lack thereof*

- *Local Government Services outlook with potential grant information (this workbook has several years on separate worksheets*

- *Budget Ordinance*

- *Budget Resolution*

Throughout the year at the monthly Council meeting, budget amendments are presented. Like the original budget, budget amendments are presented and approved at the grant level.

In terms of participation in the budget process, the Finance Director stated:

…the department heads have been responsible for preparing the budget outlook for their department, although if there's not been a shortfall, this has often not been deemed necessary. If the outlook was done, it was not always given to me in electronic form."

This year for the first time, the Executive Director is implementing a process whereby the Department Heads are being asked to provide clear measurable goals and objectives for each program and budget. As with any procedural change, the challenge is to find the best method to implement and then measure the degree of success. Department Heads now have considerably more input into the process, and in turn should shift more accountability for maintenance of that budget to agency leaders who administer the programs.

COMMENDATION

Engaging Department Heads more directly in planning and budgeting activities, and linking the budgets to measureable goals and objectives is a positive step toward accountability at all levels within the agency.

FINDING

When asked for information on the budget process, the Finance Director provided a general description of the process as outlined above.

Evergreen consultants asked for, but did not receive, a formal budget calendar as part of the preliminary data request. A typical budget calendar lists the steps and activities involved in the budget process and the expected dates for each activity.

The new process that is under development for this year has the potential to change radically how and when various steps in the budget process take place. The creation of a new Budget Calendar is mentioned in the December 4, 2013 Council minutes, but the process is still under development. Once the process is implemented for this budget cycle, LOSRC will need to re-examine the process and decide when formal planning and goal setting needs to begin, when and how Council and staff will be brought in to the process, and when each of the steps in the process need to occur for the proposed budget to be finalized and ready for the May presentation to the Council.

RECOMMENDATION

Recommendation 3-4:

Develop a Budget Calendar and guidelines for budget creation that allow meaningful input from internal stakeholders as well as the Executive Committee.

Once a process is preliminarily developed, the Leadership Team will need to back into a calendar that includes all of the internal steps in the process and ends with the information going to the Council for approval. As the process is refined, the budget calendar can and should be modified to reflect those processes and timelines that work best for the agency.

FINDING

Department heads have limited access to budget data throughout the year. A monthly report provides some information, but because the accounting system does not record encumbrances, delays between the time of purchase authorization and the time the purchase is actually recorded on the books can span several months. Only one department indicated that they maintain a separate spreadsheet of pending purchases and other expenditures.

DrillPoint was purchased so that department heads could have direct access to their budgets and actual expenditures and revenues. Some of the departments and department heads are beginning to use this tool, with the help and guidance of the Budget Analyst who is assigned to work with DrillPoint and assist the department heads in creating customized reports.

The most significant user of DrillPoint is the individual over Work Force Finance. Work Force uses DrillPoint as a tool for ensuring that LOSRC books are aligned and reconciled with the information they are required to report to the State. This Work Force Finance employee monitors LOSRC system continually, and when she identifies areas where the expenditures or revenues do not match, she works directly with the Finance Director and staff to correct the differences. The finance person in Work Force indicated that this process works very effectively, with the only difficulty being when LOSRC converted their technology to the Cloud, which temporarily affected their ability to make these reconciliations. Once they identified and corrected the problem, the process is now working effectively.

With the exception of the Budget Analyst, other Finance staff members said they knew of DrillPoint but they had not been trained on its use, nor did they understand its capability.

RECOMMENDATION

Recommendation 3-5:

Expand the use of DrillPoint by training program managers, department heads, and the Finance staff on its capabilities.

The Budget Analyst who currently works directly with DrillPoint, should begin holding a series of brown bag session over the lunch hour to acquaint people with the capabilities of DrillPoint. Potentially, the Work Force Finance person may also want to demonstrate how she uses the system to ensure that her accounts remain in sync with the state reporting system, and how she uses this information to identify and correct any differences in a timely manner.

Once key individuals gain an understanding of the capabilities of DrillPoint, more intense training and technical assistance should be provided on an as needed basis.

3.3   PAYROLL

Regular payroll in LOSRC is run every two weeks. Other payrolls and the Accounts Payables for travel reimbursements and the like are run at other times during the month.

Payroll feeds into the overall finances for all of the grants and departments. The Finance Office manually allocates time and payroll expenditures based on the submitted timesheets. Since a large percentage of the overall LOSRC budget is payroll-related, the Finance Office has implemented a number of internal controls to ensure that the payroll is accurate and complete.

During Evergreen's onsite visit, Finance and program staff met in a focus group setting to outline the steps in the payroll process. **Exhibits 3-9** through **3-14** show the process flow from the time that an employee is hired and set up in the system for payroll purposes, to the point when payroll is run, distributed, and recorded in the accounting system.

FINDING

LOSRC distributes its payroll to its employees primarily through a direct deposit. As shown in **Exhibit 3-15**, which reflects the payroll as of February 2014, checks are cut only for the other payrolls administered by LOSRC.

For the Waste Reduction Partners and the SCSEP participants, there is a variety of reasons for why a direct deposit is not possible or desirable. LOSRC aggressively seeks to enroll all eligible individuals in direct deposit.

COMMENDATION

LOSRC is effectively using direct deposit to reduce the need for manual checks and associated costs.

FINDING

Much of the agency's payroll process is a manual effort, which is facilitated by the Payroll Module in MIP Abila and the Financial Accounting Module.

As demonstrated by the process flows above, the MIP Abila Financial Accounting module is used for storage of information in the general accounting system. LOSRC has not purchased the Human Resources nor Employee Web Services (EWS) modules, which would facilitate the automation of the timesheets and eliminate some of the manual, and sometimes redundant, data entry, and reconciliations that staff are currently handling with a series of Excel spreadsheets.

One full-time Accounting Specialist spends the majority of her time performing the manual and partially automated processes shown in the payroll flowcharts. Additionally, some of the accounting processes used to manually charge the various programs for the payroll costs and deductions, are not entered immediately. A fully automated system could eliminate the need for some, if not all, of those manual reconciliations at the end of the month, and provide managers more real-time expenditure data.

Exhibit 3-9
Employee Record Set-Up and Changes

Employee Record Set-Up/Status Changes in System

Department/Executive Management

- Employee Hired
- Department initiates changes to Employee Status
- Employee Initiates changes to Status

- Department Head Contacts Finance
- Immediate Supervisor signs off on PAF and returns to HR
- Executive Director, Department Head Sign the PAF and Returns to Finance

NOTE: Although other factors may apply to either category, the Internal Definitions are are follows:

Non-Exempt
- ❖ Hiring rate of pay less than $450 per week, or
- ❖ less than 1.0 FTE

Exempt
- ❖ Manages people and/or own time and work flow.

Finance

- Finance Director Prepares a Personnel Action Form (PAF) and sends to HR
- Finance Office enters changes on Payroll Master (Excel), notes entry on PAF and signs; original sent to Payroll Specilist
- Payroll Specialist enters the information into the Abila MIP System; sends copy to HR and keeps original in Payroll file
- Hard copy in Payroll File

MIP Abila

Basic Defaults set up in the system for each employee. These defaults will automatically populate Payroll fields unless changed:

- Direct vs. Indirect Split
- Salary/Hourly Rate
- Tax information
- Deductions/benefits

Data Stored:
Employee personal data
Pay Grade and Rate
Leave Accrual Rates
Exempt vs. Non Exempt Status
Full-time/Part-time status (% of Time)
Tax Information
Deductions (i.e., benefits, child support)

Human Resources

- HR Signs off on the PAF and sends back to immediate supervisor for signature
- HR sends employment letter to new hire for signture
- HR Sends PAF and copy of employment letter to Dept. Head and Exc. Dirc to sign
- Human Resources puts forms in employee file
- Human Resources conducts basic orientation with new employees
- Human Resources obtains basic employment and benefit forms and forwards to Finance
- Human Resources provides changed benefit forms to Finance
- Employee initiates changes to benefits

Employee

- Employee receives letter of employment and signs to accept position and sends back to HR

Exhibit 3-10
Completing Timesheets

Exhibit 3-11
Leave Accounting

Exhibit 3-12
Payroll Preparation

Exhibit 3-13
Payroll Processing

Exhibit 3-14
Other Payrolls

OTHER PAYROLLS – Senior Community Service Employment Program (Title V) & Waste Reduction Partners (WRP)
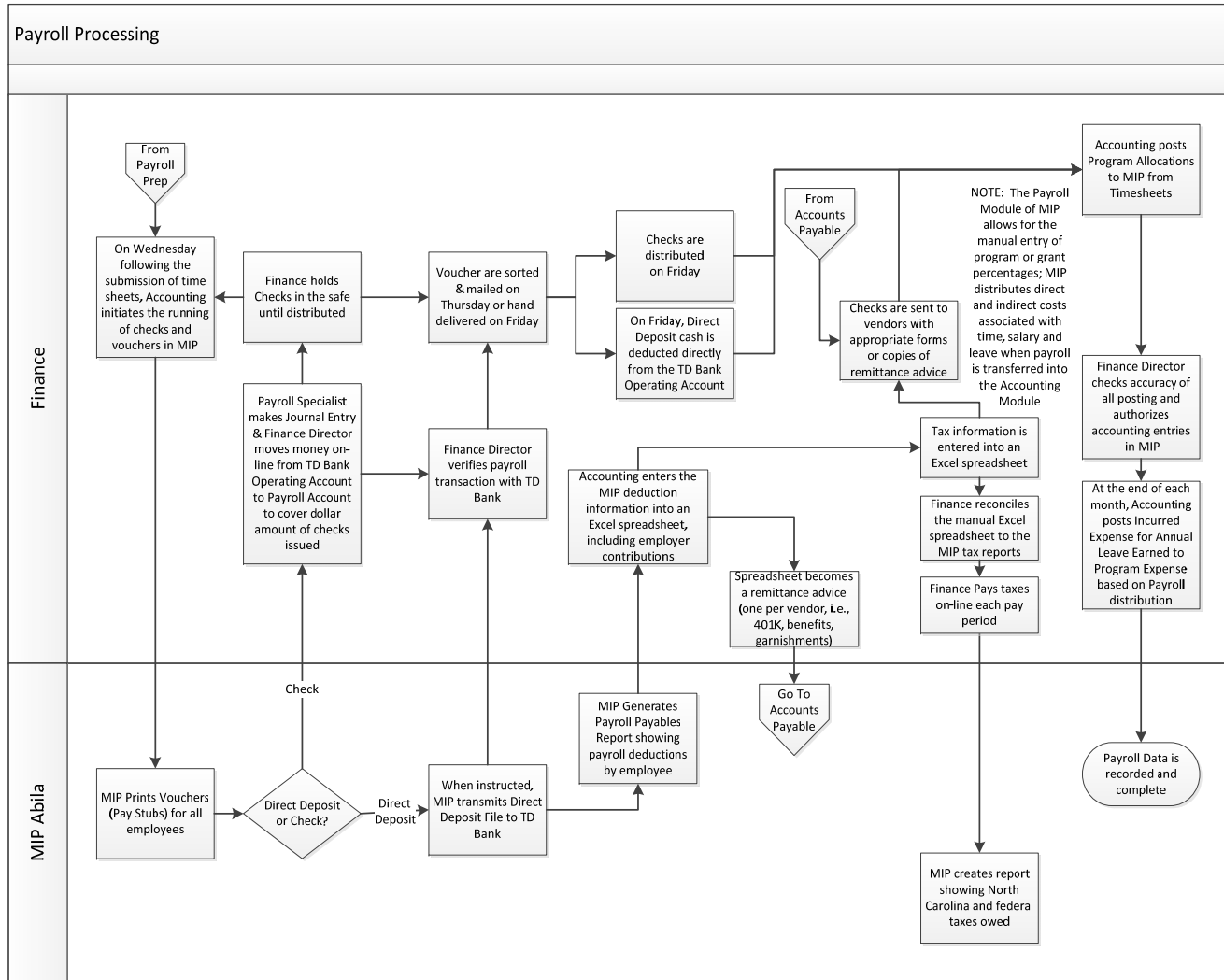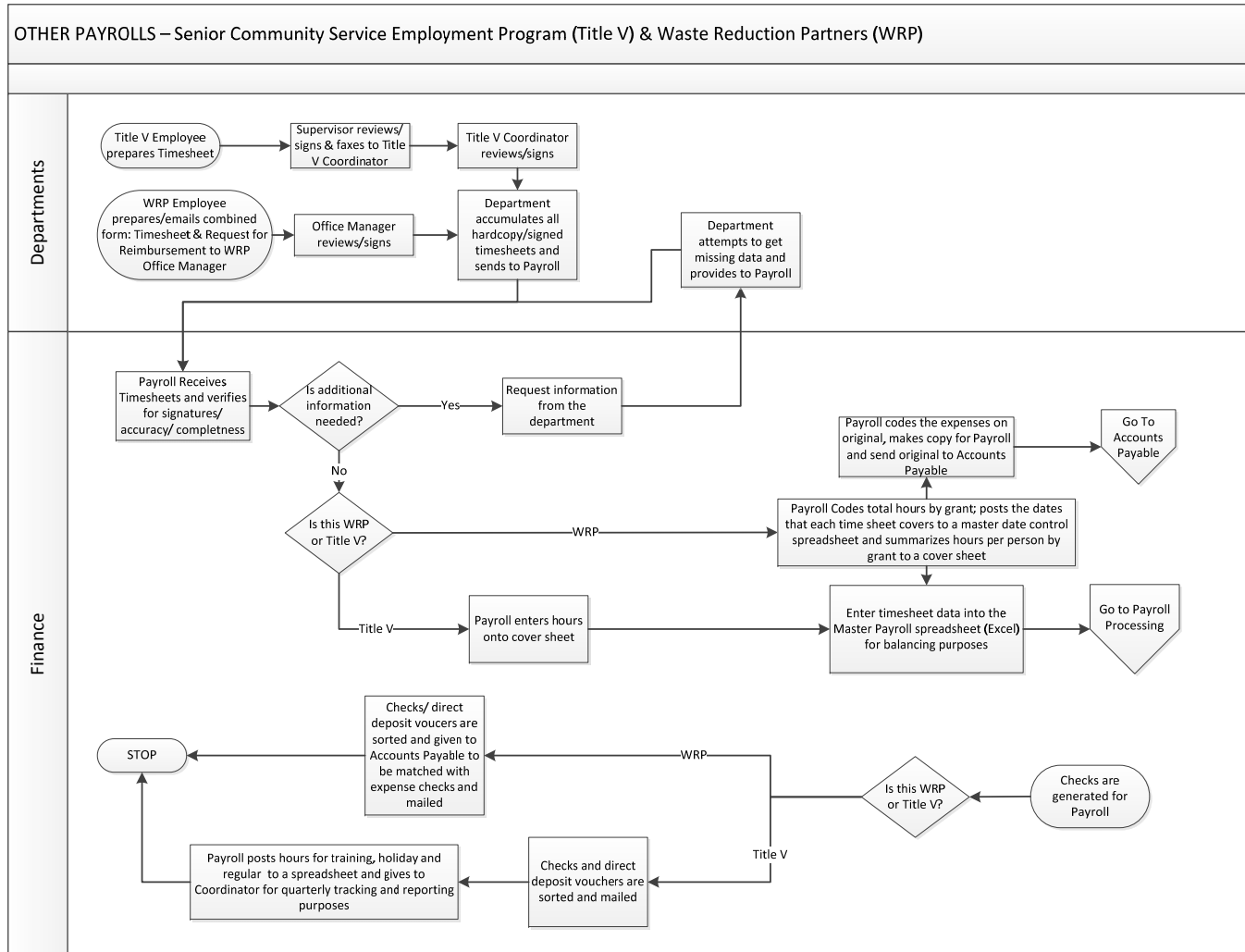
Source: Compiled by Evergreen Solutions, April 2014

Exhibit 3-15
Number and Percent of Payroll Issued through Direct Deposit

Type of Employee	Number of Employees	Number Direct Deposit	Percent Direct Deposit
Council Member/Chair	1	1	100%
Contract Temporary Part time	7	7	100%
Land of Sky Employees	58	58	100%
Senior Community Service Employment Program (SCSEP) Hourly	19	14	74%
Waste Reduction Partners	84	37	44%
Total	**169**	**117**	**69%**

Source: LOSRC Finance Office, February 2014.

Although this is not an inclusive list, some of the other issues or concerns noted by participants in Evergreen focus groups include the following:

- Timesheet templates (Excel) for each employee are on the server; the templates contain the correct grant codes and formulas for allocating time to each grant. Employees save the template to their desktop and make changes each week; therefore, any corrections or additions made by Finance staff are not consistently used. Further, in some instances, embedded formulas are overwritten or deleted, making it necessary for Finance staff to manually calculate the allocations for many employees.

- Obtaining signed and approved hardcopy timesheets from the departments is labor intensive. The timesheets are due by close of business on Friday, but the timeline is not always closely observed. Since a hardcopy must move the system, delays can result when supervisors and/or employees are out of the office. The forms are not self-checking, meaning that hours may not add up, may be entered into unacceptable categories and the like. Finance staff serve as the gatekeepers to catch and correct error and omissions.

- Compensatory time is not being tracked in MIP, which means that it is up to the employee and the supervisor to ensure that employees are given credit for additional hours worked. Because this is tracked off the books, compliance with Fair Labor Standards Act requirements for non-exempt employees cannot be ensured.

- Although aspects of the leave process are automated, different types of leave are handled differently, meaning that each type of leave requires checking and rechecking to be sure it is charged to the appropriate accounting codes.

- The Payroll Module of MIP allows for the manual entry of program or grant percentages; MIP distributes direct and indirect costs associated with time, salary, and leave when payroll is transferred into the Accounting Module.

Other entities that have successfully implemented fully automated and integrated systems are able to eliminate much of the paper, create meaningful electronic audit trails, speed the flow of information, and reduce redundant and error prone data entry processes.

RECOMMENDATION

Recommendation 3-6:

Purchase the MIP Abila* Human Resources and Employee Web Services Modules and fully implement these systems by the end of FY 2015.

The conversion process should be led by a team of staff from the Finance Office as well as departmental representatives. The planning for the conversion should not be focused on simply replacing the existing system, but rather should explore ways to fully automate every possible aspect of the requisitioning and accounts payable functions, reduce duplicative and redundant entry points, and include internal and external controls to prevent or reduce the possibility of undetected errors. Throughout the planning and implementation process, careful documentation should be kept of the system and the procedures that are envisioned for each of the processes.

Prior to the release of the final report, the Budget Analyst in Finance resigned. Evergreen recommends that this position not be filled, pending the implementation of the new software. The estimated savings for the staffing reduction is recognized in the fiscal impact for **Recommendation 3-9**.

FISCAL IMPACT

The cost of the modules is based on the number of employees within the system. To accommodate LOSRC's 169 employees the applicable module could accommodate up to 250 employees, should the need arise. In addition, MIP Abila's Professional Services Group can provide implementation service to assist clients in the set up process.

The implementation of the HR Module includes the following:

- HR and Payroll Optimization

- Setup of (1) HR User with security rights

- Setup of (3) Plans with an overview of the setup and administration of each plan with HR administrative user

  - (1) Benefit Plan
  - (1) Deduction Plan
  - (1) Leave Plan

- System Overview During Setup

*Although Evergreen does not normally recommend purchasing from a specific vendor, Evergreen recognizes that LOSRC has already invested in the MIP Abila Accounting system, the system components LOSRC is using are functioning as intended, and the system components currently in place provide the backbone off of which additional functionality can be added. Evergreen feels that introducing an entirely new system in order to gain additional functionality would be cost prohibitive and would significantly lengthen the transition time. Consequently, Evergreen is recommending that fully integrated functionality be added through the purchase of additional modules from LOSRC's existing vendor.

The implementation of the EWS Module includes the following:

- Setup of System Configuration- web based system maintenance items such as organization logo, log in preferences, deployment style and other components

- Setup of Timesheet Format(s)

- Setup of (4) Security Levels

  - (1) Staff
  - (1) Supervisor
  - (1) Manager
  - (1) User

- System Overview During Setup

In addition, some clients may require additional training and support, which can be delivered at a standard rate of $195 per hour, should the need arise.

The assumption is that LOSRC would require technical assistance during implementation, and the cost for the initial purchase of the modules, implementation services and annual maintenance and support are estimated below.

Module	Purchase Cost	One-Time Implementation Costs	Annual Maintenance & Support
Human Resources Module	$5,295	$2,995	$1,059
Employee Web Services Module	$4,295	$660	$859
Total	**$9,590**	**$3,655**	**$1,918**

In the first year, annual maintenance costs would be prorated, and are estimated to take affect mid-way through the first year at one-half of the full year costs.

Recommendation	2014-15	2015-16	2016-17	2017-18	2018-19
Initial Purchase and Implementation Costs	($13,245)	$0	$0	$0	$0
Annual Maintenance & Support	($959)	($1,918)	($1,918)	($1,918)	($1,918)
Net Savings (Costs)	**($14,204)**	**($1,918)**	**($1,918)**	**($1,918)**	**($1,918)**

3.4   PURCHASING AND ACCOUNTS PAYABLE

An effective purchasing system allows an entity to provide quality materials, supplies, and equipment in the right quantity in a timely, cost-effective manner.

Purchasing includes those activities involved in the identification and purchase of needed supplies, equipment and services in compliance with state and local guidelines, as well as the terms and conditions of the grants.

This section focuses on the overall purchasing and accounts payable systems, including purchasing policy, purchasing procedures, the accounts payable processes, internal controls, and the technology used to support the processes.

During Evergreen's onsite visit, Finance and program staff met in a focus group setting to outline the steps in the purchasing and accounts process. **Exhibits 3-16** through **3-21** show the process flow from the time that a decision is made to purchase, to the point when the goods or service are received, paid, and accounted for in the accounting system. **Exhibits 3-22** through **3-25** provide information on special types of payables that requirement specialized handling.

FINDING

The Procurement Policy provided to the Evergreen Team, which replaces Purchasing Policy in Operations Manual, does not provide sufficient detail to be useful to program users.

This policy contains a great deal of information on the forms that need to be completed and the need for approvals and preaudits, but it was extremely difficult to easily see the break points between those purchases that required informal quotes, formal quotes and bids. Participants who helped to create **Exhibit 3-16, Purchase Decision Making,** had a vague understanding of the requirements, but the policy remained silent in several areas. For example, the only mention of quotes is found in the Purchasing Procedures Section as follows:

> *Purchasing Procedures*
>
> *Each section's Project Assistant is responsible for assisting with the following procedures:*
>
> > 3. *All documentation of decision-making process should be attached to the Purchase Order:*
> >
> > > a) *Vendor quotes should be attached to the back of the yellow, Purchasing, copy. Written quotes detail the purchase agreement and provide back-up in a situation where the conditions of the purchase may be disputed (difference in price or a component portion of price, proof copies of print jobs, expectations of services provided). With competitive quotes from other vendors, you provide documentation of your attempt to get the best product for the best price. This does not always mean the lowest price and a brief explanation of decision criteria should be noted where applicable. For some items, telephone quotes may be accepted with your notation of the specifics of the quote. A Request for Quote form can be found at: L:\HAL\Administration\Blank Forms\Request for Quote.doc*

Exhibit 3-16
Purchasing Decision Making

Exhibit 3-17
Bid Process

Bid Process

Council or Other Governing Board

Purchases of >$5,000 for contracted services or capital assets go to Council for approval.

From Purchase Decision

Governing Board reviews the request & makes decision

Governing Board Approved Request?

—Yes→

Council reviews the request & makes decision

NOTE: The Executive Committee can review both the request and the contract and then take their decision to the Council for ratification at the next regular meeting

RFPs are not posted on the website & the purchaser decides who gets copies of the RFP; it is only after the newspaper posting that the general public is made aware of the intent to purchase

Council reviews recommendation & Chair signs contract

Purchaser has Dept. Head & Executive Director approval

No

STOP

Yes

Council Approved Request?

—No→

STOP

Yes

Purchaser

Purchaser drafts request in format required by the governing board requesting permission to proceed with bid/purchase

Executive Director takes to Council

Purchaser drafts RFP using templates from Local Government Commission Website or other previously used RFPs

No approval of RFP is required before posting

Purchaser posts & advertises bid

Go to Finding Vendor

Purchaser writes scope of work or description of goods.

Yes

Is another governing board involved?

—No→

Purchaser draft formal memo to Council requesting permission to proceed with bid/purchase

Purchaser creates & evaluation team; the team creates the evaluation criteria/matrix

Purchaser mails RFP hardcopies to vendors who might be interested; if email is available, they may send electronic copy

At least one week before bid opening, the purchaser places an ad in the newspaper regarding bid (time may be longer depending on Granting Agency requirements)

Recommendation & contract sent to Council for approval

Contract is prepared based on some template or prior contracts

Evaluation committee meets, reviews & makes a recommendation for award

Bid Opening Held at Time & Place Announced

Sealed bids Received & Date Stamped

Purchaser notifies vendor

Go to Payable Process

Evaluation Committee sends recommendation to Executive Director for review

Finance

Finance Director issues Purchase Order

At time Finance Director preaudits a contract, an abbreviated, preliminary, encumbrance copy of contract is retained. When contract is fully executed, one original is returned to Finance to replace the preliminary version and is retained in Open Contracts file (alpha order). No Purchase Order is issued for contracted services.

Finance Director Pre-Audits the Recommendation

Finance is made aware that a bid is pending

No funds are encumbered; a Purchase Order has not yet been issued

Exhibit 3-18
Purchase Order Process

Purchase Order – Pre-Audit Process

Purchaser

From Purchase Decision

Purchaser fills out a four-part Purchase Order (PO) & takes to Finance for Pre-Audit

Are funds available from another source? — No → STOP

Yes

PO is rewritten, or adjusted accordingly & returned to Finance ← Yes

NOTE: A Vendor Information Form identifies name, address, remit to, if different, legal form of entity (corp, partnership, etc) and HUB (Historically Underutilized Business) status

Purchaser obtains necessary quotes or documentation & returns to Finance

Can the units make a single or joint Purchase?

Go to Receiving & Invoicing

If new vendor, purchaser obtains a W9 & completes a Vendor Information Form

Program Manager completes & submits MBE/WBE/DBE form to Grantor, if applicable to grant award

No

Purchaser notifies vendor & awaits delivery or makes purchase

Finance

Finance reviews the Purchase Order and stamps four copies with automatic numbering stamp; original and one copy to requestor; receiving copy to Project Assistant; yellow copy stays in Finance

Return the PO to department

Return the PO to department for additional work

Bring the two areas together to discuss the possibility of a joint or single purchase

PO is stamped with PO number and signed as Pre-Audited; original and one copy to requestor; receiving copy to Project Assistant; yellow copy stays in Finance

No

Is enough money in the budget to cover the cost of this purchase? — Yes →

Have purchasing requirements for the dollar amount been met? — Yes →

No — No

Have all vendor selection Tasks been completed? — Yes →

Does this purchase duplicate a similar purchase in another unit? — Yes →

Can a credit card be used for this type purchase?

Yes

Check out a credit card for the Purchaser to use

Purchase Orders are NOT needed if:
❖ A purchase has already been made
❖ Purchase is for under $25
❖ Emergency purchases (an email to Finance Director is treated as a request for Pre-Audit; email should include program/grant code; general description of purchase; a not to exceed dollar amount; reply from Finance Office constitutes Pre-Audit)
❖ Prepayment is required (a Check Request is used in place of a PO)
❖ Conference registrations & other travel arrangements (covered on Travel Reimbursement Form)
❖ You don't know what you might need for an special event (see email note under emergency purchase)

Go to Receiving & Invoicing

Place yellow copy in either Regular or Credit Card Pending Folders in Alpha Order

Exhibit 3-19
Receiving and Invoicing

Receiving & Invoicing

Purchaser/Receiver

From Purchase Order

Purchaser (or someone) receives goods or services

Locate the receiving copy (Pink) of the Purchase Order (PO)

Is the order complete & accurate?

No → Contact the vendor to determine how they are going to address the problem

Will vendor complete the order?

No → Make a note on PO receiving copy regarding what the vendor agreed to do – date & initial

Yes → Make a note on PO receiving copy regarding what the vendor agreed to do – date & initial

Will a partial payment be made for any part of the order?

Yes → Attach a copy of the vendor sales slip or internet order confirmation to the Receiving copy of the PO

Was the purchase made with a credit card or charged to a store account?

No → Date & initial PO Receiving copy saying OK to Pay, & send to Finance

No → Notify Finance & provide them copies of all documentation in case the vendor sends an invoice

Finance

Invoice Arrives & is directed to Finance

On Wednesday, Finance matches the invoice to the Yellow copy in Regular or Credit Card file

Has Receiving copy arrived?

No → Contact Purchaser for needed information

Does Invoice match PO Receiving copy?

Yes → Go to Payable Processing

No → Finance matches the receiving copy of PO to the Yellow copy in Regular or Credit Card file

Finance matches the receiving copy of PO to the Yellow copy in Regular or Credit Card file & monitors in case of vendor invoice

STOP

Hold receiving copy & Yellow copy in folder until invoice arrives

Has invoice arrived?

No → Is this a Visa Credit Card purchase?

Yes → Go to Paying Credit Card

NOTE: The following credit cards are paid through the normal process:
- Sams Credit Card – Project Assistants and some program managers have access
- Lowes Credit Card – Account only used by maintenance.
- Enterprise Account – LOSRC account under State P&C contract terms.

Exhibit 3-20
Accounts Payable Processing

Exhibit 3-21
Reconciling Pending Purchase Order Folders

Reconciling Pending Purchase Order Folders

Exhibit 3-22
Paying Credit Card Statements

Paying Credit Card Statements

Finance

From Payable Processing

Bill/Statement Arrives

Matched receipts and POs are held in file until Bill arrives

AP Specialist processes a Check Request to pay the bill out of the Receivable Account

AP Specialist creates a Journal Voucher to charge the appropriate program codes for the charges shown on the statement and credits Accounts Receivable

Check is mailed to vendor in time to avoid penalty or interest payments

Bank of America Visa cards are issued to LOSRC in staff person's name. Visa cards in personal possession – Exec Director (Justin), Deputy Director (Danna), Communications Specialist (Christina), EC Dept Director (Erica), WIA Director (Phil), WIA Finance Manager (Jean), Finance Officer (Peggy). All others retained in safe. "Checked out" with approved PO.

MIP Abila

MIP Generates a check and charges the Bank Credit Card Accounts Receivable (GL Code)

Programs are charged for purchases

STOP

Exhibit 3-23
Travel Requests and Reimbursements

Travel Requests/Reimbursements

Employee

Employee will travel outside of Region B or adjacent regions (Regions A, C and D)

Note: Employee travel in Region B or adjacent regions (Regions A, C and D) that does not include an overnight stay does **not** require pre-approval on a Travel Authorization Form.

NOTE: The Request for Reimbursement is due within 30 days of the end of the month in which travel occurred

Employee Returns from Trip

Employee plans trip and completes a Travel Authorization Form

Will an advance be required? — Yes or No →

Include information on Travel Authorization Form

Did the Supervisor approve? — No

Employee completes a Travel Request for Reimbursement Form and attaches all documentation — Yes

Will a reimbursement be required? — No

Yes — Will overnight stay be involved? — No — Is a LOSRC vehicle available? — No

Plan to use personal vehicle and track mileage for reimbursement

STOP

Was a Travel Authorization obtained in advance? — Yes

Attach all expense and other documentation to the Travel Authorization Form

Employee travels in region or adjacent region

Employee makes trip

Yes — Did Executive Director Approve? — No

No

Yes — Reserve car for the date of travel

Send to Accounting for Preaudit

Obtain requested information or approval

Employee and Supervisor Sign and Send to Accounting

Finance

Copy of Travel Authorization to credit card file and copy back to employee — Yes

Will credit card be used to pay registration, airfare. etc.? — Yes

Is an advance or pre-paid registration required? — Yes

Is form accurately completed and approved? — No

Send back to requestor for additional information or approval — No

Is all information necessary for processing there?

Go to Payable Processing — No

No or Yes — Copy to Employee and one held in tickler file

Match copies held in tickler, as appropriate — Yes

Exhibit 3-24
Recurring Expenses

Recurring Expenses

Finance

Recurring Expenses include such things as electric, gas, recycling, copier maintenance, HVAC maintenance, janitorial maintenance, carpet cleaning, etc.

This sme process is used when there is a partial pay on a contract

Annual Recurring Expenses are identified/ estimated at budget time

A contract is let that will result in multiple payments over the life of the contract

Finance issues a single Purchase Order to cover the 12 month period

A Purchase Order is not issued for contracts; rather, an abbreviated copy of the contract is held in the Open Contracts File

Accounting pulls the abbreviated contract copy and notes the date invoice paid, invoice number, period of service, amount paid, and balance of open contract

Contract

Another copy of the contract is attached to file as proof of preaudit of each payment

Does this payment complete the contract?

No

Yes

Go to Payable Processing

Invoice or statement arrives for payment

When contract is complete, and all payments are made, the copy with notes of all payments is attached to the original contract and placed in the Grant file

Yellow copy of PO is held in the Payable file for the duration

Accounting pulls the Yellow copy from the file and notates the date and amount of the payment; a cumulative total is calculated with each payment to ensure that the amount of the original PO is not exceeded

Recurring Expense

Exhibit 3-25
Other Payables

OTHER PAYABLES – Foster Grandparents (FGP), Senior Companions (SCP)

Department

Employee Prepares Timesheet

Department verifies hours worked as well as hours claimed for holidays, and training, according to the program type

If timesheet contains requests for sick leave, holiday, vacation, bad weather, or in-service training hours, the department checks and verifies employee eligibility and calculations

Department accumulates all timesheets and sends to Finance

Department attempts to get missing data and provides to Finance

These payments are based on volunteer participant timesheets, which contain both time by category and mileage. Recipients, however, are treated as vendors with a stipend.

Payments are processed once per month, with distribution on a Friday; processing begins on onday and is completed on Wednesday to allow time for direct deposits and check processing.

In addition to the entry in MIP, data entry is required in the Voltrax system for program reporting purposes.

Finance

Accounting Specilialist receives Timesheets and verifies for accuracy/ completness

Is additional information needed?

Yes — Request information from the department

No

Accounting Specialist records/ checks vendor codes and calculates/ reconciles the dollar amount of stipends, mileage

Accounting Specialist

❖ runs Voltrax reports related to Elderly and Disabled Transportation Assistance (EDTAP) billing for FGP/SCP and prepares worksheets and invoices
❖ runs Voltrax reports related to SCP Block Grant, prepares worksheet and enters into Aging Resource Management System (ARMS)
❖ updates internal volunteer service years spreadsheets for FGP/SCP reflecting monthly and YTD hours and mileage and emails to managers and their Department Heads

Accounting Assistant enters the data into the Voltrax System and verifies that the volunteer has sufficient vacation or sick leave to cover amounts listed; makes corrections as needed.

Accounting Specialist runs a tape showing totals for timesheets by catgegory

Accounting Assistant

❖ Runs timeslips for all volunteers
❖ Makes a copy of travel expenses by volunteer for FGP/SCP and adds to timeslip
❖ Prints timeslips and attaches to checks/ check stubs
❖ Gives checks/vouchers/timesheets to program personnel

Accounts Payable generates checks/ vouchers

Accounting Spcialist reconciles the totals in Voltrax to the the original tapes

Accounting Specialist makes copy of Voltrax data in Alpha order and puts original Voltrax entry in vendor code order

Accounting Assistant, using the Voltrax report in vendor code order, enters the data into to MIP

Accounting Assistant reconciles the MIP entry numbers to the Voltrax System numbers and makes corrections, as needed

Once reconciled, Finance Director pre-audits totals by program and passes back to Accounts Payable for normal processing

Go to Payable Processing

MIP Abiia & Voltrax

VOLTRAX SYSTEM
Program related data including dollar amount of stipend by category of time and mileage

MIP Abilia SYSTEM
Accounts Payable related data including dollar amount of stipend by category of time and mileage

As shown, the policy is silent about when a quote is required. The break points for local government's competitive procurements can be found in the state's guidelines, but some entities will, by policy, impose more stringent local purchasing guidelines. However, in either case, users should not be expected to research state guidelines, but rather should expect local guidance and direction.

At this time, the term "emergency" is not clearly defined, nor is there a method whereby a purchaser can request permission to by-pass purchasing guidelines. Current policy makes only one mention of "emergency" purchases as follows:

> d. *If the expense is for an emergency <u>and not planned in advance</u>, an e-mail to the finance officer as soon as possible, preferably before the purchase, with information about the purchase and grant to be charged will constitute a preaudit. When e-mailing on same day is not possible, a phone call to the project assistant, who will forward information, or to the Finance office is better than nothing. These situations should be infrequent.*

Consequently, almost any purchase made by any LOSRC employee could be construed to be an emergency, as it was not planned in advance. A clearer definition of what constitutes a true emergency needs to be developed.

Although LOSRC has only very limited need to issue Requests for Proposals (RFPs), the only guidance given on this process in the policy is as follows:

> 8. *Material items of unit value of $30,000 or more require the bid process:*
>
> *Obtain approval from the Finance Officer before proceeding with the following steps:*
>
> > a. *Write specifications*
> > b. *Mail bid request and specifications to vendors*
> > c. *Advertise bid opening in local newspaper at least one week prior to bid opening*
> > d. *Receive sealed bids and bid deposit from bidding vendors*
> > e. *Hold bid opening at time and place announced*
> > f. *Tabulate bids and submit results to the Executive Committee.*

By providing such limited guidance concerning a process that on occasion can become litigious, LOSRC appears to be at risk. According to this, RFPs are not approved before they are posted, there is no guidance on what is legally required language for an RFP and there is no guidance on how to locate vendors to comply with MBE/WBE/DBE requirements—to name a few of the missing pieces of information. Several program managers and department heads said that each time they must issue an RFP they must 'reinvent the wheel.'

RECOMMENDATION

Recommendation 3-7:

Create a comprehensive Procurement Policy and Guide that provides users extensive direction on what is legally required, as well as providing resources to assist them in navigating the processes.

There are a number of good examples of Purchasing and Procurement Policies and Procedures available through other North Carolina Regional Councils and local governments that could serve as a model. That is not to say that their internal policies need to be adopted by LOSRC, but rather that the topical categories and legal wording may provide LOSRC a template from which to begin work.

Once developed, the policy needs to be placed in the hands of all employees who are involved in purchasing activities for the agency, preferably electronically, so that topics can be easily searched for and found. Further, the policy needs to be organized with a table of contents so that topics are covered in a logical flow.

FINDING

LOSRC departments are responsible for finding a vendor and performing many of the purchasing functions independently. During the focus group sessions, participants noted that the current purchasing policy mentions some requirements that departmental staff were not fully aware of, particularly as it dealt with the identification of and final selection of a vendor.

When asked how vendors were located, most indicated they called vendors they had used in the past, some stated they checked the Internet or looked for vendors in the yellow pages.

Below are excerpts from the current LOSRC Purchasing Policy identified as misunderstood or were areas of concern:

Disadvantaged Business Opportunity

In order to provide maximum contracting opportunities to minority business enterprises (MBEs), women's business enterprises (WBEs) and disabled business enterprises (DBEs), LOSRC will comply with the disadvantaged business goals as set forth in Article 3E, subject to NC G.S. 143-128, 143-128.2 and 143-129.

It is programmatic responsibility to settle and satisfy all contractual and administrative issues arising out of contracts under a program grant. Compliance with goals and benchmarks for Disadvantaged Business (aka Minority Business Enterprise/Woman-owned Business Enterprise) and the reporting of those efforts and results are also programmatic responsibilities.

Code of Conduct

No employee, officer or agent (employee) may participate in the selection, award, or administration of a contract if the employee, any of the employee's family members or partners, or an organization which employs or is about to employ any of these persons, has a financial or other interest in the organization selected for the contract. This would be an inappropriate conflict of interest.

Debarment and Suspension

No contract will be awarded to any person (organization or individual) debarred or suspended or otherwise excluded from or ineligible for participation in Federal assistance programs (40 CFR 31.35). Programmatic responsibility for a contract includes ensuring that a contractor does not award a subcontract to any person debarred or suspended or otherwise excluded from or ineligible for participation in Federal assistance programs.

The list of debarred, suspended, and excluded persons at: www.epls.gov

When searching this site, search by the name of the contractor, not by agency, to ensure all debarred, suspended or otherwise excluded contractors are found. Some debarred contractors are ineligible under only certain programs. Document the cause and treatment code to determine the circumstances related to each contractor. It may be necessary to contact the agency which imposed the suspension, debarment or exclusion to determine the effect of the action.

Although not included in the current Purchasing Policy, the LOSRC Operating Manual contains an additional purchasing related policy.

Environmentally Preferable Purchasing Resolution

In an effort to minimize any negative environmental impact, this guideline is to be used as much as possible when purchasing supplies for the Council.

L:\HAL\Administration\EMPLOYMENT TOOLS\POLICY MANUAL\Buy Recycled Policy 7-1-01.doc

Exhibit 3-26 provides the flow developed by the focus group to address what steps might be necessary to ensure compliance with purchasing policy during the vendor selection process.

LOSRC uses a Vendor Information Form to obtain information related to a vendor's contact information and basic profile. The Vendor Information Form asks the vendor if they qualify as an MBE/WBE/DBE. Additionally, Program Managers are required to submit an MBE/WBE/DBE form to some grantors to show compliance; however, the form is not used for all grants or for indirect purchasing.

When asked if LOSRC purposefully seeks out minority vendors from the state's list of vendors, program staff said they did not know that there was a site where they could find that information. Further, when formal bids are requested through the RFP process (**see Exhibit 3-17**), the RFP is mailed to a select group of vendors known to the purchaser, meaning that the purchaser would need to seek out minority businesses to ensure their participation in the process.

Finance staff stated that, in some instances, they were able to identify disbarred or suspended vendors, but did not feel that purchasers were giving this issue a great deal of thought during the purchasing process. When asked how the purchasers complied with the environmentally preferable requirement, responses centered on buying environmentally friendly, biodegradable products, when possible. Waste reduction by vendors was not mentioned in the discussion, although that is also a part of this requirement.

Exhibit 3-26
Process for Finding a Vendor

FINDING A VENDOR – DESIRED STATE

From Purchasing Decision/ Bid Process

Purchaser searches for a list of vendors that provide a specific good or service

Do any vendors have a conflict of interest?

Yes → Remove conflicted vendor from list

Purchaser Needs to identify Qualified Vendors

No

Have efforts been made to meet minority business goals?

Yes → Attach documentation to purchase request/ Purchase Order showing which businesses were contacted &/or how vendors will use minority businesses if given the contract.

No

Sources may include:
- Current vendors
- Internet search
- Local chambers of commerce
- Yellow book
- State vendor lists
- Trade Journals
- Referrals from other governmental entities\
- Minority business lists from state: https://connect.ncdot.gov/business/SmallBusiness/Pages/default.aspx

Conflict of Interest:
An Employee may not contract with a family member or a firm that employees a family member or one in which the employee or a family member have a financial or other interest

Minority Business Goals:
Policy states that LOSRC will comply the state's minority business goals of 10% of total contracts, which requires purchasers to make a good faith effort to recruit minority businesses &/or require all contractors to document efforts to recruit minority business participation.

Contact minority vendors &/or ask identified vendors for information on how they intend to comply with policy

Program Managers submit an MBE/WBE/DBE form to Grantors to show compliance, however the form is not used for all grants or for Indirect purchasing

Do you have enough vendors on your list to ensure competition?

Does vendor or product meet EPP guide?

No → Have any vendors been disbarred/ suspended?

Save documentation proving that vendors meet the criteria for each question to be submitted with purchase order to show compliance

Environmentally Preferred Purchasing (EPP):
Purchasers should make reasonable effort to ensure that contractors reduce the amount & toxicity of solid waste generated & recycle waste; when buying materials, the purchaser should maximize the procurement of recycled, energy efficient, & non-toxic products.

No — Yes → Remove vendor from list

Debarment & Suspension
No contract will be awarded to any person (organization or individual) debarred or suspended or otherwise excluded from or ineligible for participation in Federal assistance programs (40 CFR 31.35). The list of debarred, suspended, & excluded persons at: www.epls.gov; search by contractor name.

Go to Purchase Decision or Bid Process

PURCHASER

Source: Compiled by Evergreen Solutions, April 2014.

In all, it appears that individual purchasers were not knowingly violating policy, but were either unaware of the requirement or had no idea how to comply.

RECOMMENDATION

Recommendation 3-8:

Create a form for purchasers to use during the vendor selection process that outlines the steps required for compliance with state and local guidelines, and allows space for the purchaser to provide information on their efforts to comply.

The flowchart shown earlier should provide a basis for the development of a form; however, the form should be developed collaboratively by Finance and program staff, so that both the legal requirements and the practical application of the requirements are taken into consideration.

FINDING

LOSRC does not have the capability of electronically encumbering funds, which means that either the departments or the Finance Office must maintain manual files and spreadsheets to determine how much money remains available in the budget for any grant or program code.

The following are excerpts from the state's *Policy Manual for Local Governments; Section 35: Purchasing and Contracting [emphasis added]*:

> *Encumbrances are commitments created by purchase orders or other contracts that have been issued, but for which no goods or services have yet been received. Encumbrances should be recorded as they occur for budgetary control purposes. The issuance of a purchase order or the signing of a contract creates an encumbrance in the amount required to be paid during the current year. This amount is no longer available for obligation or expenditure, unless the purchase order or contract is cancelled, thus voiding the encumbrance.*

> *Encumbrance records and controls are normally maintained by the finance department. Purchasing and other departments should ensure that the necessary data is provided on a timely basis to the finance department to maintain these effectively.*

> *According to G.S. 159-26(d), using the "most recent federal decennial census", "each city or town with a population over 10,000 and each county with a population over 50,000 shall maintain an accounting system that records and shows the encumbrances outstanding against each category of expenditure appropriated in its budget ordinance."*

Although LOSRC does not appear to fall into the category of entities required to maintain a system that records and shows the encumbrances outstanding, the manual goes on to state the following:

> *A good budgetary accounting system not only shows the remaining balances after deducting year-to-date actual expenditures from budgeted amounts, but also shows the total of the*

encumbrances and the remaining available appropriations. This last figure also may be described as the unencumbered balance of the appropriation against which the finance officer may charge future obligations in the preaudit process.

As shown in the flowcharts above, the Finance Office maintains two hardcopy files of pending purchase orders (POs), one for credit card purchases and one for regular purchases. The POs are filed alphabetically, meaning that there is no easy way to determine how many purchases are pending against a specific program or grant code without thumbing through the entire file. In LOSRC, any purchase request over $25 requires preaudit certification by the Finance Director. The state's manual contains the following language:

Even though a city or town with a population of 10,000 or less, or county with a population of 50,000 or less are exempt from maintaining encumbrances in their accounting systems under G.S. 159-26(d), it is recommended that they be used <u>since it is such an important element of the internal control structure. In order to fulfill the requirements of the "preaudit", the Finance Director will need to know the unencumbered balance in order to determine available funds.</u>

When asked how the current process addresses this issue, the Finance Director indicated that she and her staff are very aware of budgets and pending purchases and have had no difficulty determining how much remains available in each budget.

During discussions about the possibility of implementing an automated encumbrance system, staff questioned whether an encumbrance system would be of value since they felt that a hard copy of the documents had to be maintained in a file to show evidence that the purchase had been "preaudited," as discussed in the following section of the North Carolina Local Government and Fiscal Control Act [<u>emphasis added</u>]:

159-28. Budgetary accounting for appropriations

(a) Incurring Obligations. - No obligation may be incurred in a program, function, or activity accounted for in a fund included in the budget ordinance unless the budget ordinance includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay in the current fiscal year the sums obligated by the transaction for the current fiscal year. No obligation may be incurred for a capital project or a grant project authorized by a project ordinance unless that project ordinance includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay the sums obligated by the transaction. If an obligation is evidenced by a contract or agreement requiring the payment of money or by a purchase order for supplies and materials, <u>the contract, agreement, or purchase order shall include on its face a certificate stating that the instrument has been preaudited</u> to assure compliance with this subsection unless the obligation or a document related to the obligation has been approved by the Local Government Commission, in which case no certificate shall be required. The certificate, which shall be signed by the finance officer or any deputy finance officer approved for this purpose by the governing board, shall take substantially the following form:

"This instrument has been preaudited in the manner required by the Local Government Budget and Fiscal Control Act.

_____

(Signature of finance officer)."

Certificates in the form prescribed by G.S. 153-130 or 160-411 as those sections read on June 30, 1973, or by G.S. 159-28(b) as that section read on June 30, 1975, are sufficient until supplies of forms in existence on June 30, 1975, are exhausted.

An obligation incurred in violation of this subsection is invalid and may not be enforced. The finance officer shall establish procedures to assure compliance with this subsection.

The Finance Director sought advice from the State and Local Government Finance Division of the Department of State Treasurer, and the following response came back from the Director of the Fiscal Management Section regarding the use of electronic signatures in terms of compliance with this section of law:

Due to a recent court of appeals ruling, current guidance is that regardless of the process, evidence of the pre-audit still has to be in writing and still has to be signed. The process you describe below [the use of an encumbrance accounting system that automatically encumbers the funds at the time that a PO is issued] *is valid but it needs to be evidenced in writing. The signature can be an electronic signature. I encourage you to add the pre-audit language to the PO document.*

In addition to the internal control factor, department heads and program managers need up-to-date information if they are to be held accountable for maintaining and controlling their own budgets. The DrillPoint technology is able to give administrators daily access to what is recorded in the Accounting System, but there is no way for administrators to see open purchase orders in the system. Administrators too must maintain their own set of hardcopy files of open purchase orders and manually calculate the remaining balances to make sure there is sufficient money to cover what they need.

According to the MIP Abila representative, MIP Abila has modules available to fully automate the processing of requests for purchase (requisitions), the purchase orders and the encumbrances. The Electronic Requisition Module automates the initial request and approval process. If approved, the Purchase Order Module issues a purchase order and encumbers the funds. Once the goods are received in the system, the invoices are paid and the PO is closed. In other words, all approvals are automated, up-to-date unencumbered balances are available at a glance, system controls will stop any over budget requests from moving through the system, information on where the request is in the system is accessible at a glance, and an audit trail is created for future reference.

While the Encumbrance Module can be purchased separately, the Purchase Orders Module automatically includes the Encumbrances Module. The Requisition Module is separate, but provides the front-end for the process.

RECOMMENDATION

Recommendation 3-9:

Immediately purchase the MIP Abila Requisition and Purchase Order Modules* and implement both by end of fiscal year 2014-15.

When communicating with the vendor, LOSRC should ensure that appropriate wording and electronic signature approvals are included in the system to ensure compliance with all state preaudit requirements.

Like the new modules for payroll, the conversion process should be led by a team of staff from Human Resources, Payroll and Computer Services as well as labor representatives. The planning for the conversion should not be focused on simply replacing the existing system, but rather should explore ways to fully automate every possible aspect of the Human Resource and Payroll function, reduce duplicative and redundant entry points, and include internal and external controls to prevent or reduce the possibility of undetected errors. Throughout the planning and implementation process, careful documentation should be kept of the system and the procedures that are envisioned for each of the processes.

As noted under the recommendation dealing with the implementation of new modules for payroll, the assumption is that when these two recommendations are fully implemented, at least one position in the Finance Office could be eliminated. Prior to the release of the final report, the Budget Analyst resigned. Evergreen recommends that this position not be filled, pending the implementation of the new software.

FISCAL IMPACT

The cost of the modules is fixed; however, there would be a need for additional user licenses so that department heads and those individuals who enter purchasing requests and the Executive Director could access the system online. Finance staff members are already licensed to use to system, so for estimating purposes, Evergreen projects the need for a total of 10 new licenses.

Consultant services to assist in the implementation and of the E-Req and Purchase Orders Modules would be $3,120 for the following:

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*Although Evergreen does not normally recommend purchasing from a specific vendor, Evergreen recognizes that LOSRC has already invested in the MIP Abila Accounting system, the system components LOSRC is using are functioning as intended, and the system components currently in place provide the backbone off of which additional functionality can be added. Evergreen feels that introducing an entirely new system in order to gain additional functionality would be cost prohibitive and would significantly lengthen the transition time. Consequently, Evergreen is recommending that fully integrated functionality be added through the purchase of additional modules from LOSRC's existing vendor.

- Setup the Users and User Rights
- Setup Approval Flow/Process
- Setup Item Codes
- System Overview During Setup/Training

In addition, some clients may require additional training and support, which can be delivered at a standard rate of $195 per hour, should the need arise.

The assumption is that LOSRC would require technical assistance during implementation, and the cost for the initial purchase of the modules, implementation services and annual maintenance and support are estimated below.

Module	Purchase Cost	One-Time Implementation Costs	Annual Maintenance & Support
Requisition Module	$1,995	$3,120	$399
Purchase Order Module	$2,495	See above	$499
Ten New User Licenses	$1,500 ($150 per new license)	N/A	$300 ($30 per year per license)
Total	**$5,990**	**$3,120**	**$1,198**

In the first year, annual maintenance costs would be prorated, and are estimated to take affect mid-way through the first year at one-half of the full year cost.

In estimating the savings possible through the elimination of one position, Evergreen used the estimated current salary of the Budget Analyst position. An estimate is used because the position was reduced from 100 percent during the review process. To be conservative, the estimate is based on a percentage of her original salary, or $32,600 annually plus $12,550 for benefits at the FY2014 rate of 38.5 percent. Total annual savings from not filling this position is estimated as $42,150.

As shown, by eliminating one finance position, the cost for purchasing and implementing both the HR and the Requisition and Purchase Order Modules is entirely recouped, and in future years can, reduce the indirect costs by a net of more than $40,000 per year.

Recommendation	2014-15	2015-16	2016-17	2017-18	2018-19
Initial Purchase and Implementation Costs	($9,110)	$0	$0	$0	$0
Annual Maintenance & Support	($599)	($1,198)	($1,198)	($1,198)	($1,198)
Eliminate one Finance Position		$42,150	$42,150	$42,150	$42,150
Net Savings (Costs)	**$32,441**	**$40,952**	**$40,952**	**$40,952**	**$40,952**

FINDING

The current process for matching vendor invoices to purchase order (PO) copies, and ensuring that invoices are paid in a timely manner, is generally sound; however, there have been infrequent instances where invoices were lost or misplaced, and the vendor was not paid in a timely manner.

At this time, copies of POs are kept in accordion folders until the vendor invoice arrives. The process for matching invoices to the various PO copies is described in greater detail in **Exhibit 3-21.** It appears that when invoices make it to the Finance Office, they are typically matched to the PO and paid in a timely manner. For unmatched POs, there are not similar fail-safe measures.

Finance staff stated that about once each six months, they go through the accordion folders looking for PO copies that are old. They will then initiate a call 1) to the purchase to see if the item has come in and if not, why not; and 2) to the vendor to see if they have sent an invoice, and if not, why not. There are many variables that can occur, but typically this is when Finance staff track down the problem and either make note on the PO and put it back into the file, cancel the PO, or pay the vendor based on a copy of the invoice.

Between reviews, Finance staff indicated that the vendor will call and ask about a payment, and they will have to call the department to locate the receiving copy of the PO and obtain permission to pay. Obviously, the mail handlers are instructed to send invoices to the Finance Office; however, some vendors send an email invoice to the purchaser directly.

While there are many scenarios as to how an invoice may fall through the cracks, the current process for reviewing the pending POs every six months is much too infrequent.

RECOMMENDATION

Recommendation 3-10:

Review the Pending Purchase Order file at least once per month to ensure that any aging orders are investigated and paid promptly.

An automated system would allow for instantaneous monitoring of any POs older than 60 or 90 days. In the absence of that system at this time, Finance staff will need to make more frequent reviews.

3.5   *CASH AND INVESTMENTS*

Developing an effective cash management program can provide an agency with additional revenues to fund essential programs and operations. Maximizing the return on invested funds, while ensuring the safety and liquidity of investments, has become a high priority.

Effective cash management programs:

- provide market rates of return through the use of various investment instruments;

- are based on a comprehensive written investment policy approved by the board; and

- allow personnel to become skilled in investment procedures and techniques and stay abreast of current money markets.

Exhibit 3-27 provides a list of the cash and investment accounts maintained by LOSRC, with balances as of December 31, 2013.

Exhibit 3-27
LOSRC Cash and Investment Accounts
as of December 31, 2013

Banking Institution	Balance	Interest Bearing or Non-Interest Bearing
TD Bank		
• Operating Account	$587,748	Non-Interest Bearing
• A Payroll Account (for paper checks)	$3,000	Non-Interest Bearing
• A Processing Account for the Medical Expense Reimbursement Plan (MERP)	$0	Non-Interest Bearing
Wells Fargo		
• Old Operating Account (still used for some deposits and automatic withdraws not yet converted to TD Bank)	$5,065	Interest Bearing
NC Capital Management Trust		
• Cash Portfolio	$245,915	Interest Bearing
Total Cash and Investments	**$841.978**	

Source: LGC 203 EZ Report, Submitted to the Local Government Commission, January 2014.

According to the Finance Director, there are no minimum balance requirements for the TD Bank accounts; however, as a matter of general practice, LOSRC keeps $3,000 in the Payroll Account and $1,000 in the Processing Account to prevent inadvertent overdrafts.

FINDING

LOSRC had done business with Wells Fargo Bank for a number of years, and in July 2013, LOSRC issued a Request for Proposals for banking services using the Local Government Commission template. During this process, LOSRC chose and has begun using TD Bank as its main depository.

North Carolina General Statute §159-31 requires that all public deposits be secured. LOSRC has chosen to use the pooling method of collateralization of public funds to ensure compliance; and therefore solicited bids from only those institutions that the State Treasurer has vetted, and continually monitors for compliance with the collateralization requirements.

COMMENDATION

Land of Sky Regional Council requested proposals for its depository contract and, during the process, ensured that all funds remained secured through the pooling method of collateralization.

FINDING

LOSRC uses the TD Bank Operating Account for both incoming deposits from grant sources, and for the majority of payroll and accounts payable expenditures. The account is not interest bearing and excess funds (money not needed for the next 30-60 days) are not routinely moved into interest-bearing investment accounts.

The TD Bank depository agreement makes no mention of compensating balance requirements, and fees appear to be based on the number and type of transactions. In lieu of an interest rate, however, TD Bank does pay an Earnings Credit Rate of 50 basis points, which provides LOSRC with earnings to partially offset fees for services.

Each month, the bank provides a breakdown of the earnings credit versus the fees for service, as well as an historic breakdown. **Exhibit 3-28** provides the historic summary of fees and earnings since October 2013.

Exhibit 3-28
Historic Summary of Fees and Earnings
October 2013 to February 2014

Period	Average Ledger Balance	Average Uncollected Balance	Average Collected Balance	Earning Credit	Analyzed Services	Service Charges Paid
October 2013	$81,213.71	$169.30	$81,044.41	$9.74	$70.02	$60.28
November 2013	$459,103.10	$31,170.30	$427,932.80	$137.73	$161.50	$23.77
December 2013	$694,053.77	$1,962.89	$692,090.88	$243.28	$164.25	$0.00
January 2014	$923,074.30	$3,293.01	$919,781.29	$330.30	$153.75	$0.00
February 2014	$784,328.07	$3,074.51	$781,253.56	$250.52	$143.00	$0.00

Source: TD Bank Analysis Detail, February 1 thru February 28, 2014.

The payroll account is only used as a pass-through account for any paper payroll checks, which is limited since most of the employees are paid through direct deposit. Direct deposits are deducted directly from the Operating Account.

A $1,000 balance is maintained in the Medical Expense Reimbursement Plan (MERP) account, which is used for processing claims. LOSRC transfers money from the Operating Accounting into the MERP account when MedCost notifies LOSRC that claims are ready to process. MedCost writes the checks and provides all of the information for that activity to the Finance Office.

LOSRC has an account with the North Carolina Capital Management Trust, which is interest bearing. The Finance Director stated that no cash flow forecasting is routinely done to determine how much cash will not be needed in the near future, nor is money routinely transferred to the Trust in an effort to earn interest.

RECOMMENDATION

Recommendation 3-11:

Regularly conduct an analysis of the potential earnings possible through the North Carolina Capital Management Trust versus the Earnings Credit Rate of 50 basis points paid by TD Bank, and invest money in the account with the highest net earning potential.

Although TD Bank is paying an Earnings Credit Rate of 50 basis points, no analysis has been done to determine if higher earnings are possible through the Trust. By examining the market on at least a quarterly basis, LOSRC may be able to improve its earnings, since the balance in the Operating Account seems to remain fairly substantial throughout the year. Further, for monies held in the Trust as liquid (meaning that if a sudden need arose), in most cases, the money could be withdrawn within a matter of days.

While there is a potential for additional income associated with this recommendation no estimate is provided as the actual amount will be totally dependent on the market rates and the dollars available for investment.

FINDING

According to the Finance Director, the process related to the MERP Account, whereby MedCost processes and pays claims currently, occurs outside of the MIP Abila Accounting System.

Although there has not been much activity in the account according to the Finance Director, financial transactions that occur outside of the system should not be allowed to continue.

RECOMMENDATION

Recommendation 3-12:

Immediately establish the accounting processes whereby transactions in the MERP account are recorded and routinely appear in the MIP Abila accounting system.

The Director indicated that she has a process developed, but simply has not set it up in the accounting system; therefore, the set-up should not require a great deal of time or effort to complete.

FINDING

The processing for claiming revenues from grantors appears to be ill-defined, which can be problematic, as both Finance staff and program managers have defined roles in the process.

Finance Office employees stated they general submitted requests for reimbursement or cash advances to grantors on a quarterly basis.   However, because most of the claims require the submission of the progress report or some other deliverable from program staff, the claims may be delayed or rejected if proper documentations is not also submitted. Finance staff must complete sections of the report showing how the money is spent, while in some instances, Finance employees also help the program staff to prepare other sections of the reports.

When asked about claiming procedures, most department heads and program managers told the Evergreen Team that in some instances they did not know or were not kept informed of the dates when claims for reimbursement or cash advances were made to grantors. When asked about progress reports, several employees said they had missed one or more reports as they were new to the position and were not aware of the due dates or reporting requirements.

Finance staff stated that they also receive rejections or inquiries, which they then respond to accordingly. Notes regarding those delays, however, are not kept in a file so that program staff can see the status of a request at a glance.

RECOMMENDATION

Recommendation 3-13:

Establish a published schedule showing the grants, grants sources, and the timing and actual dates when progress reports and claims for reimbursement or cash advance are due and when revenues are anticipated.

A simple Excel spreadsheet with columns should be developed showing the due dates, the date the progress report was submitted, the date and amount of the claim, the date the submission was acknowledged or rejected, and the like. Since this is a collaboration between the departments and the Finance Office, the schedule should be kept on the server and as progress reports and claims are submitted or returned, all parties should add their notes and dates to the table.

In this way, all parties, including the Leadership Team, can see at a glance which revenues have already come in, which have been claimed, and the like.

3.6   *ASSET AND RISK MANAGEMENT*

An effective asset and risk management program aims to control costs by ensuring that the agency is adequately protected against all significant losses and the property and equipment of the agency are properly accounted for and controlled.

Risk Management

All organizations are subject to liability and claims from a variety of risks arising from torts, property damage, errors and omissions, injury to employees arising from unsafe conditions or hazards in the workplace, and natural disasters. Risk management encompasses identifying risks, evaluating potential losses, and ultimately planning and developing a risk management program to mitigate these risks to an acceptable level. The importance of risk management has grown steadily in recent years for various reasons, including increased use of technology and higher litigation costs.

Risk management is the process of taking actions to avoid or reduce risk to acceptable levels. This process includes both the identification and assessment of risk through risk analysis and the initiation and monitoring of appropriate practices in response to that analysis through a risk management program. Risk assessment is a critical component of the process to ensure organizations have an effective risk management plan in place.

FINDING

Currently, the LOSRC Operations Manual does not contain information on risk management, nor does the organization have a risk management program in place. The process for creating a risk management plan generally includes the following steps:

- **Identifying Risks** – This process includes identifying risks to understand the sources, types, and likelihood of risk. At a minimum, exposure to risks should be identified in the following areas: economic environment (market trends); internal environment (attitude of individuals towards risk); legal environment (laws and legal procedures); operational environment (day-to-day activities); physical environment (e.g., natural disasters); political environment (legislative activity, elections); and social environment (socio-economic composition of the community).

- **Evaluating Potential Losses** – To determine the level of coverage necessary for a given area, it is helpful to understand how the entity values particular assets. For instance, it would not make sense to insure a new civic center from hurricane damages for significantly more than the cost to construct such a facility. Additionally, understanding the entity's liability profile and recent claims experience will also provide guidance on the correct level of coverage to consider. This can be accomplished by tracking the frequency and severity of claims, including such information as the number of open claims, the amount paid out, and the amount reserved.

- **Developing a Risk Management Plan** – Based upon a completed assessment and a thorough understanding of organization's risk profile, a risk management plan should be developed. A wide range of solutions are available to communities to combat each community's risk exposures.

RECOMMENDATION

Recommendation 3-14:

Implement a risk management program.

To implement a risk management program, LOSRC should establish written risk management policies and procedures that identify goals and individuals responsible for carrying out risk-related functions, and contain guidelines for making decisions about fundamental activities.

Resources for completing a risk management program can be found at the following websites:

- *Creating a Comprehensive Risk Management Program,* Government Finance Officers Association, Best Practice (2009) – *http://www.gfoa.org/downloads/riskmanagementbudget.pdf*

- *Risk Management*, Alabama Municipal Insurance Corporation, Municipal Workers' Compensation Fund, Inc. – *http://www.amicentral.org/Loss%20Control/reference/Avoiding%20and%20Reducing%20Municipal%20Tort%20Liability.pdf*

- State of Minnesota Risk Management Tools: *http://mn.gov/oet/governance/planning-tools/risk-tools.jsp*

The first two resources should be used by LOSRC for information on risk management planning methodology. Whereas the last source contains templates that are most likely to meet the needs of LOSRC, and include the following:

- Risk Management Work Breakdown Structure Template
- Risk Management Plan Template
- Risk Assessment Questionnaire Template
- Risk Response Plan Template

Exhibit 3-29 displays the risk management plan template from this resource. This plan template should be tailored to meet the needs of LOSRC.

FINDING

Exhibit 3-30 provides a list of the insurance coverages by type, showing the coverage limits and the annual premium rates.

In terms of risk management, LOSRC does not have an appointed safety committee nor or there any other safely-related training activities routinely performed to ensure the health and safety of the employees or other volunteers or participants that regularly use the facility.

Exhibit 3-29
Risk Management Plan Template

(Insert Agency Name Here)
Risk Management Plan

Project Name: _____

Prepared By: _____

Date: _____

Risk Management Strategy

Define the risk management methodology to be used, the risk assumptions, the roles and responsibilities, the timeframes, risk rating/scoring techniques, establish risk thresholds, define risk communications, and develop a risk tracking process.

1. **Define the risk management methodology to be used**

   The risk management process is scalable to ensure that the level, type, and visibility of risk management are commensurate with both the risk and the importance of the project.

   A. *Risk Identification* – Risks will be identified by using the Risk Assessment Questionnaire Template, augmented to include other project specific risks, as appropriate.

   B. *Categorize Risks* – The Risk Assessment Questionnaire Template groups the risks into categories. The project will create additional categories, as required.

   C. *Risk Impact Assessment* - For each risk identified, assess the risk event in terms of likelihood of occurrence and its effect on project objectives if the risk event occurs. This information will be used to prioritize the risk using established threshold criteria.

   D. *Prioritize Risks* - Risks that meet the threshold criteria will be recorded in the Risk Response Plan.

   E. *Risk Response Planning:*
   - For each risk in the Risk Response Plan, determine the options and actions to reduce the likelihood or consequences of impact to the project's objectives.
   - Determine the response based on a cost/benefit analysis (cost vs. expected effectiveness).
   - Describe the actions to be taken to mitigate the risk
   - Describe the actions to be taken when the risk event occurs (contingency plan)
   - Assign responsibilities for each agreed upon response
   - Assigned a "due date" where risk responses are time sensitive
   - Incorporated this information into the Risk Response Plan

   F. *Risk Response Tracking:*
   - Document the dates and the actions taken to mitigate the risk
   - Document the actions taken when the risk event occurred (contingency plan)
   - Document any subsequent actions taken
   - Incorporate this information into the Risk Response Plan

Source: State of Minnesota, 2014.

Exhibit 3-30
Land of Sky Regional Council
Insurance Coverage by Type

Company	Type of Insurance	Annual Premiums
NCLM, NC Interlocal Risk Management	Commercial General Liability	$2,226.27
	Employee Benefits Liability	$30.36
	Business Automobile	$1,526.77
	Public Officials Liability	$900.00
	Employment Practices Liability	$2,841.30
	Crime Coverage	$1,114.19
	Inland Marine Coverage	$1,071.22
	Property	$1,946.96
	Incentive Credit	$(1,049.00)
	TOTAL	**$10,608.07**
NCLM, NC Interlocal Risk Management	Workers' Compensation LOSRC except SCSEP	$12,067.00
Hartford Insurance	Workers' Compensation for SCSEP employees	$4,283.00
NCLM, Health Benefit Trust	Health, Dental, Life, Vision, LTD	$426,220.01

Source: LOSRC Finance Office, February 2014.

According to the Workers' Compensation claims information, LOSRC has only had a limited number of on-the-job injuries in the last three years. In 2013, however, LOSRC had one large claim for over $8,500. When asked, most management staff indicated that they were not aware of the claim, nor did they know if any procedural or other changes had occurred since the claim to mitigate similar type accidents.

Typically, the Workers' Compensation provider will assist the client with training and other safety-related materials as part of the annual fees.

RECOMMENDATION

Recommendation 3-15:

Create a Safety Committee to regularly walk the facility looking for safety risks, and periodically meet with staff to address safety-related behaviors and best practices.

Working with the insurance provider could provide LOSRC additional resources to help equip the Safety Committee for its work.

Fixed Assets

In LOSRC, fixed assets are identified at the time of purchase and coded to the proper account. New acquisitions are entered on an Excel spreadsheet identifying the item, item identification number, description, manufacturer, serial number, cost, date acquired, and the location of the

asset. Items costing more than $1,000 are considered Capital Assets. These items are recorded both in inventory as well as on the Capital Assets listing.

A Finance staff member conducts an annual inventory—usually in January. At the end of the fiscal year, the asset listings are reconciled with accounting records for both acquisitions and deletions. Depreciation, based on straight life and standard IRS classifications for years of service, is maintained and reconciled yearly.

FINDING

LOSRC does not have a documented asset disposal policy, or any way to identify if an asset is one that requires special handling because it was purchased with a specific grant fund.

According to the Finance Director, assets that have been fully depreciated and/or are no longer usable are offered to staff. Items that still have some value that are not taken by staff are consigned for bulk sale including grants.gov—which is an online program where governmental organizations can post and sell individual or bulk items. While there is no evidence of abuse, this loosely defined method of disposal, which gives employees the opportunity to obtain assets at no cost, lacks the requisite internal controls necessary to detect and deter misuse or misappropriation of assets.

Many of the assets purchased by LOSRC are purchased with grant funds. Some grants impose restrictions on how assets are reported if lost or stolen and how they are disposed of at the end of their useful life. Finance staff stated it was the department's responsibility to know if there were grant-related restrictions on the assets in their possession.

When assets are lost or stolen, Finance staff indicated they complete a police report, particularly if the cost of the asset could be claimed for insurance purposes.

RECOMMENDATION

Recommendation 3-16:

Create and implement an asset disposal policy and a procedure for identifying any fixed assets requiring special handling at the time of disposal.

At a minimum, the policy should require employees to sign a statement describing the reason that an asset is no longer useful, and the information provided therein should be verified by an independent staff member. When an asset is stolen, a police report should be filed by the asset guardian (i.e., the person responsible for that asset). Further, whether depreciated or not, a fair market value of the asset should be obtained via an Internet search or other mechanism, and offered for a minimum bid to employees—rather than given away without regard to the value of the asset.

Finally, a procedure needs to be implemented that identifies grant restrictions on assets at the time of purchase, and requires special tagging for those assets so that it is clear that when the time comes for disposal, that special handling is required.

3.7   *AUDITING*

Auditor independence is a growing concern for both governmental entities as well as big business. By establishing a set timeframe for the audit contract, the rationale is that the auditor is less likely to forge bonds with the client or client staff, which might impair their ability to independently report findings in an unbiased manner. The downside to rotating auditors is that the auditor has less time to gain client-specific knowledge required to produce a high-quality audit. In some instances, an entity may not rotate audit firms, but will request assurances from the firm that the assigned audit team be rotated. This allows the firm to retain a working knowledge of the client's operations, while still bringing fresh eyes and new perspectives to the audit process.

Another threat to independence occurs when the auditor also performs other services for the client. If the other services performed in some way inhibit the auditor's ability to independently review the financial records of the organization, one or both activities should be discontinued. Whether other services might impair independence is generally measured in terms of the type of work performed and the relationship of the fees for other service compared to total audit costs. The current audit firm does provide assistance in financial statement preparation, which is a common practice for smaller entities, and is not generally considered an impairment to independence.

FINDING

According to the Audited Financial Statements available online, the audit firm of Elizabeth Peel, PLLC, has audited the agency's financial statements at least since FY 2009. Staff indicated, however, that LOSRC had used the same firm for a number of years prior to FY 2009.

At the end of the last fiscal year, Council members told the Evergreen Team that they had instructed the Finance Director to rebid the contract for the FY 2014. As explained during interviews, this decision was based on the concept of periodically rotating auditors to ensure auditor independence, rather than any real or perceived wrongdoing on the part of the audit firm. This process is currently underway, and a new contract is expected to be in place by the end of the fiscal year.

LOSRC's current audit cost is $15,500; the fees for assistance in financial statement preparation are $3,000, also a normally acceptable ratio.

By establishing a policy of periodically rebidding the audit contract every five to seven years, entities avoid negative perceptions of the process or the work of the current audit firm. Instead, all parties to the contract are well aware of the routine nature of the process.

RECOMMENDATION

Recommendation 3-17:

Establish a LOSRC policy of periodically rebidding/rotating audit firms every five to seven years.

The policy should stipulate how and when the contract will be rebid, and the period and extension methods to be used for the contracts. The Council will also need to decide if they are willing to entertain a bid from an existing audit firm, if the firm has sufficient staff to rotate audit teams and can provide assurances to LOSRC that independence can be preserved,

CHAPTER 4:
HUMAN RESOURCES MANAGEMENT

4.0 HUMAN RESOURCES MANAGEMENT

Managing a human resources function is a complex and at times taxing undertaking. Human resources management is a professional discipline that deals with extensive aspects of legal compliance, compensation, classification, benefits, certification, accreditation, and performance management. This chapter of the Performance Audit assesses Land of Sky Regional Council's (LOSRC) human resources operations and management, and examines best practices used in other organizations.

Efficient and effective management of a human resources operation begins with the organizational structure and strategic leadership. Ultimately, the human resources operation is a customer service effort—human resources staff must deal with internal and external job applicants, current employees, and often times employees who have left the organization. In order to be able to deliver the proper level of support and assistance, the department must be organized and staffed appropriately, and have a proper division of labor among its staff. Employees across the agency, regardless of their location or assignment, must know that if they have a question pertaining to their job, they will receive accurate and consistent information. Employees of the organization must feel confident in the abilities of the human resources staff to address all personnel-related issues and challenges common in public sector human resources operations.

Chapter 4 reviews the human resources operations of LOSRC in the following sections:

4.1 Organization and Management
4.2 Human Resources Records
4.3 Compensation and Classification
4.4 Policies, Procedures, and Training

4.1   ORGANIZATION AND MANAGEMENT

A human resources department is a critical component of employee well-being in any organization—no matter how small. The human resources function typically organizes human capital resources and structures reporting relationships. Typical human resources responsibilities include benefits, hiring, firing, and keeping current with state and federal tax laws, and often times, payroll. However, in smaller organizations, these responsibilities are many times diluted across the organization. In LOSRC, human resources operations are carried out by both the Administrative Department and the Finance Office.

FINDING

There is no standalone human resources department within LOSRC. Core human resources functions within LOSRC are primarily undertaken by the Deputy Executive Director; however, input from the Executive Director and department supervisors also weigh heavily in human capital decisions. The LOSRC Finance Office oversees payroll, timekeeping, and leave as well as some other functions that are typically thought of as human resources functions.

As it relates to human resources operations, the Deputy Executive Director oversees the following processes:

- policy development;
- recruitment;
- new employee orientation;
- employee record keeping;
- employee grievances and issues;
- performance evaluations;
- training and development;
- safety and risk management;
- workers compensation;
- benefits administration;
- exit interviews; and
- classification and compensation.

Exhibit 4-1 displays the overview and essential duties and tasks for the current Deputy Executive Director classification description. As can be seen, the majority of essential duties relate to those found in a job description for a human resources director.

In March 2012, a Classification and Pay Study conducted for LOSRC noted that the position of Deputy Executive Director should be created, and that this classification would absorb the duties of the Director of Marketing and Administration. As part of the synopsis on this process, the consultant noted that "human resources work is the majority (70%) and the supervision of staff is the second most time consuming responsibility," referring to the role of the Director of Marketing and Administration. Typically, a classification's title alludes to the main responsibilities of the job.

Despite holding central responsibility for human resources operations, the title of Deputy Executive Director is not reflective of these assigned tasks. In interviews with LOSRC staff, many interviewees mentioned that it is not clear where to go for information on benefits, classification, and compensation. A classification title that better reflects the actual duties of this position will act to clarify who in the organization is responsible for human resources operations.

RECOMMENDATION

Recommendation 4-1:

Create the position of Director of Administration (also see Recommendation 2-4).

LOSRC should create a position of Director of Administration so that it is clear and apparent which position in the organization is responsible for human resources operations. The current classification description for this position is heavily weighted with human resources-related responsibilities, and this should continue with greater emphasis.

Exhibit 4-1
Deputy Executive Director Classification Description
Essential Duties and Tasks

General Statement of Duties: Performs complex professional and responsible managerial and administrative work in planning, organizing, and executing the operational, administrative and human resources activities of the organization; acts in the absence of the Executive Director.

Distinguishing Features of the Class: An employee in this class supervises the daily operations of the Regional Council including the major program areas. In addition, the employee manages the administrative function and serves as Human Resources Director for the organization. The employee must exercise considerable independent judgment and initiative in planning and directing the day to day activities, in sensitive human resources activities, and in responsibilities to act in the absence of the Executive Director. Work is performed in accordance with statues relating to regional councils, human resources laws and policies, and the laws, regulations and financial guidelines related to Council programs. Employee works in an office setting and is not substantially exposed to adverse environmental conditions. Work is performed under the general direction of the Executive Director and is evaluated through conferences, reports, and membership and staff relationships and accountabilities.

Duties and Responsibilities:

- Assists the Executive Director in planning, organizing and directing programs and operations in collaboration with the management team, including supervising daily activities of management team programs and assuring that programs and projects are on schedule, in compliance, and performed successfully; provides management guidance and facilitates problem-solving.

- Serves as Human Resources Director responsible for establishing and managing a modern system of human resources programs including policy development and administration, compensation, performance evaluation, benefits, employee communications and relations, employee training and development, safety and risk management, and recruitment, selection and retention; provides consultation to managers and staff on personnel issues; insures compliance with all relevant laws and regulations; works with the Executive Director to create a climate of collaboration and performance excellence.

- Participates in development of organizational budget and prepares budget for administration and human resources programs.

- Participates in building, enhancing and maintaining strong and effective relationships with member-clients and local state and federal officials, funding sources, and private sector and civic leaders; represents the Council with other regional officials and groups; supervises and participates in planning, organizing, and administering the annual celebration for the Council.

- Supervises subordinate staff in establishing and maintaining technology systems, websites, reception, administrative support, Clerk to the Council, and other administrative activities.

- Supervises and participates in the preparation and maintenance of a variety of records and reports including personnel records, various monthly, quarterly and annual reports; serves as team leader for reports that span various organizational program areas.

- Insures that technology meets organizational needs and assists with organizational performance efficiency and effectiveness.

- Supervises and coordinates facilities management for the organization.

- Supervises and participates in various special projects, team projects, etc.

- Acts in the absence of the Executive Director.

Source: Land of Sky Regional Council, 2014.

4.2   HUMAN RESOURCES RECORDS

Human resources record systems have evolved from hard copy files, to relatively simple computer applications, to virtual vaults of sophisticated human resources information and processes. In today's world, it has become all but expected that organizations maintain virtual human resources record systems that allow for easy access and advanced analysis of human capital data. Organizations more often than not implement a robust human resources information system (HRIS) which is used for employment actions such as applicant tracking, performance management, attendance, compensation and benefits management, work force analyses, and scheduling.

FINDING

Implementation of an HRIS has many advantages; however, LOSRC does not currently have an HRIS in place. One advantage of the HRIS is employee self-service. Many employers are utilizing their HRIS to supplement the human resources department staff by enabling employees for find answers to common questions they would have asked a human resources representative. The employee and manager self-service features are excellent ways to reduce the need for human resources staff to perform other duties. Employees and managers can locate answers and information quickly without the need to consult an HR representative.

Additional advantages of having a HRIS is that, when monitored by qualified specialists, it can assist with compliance management with federal and state laws; streamline processes for recruitment and selection; and produce analyses, data and reports for internal and external use. Other advantages of a HRIS include the ease of use, accuracy of information, elimination of the need to store hard copy records, elimination of duplicate records, and the ability to perform human resources audits using any combination of parameters.

LOSRC's current record system is based on hard copy files. That is, hard copy employee records are stored in filing cabinets in two different locations/departments; yielding two different sets of employee records at the agency. Specifically, some employee records collected by human resources staff are copied, and this duplicate copy is sent to finance staff for storage in a separate set of employee records. The one advantage of this is that a second set of records serves as a backup in the event the first set of records is destroyed or lost. However, maintaining hard copy employee records in this manner is outdated and cumbersome, and does not provide LOSRC with the ability to conduct analysis on employee data in an efficient or effective manner—problems an effective HRIS can significantly reduce.

LOSRC also maintains a Microsoft Excel spreadsheet of limited employee data. This spreadsheet contains the following fields for each employee record:

- Employee Name (Last, First)
- Department
- Position Title
- Employment Date (Date Hired)
- Class Date (Date placed into Current Position Title)

- MAPS Class Grade (Position Title Pay Grade and Step)
- Current Salary
- Full-Time Equivalent (FTE)

While these data represent a starting point for building an LOSRC employee database and transitioning into a HRIS, it is by no means a comprehensive data set that can be used to make human capital decisions and analyze the workforce.

RECOMMENDATIONS

Recommendation 4-2:

Develop a more robust comprehensive human resources employee database.

The first step in preparing to transition to a HRIS is collecting the necessary data that will be entered into the system once a system is purchased. This can be accomplished using a simple Excel spreadsheet, which can also be used to manage data until LOSRC is ready to transition to a HRIS. LOSRC should determine what information and data are available now (i.e. can be extracted from current records) and what additional data are needed for leadership to make decisions and deliver human capital programs.

With this information, LOSRC can select initial data fields and build an employee database using Microsoft Excel. **Exhibit 4-2** displays common fields that may be found in this database. [(**Note: Exhibit 4-5** (Personnel File Audit Matrix) displays additional data sources that may yield common data elements to be included in the database].

Recommendation 4-3:

Transition human resources records and data into a human resources information system (HRIS).

With this basic employee database in place, LOSRC can track employee data in a more uniform manner until the time a full HRIS can be implemented. The database is useful for running analysis on employee data (range penetration analysis, tenure analysis, quartile analysis, etc.), keeping track of LOSRC employees, and serve as a starting point for HRIS implementation. It can also be expanded with additional data as the needs arise. This database should be maintained by Director of Administration.

The next step of the HRIS implementation process is to select an appropriate HRIS tool that considers the restraints of LOSRC, but also meets the needs of the agency. As part of this study, Evergreen evaluated several HRIS solutions through information available online, by viewing webinars, or by communicating directly with potential vendors about their products. HRIS systems evaluated included both standalone systems, add-on modules to existing software (e.g. Abila), and systems that "talk" to existing LOSRC systems. These systems are listed in **Exhibit 4-3**.

Exhibit 4-2
Recommended Employee
Database Fields

Field Name	Data Explanation
Last*	Employee Last Name
First*	Employee First Name
Emp ID	Employee ID
Super	Indicates whether or not employee has supervisory responsibilities
Super ID	Employee ID of employee's supervisor
Hire Date*	Date employee was hired
Class Date*	Date employee entered their current classification
Pay Plan	Code created for pay plan employee is assigned to
Grade*	Employee's current grade in the pay plan
Step*	Employee's current step in the pay plan
Hourly	Employee's current hourly rate of pay
Annual*	Employee's current annual salary
Hours	Number of annual hours employee works
FTE*	Employee's Full-Time Equivalent
# Hrs/Week	Number of hours employee works per week
Position Control #	Internal position control number
Department*	Name of employee's assigned department
Dept #	Internal department control number
Unit	Name of employee's assigned unit
Unit #	Internal unit control number
Class Title*	Employee's classification title
Class Code	Employee's internal class code
Min	Minimum annual salary for the employee's assigned grade
Mid	Midpoint annual salary for the employee's assigned grade
Max	Maximum annual salary for the employee's assigned grade
FLSA	Fair Labor Standards Act (FLSA) Designation (Exempt or Non-exempt)
Email	Employee's email address

Source: Created by Evergreen Solutions, 2014.

*Currently tracked in employee database maintained by LOSRC.

Exhibit 4-3
HRIS Systems Evaluated by Evergreen Consultants

Company	Product	Notes	Annual Cost
Eben Concepts	Blue Ocean – Orchestrate HR	Standalone, web-based software. Does not "talk" to Abila.	Included in the benefits package offered by Eben Concepts; free assuming LOSRC continues to purchase Eben services
Abila	HR Module	Add-on Module to Abila MIP Fund Accounting.	$6,354 includes subscription and one year of maintenance
Oracle	Fusion HCM	Cloud based software; would integrate with Abila, but at a expense for further development	$3,784.44 per user license and one year maintenance*
Workday	SyncHR HRMS	Unified suite of HR and talent management functions. Would integrate with Abila, but at an expense for further development	NA – no public pricing list available*
SAP	HCM	HRMS platform for integrated HR & payroll solutions. Would integrate with Abila, but at an expense for further development	NA – no public pricing list available*

Source: Created by Evergreen Solutions, 2014.

*Additional costs for integrating with Abila not included

Websites for each of the products, which contain detailed information, are:

- Abila – *http://www.abila.com/solutions/abila-mip-fund-accounting*
- Oracle – *http://www.oracle.com/us/products/applications/fusion/overview/index.html*
- Workday – *http://www.workday.com/applications/human_capital_management.php*
- SAP – *http://www.sap.com/pc/bp/erp/software/human-capital-management/index.html*

While screenshots and webinars are readily available for the majority of software packages reviewed on each company's website, Eben Concepts Blue Ocean is not easy to locate. **Exhibit 4-4** displays a screenshot of the HR module for this software. As can be seen, the module tracks education, skills, training, annual reviews, as well as payroll data such as pay grade and salary.

Exhibit 4-4
Blue Ocean Orchestrate HR Module
Screenshot

Source: Evergreen Solution, 2014.

Based on the review of available software applications, and an understanding of LOSRC needs, Evergreen believes LOSRC would be best suited to purchase an HRIS that is compatible with the current LOSRC finance system (e.g., Abila).

In addition to tracking general employee records and data, HRIS will allow LOSRC to implement, administer, and maintain a more robust employee professional development system; track benefits elections; store employee licenses and certifications; input performance appraisal results; and track employee grievances and reprimands. The system will also eliminate the need to store duplicate records across two departments.

The cost of for the HRIS would be about $5,300 the first year and $1,000 in subsequent years. However, the cost of this recommendation is included in Recommendation 3-6 (Purchase the MIP Abila Human Resources and Employee Web Services Modules), and is therefore not included as part of this finding.

FINDING

Proper security of physical records ensures confidential employee information is not compromised. Measures should be in place to ensure that employee information is secure during all phases of the employment lifecycle, from hiring through each employee's exit from the organization. State and federal law dictate many aspects of employee records protection; however, many times it is up to the organization to ensure that proper physical records security is in place and maintained.

It is apparent that LOSRC recognizes the importance of physical record security, as employee records are kept in locked file cabinets accessible only to the Deputy Executive Director and the Finance Director. At the end of each day, the offices in which the employee records are stored are locked—another measure that protects confidential records.

COMMENDATION

The Deputy Executive Director and Finance Director are commended for properly securing employee records.

FINDING

As previously stated, LOSRC maintains physical (paper only) personnel records in one of two locations. A random audit of ten personnel files maintained in the active files was conducted by an Evergreen consultant and revealed generally well-organized files. The audit looked for consistency among files, and employee information that is required to be kept by the agency.

Exhibit 4-5 shows a matrix of audited information and which randomly selected files contained that information. As can be seen, employee files generally contain the same core pieces of information. Differences are minor across the samples. For instance, sample record number nine does not contain a personnel action form. However, 80 percent of all other files audited did. In some cases, the lack of a certain document may simply indicate that the employee chose not to complete the form. For instance, half of employee files did not include a beneficiary form.

In order to ensure personnel files are homogenous in terms of content, LOSRC developed a documents checklist that is checked off for each incoming employee, and maintained over the course of each incumbent's employment. **Exhibit 4-6** displays this checklist. As can be seen, the checklist is comprehensive and contains information above and beyond what would be considered the minimum amount of data needed.

Exhibit 4-5
Personnel File Audit Matrix

Item	Sample Record #									
	1	2	3	4	5	6	7	8	9	10
Personnel Action Form	x	x	x	x	x	x	x	x		x
Beneficiary Forms	x	x		x	x	x				
Job Acceptance Letter (from LOSRC)	x	x	x	x	x	x	x	x	x	x
Employment Application	x	x	x	x		x	x	x	x	x
Background Check	x	x		x	x	x	x	x	x	x
Benefits Enrollment Forms (Health, Savings Plans, 401ks, etc.)	x	x	x	x	x	x	x	x	x	x
Emergency Contact Information	x	x		x				x	x	
HR/Payroll Folder Checklist	x	x		x						
Signed Employee Handbook Acknowledgment	x	x	x	x	x	x	x			x
Conflict of Interest Statement	x		x	x	x	x				x
Care Bear Fund Opt-In Agreement	x	x		x	x	x	x		x	x
Check-In Procedures Checklist	x	x		x	x	x	x	x	x	x
Position Description Questionnaire*		x	x			x		x	x	
Form I-9		x								
Payroll Deduction Authorization			x		x					x
Elective Contributions Form			x		x			x	x	
Other Documents (Letters of Reprimand, Grievances, Mediation MOUs, Doctors notes)		x	x							
Cash Gift Receipt Letter for Service Milestones			x							
Employee Supervisor Evaluation Results			x		x					
Employee Self-Evaluation Form			x		x					
Copies of Driver's License	x	x	x	x						
Ombudsman Confidentiality Statement					x					
Copies of Licenses/Certifications					x					
Promotion Documentation (Emails)					x					
Direct Deposit Enrollment Form						x				
Tax Docs (W4)						x				

Source: Created by Evergreen Solutions, 2014.

*Completed as part of the Maps Group Compensation and Classification Study.

Exhibit 4-6
LOSRC Employee Checklist

Check In:

_____ Employment Application
_____ Background Check
_____ Employment Letter
_____ Personnel Action Form
_____ W-4/NC-4
_____ MIT enrollment form – paper form
_____ UNUM beneficiary form (mail to MIT)
_____ Retirement Enrollment - ORBIT
_____ I-9 Form Completed w/doc.
_____ Receipt of Personnel Policy
_____ Direct Deposit Form
_____ Payroll Schedule
_____ Conflict of Interest
_____ Business Card Request
_____ Name Tags Request
_____ Emergency Contact
_____ FMLA

The following items were issued:
_____ Door Key
_____ Local Government Rate Card

Online enrollment completed for:
_____ Health, Life, Dental & Vision Ins.
         Long-Term Disability Ins.

Dependent Coverage Elected for 2012-2013:
_____ Life (.88/mo per dependent for $2,000)
_____ Health (Children $428/mo)
         (Spouse $673/mo)
         (Family $1040/mo)
_____ Dental (Children $50/mo)
         (Spouse $27.50/mo)
         (Family $60/mo)
_____ Vision (Children $6/mo)
         (Spouse $6/mo)
         (Family $13/mo)

Notification of Availability of:
_____ Employee Assistance Program
_____ Credit Union – PR Deduction
_____ State 401(K) Retirement Plan
_____ Section 125 Cafeteria Plan
_____ Post Emp. Health Plan – after 1 yr.
_____ 401(K) Employer Contr. – after 6 months
_____ Care Bears ($1.00 per pay period)
_____ Cancer Care Insurance
_____ Short Term Disability Insurance
_____ Whole Life Insurance
_____ Critical Care Insurance

Payroll Notification (email to Rose):
_____ Home/cell numbers
_____ Previous experience in LGERS / TSERS

Office Tour/General Info:
_____ Forms
_____ Mailroom
_____ Check In/Out Board
_____ Kitchen Witch
_____ Staff Meetings/Council Meetings

How To:
_____ Travel advance/Leave approval
_____ Travel reimbursement
_____ Timesheet
_____ Indirect Expense
_____ Purchase Order/Check Request

Computer Set Up:
_____ Login/password
_____ E-mail account

*Cannot accept expired documentation for I-9

Source: Land of Sky Regional Council, 2014.

Personnel files serve a number of purposes, but overall serve as a historical account of an individual's employment at the agency. These documents also serve as an important source of information for analyzing the organization's human capital resources.

COMMENDATION

LOSRC is commended for maintaining comprehensive and uniform employee records.

4.3   COMPENSATION AND CLASSIFICATION

Compensation is defined as the salary and benefits employees are offered in exchange for their time and efforts. Although it has been found that compensation is not a main motivator for workforce productivity or employee satisfaction, salary and benefit offerings play a significant role in attracting and retaining talented staff who can best perform the duties required by an organization. Compensation practice and policy must remain transparent; ensure external equity and internal equity are maintained; and maximize skills, knowledge, and abilities per every dollar the organization spends on human capital resources.

Classification, on the other hand, is defined as the system for objectively and accurately defining and evaluating the duties, responsibilities, tasks, and authority level of a job. The classification description, done correctly, is a thorough description of the job responsibilities of a position without regard for the knowledge, skills, experience, and education of the individuals currently performing the job. Classification also acts to define reporting relationships and supervisory duties within the organization.

FINDING

Land of Sky Regional Council currently has a hybrid pay plan in place that uses elements of both a grade/step pay plan and an open range pay plan. Employees receive predetermined step increases for the first three years of service, receive increases based on assigned step and performance in years four and five, and receive raises purely based on performance each year thereafter. LOSRC is in the process of creating the performance appraisal tool, but has not yet enacted performance-based raises for employees with four or more years of experience. This model is ideal for LOSRC, and many public sector organizations are transitioning to this hybrid model for administering pay increases.

Exhibit 4-7 displays the current LOSRC pay plan. The current plan includes pay grades, pay steps and values, and an explanation of progression through the steps. Classification titles have been removed for analysis purposes. As can be seen from the exhibit, employees enter the pay structure at Step 1 for their assigned classification and pay grade. Step 1 is referred to as the hiring rate. After six months of service, employees progress to Step 2, followed by progression to Step 3 at one year of service. Therefore, after one year of service employees have progressed through three different pay levels. After two years of service, employees transition into Step 4, and then annually increase a step per year through Step 4 and Step 5.

Exhibit 4-7
Current LOSRC Pay Plan

Pay Grade	Hiring Rate Step 1	6 months 2.5% Step 2	Minimum 2.5% Step 3	2.5% Step 4	Job Rate 2.5% Step 5	Eligible for Merit (still to be determined) 2.0% Yr 4	1.5% Yr 5	Max
1	$21,017	$21,543	$22,068	$22,620	$23,185	$23,649	$24,004	$26,797
2	$22,068	$22,620	$23,171	$23,751	$24,344	$24,831	$25,204	$28,137
3	$23,171	$23,751	$24,330	$24,938	$25,562	$26,073	$26,464	$29,544
4	$24,330	$24,938	$25,546	$26,185	$26,840	$27,377	$27,787	$31,021
5	$25,546	$26,185	$26,824	$27,494	$28,182	$28,745	$29,177	$32,572
6	$26,824	$27,494	$28,165	$28,869	$29,591	$30,183	$30,635	$34,200
7	$28,165	$28,869	$29,573	$30,313	$31,070	$31,692	$32,167	$35,910
8	$29,573	$30,313	$31,052	$31,828	$32,624	$33,276	$33,776	$37,706
9	$31,052	$31,828	$32,604	$33,420	$34,255	$34,940	$35,464	$39,591
10	$32,604	$33,420	$34,235	$35,091	$35,968	$36,687	$37,238	$41,571
11	$34,235	$35,091	$35,946	$36,845	$37,766	$38,522	$39,099	$43,649
12	$35,946	$36,845	$37,744	$38,687	$39,655	$40,448	$41,054	$45,832
13	$37,744	$38,687	$39,631	$40,622	$41,637	$42,470	$43,107	$48,123
14	$39,631	$40,622	$41,613	$42,653	$43,719	$44,594	$45,262	$50,529
15	$41,613	$42,653	$43,693	$44,785	$45,905	$46,823	$47,526	$53,056
16	$43,693	$44,785	$45,878	$47,025	$48,200	$49,164	$49,902	$55,709
17	$45,878	$47,025	$48,172	$49,376	$50,610	$51,623	$52,397	$58,494
18	$48,172	$49,376	$50,580	$51,845	$53,141	$54,204	$55,017	$61,419
19	$50,580	$51,845	$53,109	$54,437	$55,798	$56,914	$57,768	$64,490
20	$53,109	$54,437	$55,765	$57,159	$58,588	$59,760	$60,656	$67,714
21	$55,393	$56,778	$58,163	$59,617	$61,107	$62,329	$63,264	$70,626
22	$57,775	$59,220	$60,664	$62,181	$63,735	$65,010	$65,985	$73,664
23	$60,260	$61,766	$63,273	$64,855	$66,476	$67,805	$68,823	$76,831
24	$62,850	$64,422	$65,993	$67,643	$69,334	$70,720	$71,781	$80,134
25	$65,554	$67,192	$68,831	$70,552	$72,316	$73,762	$74,869	$83,581
26	$68,372	$70,082	$71,791	$73,586	$75,425	$76,934	$78,088	$87,175
27	$71,312	$73,095	$74,878	$76,750	$78,669	$80,242	$81,446	$90,923
28	$74,379	$76,238	$78,098	$80,050	$82,051	$83,692	$84,948	$94,833
29	$77,576	$79,516	$81,455	$83,492	$85,579	$87,290	$88,600	$98,910
30	$80,912	$82,935	$84,958	$87,082	$89,259	$91,044	$92,410	$103,163
31	$84,391	$86,501	$88,611	$90,826	$93,097	$94,959	$96,383	$107,599

Source: Land of Sky Regional Council, 2014.

Although currently not in place, the open range performance-based portion of the pay plan is designed to take affect once an employee reaches year four and year five of service. Since the performance-based portion is not in place, however, employees currently receive only the assigned step increases for years four and five. However, once the performance assessment piece is in place, employees will also be eligible for merit increases in years four, five and beyond. The maximum of the salary is based on market average salary.

Evergreen assessed the pay structure in place using common measures and found both positive and negative attributes of the structure. Specifically, when assessing the pay structure, the following was found:

- Range spread, or the percentage difference between minimum and maximum of a pay grade, was uniformly 27.5 percent across all pay grades. Current best practice typically places range spread between 50 and 70 percent. An example range spread calculation for pay grade 1 and 2 is shown below.

Pay Grade	Minimum	Maximum	Range Spread	Calculation
1	$21,017	$26,797	27.5%	(Max-Min)/Min
2	$22,068	$28,137	27.5%	

- Step progression, or the percentage increase from one step to the next, is accurate in the heading of the current pay plan for all steps except the progression displayed between Step 2 to Step 3, which is 2.44 percent versus the 2.5 percent displayed. Despite this error, step progression in the plan is in line with best practice. An example step progression calculation for pay grade 1, Steps 1 and 2 is shown below.

Pay Grade	Step 1	Step 2	Step Progression	Calculation
1	$21,017	$21,543	2.5%	(Step 2-Step 1)/Step 1

- Finally, midpoint progression, or the percentage difference between the same step for sequential grades, is 4.3 or 5.0 percent across the entire pay plan. This is also in line with best practice. An example midpoint progression calculation for pay grade 1 and pay grade 2, in Step 1 is shown below.

Pay Grade	Step 1	Midpoint Progression	Calculation
1	$21,017	5.0%	(PG2 Step 1-PG1 Step 1)/ PG1 Step 1
2	$22,068		

While the quantitative analysis of the pay plan yields a unique perspective, Evergreen also asked employees for feedback on LOSRC pay plan. The majority of employees noted their frustration with understanding the current pay plan; specifically, how they progress through it. Overall, based on qualitative and quantitative feedback, there is room for improvement to the current LOSRC pay plan in terms of presentation, calculations, and administration. Improvements recommended also consider transition into the merit based system.

RECOMMENDATION

Recommendation 4-4:

Improve presentation of the current LOSRC pay plan and post the pay plan online.

Several simple adjustments to the current LOSRC pay plan will make it easier to interpret; placing the pay plan online along with the current classification descriptions (**Recommendation 4-8**) with ensure easy access to the pay plan by all stakeholders.

LOSRC should implement the several adjustments to the pay plan with the goal of making it easier for employees to interpret. **Exhibit 4-8** displays the pay plan with the following adjustments applied:

- Remove headers displaying length of time to reach each step; these should be written as policy to accompany the pay plan.

- Rename Year 4 as Step 6 and Year 5 as Step 7. As mentioned, LOSRC should write into policy the timelines between each step increase, versus including them in the pay plan exhibit.

- Label the percentage increase between Step 2 and Step 3 "2.4%," to reflect the actual increase received.

These slight adjustments should act to improve employee understanding of the pay structure. Additional adjustments should be made by LOSRC if confusion is still an issue, and if LOSRC desires to "brand" the look of the pay plan document as has been done with other public LOSRC documents.

RECOMMENDATION

Recommendation 4-5:

Determine a policy for merit increases and implement the policy effective July 1, 2014.

LOSRC should implement a policy to dictate how employees receive merit pay once they reach Step 6. Evaluations would need to be completed for all employees by June 30, 2014.

One possible scenario recommended for administering merit pay at Step 6 and beyond is:

- Award base pay for Step 6, with the possibility of receiving an additional merit increase of up to 1.0 percent based on performance. Therefore, an employee exceeding expectations would receive a three percent (2.0 percent base plus 1.0 percent merit added to base salary) increase at Step 6.

- Award base pay for Step 7, with the possibility of receiving an additional merit increase of up to 1.5 percent based on performance. Therefore, an employee exceeding expectations would receive a three percent (1.5 percent base plus 1.5 percent merit added to base salary) increase at Step 7.

- Beyond Step 7, an employee's annual increase is based solely on performance; receiving between a 1.0 percent and 3.0 percent increase to base salary through the maximum salary.

- An employee that reaches the maximum salary can continue to receive 1-3 percent base salary increases based on performance up to a value greater than 15 percent of the maximum salary. Once an employee has reached this threshold, lump sum increases for performance can be given annually with no adjustment to base salary.

Exhibit 4-8
Proposed Adjustments to the
LOSRC Pay Plan

Pay Grade	Step 1	2.5%	2.4%	2.5%	2.5%	Eligible for Merit			
						2.0%	1.5%	Merit	11.6%
		Step 2	Step 3	Step 4	Step 5	Step 6	Step 7		Max
1	$21,017	$21,543	$22,068	$22,620	$23,185	$23,649	$24,004		$26,797
2	$22,068	$22,620	$23,171	$23,751	$24,344	$24,831	$25,204		$28,137
3	$23,171	$23,751	$24,330	$24,938	$25,562	$26,073	$26,464		$29,544
4	$24,330	$24,938	$25,546	$26,185	$26,840	$27,377	$27,787		$31,021
5	$25,546	$26,185	$26,824	$27,494	$28,182	$28,745	$29,177		$32,572
6	$26,824	$27,494	$28,165	$28,869	$29,591	$30,183	$30,635		$34,200
7	$28,165	$28,869	$29,573	$30,313	$31,070	$31,692	$32,167		$35,910
8	$29,573	$30,313	$31,052	$31,828	$32,624	$33,276	$33,776		$37,706
9	$31,052	$31,828	$32,604	$33,420	$34,255	$34,940	$35,464		$39,591
10	$32,604	$33,420	$34,235	$35,091	$35,968	$36,687	$37,238		$41,571
11	$34,235	$35,091	$35,946	$36,845	$37,766	$38,522	$39,099		$43,649
12	$35,946	$36,845	$37,744	$38,687	$39,655	$40,448	$41,054		$45,832
13	$37,744	$38,687	$39,631	$40,622	$41,637	$42,470	$43,107		$48,123
14	$39,631	$40,622	$41,613	$42,653	$43,719	$44,594	$45,262		$50,529
15	$41,613	$42,653	$43,693	$44,785	$45,905	$46,823	$47,526		$53,056
16	$43,693	$44,785	$45,878	$47,025	$48,200	$49,164	$49,902		$55,709
17	$45,878	$47,025	$48,172	$49,376	$50,610	$51,623	$52,397		$58,494
18	$48,172	$49,376	$50,580	$51,845	$53,141	$54,204	$55,017		$61,419
19	$50,580	$51,845	$53,109	$54,437	$55,798	$56,914	$57,768		$64,490
20	$53,109	$54,437	$55,765	$57,159	$58,588	$59,760	$60,656		$67,714
21	$55,393	$56,778	$58,163	$59,617	$61,107	$62,329	$63,264		$70,626
22	$57,775	$59,220	$60,664	$62,181	$63,735	$65,010	$65,985		$73,664
23	$60,260	$61,766	$63,273	$64,855	$66,476	$67,805	$68,823		$76,831
24	$62,850	$64,422	$65,993	$67,643	$69,334	$70,720	$71,781		$80,134
25	$65,554	$67,192	$68,831	$70,552	$72,316	$73,762	$74,869		$83,581
26	$68,372	$70,082	$71,791	$73,586	$75,425	$76,934	$78,088		$87,175
27	$71,312	$73,095	$74,878	$76,750	$78,669	$80,242	$81,446		$90,923
28	$74,379	$76,238	$78,098	$80,050	$82,051	$83,692	$84,948		$94,833
29	$77,576	$79,516	$81,455	$83,492	$85,579	$87,290	$88,600		$98,910
30	$80,912	$82,935	$84,958	$87,082	$89,259	$91,044	$92,410		$103,163
31	$84,391	$86,501	$88,611	$90,826	$93,097	$94,959	$96,383		$107,599

Source: Created by Evergreen Solutions, 2014.

In this scenario, an employee exceeding performance expectations can expect to reach a base salary 15 percent greater than the maximum salary in approximately 13 years, and then begin receiving lump sum payments based on performance. It should be noted that merit increase percentages can be adjusted to conform to budgetary restrictions at the agency.

Performance-based pay systems encourage employees to reach organization-wide and personal goals, and allow supervisors flexibility in recognizing employees for outstanding performance. In addition, merit-based pay systems allow the organization to administer pay increases based on availability of funds. Another benefit of this proposed pay structure is that it also addresses the narrow range spread (27.5 percent) currently in place—increasing the range spread to almost 50 percent—which is more in line with compensation best practice. While most private organizations use a merit-based pay system, it is becoming more frequent for public sector agencies to adopt this practice.

FINDING

In March 2012, LOSRC had a Classification and Pay Study conducted by the Management and Personnel Services Group (MAPS), Inc. This study reviewed classification and compensation practices across LOSRC by:

- reviewing each classification in the organization and making recommendations for classification title changes and consolidations;

- recommending pay grade assignments for each classification;

- providing a synopsis of current roles and responsibilities for each classification;

- reviewing the overall structure of LOSRC pay plan by comparing LOSRC pay plan to nine peer councils of government;

- assessing compression and making recommendations for alleviating pockets of compression;

- assessing and ultimately updating all classification descriptions; and

- reviewing overall compensation and classification policies and procedures (i.e. performance evaluation system, employee progression through pay grades, and creation of new job titles) and making recommendations for improvement.

The study was thorough and provided a number of fact-based recommendations for improvement to the agency. Many recommendations were implemented and LOSRC is still actively working on implementation of several additional recommendations. Studies such as these are important to ensure that the compensation and classification system in place is properly maintained.

COMMENDATION

LOSRC is commended for completing a comprehensive classification and pay study.

FINDING

Maintaining a competitive and equitable compensation and classification plan requires continual maintenance. Many organizations have in place specific guidelines for the methodology and frequency for which actions will be taken to ensure compensation and classification practices are updated. In some instances, groups of like organizations in close geographical proximity will implement a formal annual process for sharing compensation and classification updates and changes as a measure to maintain their classification and compensation systems.

Understanding the importance of maintenance to these systems, the LOSRC Operations Manual states that "The Executive Director will conduct periodic reviews of the compensation plan and recommend appropriate changes to the Executive Committee for approval." The March 2012 Classification and Pay Study addressed this directive to some extent. However, the study did not include (by design) collection or analysis of market data on benefits, and the Operations Manual does not address the frequency of these reviews nor does its address the methodology to be used for this process.

In order to conduct an accurate comparison of compensation among organizations, salary and benefits must both be considered. An organization offering substantially lower salaries than LOSRC may be compensating for this by offering a more robust and valuable benefits package. Conversely, an organization offering higher salaries than LOSRC may offer limited benefits. A determination such as this cannot be made unless both salary and benefits data are collected. Further, including in policy the general timeline and methodology for this process helps to ensure the analysis occurs on a regular basis, and that the process used is consistent from year to year.

RECOMMENDATION

Recommendation 4-6:

Conduct a market salary survey for a sampling of LOSRC classifications every two years and a comprehensive classification and compensation study every five years.

Market conditions change, and many times change quickly. In order to properly maintain its classification and compensation system, LOSRC should conduct a periodic review of market conditions by selecting a small sampling of jobs and conducting a localized salary survey for those jobs. LOSRC should select 5-10 job classifications where retention or recruitment is an issue. If there are not 5-10 classifications that meet these criteria, a random sampling of jobs across each of the functions of the organization can be used. The agency should then reach out to regional market peers to assess salary levels for comparable jobs, making adjustments where inequities are apparent.

In addition, LOSRC should strive to conduct a comprehensive classification and compensation study similar to the study completed in March 2012 every five years. This study should include a market compensation (salary and benefits) survey for all jobs within the organization, as well as a review of all classifications. LOSRC should work to include similar peers, based on type of organization (COGs, local municipalities, etc.), size of organization (total employees, total budget, etc.), and geographically proximity (within 50-100 miles of the agency).

Including a benefits survey as part of the study will allow the the agency to compare total compensation, which places a total value on employee salary, leave time, benefits package, and other benefits offered. Data can be collected using a benefits survey tool that will provide information to address concerns regarding benefits, such as employee leave accrual. **Exhibit 4-9** displays a sample section of a benefits survey tool that could be used as part of the benefits survey to collect information on leave accrual benefits. Note that the entire tool is available upon request.

FINDING

LOSRC has not conducted employee performance evaluations for the last two years. Employees noted that the former evaluation process was more of a formality than a process yielding useful results. As such, LOSRC is currently working towards implementation of a new employee evaluation system. In February 2014, all supervisors completed a pilot evaluation using the draft form to assess its strengths and weaknesses, and make improvements as necessary. According to LOSRC, evaluations will take place every six months, and department heads will be responsible for making sure the evaluations take place. LOSRC shared the draft employee performance evaluation form with Evergreen for review.

The draft Employee Performance Evaluation Form includes seven sections that present a job factor; performance standards for that job factor; an area for the supervisor to indicate the rating given; and a supervisor comment box. The seven sections include:

- Attendance
- Productivity and Use of Time
- Teamwork and Collaboration
- Customer Service and Communication
- Quality and Accountability
- Adaptability, Initiative, and Problem Solving
- Performance Management and Leadership

The form also contains a section for employees to set three individual goals, provide status updates on the goals, and a status indicator to share whether each goal is "complete," "in progress," or "no action." The next section is for supervisors to set three expectations; a status indicator to share whether each expectation has been met or not; and a section to provide an explanation of the status.

Finally, the form concludes with an area for employees to set new goals; an area for supervisors to provide new expectations; a section for additional comments from both the employee and supervisor; and a signature section to indicate that the employee has reviewed the form, whether or not the supervisor recommends merit pay, and a signature line for the supervisor and management team to sign off.

Exhibit 4-10 displays a copy of the first and section sections of the performance evaluation form. The performance evaluation form is well designed, but is missing some elements commonly found in performance evaluation systems.

Exhibit 4-9
Example Benefits Survey - Leave Accrual

18. Please indicate the types of leave available to employees and at what rate time accrues.

Type of Leave	Accrual Rate Per Year in Hours	Maximum Amount Accruable in Hours
☐ Personal leave	____	____
☐ Sick leave	____	____
☐ Annual/vacation leave	____	____
☐ Paid Time Off (PTO)	____	____

Or if you organization has milestones based on years of service.

Type of Leave	Amount of Hours Accrued for Each Milestone	Years of Service Required
☐ Personal leave	____	____
☐ Sick leave	____	____
☐ Annual/vacation leave	____	____
☐ Paid Time Off (PTO)	____	____

Additional space (if needed) to list milestones and years of service required:

____

19. Is unused sick leave paid out upon separation?   ☐ Yes ☐ No   Maximum number of hours ____

Upon termination?   ☐ Yes ☐ No   Maximum number of hours ____

20. Is unused annual/vacation leave paid out upon separation?   ☐ Yes ☐ No   Maximum number of hours ____

Upon termination?   ☐ Yes ☐ No   Maximum number of hours ____

21. Please indicate all holidays your organization observes.

☐	New Year's Day	☐	Labor Day
☐	New Year's Eve	☐	Veteran's Day
☐	Martin Luther King, Jr. Day	☐	Thanksgiving Day
☐	Lincoln's Birthday	☐	Day After Thanksgiving
☐	Washington's Birthday	☐	Christmas Eve
☐	Memorial Day	☐	Christmas Day
☐	Independence Day	☐	Personal Holiday
☐	Other ____	☐	Other ____

Source: Created by Evergreen Solutions, 2014.

Exhibit 4-10
LOSRC Draft Performance Evaluation Form

EMPLOYEE PERFORMANCE EVALUATION FORM

Employee: _____

Date: _____

Job Title: _____

Supervisor: _____

Interim Review Required: _____

Interim Review Date: _____

Next Standard Review Date: _____

SECTION 1 – CORE PERFORMANCE STANDARDS

<u>Attendance</u>
Reports for work regularly with a minimum number of absences and tardiness; gives notice when absence or tardiness is unavoidable; receives authorization when time off is needed; observes appropriate lunch/break schedules; submits justification for absences as required and/or requested; manages leave balance(s) to plan for unexpected situations.

   Performance Standards
   ▪ Ready to work at the beginning of the workday or start time.
   ▪ Submits leave requests in advance for time off being requested.
   ▪ Does not request/expect time off when leave would negatively impact organizational operations.
   ▪ Have no unexcused or unauthorized absences.
   ▪ Appropriately manages leave balance(s).

   Rating
   _____ Meets Standards

   _____ Does Not Meet Standards

   Supervisor Comments

Source: Land of Sky Regional Council, 2014.

RECOMMENDATION

Recommendation 4-7:

Add scoring guidelines, an employee self-assessment, and a review and sign-off of the employee's classification description to the draft performance evaluation system.

The process of evaluating performance presents an excellent opportunity for employees and supervisors to review the employee's existing classification description to ensure both individuals understand the tasks and duties of the job. As it stands now, the only time a classification description is reviewed is when LOSRC is preparing to post a job vacancy. Specifically, the LOSRC Operations Manual states that the classification description is reviewed and updated by the staff person responsible for the position before filling a position. Using this logic, if a job remains filled for five years, the classification description would not be reviewed during that five-year period.

This method of reviewing classification descriptions annually will allow LOSRC to ensure classification descriptions are kept up to date, and that necessary changes to them are made each year. The employee and supervisor should sign-off on a copy of the classification description to certify that essential tasks are reflective of what the employee is actually performing. In addition, the classification description should serve as the job advertisement for new postings, versus having to write new text for the job advertisement, which is currently the process outlined in the LOSRC Operations Manual.

Including explicit guidelines on how the evaluation ties into salary increases will increase transparency of the process, and give employees confidence in rater reliability between supervisors. Further, the addition of an employee self-assessment will assist in closing the gap between how employees feel they are performing, and how the supervisor feels they are performing. Often times, employees evaluations are one-sided, and do not take into account perceptions of the employee on how they are performing. If employees walk away with a skewed perception on their performance, it will continue to affect their performance moving forward. The employee self-assessment should be conducted prior to the supervisor assessment, and simply ask employees to rate their own performance in each of the seven areas on a scale of 1-10. This will provide the supervisor with insight into areas where their perception of the employee's performance is not aligned with what the employee thinks, providing for a more effective process.

FINDING

LOSRC maintains classification descriptions for all positions in the organization. Classification descriptions act to convey job responsibilities; outline the knowledge, skills, and abilities needed for the position; and share additional information such as physical requirements, FLSA status, and pay grade. LOSRC classification descriptions were updated as part of the March 2012 Classification and Pay Study, and a recommendation has been made to review them annually as part of the employee performance review process (**Recommendation 4-7**).

Exhibit 4-11 displays an example Land of Sky classification description.

Exhibit 4-11
LOSRC Classification Description

LAND of SKY
REGIONAL COUNCIL

Accounting Specialist
Job Description

Department: Finance Department
Reports to: Finance Director

General Statement of Duties
Performs responsible paraprofessional accounting functions for the finance operations in the COG.

Distinguishing Features of the Class
An employee in this class is responsible for performing accounts payable, data entry for general ledger, cash receipts, generating a variety of financial reports, fixed assets, and performing related fiscal duties. Work involves applying established accounting procedures, principles of bookkeeping, and basic fund accounting to the review and processing of accounting documents. Some judgment is required in selecting and applying appropriate procedures and a variety of manuals. Tact and diplomacy are required in dealing with vendors, coworkers and citizens in conducting Council business. Work is performed under regular supervision and is evaluated through observation, conferences, review of work, and audit of the records by an external auditor.

Duties and Responsibilities
Essential Duties and Tasks
- Processes all financial documents which support the accounts payable functions including entering in computer, working with invoices, and printing checks and maintaining files.
- Maintains Fixed Asset files and issues asset numbers.
- Verify accuracy of travel voucher requests, obtain management approval, reconcile travel voucher and expense reports.
- Maintains current vendor listing with addresses, tax identification number, and other information.
- Prepares accounting data for entry into the computer; keys data to include processing of edit list, check edit list, check processing, and other accounting entries.
- Researches inquiries regarding purchase orders, requisitions, payments, and other accounting issues.
-    Prepares a monthly breakout of state, county and food sales taxes for the purposes of refund.
- Prepares contract and program invoicing; prepares annual dues invoices.
- Compiles and generates reports concerning a variety of data, program information, and financial issues; submits reports electronically.
- Manages the Aging Resource Management System (ARMS) for regional services and distribution of provider reimbursements; works with the Home and Community Care Block Grant providers and the ARMS software in order to assist providers in data entry, reporting and error correction; trains providers in use of ARMS software.
- Posts general ledger journal vouchers and cash receipts; assists with various posting, printing, and calculating of accounts for month and year-end closing, budget figures, and budget amendments; balances and reconciles some asset and liability accounts.
- Coordinates with program staff for processing of client payments within specific schedules;   creates and sends monthly electronic payments.
- Makes daily deposits; code receivables and performs data entry into accounting system.
- Files a variety of records and reports; searches records and reports for historical information; balances bank statements on a monthly basis; keys in budget amendments.
- Compiles and records a variety of fiscal data to create and submit a variety of reports

Additional Job Duties
- Backs up other office staff.
- Performs related duties as required.

Recruitment and Selection Guidelines
Knowledge, Skills, and Abilities
- Knowledge of paraprofessional accounting principles and practices.
- Knowledge of laws, general statutes, rules, and regulations governing specific municipal accounting tasks.
- Knowledge of the application of information technology including specialized financial software, spreadsheets,

Page 1

Exhibit 4-11 (Continued)
LOSRC Classification Description

Source: Land of Sky Regional Council, 2014.

As can be seen, the classification descriptions are aesthetically pleasing, well laid out, and contain the following sections:

- department;
- reports to;
- general statement of duties;
- distinguishing features of the class;
- duties and responsibilities; and
- recruitment and selection guidelines.

Some components typically found on a classification description are missing. These include FLSA status, pay grade, and date of last update. Further, the agency does not currently post classification descriptions on its website.

RECOMMENDATION

Recommendation 4-8:

Add FLSA status, pay grade, and date of last update to LOSRC classification descriptions, and post all classification descriptions on the public LOSRC website.

LOSRC should add FLSA status (exempt or non-exempt) to all classification descriptions. FLSA status, most importantly, conveys to current and prospective employees whether or not they are eligible for overtime. While onsite, it was noted that LOSRC uses an outside consultant to review, approve, and draft new classification descriptions. This individual should be used to determine FLSA status for any positions where FLSA status is unknown. If this individual is not certified to determine FLSA status, LOSRC should seek legal counsel in making FLSA determinations.

According to the Operations Manual, "Supervisors are expected to maintain current job descriptions for each of the positions they manage." LOSRC should add the date of last update to all classification descriptions so that it can be determined if a description is outdated (> 1 year old). This step will also act to ensure supervisors and employees are held accountable for reviewing, signing off, and updating descriptions at least once per year during the employee performance review process. Finally, posting LOSRC classification descriptions on the website will ensure that all employees and the public have access to them.

4.4   *POLICIES, PROCEDURES, AND TRAINING*

The establishment of and adherence to sound policies and procedures are the cornerstone of an effective human resources operation. Not only must a human resources department possess comprehensive policies and procedures, it must serve as an educational hub for all employees seeking information about these areas.

FINDING

Beginning a new job can be an overwhelming process. While learning the way of work is the main focus for a new employee, they must also complete numerous benefits forms, acknowledgements, and other paperwork. To curb this, organizations many times establish a streamlined orientation process to effortlessly guide new employees through the entry process.

The agency maintains a standard procedure for new hire orientations, and is currently working toward improving the process by creating orientation notebooks for new employees. The notebook will contain items listed in the new employee checklist (see **Exhibit 4-6**). The notebook will also serve the employee into the future as a reference for any information they may need.

COMMENDATION

Land of Sky Regional Council is commended for taking steps to improve the new employee orientation process.

FINDING

LOSRC does not have an established professional development plan nor training system in place, which affects staff development in all areas. However, specific to the area of human resources management, the person responsible for human resources has not received formal training on human resources management (such as training on employment law, recruiting, compensation

and benefits, and performance management) which are essential components to a well-run human resources operation.

The LOSRC Employee Handbook states only the following regarding training and professional development:

> *The Council encourages employees to continue their professional development through formal education and training courses as well as professional conferences. Requests for financial assistance for participation in job-related training will be reviewed with the department head and/or project managers and submitted by the department head to the Executive Director for consideration.*

As can be seen, LOSRC supports training for staff. Staff development in all areas, not just human resources, is essential to any organization. However, the agency can start by developing the human resources skills of the administrator responsible for human resources, which will in turn lead to the development of other staff.

RECOMMENDATION

Recommendation 4-9:

Provide human resources management training to the manager of human resources.

There are a number of excellent options for human resources training. Organizations such as the Society for Human Resources Management (SHRM), National Human Resources Association (NHRA), and the Western North Carolina Human Resources Association offer online training content, in-person training opportunities, and national and regional conferences and other events that offer an opportunity to learn human resources management skills. The administration should seek web-based or in-person training opportunities in human resources management and attend at least one training per year.

Areas of initial focus should include key pieces of federal legislation on:

- sexual harassment;

- age discrimination;

- the Family and Medical Leave Act;

- the role of the EEOC and its investigatory process;

- employee recruitment and selection processes to help avoid legal pitfalls; and

- the importance of effectively communicating base pay, incentive compensation, and benefits information to staff at all levels.

As solid skills are developed in these areas, the Deputy Executive Director should seek out more advanced trainings in areas such as human resources metrics and workforce analytics, employee development systems, and developing human resources strategies and theories.

FINDING

The LOSRC Employee Handbook is a 28-page document published in August 2007 that contains many common sections found in organizational handbooks. **Exhibit 4-12** displays the Table of Contents from the LOSRC Employee Handbook. As can be seen, the LOSRC Employee Handbook contains the following seven main sections:

- Introduction
- Organization Policies
- Employee Policies
- Benefits Information
- General Information
- Travel
- Office Procedures

The majority of the Handbook's approximately 63 subsections are concise, and do not elaborate on each of the areas of focus with any degree of depth. For example, the subsection on safety contains the following paragraph:

> *Safety is the responsibility of both the Council and its employees. It is the intention of the Council to establish a safe work environment for all employees. Employees are expected to work in a safe and responsible manner during the performance of their duties. The Council will establish a safety program, including policies and procedures regarding safety practices and precautions and training in safety methods. Department heads and supervisors are responsible for insuring the safe work practices of all employees and supporting necessary safety training opportunities.*

Assessing this passage further, based on the sentence "The Council will establish a safety program, including policies and procedures regarding safety practices and precautions," Evergreen reviewed the LOSRC Operations Manual and found no policies nor procedures on safety practices or precautions. It was common throughout the LOSRC Employee Handbook to find references, processes, and procedures that were either incomplete, do not actually take place, or are outdated. Another example is the reference to the "Information Technology Specialist" on page 4. In fact, in the introduction section on page 1 of the LOSRC Employee Handbook, there is a letter from the former Executive Director.

RECOMMENDATION

Recommendation 4-10:

Revise the LOSRC Employee Handbook by Summer 2014 so that it contains updated, accurate, and detailed information on LOSRC policies and procedures.

LOSRC should completely overhaul the existing Employee Handbook. Information that is outdated, inaccurate, or incomplete should be revised or removed. The LOSRC Employee Handbook should act as a valuable communications piece for all employees. It should relay important information—such as the history of LOSRC, LOSRC's mission and vision, policies, procedures, and benefits. The Handbook should also communicate important state and federal laws surrounding employment.

Exhibit 4-12
LOSRC Employee Handbook
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Exhibit 4-12 (Continued)
LOSRC Employee Handbook
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Source: Land of Sky Regional Council, 2014.

CHAPTER 5
INFORMATION TECHNOLOGY

5.0 INFORMATION TECHNOLOGY

Technology has enabled organizations to enhance operational and business processes and workflows, communicate more efficiently—both internally and externally, and access and share information and services across departments. Technological advances in hardware and software, combined with affordable pricing, allow organizations of all sizes to utilize information systems to perform vital functions. Benefits of information technology systems include more efficient operations through speed of processing and increased information, integration of programs, and enhanced communication networks.

This chapter assesses all aspects of information technology (IT)—including information system planning, operational and organizational controls, system applications, system acquisition, user input, and inventory and control.

Chapter 5 is organized into six sections:

5.1	Organization and Support
5.2	User Productivity and Training
5.3	Hardware and Equipment
5.4	Communications Technology
5.5	Inventory and Control
5.6	User and Systems Security

5.1 *ORGANIZATION AND SUPPORT*

Ideally, technology is one area of an organization that supports all personnel in a positive manner. Organizing technology resources to effectively achieve this outcome can be challenging; however, it is necessary for operational success. Not only does it require the necessary staffing levels, but also necessary skills, tools, and leadership.

FINDING

In August 2012, LOSRC contracted with VC3 to provide cloud services for all staff computers at the agency. Specifically, VC3 provides computer systems and network maintenance, as well as software consulting and professional services to LOSRC. The VC3 cloud system was fully rolled out and implemented by June 2013. Thin-client PCs running Windows 7/XP were deployed for all staff by VC3, and VC3 provides maintenance and support for all LOSRC staff and work stations.
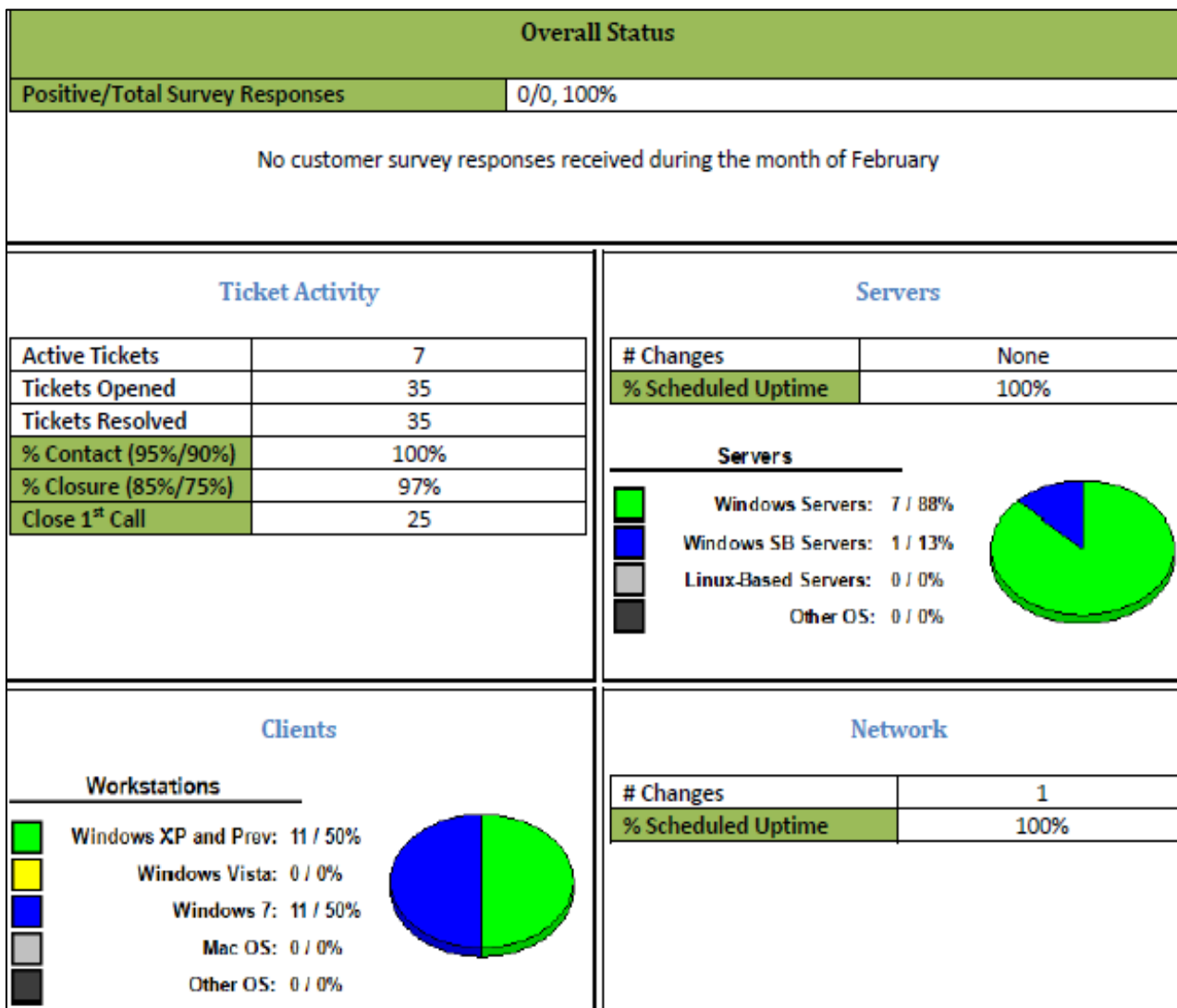
As part of the contract, VC3 is required to provide monthly activity reports to LOSRC that include an overview of:

- action items and discussion between VC3 and LOSRC regarding technology issues;

- support tickets submitted, resolved, and open at the close of the period;

- server uptime reports; and

- disk space usage.

Exhibit 5-1 displays the executive summary from the February 2014 VC3 monthly report. As can be seen, 35 support tickets were opened and resolved in February 2014, with seven still active at the end of the month. Server uptime was reported at 100 percent. Further, the executive summary shows that 11 PCs were running Windows XP, and another 11 were running Windows 7.
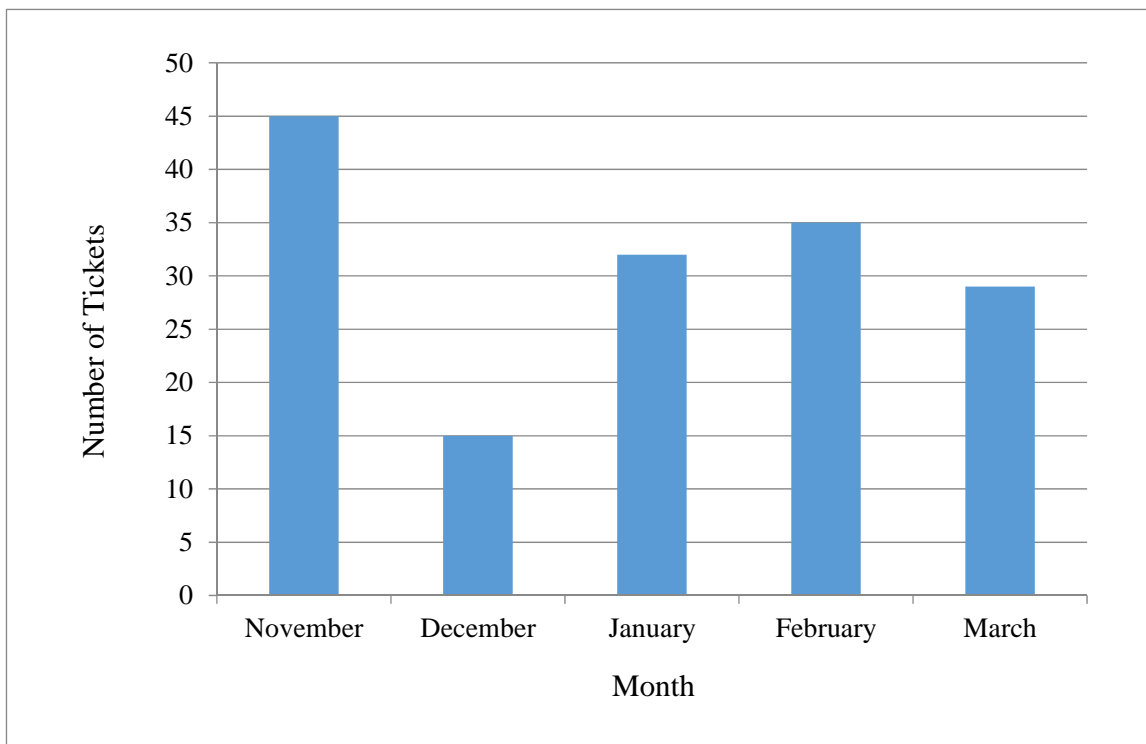
Exhibit 5-1
VC3 Monthly Report – February 2014
Executive Summary

Overall Status	
Positive/Total Survey Responses	0/0, 100%
No customer survey responses received during the month of February	

Ticket Activity		Servers	
Active Tickets	7	# Changes	None
Tickets Opened	35	% Scheduled Uptime	100%
Tickets Resolved	35		
% Contact (95%/90%)	100%	**Servers**	
% Closure (85%/75%)	97%	Windows Servers: 7 / 88%	
Close 1ˢᵗ Call	25	Windows SB Servers: 1 / 13%	
		Linux-Based Servers: 0 / 0%	
		Other OS: 0 / 0%	

Clients		Network	
Workstations		# Changes	1
Windows XP and Prev: 11 / 50%		% Scheduled Uptime	100%
Windows Vista: 0 / 0%			
Windows 7: 11 / 50%			
Mac OS: 0 / 0%			
Other OS: 0 / 0%			

Source: Land of Sky Regional Council, 2014.

The February 2014 report also summarized several of the internal issues the agency is working through with VC3—including conversion of Windows XP work stations to Windows 7, network speed, and conversion of GIS work stations and servers to the cloud. Evergreen reviewed VC3 ticket times and response summaries and found response times acceptable.

Evergreen conducted an analysis of support tickets submitted to VC3 by LOSRC staff for November 2013 through February 2014. Support tickets can be submitted by LOSRC through phone, fax, email, or online communication. **Exhibit 5-2** displays the total number of support tickets submitted over this time period. There were a total of 136 total support tickets submitted to VC3 across the five-month period. As can be seen, the months with the greatest number of support tickets issued were November 2013 (45) and February 2014 (35). The average number of support tickets issued across all five months was 31.2.

Exhibit 5-2
LOSRC VC3 Support Ticket History

Source: Land of Sky Regional Council, 2014.

Exhibit 5-3 provides a breakdown of the 136 total support tickets by type. As can be seen, the largest percentage of support tickets are for desktop/laptop issues (23.0 percent), followed by other issues (16.0 percent), server issues (16.0 percent), and user account issues (15.0 percent). Website and monitoring issues each accounted for just two percent of all support tickets issued. Overall, the ratio of support tickets to agency user is low, which is a positive indicator for LOSRC. It is clear from the analysis that VC3 is doing an excellent job monitoring an supporting IT operations.

Exhibit 5-3
LOSRC VC3 Support Tickets by Month
November 2013 – February 2014

Source: Land of Sky Regional Council, 2014.

The decision to outsource an organization's entire IT operation should be based on the cost to outsource versus the cost to keep the operation in-house. Per industry standards, a typical desktop support technician to user ratio is 1 per 60 to 75. Taking this into consideration, LOSRC would need approximately 1 FTE to support its IT function. The approximate pay grade for a Network Administrator would be pay grade 18 at the agency. Using the midpoint salary of pay grade 18 ($54,795), as well as the going benefits rate for LOSRC employees (38.5 percent), it can be concluded that the total annual cost of an in-house technology support person is $75,891. The total annual cost for VC3 is approximately $109,830; however, this cost also includes equipment, licenses, and data storage.

Gartner Research shares that the average small organization spends 6.4 percent of its annual revenue on IT expenses. Based on LOSRC revenues of approximately $12.7 million, total IT costs should be no more than $812,800. Both of LOSRC's options (in-house and hosted) fall well under this range. As cloud technology improves, the cost of implementation will decrease, making the cloud system an even more efficient option for the agency.

COMMENDATION

LOSRC is commended for contracting with VC3 to provide information technology services.

FINDING

GIS information systems within LOSRC have not been fully integrated into the cloud like the other information technology systems. There are approximately five computers currently used by GIS staff and planners, as well as the GIS server, which have not been integrated into the cloud. While LOSRC has been exploring the possibility of integrating these additional systems into the cloud, several challenges still exist, including the speed of data processing and hosting of certain software.

Challenges associated with placing GIS information systems into the cloud environment were discussed in the VC3 monthly report:

> ### GIS On-Premise vs. Cloud Hosted
>
> *During the meeting on 3/4 we discussed a number of points relating to moving GIS into VOA and Kevin provided a demonstration of a live GIS installation in VOA. Here is a brief summary of the advantages and disadvantages of this change:*

Advantages	Disadvantages
Work from anywhere on any device	*VOA not ideal for 3-D modelling*
Remove recurring hardware expenses	*Requires most costly licenses from ESRI*
Have complete backup / DR of all data	*Could add significant storage costs*
Increase stability and maintainability of GIS	*Could add 5-90 second delay when printing*
Adds options for granting access to 3rd party partners	*Not all add-on software guaranteed to work; would have to test each*

As can be seen, the preliminary pros and cons of bringing the GIS information system into the cloud have been identified. However, the agency has not conducted an indepth feasibility study in this area, limiting the amount of information available to make a final decision.

RECOMMENDATION

Recommendation 5-1:

Conduct an indepth feasibility study to determine the impact of integrating GIS information systems into the cloud.

LOSRC should continue to work towards identifying the impact of moving all GIS information systems to the cloud. Cost and performance impact limits should be set that will allow the agency to make a final decision on whether or not moving GIS systems into the cloud would be an effective and efficient solution. LOSRC should work with VC3 to conduct a full impact analysis, with the advantages and disadvantages outlined in the February 2014 report used as an outline for further investigation. If it is determined that performance is not sufficient in the cloud environment, or that cost is too high, LOSRC should continue with plans to support the GIS information systems locally and revisit the possibility of moving this system to the cloud in two or three years, after the technology has improved. The agency should also continue to seek out other organizations that have moved GIS systems to a cloud environment to determine if there are other ways to implement this solution.

5.2   *USER PRODUCTIVITY AND TRAINING*

Both non-IT staff and internal technology support personnel need consistent training, professional development, and access to appropriate user and technical manuals—both prior to deployments and on an ongoing basis. This need was expressed in interviews with technical support staff and managers. Delays in implementation, redone implementation steps, and delayed repair costs and impacts can be substantially reduced when proper technology training is provided.

FINDING

There is currently no dedicated department within LOSRC to handle information technology support, maintenance, and administration. In addition, LOSRC provides no basic training to staff on use of technology or troubleshooting basic problems. Prior to April 2013, LOSRC had an Information Systems Specialist who provided basic and advanced systems support; however, this position was phased out in preparation for VC3 taking over LOSRC information systems in June 2013.

Information technology issues and coordination is handled by several staff within the agency, with the first point of contact being the Communications Specialist/Webmaster, who spends approximately five percent of her time on support for the thin-client PCs. The Administrative Program Specialist and the GIS Planner also provide very limited additional back-up and support. These staff members provide the first line of support and limited training on basic issues, before issues are escalated to VC3 support through the help desk ticketing process. The Communications Specialist/Webmaster estimated that she provides information technology support to other staff approximately 10-15 times per month.

Cross training has not occurred between the Communications Specialist/Webmaster and the two additional staff who provide limited support, and no formal training has been provided to staff on troubleshooting basic IT issues. Internal staff training on common information technology problems and issues can reduce the need for intervention by other staff, eliminating or reducing the need for an in-house centralized support person.

RECOMMENDATIONS

Recommendation 5-2:

Provide training on basic IT troubleshooting to all LOSRC staff.

The LOSRC Communications Specialist/Webmaster should develop a list of the top problems and issues LOSRC users experience (screen freezing, session hung-up, etc.), and create a basic training presentation to acclimate users with solutions to these basic issues. This training should be provided annually, and as part of the new hire orientation process. The training should include a description of the problem, how to troubleshoot or solve the issue, and the process to open a help-desk ticket with VC3 if the issue cannot be resolved. The goal of the training should be to eliminate the Communications Specialist/Webmaster (and other support staff) from intervening on basic technical issues. As the user knowledge base increases and users become more familiar

with troubleshooting, the focus of these trainings should shift to include training on other technology skills (such as use of Word, Excel, and Access).

In planning and preparing for the first training session, LOSRC should consult with VC3 on content for this training. VC3 will be able to provide additional input on which issues occur most frequently among LOSRC staff, and which can be mitigated with some basic user training. However, it should be noted that this consultation could lead to additional costs as these services are not built into the existing VC3 contract. Consultation of this type should be limited, but will play an important role in reducing user issues.

Recommendation 5-3:

Cross-train a minimum of one staff member per department on information technology support.

The LOSRC Communications Specialist/Webmaster should cross-train at least one staff member from each department on providing basic IT support. This training should be more in-depth than the general training provided to all staff. As issues arise in departments, the trained staff member should be prepared to either quickly solve the issue or refer a user to the VC3 support process.

5.3   *HARDWARE AND EQUIPMENT*

Technology hardware often requires exactly the right balance of physical and environmental conditions to operate properly. Altering this balance can cause hardware to fail in unexpected and often undesirable ways. Even worse, technology hardware might continue to operate erratically, producing incorrect results and corrupting valuable data. The real danger in having a damage occur to technology hardware is not the loss of the system's hardware but the value of the loss of the data that were stored on the hardware itself. Therefore, properly securing and protecting technology hardware ensures that both the hardware itself and data within it are safe.

FINDING

One constant challenge organizations face is keeping their server rooms and data centers cool. Without the use of proper cooling techniques, a server room can overheat. As a result, the servers can crash, causing loss of data, resources and a wealth of other problems throughout a system or network the placement of both hardware and cooling units is a measure that cannot be overlooked.

LOSRC currently houses information technology infrastructure hardware in a secure and central room within the building. The room contains one dedicated server for GIS data and additional racks of networking equipment used by VC3. This room is cooled by a mini-split air conditioning unit, which is situated approximately seven feet up the wall.

Condensation drain lines in all air-conditioning systems have the potential to clog and cause an overflow of water into the surrounding area. Further, it is uncommon for mini-spilt systems to have internal float switches, which act to cut the power to the unit off if a clog occurs. Water leaks such as this have the potential to damage nearby equipment. In LOSRC server room, the mini-split system is located directly above a desk, and the GIS server sits directly below this desk.

It was also found that only some of the Administrative Support staff have the names and numbers of HVAC service providers, and, because these staff are part-time, there are times when they are not there and no one knows who to call if HVAC problems (such as a water leak) occur.

RECOMMENDATIONS

Recommendation 5-4:

Reposition the GIS server so that it is not located directly beneath the mini-split air-conditioning system.

LOSRC should reposition the GIS server so that it is not directly beneath the mini-split system or the table that sits below this mini-split system. This move requires minimal time and effort, and will ensure that the GIS server is not damaged if a water leak is to occur. The agency should take additional steps to ensure that no equipment is stored directly below this mini-split system.

Recommendation 5-5:

Post contact information for at least one HVAC service provider in the server room.

LOSRC should post the contact information for at least one approved HVAC service provider in the server room. The information should be posted prominently so that any employee can easily locate it in the event the mini-spilt unit is leaking or not working properly to cool the equipment located in the server room.
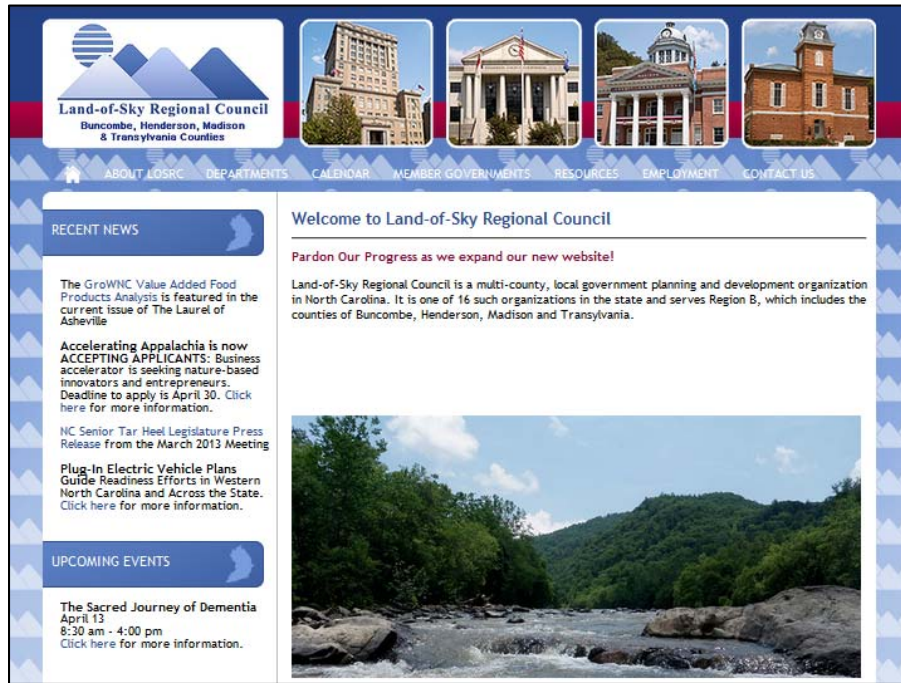
5.4   *COMMUNICATIONS TECHNOLOGY*

The digital age has brought about the need for all organizations to maintain an effective and attractive online presence. In addition to online websites, social media platforms such as Facebook, Twitter, and Google+ provide an excellent way for groups and organizations to communicate with their constituents. These days, everyone from small town politicians, multi-million dollar corporations, and non-profit organizations create and maintain an online presence in the form of websites and social media platforms to engage their customers. Social media is advantageous because it has experienced wide-spread adoption, it is free and many individuals are already using it and comfortable with the technology.

FINDING

LOSRC recently completed a rebranding process in which a new look was adopted throughout the organization. As part of this rebranding process, LOSRC website was redone – including content, layout, and look. **Exhibit 5-4** displays a screenshot of the former LOSRC website before the rebranding process was completed. As can be seen, the old website included a section for news, upcoming events, as well as links to each of LOSRC departments and additional resources.

Exhibit 5-4
LOSRC Website Before Rebranding

Source: Land of Sky Regional Council, 2014.

Exhibit 5-5 displays a screenshot of LOSRC website after the rebranding process was completed. As can be seen, the website contains the new logo, shows a difference look and feel, and includes the content that was present on the previous website. Staff noted that the new website is easier to navigate and more aesthetically appealing.

Exhibit 5-5
LOSRC Website After Rebranding

Source: Land of Sky Regional Council, 2014.

COMMENDATION

LOSRC is commended for implementing an updated website that is more aesthetically appealing, contains new and updated content, and is easier to use.

FINDING

Social media has become one of the most effective channels for engaging stakeholders. Platforms such as Facebook, Twitter, and Blogger all present opportunities for LOSRC to better connect with and share information with stakeholders. In order to maximize benefits of these platforms, organizations must ensure that the accounts are well promoted and updated regularly.

LOSRC currently has social media accounts set up with Facebook, Twitter, Issuu, and YouTube, as well as has an e-Newsletter setup for stakeholders that wish to subscribe. The Communications Specialist/Webmaster is responsible for maintaining these accounts. Links to each of LOSRC social media accounts are provided on LOSRC website.

In reviewing LOSRC social media accounts, Evergreen determined the following:

- **Facebook** – LOSRC has three Facebook profiles setup[1]. One appears current, with the most recent post added on April 22, 2014, and the remaining two seem outdated or geared toward only one of the functions of LOSRC (Area Agency on Aging).

- **Twitter** – LOSRC has one Twitter account, with the most recent post added on March 25, 2014. LOSRC Twitter account has 78 followers, is following 208 other users, and has posted 102 tweets. LOSRC Twitter account can be found here: *https://twitter.com/LandofSkyRC*

- **YouTube** – LOSRC has one YouTube account, with the most recent video being added in February 2014. The majority of promotional videos on LOSRC YouTube account are from the Council on Aging. LOSRC YouTube account can be found here: *https://www.youtube.com/user/losrcnc*

- **Issuu** – Although not as common as Facebook, Twitter, or YouTube, Issuu is a digital publishing platform that allows organizations to upload and share publications. LOSRC has published 42 publications to Issuu, including newsletters, annual reports, summary brochures, and event details. LOSRC Issuu account has 4 followers. LOSRC Issuu account can be found here: *http://issuu.com/losrc*

- **E-Newsletter** – LOSRC also provides stakeholders with the ability to sign-up for and receive E-Newsletters. Users can choose from 11 different email lists, each related to a different function of LOSRC (e.g. CCAN, Clean Vehicles, ECD news, GroWNC, etc.).

Exhibit 5-6 displays the E-Newsletter sign-up form.

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[1] *https://www.facebook.com/pages/Land of Sky-Regional-Council/154865154533288*
https://www.facebook.com/pages/Land of Sky-Regional-Council/154865154533288
https://www.facebook.com/pages/Land of Sky-Regional-Council-Area-Agency-on-Aging/192355547611331

Exhibit 5-6
LOSRC E-Newsletter Sign-up Form

Source: Land of Sky Regional Council, 2014.

With stakeholders across several counties, each presumably interested in different functions of LOSRC, the agency is well-suited to provide communications to stakeholders across all of these social media platforms.

COMMENDATION

LOSRC is commended for creating and maintaining multiple social media accounts for communications with stakeholders.

RECOMMENDATION

Recommendation 5-6:

Eliminate two of the three LOSRC Facebook pages.

LOSRC should not maintain three Facebook pages, and should delete two of the three pages. Existence of three Facebook pages may cause confusion among stakeholders, and scatters the number of potential followers across three pages.

5.5   *INVENTORY AND CONTROL*

Organizations that rely heavily on a broad range of technology capital are faced with a situation where effective inventory management is a rather complex and critical factor to their long-term goals. Aspects of the situation that they face include long procurement lead times, extreme volatility in demand for maintenance and repair, individually customized requests for products, and short product life cycles. These factors make technology equipment management rather difficult. Traditional inventory control methods often do not take these critical aspects into account, resulting in an ineffective process for inventory and control management.

FINDING

LOSRC maintains a list of capital assets, including technology hardware. VC3 technology hardware and software is not included in LOSRC capital assets list, as this list is maintained separately by VC3 and can be provided to LOSRC upon request.

Exhibit 5-7 displays an example section of LOSRC capital assets list. As can be seen, LOSRC capital assets list includes, among others, the following fields:

- Description
- Manufacturer
- Serial Number
- Acquisition Date
- Condition
- Location Name

Despite the lack of information for some of the records displayed, these fields are sufficient for tracking LOSRC capital assets. However, in 2013, as the agency was transitioning to VC3 systems and hardware, employees were offered the opportunity to purchase existing LOSRC computers. Approximately 20 computers were purchased from LOSRC by employees and removed from the inventory. However, the agency's technology inventory list has not been updated to reflect these changes.

RECOMMENDATION

Recommendation 5-7:

Update LOSRC capital assets list to reflect the removal of computers from the inventory.

LOSRC should maintain a current and accurate inventory of all technology hardware and software. This will allow LOSRC to better track assets and plan technology replacement over time. Inventory removed from the premises should be immediately removed from the inventory list.

Exhibit 5-7
Sample of LOSRC Capital Assets List

Description	Manufacturer	Serial Number	Acquisition Date	Condition	Location Name
COMPUTER, PREMIO MT18205		2000090726	6/30/00	FAIR	Tracy Ash
COMPUTER, CPU, Gateway, E3110			4/1/00		GIS Room
COMPUTER, CPU, Premio		P9629395	10/24/96	GOOD	Brett Satz
COMPUTER, Gateway OB7-500			7/26/95		Computer Tech
COMPUTER, HP Notebook	Hewlett Packard		4/30/03		
COMPUTER, Notebook, Gateway Solo 2500		BC699140889	1/10/01	GOOD	Brett Satz
COMPUTER, Notebook, HP OmniBook	Hewlett-Packard	TW20303184	10/21/96	GOOD	Patti Cameron
COMPUTER, Premio PC	Premio	9900035740	6/30/00	GOOD	Brett Satz
COMPUTER, Toughbook 73	Panasonic		8/5/04	GOOD	Joe McKinney
COPIER, Canon Imagerunner 5000	Canon	0016A026AB	6/20/03		
PLOTTER, Hewlett Packard DesignJet 800 PS			4/4/01		GIS Room
PREMIO MID P133 COMPUTER	PREMIO	P9632520	6/10/96	GOOD	
PRINTER, Hewlett Packard LaserJet 1120 C		SG 935130DM	5/13/97	GOOD	Computer Tech
PROJECTOR, Epson EMP-710			1/10/01		Storage Closet
SOFTWARE MIP GL AP BUD BR PR SAFEKEY	MIP		2/29/00		ACCTNG
SOFTWARE, MIP Forms Designer			12/13/00		ACCTNG
SOFTWARE, MIP UPGRADE ACCOUNTING	MIP		6/27/01		ACCTNG
STORAGE UNIT, shelving installed, 16x20	Liberty House		8/12/04	GOOD	OUTSIDE BUILDING
SWITCHES & CABLES	Applied Solutions		2/13/02		COMPUTER AREA
UPS, POWER 1000 WATT	UPS-AMER.	P89024970	6/2/89	GOOD	TOM ELMORE
SHREDDER	Fellowes	1723.123 250136175S	7/28/05		
Computer	Dell	S Tag JTFQ5B1 S Code 43138797661	6/30/06		Mariah
Computer	Dell	S Tag FTFQ5B1 S Code 33431668317	6/30/06		
Computer	Dell	S Tag 1VFQ5B1 S Code 4077647965	6/30/06		Vicki Jennings
Laptop, Docking Station	Dell	S Tag 2H6J5B1 S Code 5392460701	6/30/06		Jon Beck

Source: Land of Sky Regional Council, 2014.

5.6   USER AND SYSTEMS SECURITY

The costs and damages related to access security violations or to critical systems misuse can be huge, result in major delays and disruptions to services, and can be a major liability issue to an organization. Furthermore, identity theft or unauthorized access to sensitive and confidential personal information can be very damaging and costly.

Identity management has become a priority for organizations as they rely on technology to support operations. An increase in users requiring access to multiple systems drives the need to streamline the user provisioning process (automating and tracking user setup). Quicker and more accurate granting of user access rights to various IT applications increases IT efficiency, improves service, and decreases the reliance on IT security administration to perform these time-consuming tasks.

User provisioning automates the setup, termination, and modification of an organization's staff in various systems based on the employee's responsibilities and roles in the organization. User provisioning systems can be broken down into five components: triggering systems, provisioning systems, role database, user authentication and the confidentiality repository, and reporting.

FINDING

LOSRC has formal processes in place to ensure that users entering into and leaving the organization are properly provisioned and de-provisioned from all technology systems. The provisioning process for a new employee is triggered when human resources staff complete the new employee check-in form. **Exhibit 5-8** displays this form. As can be seen, the last section of the form is "Computer Setup," and includes establishment of a login/password and email account. LOSRC provides cloud accounts to staff, therefore staff can access LOSRC information from any computer once an account has been created.

When human resources staff reach this area of the employee check-in form, they complete the "Add a New User" section of the VOA User Request Form. **Exhibit 5-9** displays this form. This form is completed and submitted to VC3, and a new user is then added by VC3 to LOSRC systems.

For de-provisioning, LOSRC human resources staff also complete and submit a form to VC3 to ensure that user access is properly removed from LOSRC systems when they leave LOSRC. The VOA User Removal Request form is displayed in **Exhibit 5-10**. Although this form is in place, it is not included on the employee checkout form (**Exhibit 5-11**).

RECOMMENDATION

Recommendation 5-8:

Add an item to the employee checkout form for removing the user's account from LOSRC systems.

Exiting employees should not be left with access to LOSRC systems and potential abuse if an employee is disgruntled. LOSRC should add "User Account Removal" to the employee checkout form to ensure that this process is always completed for exiting employees. This item will also provide evidence that the user was removed, and when they were removed.

Exhibit 5-8
LOSRC Employee Check-In Form

Check In Procedures

Employee: _____

Check In:

_____ Employment Application
_____ Background Check
_____ Employment Letter
_____ Personnel Action Form
_____ W-4/NC-4
_____ MIT enrollment form – paper form
_____ UNUM beneficiary form (mail to MIT)
_____ Retirement Enrollment - ORBIT
_____ I-9 Form Completed w/doc.
_____ Receipt of Personnel Policy
_____ Direct Deposit Form
_____ Payroll Schedule
_____ Conflict of Interest
_____ Business Card Request
_____ Name Tags Request
_____ Emergency Contact
_____ FMLA

The following items were issued:
_____ Door Key
_____ Local Government Rate Card

Online enrollment completed for:
_____ Health, Life, Dental & Vision Ins.
        Long-Term Disability Ins.

Dependent Coverage Elected for 2012-2013:
_____ Life (.88/mo per dependent for $2,000)
_____ Health (Children $428/mo)
        (Spouse $673/mo)
        (Family $1040/mo)
_____ Dental (Children $50/mo)
        (Spouse $27.50/mo)
        (Family $60/mo)
_____ Vision (Children $6/mo)
        (Spouse $6/mo)
        (Family $13/mo)

Notification of Availability of:
_____ Employee Assistance Program
_____ Credit Union – PR Deduction
_____ State 401(K) Retirement Plan
_____ Section 125 Cafeteria Plan
_____ Post Emp. Health Plan – after 1 yr.
_____ 401(K) Employer Contr. – after 6 months
_____ Care Bears ($1.00 per pay period)
_____ Cancer Care Insurance
_____ Short Term Disability Insurance
_____ Whole Life Insurance
_____ Critical Care Insurance

Payroll Notification (email to Rose):
_____ Home/cell numbers
_____ Previous experience in LGERS / TSERS

Office Tour/General Info:
_____ Forms
_____ Mailroom
_____ Check In/Out Board
_____ Kitchen Witch
_____ Staff Meetings/Council Meetings

How To:
_____ Travel advance/Leave approval
_____ Travel reimbursement
_____ Timesheet
_____ Indirect Expense
_____ Purchase Order/Check Request

Computer Set Up:
_____ Login/password
_____ E-mail account

*Cannot accept expired documentation for I-9

Source: Land of Sky Regional Council, 2014.

Exhibit 5-9
VOA User Access Request Form

<div style="border:1px solid">

Add a New User

User Information
Start Date:_____
First Name:_____   Last Name:_____
Department:_____

Desktop Environment
☐Virtual Desktop Setup
☐Email Address   ☐ POP\IMAP ☐ Exchange
Specify Email Address:_____
☐Setup Printers

Applications needed on Desktop

☐MS Office	☐MS Access	☐Acrobat	☐ 7-Zip
☐Google Chrome	☐Evernote	☐Firefox	☐Gimp
☐ Sketchup	☐Hazmat	☐Housing Designer	☐ Notepad++
☐Papercut Admin	☐Routematch	☐Sage Full	☐Sage Accounting
☐Skype	☐TweetDeck	☐Foster Grandparent	☐Senior Companion
☐Volunteer Reporter	☐Webex Productivity Tools		

Check the Folder Shares/Security Groups this person will need to access
☐Accounting   ☐Executives   ☐Management Team

Hardware Needed
Purchase: ☐Thin Client
Reuse: ☐Existing equipment - specify_____

Check the Distribution Lists this person needs to belong to

☐AAA Staff	☐ AAA Volunteer
☐LOS Staff	☐Management Team
☐Ombudsman	☐Planning Staff
☐Project Care	☐Support Staff
☐WIA Staff	

Printers

☐Bizhub Color	☐Bizhub Suite 130	☐Canon 8300	☐HP 1525
☐HP Laserjet 400	☐Kyocera LGS	☒Kyocera Mailroom	☐Kyocera Volunteer
☐MAW HP Admin	☐MAW Ricoh 1	☐MAW Ricoh 2	

</div>

Source: Land of Sky Regional Council, 2014.

Exhibit 5-10
VOA User Removal Request Form

Remove a User

User Information
End Date:_____
First Name: _____Last Name:_____

Remove Desktop Environment
☐Disable User (Change Password and Remove Access)
☐Delete User's Documents
☐Keep User's Documents
☐Transfer User's Documents – specify user: _____

Remove Email Account
☐Email Address – specify address:_____
☐Delete Account Completely
☐Keep Account Active (Change Password)
        **Customer will be charged for retained mailboxes
☐Give another user full access to mailbox – specify user:_____
        **Customer will be charged for retained mailboxes

Prepared by: _____

Approved by:_____ Date: _____

"This Instrument has been pre-audited in the manner required by the Local Government Budget and Fiscal Control Act."

_____
Signature of Finance Officer

Source: Land of Sky Regional Council, 2014.

Exhibit 5-11
LOSRC Employee
Checkout Form

Checkout Procedures

Employee: _____

Checkout:

* PAF must be started before
Separation can take effect *

Returned:
_____ Door Key
_____ Local Govt. Rate Card

Notification of Cont. of Benefits:
_____ Health, Life, Dental & Vision Ins.
_____ MIT online cancellation of benefits
_____ Will employee use COBRA insurance?

Dependent Coverage Continuation:
_____ Health
_____ Dental
_____ Vision
_____ Life

_____ Last Day Worked (for Insurance purposes)
_____ Insurance Cards turned in
_____ Section 125 Termination
_____ Section 125 Flex Card

Retirement: ORBIT – all forms online
_____ Wants to withdraw funds, form complete
_____ Wants to leave retirement as is
_____ Wants to transfer to another system

Final Paycheck:
_____ Vacation Pay Due
_____ Vacation Pay to be paid in last   check
_____ Vacation Pay to be paid biweekly until depleted
_____ New Address and phone # (if applicable list below)

Other LOSRC Property Returned:
_____ Mobile Phone
_____ iPad
_____ Laptop

_____ PEHP
_____ 401K

Source: Land of Sky Regional Council, 2014.

CHAPTER 6
FISCAL IMPACT SUMMARY

6.0 FISCAL IMPACT SUMMARY

The Evergreen Team developed 44 recommendations in this report. Four (4) of the recommendations have fiscal implications. **Exhibit 6-1** shows the total costs and savings for study recommendations that have a fiscal impact.   As can be seen, the total net savings is approximately $46,873 over five years for efficiencies in both financial and non-financial operations in Land of Sky Regional Council. It is important to keep in mind that the identified savings and costs are incremental and cumulative.

Exhibit 6-1
Summary of Annual Costs and Savings by Year
over Five Years for Report Recommendations

Costs and Savings	Years					Total 5-Year (Costs) or Savings
	2014-15	2015-16	2016-17	2017-18	2018-19	
TOTAL SAVINGS	$32,441	$40,952	$40,952	$40,952	$40,952	$196,249
TOTAL COSTS	($39,704)	($27,418)	($27,418)	($27,418)	($27,418)	($149,376)
TOTAL NET SAVINGS	($7,263)	$13,534	$13,534	$13,534	$13,534	$46,873
TOTAL FIVE-YEAR NET SAVINGS						$46,873

Exhibit 6-2 shows costs and savings by chapter for recommendations in **Chapter 2** through **Chapter 5**. It should be noted that Evergreen consultants found LOSRC to be an efficient operation. The agency experienced a reduction in several positions prior to the performance audit; thus, the additional cost savings found by the Evergreen Team is minimal.

Exhibit 6-2
Summary of Annual Costs and Savings by Year

Chapter/Recommendation		Estimated (Costs)/Savings					Total 5-Year (Costs) or Savings
		2014-15	2015-16	2016-17	2017-18	2018-19	
CHAPTER 2: ORGANIZATION AND MANAGEMENT							
2-5	Create a Team Leader Position	($18,000)	($18,000)	($18,000)	($18,000)	($18,000)	($90,000)
2-9	Continue to Contract with Public Relations Firm	($7,500)	($7,500)	($7,500)	($7,500)	($7,500)	($37,500)
Chapter 2 Subtotal		($25,500)	($25,500)	($25,500)	($25,500)	($25,500)	($127,500)
CHAPTER 3: FINANCIAL MANAGEMENT							
3-6	Purchase the MIP Abila Human Resources and Employee Web Services Modules	($14,204)	($1,918)	($1,918)	($1,918)	($1,918)	($21,876)
3-9	Purchase the MIP Abila Requisition and Purchase Order Modules	$32,441	$40,952	$40,952	$40,952	$40,952	$196,249
Chapter 3 Subtotal		$18,237	$39,034	$39,034	$39,034	$39,034	$174,373
TOTAL SAVINGS		$32,441	$40,952	$40,952	$40,952	$40,952	$196,249
TOTAL COSTS		($39,704)	($27,418)	($27,418)	($27,418)	($27,418)	($149,376)
TOTAL NET SAVINGS		($7,263)	$13,534	$13,534	$13,534	$13,534	$46,873