The Importance of Municipal Internal Operational Assessments

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Today’s Goal

» Discuss what an internal operational assessment is and how they can help your municipality

» Identify which municipal areas to look at more closely

» Understand the importance of performance metrics

» Identify the efficiencies gained

» How to get started
Our Expertise

- Over 35 years of combined experience with municipalities and school districts
- Direct project experience with over 80 towns, cities and school districts in the State of Connecticut
- Operational Assessments
  - Process and Control Reviews
- Organizational Studies
  - Departmental Evaluations
- Shared Services
- Implementation Plans/Project Management
Our Presenters

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» **Defined:** A detailed analysis of the goals, planning processes, procedures, controls and results of the operations of a department(s)

» **Focus On:** Internal processes and controls

» **Performed By:** Internal auditor or third-party

» **Result:** Recommendations for improvement
“Audit” vs. “Assessment” – What’s the Difference?

**Audit**

» An examination of results to verify their accuracy

» Evaluates work products/processes against specifications or standards

» Often seen as a “test”

» Result: Pass/Fail, an “opinion” based on a checklist of items audited

**Assessment**

» Judgements made about operations

» Determines if actions are necessary or suggested

» Viewed as a “review”

» Result: A measurement of performance

» Recommendations for Improvement
Operational Assessments – Why Are They Important?

» Identify control weaknesses

» Identify duplication of efforts; unnecessary tasks

» Identify inefficient use of people and technologies

» Identify bottlenecks
  
  ➢ Slow points, manual areas, paper-intensive tasks
Operational Assessments – What is the Goal?

- Gained efficiencies
- Transparency
- Increased security, better controls
- Improved segregation of duties/responsibilities
- Decreased risks
- Increased funds (or cost avoidance)
- Better service delivery
- Greater alliance to the municipal vision or strategic plan
Internal Operational Assessment – What’s Involved?

- Roles & Responsibilities
- Tools & Technologies
- Risk
- Operating Activities
- Governance
- Service Delivery

Internal Operational Assessment
Evaluating Staff Roles & Responsibilities

**Goal:** To understand duties and tasks among staff in the selected department.

**Tasks:**
- Assess the roles/responsibilities of staff
- Look for overlap of tasks and duplication of effort
- Ensure appropriate segregation of duties
- Review the Organizational Structure
- Consider staffing level
- Validate skill sets; confirm training needs
Understanding the Use of Tools & Technologies

Goal: To review the use of software applications, technology and tools to operate the selected department.

Tasks:
» Identify the systems in use
» Review the usage/extent that the tools are used
» Understand the interfaces (or lack thereof)
» Review application access, permissions, & controls
» Confirm system strengths and weaknesses
» Identify technical improvements or solutions
Knowing and Addressing Your Risks

**Goal:** To assess (and test) any current compliance concerns, risks and controls in place to mitigate those risks.

**Tasks:**
» Develop a list of controls in the selected department
» Determine if controls are adequate
» Test if controls are working effectively
» Identify control weaknesses
» Confirm any compliance/standards requirements
» Validate appropriateness of controls in place to meet compliance requirements
Assessing the “Day-to-Day” Operating Activities

**Goal:** To develop an in-depth understanding of daily operations within selected department.

**Tasks:**
- Perform “walk-throughs” with staff
- Review procedures and physical processes managing the flow of information
- Review documentation (policies & procedures)
- Develop process flow diagrams of the key operations
- Confirm any workflow bottlenecks that impact efficiencies
- Compare operations against Best Practices
- Identify streamlining opportunities
Measuring your Delivery of Service

**Goal:** To evaluate (and improve) the selected department’s current level of service delivery to the municipal constituents.

**Tasks:**
- Assess the timeliness of general departmental activities
- Review areas of challenge, constituent satisfaction, concern and demand
- Assess service delivery, operational models against similar municipalities
- Understand integration with other departments
- Consider citizen/constituent “self-service” ability as well as transparency and access to information
- Identify measurable areas for future monitoring
Breaking Down Governance

**Goal:** To review the operations/methodology for maintaining departmental alliance with the municipality’s strategic vision and plan.

**Tasks:**
- Identify the overarching municipal vision and charter
- Assess departmental operations for alliance with vision/charter
- Identify how decisions are made, how changes are implemented, how performance is monitored
- Review the management and oversight practices
- Evaluate departmental “openness,” transparency, and integrity
- Evaluate effective or ineffective collaboration
Where Should We Look?

Departments to Assess

» Payroll (extra duty/overtime)
» Land Use
» Contract Management
» Billing/Revenue
» Student Activity Funds
» Grants
» Purchasing
» Technology
» Cafeteria

*Keep in mind - any department or operational area where there is financial activity (money coming in or out) or the handling of sensitive or private information (HIPAA, PCI, FERPA) is worth reviewing regularly.
Examples: A Closer Look
What does the permitting process look like?
- Conservation
- Health
- Planning and Zoning
- Building
- Public Works
- Fire
- Tax Assessor/Collector

How is information shared and jointly accessed by relevant departments?
- Applications
- Inspections
- Assessment

What does the applicant have access to? Can they initiate the process online?

Example 1 – Land Use
Example 2 – Purchasing

» What is the process? Who can make purchases?
» Are approval processes automated or manual?
» How is vendor management controlled?
  ➢ Who can add vendors?
  ➢ How are vendors vetted?
» How are purchasing cards used and secured/monitored?
  ➢ What is the process for submitting expenses?
  ➢ Who reconciles expense reports to receipts?
» Where are vendor contracts maintained?
» Who is responsible for managing contracts?
Example 3 – Grants Management

» How are grants and special funds utilized?

» How are costs allocated to them?
  ➢ What are the controls in place to administer costs applied to grants?
  ➢ Can overtime, travel, and other business expenses be applied?

» What are the associated reporting requirements?
  ➢ Who manages this?

» Responsible for grant applications, monitoring and compliance?
  ➢ Are they being spent appropriately?
Get Started
How to Get Started

» Develop a Committee
  » Gather appropriate personnel to oversee the assessment program

» Identify your Areas of Risk
  » The higher the risk, the more frequently you should assess

» Create a Plan and Schedule
  » Establish what is in scope and what is not

» Discuss with Staff
  » Notify employees and gain their trust/interest

» Perform the Assessment
  » Interview, review, observe, test (if applicable), document

» Document and Review Results
  » Present to the Committee & Leadership; share recommendations with department
Develop a Committee

» Gather appropriate personnel to oversee the assessment program

» Consider existing committees and/or municipal teams
  » Technology
  » Finance
  » Boards of Ed
  » Audit
How to Get Started – Identify your Areas of Risk

Identify your Areas of Risk

» Which areas are of most concern?

» Where is the “heaviest” activity?

» Are there any processes or operations that involve and impact multiple departments? (e.g. Land Use)

» Where have you experienced issues or control problems in the past?
How to Get Started – Create a Plan & Schedule

Create a Plan and Schedule

» Identify a long-term plan (generally a plan for the year) identifying the departments or operational areas that will be evaluated

  » These become your individual operational assessments or projects

» Document the scope of each assessment (which areas to look at, which to leave “as-is”)

» Determine the approximate length necessary to assess, document, and review an area as part of each project

» Determine any associated costs (consultants, technical experts, etc.)

» Identify a “point-person” or Internal Project Manager for each assessment identified

  » They will be responsible for overall completion of the assessment as well as keeping the project on task and time
How to Get Started – Discuss with Staff

» Notify relevant departmental staff of the project
  » Consider a formal memo
  » Prepare them with topics to think about (pre-assessment)

» Share the goals and anticipated outcomes

» Socialize the value and importance of their participation

» Emphasize the “end-game” is to make the municipality better, not to critique or criticize staff performance
How to Get Started – Perform the Assessment

Perform the Assessment

» Interview key personnel

» Review technologies used

» Create your process work flows

» Identify “pain points” or areas of concern
  » Paper heavy processes
  » Manually intensive processes
  » Communication/transparency/data access issues
  » Bottlenecks, process “hold ups”

» Review daily activities
  » Are there any unnecessary or duplicative tasks? (e.g. Muda)
  » Ask “Why?” and Listen for the “We’ve always done it this way”
  » Do the activities and departmental initiatives align with the municipal strategy?
How to Get Started – Document & Review Results

Document Findings & Review Results

» Develop a formal report
  » Findings and recommendations
  » Process workflows (current state vs. proposed future state)
  » Implementation plan (define owners of activities along with completion dates)

» Review the results with relevant staff and departments

» Assign ownership to those who will be responsible for implementing the recommendations and documented improvements

» Project Owners/Identifying the responsible party for seeing a recommendation through is critical for success

» Identify a timeline with due dates, tasks, and targets in order to complete the documented recommendations
How to Maintain the Program

Maintaining a continuous program is key

» All departments need to know they are a part of a bigger picture/strategy

  » Doing “one-off” assessments every few years can be counterproductive and detrimental

  » Loss of employee trust

  » Loss of employee confidence/level of seriousness into reviewing and implementing operational changes

  » A loss in employee “buy-in”

» Have a document (internal assessment plan) that, at a minimum, spans one year

» Have regular (monthly, quarterly) meetings with the steering committee/internal assessment committee to review the plan (update priorities, review project status, timelines, etc.)
After the Fact...Performance Measurement

» **Identify how you will measure success**
  » Faster processing time?
  » Additional volume of work successfully handled? (e.g. More permits processed)
  » Greater transparency for residents/students?
  » Better collaboration/integration with other departments?
  » Saved costs/cost avoidance?
  » Reduced (or eliminated) process risks?

» **Follow-up on the identified areas of improvement (post-assessment)**
  » 3-6-9 months and a one-year later follow-up
  » Review targeted improvement areas; evaluate if process changes have made an impact
  » Ensure that changes are functioning as intended and revamp/rework where challenges exist
Operational Assessments – Success Factors

- People
  - Willingness to Change
  - Honesty
  - Collaboration

- Governance (have a method) / Unified Visions
  - Municipality-wide vs. siloed departments
  - Strategy

- Follow-up
  - Don’t just write a report, see the changes through
Operational Assessments – Key Challenges

» Employee Cooperation
  » Willingness to share information and express limitations
  » Flexibility to change processes
» Unclear Roles/Responsibilities
  » Identifying who will oversee redesign of process controls
  » Accountability
» Time
» Funding
Thank You
Sources

» http://projectcrunch.com/difference-audit-assessment/