PART ONE: BOARD OF SUPERVISORS, COUNTY EXECUTIVE AND ORGANIZATION

Albemarle County is by origin and stewardship a jurisdiction with a great history and quality of life. With 723 square miles and 93,000 citizens, the Board of Supervisors and County Executive have worked as a team to ensure that the rural and "green" nature of the County is preserved, while creating an environment that reflects high quality education, both K-12 and higher education, public safety, and human services. The stated mission is "to enhance the well-being and quality of life for all citizens through the provision of the highest level of public service consistent with the prudent use of public funds."

As stated in the most recent annual report, Albemarle County has a low unemployment rate (2.5%), a relatively high median household income ($70,000), and a median house price of $310,000. While each of these factors is likely to be negatively impacted by the present economy, the County has maintained a low real property tax rate ($.71 per $100 of assessed value) and access to healthy "protected" space (74,304 acres) and parks (2,203 acres).

While certainly serving pockets of urban/suburban demographics, the rural nature of the County is reflected in its population: 84% Caucasian, 10% African American and 3% Asian and Hispanic.

The Board of Supervisors and County Executive clearly and consistently reflect the mission and strategic plan in the expenditure of funds. For each dollar spent, as reported for the last fiscal year, the focus has been: 61 cents for education, 13 cents for public safety, 8 cents for Human Services, 7 cents for Community Development, 5 cents for Operations, 4 cents for Revenue Sharing, and 2 cents for Parks and Recreation. The conservation of resources, both natural and fiscal, seems to be a hallmark of the County's leadership.

The leadership of the County is committed to open government with significant numbers of citizen and advisory groups. The County Executive is well respected by the staff and community and has an extraordinary grasp of the vision for the County and the strategies that must be used to make it a reality. He is also greatly respected by his peer managers around the region and state for his leadership and management skills.

<u>Findings/Observations</u>

1. The Board of Supervisors seeks citizen input from all available sources.

2. The time in Board meetings has grown in recent years also causing a significant amount of staff work with preparation of minutes.

3. The Board has wonderful resources for economic development. The high quality of life in Albemarle and the region can be a major attraction to business development. While the University of Virginia is a major economic driver, many business opportunities will be missed if it is the only strategy. Albemarle is commended for a conservative philosophy on economic development. They have held firm on not promoting projects through the use of incentives.

4. The County Executive has a flat and lean leadership team. His team is made up of knowledgeable and talented professionals, and together the organization is succeeding in implementing a total quality business model of leadership.

5. The County has aggressively pursued the development of software that will enhance the operations.

6. The County has not adopted a strategic plan for economic development nor have they made economic development a priority. The County does not aggressively recruit and promote business development.

7. The County benchmarked from a cost of services standpoint very well against a number of Virginia counties with similar characteristics. The localities which were compared with Albemarle through the use of the Virginia Auditor of Public Accounts comparative cost report were Hanover, James City, Roanoke, Spotsylvania, and Stafford Counties. The two functional areas where Albemarle did not appear as efficient were Community Development and Mental Health services.

8. The Board of Supervisors and staff both realize the benefit of a strong region. The region enjoys two of the strongest regional minded governing bodies (Charlottesville and Albemarle) in the state.

Recommendations

1. Streamline the planning process to make it a more cost-effective operation. Several recommendations are provided for consideration in the Community Development section of this report.

2. Enhance areas of opportunity that the City and County have to further cooperate or consider consolidation for the benefit of the region. In doing so, the County should ensure that Albemarle residents realize efficiencies from combined services.

3. Review all fees to determine if the users are carrying appropriate costs in discretionary services given the growing demands for services and concerns about taxes in a difficult economy. The fee structures should be reviewed annually to keep them up to date on an ongoing basis.

4. Approve a strategic plan which could make economic development a priority and identify the area as a major potential generator of revenue. The County is considering an amendment to the land use plan that addresses economic development in many respects and should move forward to adopt a plan that can direct staff and the regional economic development effort toward the business development that can best bring the right resources to the County. For example, the right economic development strategy for Albemarle County might be recruiting high investment projects. Since large job creation results in higher demand for and higher cost of providing services, such a strategy would require fewer jobs to operate.

Findings/Observations: *Education Funding*

1. Albemarle County and Albemarle County Public Schools have an outstanding public school system. Student achievement is a focus and the quality of the system is cited as an important asset related to quality of life and economic development. The funding policy allocates 60% of the general fund property taxes to the school system. This formula has remained the same for some time, even though the population of the County has grown at a higher rate than school enrollment (See Table 1 showing the growth rates).

Table 1
Population and School Enrollment Rate

Fiscal Year	Population	Rate	Enrollment	Rate
1998	80,200		11,644	
1999	81,800	2.0%	11,981	2.8%
2000	82,900	1.3%	12,187	1.7%
2001	84,186	1.5%	12,237	.5%
2002	85,800	1.9%	12,140	(.8%)
2003	86,700	1.0%	12,287	1.2%
2004	88,100	1.6%	12,356	.5%
2005	89,600	1.7%	12,378	.01%
2006	90,400	.9%	12,446	.1%
2007	90,806	.5%	12,491	.04%
Ten Year Growth Rate		13.2%		7.3%

Source: Albemarle County Comprehensive Annual Financial Report

2. The County has maintained a practice of returning unspent expenditure budget funding to the schools and also allows the school fund to maintain a fund balance above and beyond the General Fund balance. These financial practices work well for the County and schools in several ways:

- ACPS operates a large business; therefore, a consistent funding stream is important to their planning effort and matching needs to the budget.
- These policies create a tremendous incentive to save and create efficiencies within the school budget.
- These policies allow the Board of Supervisors and the Board of Education during budget deliberations to focus on the services being provided within the context of available resources.

3. The funding formula does not take into consideration the difference in growth experienced by the school system and the County. County population has grown 13.2% in the past ten years and school enrollment by 7.2%. While population and school enrollment are not the only measures of resource needs, it is a very objective general measure by which to allocate resources.

4. Debt service for school capital projects is an educational cost and is reported to the state on the Superintendents Annual Report. Debt service is budgeted in the County's general fund budget. Cost accounting methods would budget school debt service in the school fund. This practice would also allow the school system to weigh debt service decisions against other resource needs and make the best business or needs decisions regarding the issuance of debt.

Recommendations: *Education Funding*

1. Begin in the FY 2010 budget process adjusting the 60% funding allocation up or down for the schools based on the previous year's change in population vs. school enrollment, as well as other programmatic considerations. These annual changes will likely be small but in the long term will help balance resources between the two entities.

2. Negotiate between the County and the schools an appropriate fund balance for schools to maintain. While the carry over of unspent expenditures is an incentive for schools, it can also create an imbalance between the two. A good approach could be to create a maximum dollar amount of fund balance and anything above that amount would be allocated between the school and general fund balances on a pro-rata basis.

3. Allocate school system debt beginning with the FY 2010 budget process as part of the transfer to schools budget. Obviously, an adjustment must be made in the funding formula. The current transfer should be increased by the amount of debt service required in FY2010 and the percentage increased accordingly. From that point forward the percentage should be a single percentage and adjusted annually based on the above recommendation regarding population, school enrollment, and programmatic considerations.

<u>Findings/Observations</u>: *Sales Tax*

1. Table 2 indicates the retail sales per capita for Albemarle/Charlottesville and other regions of the state. Compared to the Fredericksburg, Roanoke, Richmond, and Williamsburg regions, Albemarle's retail sales per capita are good. Four of the benchmark counties experienced less retail sales per capita than Albemarle, and three counties experienced more retail sales per capita. The disparity between Albemarle and Charlottesville appear greater than might be expected with the Route 29 and other retail corridors in the County.

2. While this review did not include a study the retail structure of the other regions, it is known that the State Department of Taxation does not make great efforts to distinguish between localities when distributing the one cent local sales tax. The state distributes the sales tax based on the locality indicated on the filing form. It is common for some companies to report the locality designation of the business as the zip code designation. Much of Albemarle County is designated as a Charlottesville zip code; therefore, it is easy for a business when reporting retail sales to make a reporting mistake. Also, many retail businesses report sales from a home office in a different state and again it is very easy to mistake the zip code locality for the locality in which the sales take place.

Table 2
Albemarle County
Sales Tax Analysis
2007

Locality Sales	Population	Retail Sales(000)	Per capita
Albemarle	93,601	1,255,468	13,412
Charlottesville	41,274	895,966	21,707
Total Region	134,875	2,151,434	15,951
Stafford	120,387	879,059	7,302
Spotsylvania	119,907	1,408,122	11,743
Fredricksburg	22,218	988,455	44,489
Total Region	262,512	3,275,636	12,478
Roanoke County	90,902	930,227	10,233
Roanoke City	93,504	1,900,931	20,329
Total Region	184,406	2,831,158	15,353
Hanover	97,569	1,677,157	17,189
Henrico	289,788	5,074,052	17,509
Chesterfield	298,721	3,593,576	12,030
Richmond	195,300	2,477,325	12,684
Total Region	881,378	12,822,110	14,547
James City	61,739	843,370	13,660
Williamsburg	13,245	417,579	31,527
Total Region	74,984	1,260,949	16,816

Source: Auditor of Public Accounts

Recommendation: *Sales Tax*

Continue to investigate whether or not the businesses with Charlottesville zip codes are making payment in the proper location. This would be feasible given the number of Virginia jurisdictions identifying errors in the collection of sales taxes (Henrico, Fairfax, and Alexandria). The County should reconsider the frozen auditor position in the Finance Department as this position has a track record of generating revenue from mis-identified sales tax revenue. Additionally, this position audits business personal property filings and BPOL filings. It is estimated that this position can generate between $500,000 and $1,000,000 per year.

PART TWO: FINANCIAL OPERATIONS

As with any organization, the financial operations of Albemarle County are a critical contributor to the overall functioning of the County. Virtually nothing happens in any organization without the payroll, accounting, budgeting and invoice processing. A well-run and well-informed finance department is a necessary prerequisite to a well-run organization.

A financial organization that works extremely well can easily be under appreciated, because it seems so seamless to the overall beneficiaries of its processes. Senior management's reputation is influenced by key reports and documents generated by the financial operations. The natural reporting cadence and the near routine establishment of regular reporting of financial operations can lull users into a familiarity that fails to appreciate the complexity of the financial operations. In addition, because financial operations are largely, but not exclusively, an internal service function to the larger programs that provide the bulk of direct services to the community, they can often be overlooked in the setting of priorities.

This review included a series of interviews of key financial operations personnel, a review of key financial documents provided by the County, and additional research was conducted utilizing documents available on the internet. For purposes of this review, the financial operations, while viewed functionally, were examined at a relatively high level and reported in a format that highlights the **unique, large, complex and important** roles that the finance department plays in the operations of the County.

Findings/Observations: *Unique Characteristics/Roles*

1. The Finance Department in Albemarle County is a well-run operation. There is a high degree of trust and spirit of teamwork displayed within the department. There is a high degree of comfort that the operations are well run and efficient, within the resources allotted to the finance operation.

2. Most interviewees agreed that the County leadership's open and deliberative decision-making process in all aspects of County operations was highly regarded.

3. Albemarle County is **unique** in its form of government, with Prince William County, Virginia, being the only other County in the Commonwealth that utilizes the County Executive form of government. The basic difference between the County Executive form and the Traditional form is that under the County Executive form there is no elected Treasurer or Commissioner of the Revenue. These functions are carried out within the Finance Department. It is a much more streamlined operation.

4. There are four financial characteristics that set Albemarle County apart from its peers, making it extremely **unique** in its financial operations. These are:

- Lower than peer group state aid support;
- Revenue and Economic Growth Sharing Plan;
- Consolidated financial operations with schools; and
- The number of regional operations supported by Albemarle County Finance.

5. *Lower than peer group state aid support*: On a per capita basis, Albemarle County receives less than any of its peers in funding from the Commonwealth of Virginia, $829 per citizen compared to an average of $1,105 for its peer group. In fact, the average per capita reimbursement for Albemarle County is 38% less than the peer group. Table 3 contains selected peer County Commonwealth Funding Per Capita.

Table 3
Commonwealth Funding Per Capita

Locality	Commonwealth Funding per capita
Charlottesville	$1,117
Albemarle	**$829**
Hanover	$1,156
James City	$937
Roanoke	$1,089
Spotsylvania	$1,275
Stafford	$1,333

Source: Order of Public Accounts

6. The lower level of state aid from the Commonwealth is directly attributable to two major aspects of the state's funding formulas: the use of the "composite index" for K-12 education funding and the use of "fiscal stress index" in other programs. Both formula driven methods of distributing state funds rely heavily on the relative "wealth" of a locality. These two factors, exclusive of anything related to the financial operations of the County, contribute to the lower than peer group funding from the Commonwealth. Albemarle County's relative wealth is an advantage, but the effect of the relative wealth of the County to its peers, coupled with the nuances of the state's funding formulas, means that the County receives significantly less financing from state programs than its peers.

7. *Revenue and Economic Growth Sharing Plan:* Another unique characteristic of Albemarle's financial operations is the Revenue and Economic Growth Sharing Agreement in place with the City of Charlottesville. The Virginia General Assembly, in 1979, adopted legislation encouraging the creation of revenue sharing agreements, such as the one adopted by Albemarle County in 1982. This agreement, adopted by the respective governing bodies of both Charlottesville City and Albemarle County was ultimately submitted to the voters for a referendum; and, therefore, it is a binding legal contract that cannot be changed

except under the terms expressed in the agreement. Specifically, the agreement can only be modified if: 1) The City of Charlottesville and Albemarle County merge; or 2) the concept of independent cities changes in a manner that real property tax base of the City of Charlottesville becomes taxable by the County; or 3) the City of Charlottesville and the County of Albemarle mutually agree to change or cancel the agreement.

The origin of the agreement was to institute an environment whereby Charlottesville City would agree to not seek annexation of County land in exchange for payments by the County from growth in revenues over time. In 1987, the Virginia General Assembly passed a statewide moratorium on any annexation (the state-wide moratorium on annexation is set to expire on January 1, 2010, unless extended by the 2009 Virginia General Assembly). In other words, following the incentive to do so, the County of Albemarle negotiated and agreed to a permanent ban on annexation of land area in exchange for negotiated payments to the City of Charlottesville. Almost immediately afterwards, the Virginia General Assembly changed course and instituted a moratorium on annexations, negating the premise of the agreement.

These actions, not of the making of either local government, have caused some to question the original policy decision. Because the payments made under the Revenue and Economic Growth Sharing Agreement in fiscal year 2009 will be $13.6 million, accounting for 10 cents of the 71 cent tax rate, this issue is not a minor one; however, it is a situation that Albemarle can do little to change.

8. *Consolidated financial operations with schools:* Although not completely unique, there are very few local governments in the Commonwealth of Virginia with financial and human resource functions as integrated between the school and County operations. Albemarle County handles the accounting, payroll, human resources and purchasing for the schools. In addition, major facility renovations and capital outlay are handled by the County. As noted in the Resource Management Review completed by the Commonwealth Educational Policy Institute for the Albemarle County Public Schools system in 2007, the level of cooperation and use of shared services between the school and the County are outstanding. That was reaffirmed during this review, with a remarkably favorable opinion being voiced by the finance department employees as well.

   While the relatively strong cooperative working relationship between the County Board of Supervisors and the School Board sets the tone for this spirit of cooperation, it is very apparent that the consolidated operation is successful largely due to the employees' personal commitments. While these strong relationships are admirable, they are largely built on informal understandings rather than written agreements. As the County's and School Board's operations grow, there will be an increasing need to formalize these relationships in order to ensure that each partner fully understands the liabilities and risks that each entity is undertaking.

9. *The number of regional operations supported by Albemarle County Finance:* Albemarle County, through its financial department, handles financial operations for large numbers of local and regional entities. This is a very good thing and connotes a high degree of trust that these entities have in Albemarle County's financial capabilities. In addition to handling major aspects of the financial operations for the School Board, the County handles various aspects of the operations for joint City/County operations: the Emergency Communications Center, Fire Rescue (both professional and volunteer) and the Regional Jail. These operations include financial, purchasing and capital outlay project management. This is a remarkably good thing for the citizens of the region because it keeps the overhead administrative costs low, while at the same time achieving economies of scale in purchasing and negotiating.

   By definition, these relationships are forged because either the complexity of project is such that the entity asking Albemarle's assistance does not possess the capability to undertake that project or because the entity requesting assistance on their project does not handle enough transactions with any regularity to justify a separate support unit. These additional duties handled by the finance department of Albemarle County often contain a high degree of risk than some of the more routine operations conducted by the County.

Recommendations

1. Ensure that the County's citizens understand the nuances of the state funding formulas which make the County's operations more dependent upon local revenue sources because of the state funding formula biases.

2. Promote a legislative agenda within the Virginia General Assembly, educating members of the General Assembly about the unique circumstances that their actions regarding annexation policy have placed upon Albemarle County. This agenda should seek to monitor and educate in a manner that increases the opportunity to influence changes in future, rather than revisit the past. The 2009 General Assembly must take action to either renew the existing moratorium or allow it to lapse. This presents a unique opportunity for Albemarle County to be influential in a future legislative session.

3. While not within the parameters of this review, the passage of a statewide comprehensive telecommunications tax bill in 2006 placed Albemarle County at a disadvantage with other localities because Albemarle did not have a cable franchise tax in place when this reform legislation took place. This state action placed Albemarle in a less than ideal fiscal position because of a local choice even though the decision was entirely acceptable and well thought out. This issue should be brought to the attention of the Virginia General Assembly so that whenever additional legislative action is taken on statewide telecommunication

issues the adverse effect of the earlier bill on Albemarle County can be leveraged to the advantage of the County. The issue of the telecommunications tax reform legislation passed in the 2006 Virginia General Assembly often targeted for changes and many opportunities may come about if Albemarle County positions this issue well.

4. Consider formalizing the roles and responsibilities associated with the shared services that are provided by the County to the School Board. Ultimately a formal "memorandum of understanding" should be executed outlining the various duties and responsibilities, service level expectations, customer service standards, and conflict resolution. The process of outlining the agreements in more detail will have the added advantage of fully documenting all that is provided by the County to the School Board and reduce the risk of a misunderstanding regarding any risk associated with these operations.

5. Develop "memorandums of understanding" with entities the County routinely provides services to and "project agreements" for free standing projects that it is asked to manage on behalf of other governmental agencies.

   Formalizing these agreements entails additional work and could have an effect on regional cooperation; however, such governing agreements are necessary to ensure that the roles and liabilities associated with the extensive work done by Albemarle County on behalf of these partners is fully understood by all. Formalized agreements serve as a mechanism to identify recoverable costs of handling shared services and project management. At a minimum, formal procedures for all joint capital outlay projects should be established.

Findings/Observations: *Large Characteristics/Roles*

1. Albemarle County has benefited from strong and sustained growth as measured by population. Since 2000, the County has grown by 16%, a faster than average for the Commonwealth but well below the top ten jurisdictions in Virginia. As expected in any jurisdiction with strong growth rates in population, the Albemarle County Budget has also grown.

2. The fiscal year 2008/09 budget is $335 million, a 9.6% increase over the fiscal year 2007/08 budget. Yet when the capital items are removed from the budget, the fiscal year 2008/09 operating budget grew only 2.6%, and the bulk of that increase is attributable to increased funding ($2.6 million) for the School Board.

3. The staff that provides for the financial operations for the County, with the attendant additional duties performed for regional partners, has remained constant or declined, depending upon the point in time that the measure is taken. When examining the associated "staffing standards" used by local governments in Virginia to benchmark financial staffing needs, Albemarle County's number of staff remains relatively low.

4. For a County of its size, there remain a number of manual processes still in place. Absent a more formalized staffing study, this review cannot recommend additional staffing for the financial operations of the County. However, it is very apparent that the current level of staffing is very lean, with little room for any redundancies or cross training for back up should key personnel leave. As the County moves forward in its implementation of the "Access Albemarle," a more formal staffing study would be in order to assess the appropriate level of staffing for the financial operations of the County. "Access Albemarle" is discussed further in the remainder of this report.

Recommendation

Undertake a study of the staffing needs for the financial operations of the County while moving forward with "Access Albemarle."

Findings/Observations: *Complex Characteristics/Roles*

1. Given the unique nature of many of the operations undertaken by the Finance Department, coupled with the growth that Albemarle has experienced, a significant amount of complexity exists in the financial operations of the County.

2. Complexity brings with it a significant amount of risk and cost. Organizations must increase the level of internal communication as complexity arises in order to combat the risk of inadvertent problems. The cost of complexity is often the hardest cost to understand in any organization because it comes little by little until it is suddenly realized that the organization is no longer equipped to handle it.

3. The information flow within Albemarle County is excellent in many respects, and it is the result of a number of more informal and formal networks that control and disseminate the necessary information. While bi-weekly meetings and dashboards by key managers are utilized, absent a more formalized communications plan, that key information and/or key operational actions can be misunderstood.

4. Communications from the County Executive were generally viewed as excellent. The "Leadership Council," consisting of the 13 department heads and key County Executive staff was viewed by staff as strong and helpful.

5. Staff feedback indicates a need for additional internal communication between operational units as a way to improve overall operations.

6. The "Access Albemarle" project is the key to the future productivity and compliance of the financial operations. This review found a high degree of manual operations being performed within the County. Improving the interface between human resources and finance is critical. The review found also that the Schools' payment system still appears to be heavily paper driven. Reporting

processes are slow. In the rapidly changing financial conditions faced by governments today, it is necessary that "live" reports be available for a proper understanding of the finances of the County.

7. During this review process, it was noted that there are several redundancies in the invoicing process. As the County grows larger, manual and redundant invoicing increases the risk of duplicate payments

8. As critical as the "Access Albemarle" project is to the future financial success of the County, this review did not detect an overall "champion" for the project. Feedback indicates that while everyone was aware of the project and could readily explain what the project would mean to their operations, there was no sense of ownership displayed for the project or confidence that its problematic development will be overcome.

9. Feedback indicates that there is a very high degree of satisfaction by those "customers" of the purchasing section. However, it was also noted that Albemarle County has its own separate set of procurement regulations and policies aligned with, but slightly different than, the state procurement policies. In addition, unlike many other jurisdictions of comparable operations, the County does not issue purchasing cards to key employees.

10. Many governments have been reluctant to issue purchasing cards to employees because of the potential for misuse. The risk of issuing cards clearly is a factor. However, many governments have also found that the efficiencies purchasing cards bring to daily operations, coupled with the reduction in accounts payable processing are worth the potential risks. As an added value, the purchasing card programs have developed excellent management systems that detail spending in a wide array of reports that give management a much better pulse on purchasing than can be achieved with existing legacy purchasing report systems.

11. A final aspect of the **complex** environment which Albemarle County faces is that of risk management. While nothing in this review indicates that there is an immediate need to increase the resources put toward risk management, it is equally evident that the **uniqueness,** size and **complexity** of the County will soon dictate that a far more formalized risk management function be established for the County's future well being. The County has a number of reasons to be proud of its existing fiscal stewardship. The consistent obtaining of the Certificate of Achievement for Excellence in Financial Reporting conveyed by the Government Finance Officers Association, the AAA bond rating held by the County and the relatively clean audits the County receives each year are not easily earned. In fact, all three monikers have been received with such regularity that it is important to note that they are not easy to maintain. The rigor and thoroughness of these reviews is often lost because they have been earned so often. All three measures are, however, retrospective, and it is important to have a proactive risk

management program that guards against real time financial risks and develops strategies to avoid potential risks.

12. The review noted the absence of a centralized contract and grant compliance office. In essence, each department that receives a grant is singly responsible for overall compliance. Failure to maintain full grant compliance in just a single case could result in a tremendous impact in obtaining future grants for the entire County.

13. Although staff repeatedly noted that "it is everyone's job" to guard against potential fraud and abuse, there was no indication during the interview process that there was a reason to be overly concerned about risk management. In addition, when asked about continuity of operations (COOP) and continuity of government (COOG) plans, none of the interviewees could cite specifics about what plans, if any, were in place other than "IT will handle all of our recovery needs."

Recommendations

1. Consider establishing an internal operational "County Calendar" listing all the key dates for the coming year as part of an internal communications strategy. The "County Calendar" would also serve as a useful tool to guard against the possibility of a missed deadline as well as raise awareness of the flow of work between and among the various work units.

2. Ensure that adequate resources are applied to the successful completion of the "Access Albemarle" project. This recommendation should be considered the most important recommendation of the financial review. In addition, the strength of the project management oversight should be reviewed and a single project manager or "champion" should be designated to run the project and ensure its success. While there is an assigned team leader, the project "champion" should spend substantial time coordinating all of the various responsibilities that are necessary for a project of this magnitude.

3. Ensure that employees remain current on all aspects of operations and compliance. This is especially true given the lean staff and lack of back up in several key positions within the finance operations. Tangential to the "Access Albemarle" project, the County needs to address the aging Computer Assisted Mass Appraisal system (CAMA) in order to ensure timely and fair appraisals in the future.

4. Ensure that training and personal development opportunities continue for personnel in the Finance Department. In the rapidly changing environment that the County financial operations must conduct its business, it is absolutely critical that the employees be given an opportunity to expand their network and seek training on the most recent changes to financial operations. In addition to the

need to stay current on professional certifications, personnel need to be able to attend conferences where new financial standards are discussed.

5. Re-examine the need to have a separate and distinct set of procurement regulations and revisit the policy of not issuing key employees purchasing cards. While the establishment of procurement policy is a key component of both control and education of its employees when it comes to purchasing criteria, the County may benefit from adopting the State procurement policy carte blanc. This would reduce the amount of complexity it has to explain to both vendors and auditors alike. This has the potential of increasing the number of potential bidders on procurements and certainly reduces complexity. Since Albemarle County has adopted the state's electronic procurement system, eVA, it is an unnecessary complexity to maintain separate policies.

6. Consider establishing a proactive risk management and internal controls function and consider holding a "table top" disaster drill associated with recovery of a major disaster impacting County financial operations. There are several models available for the County to consider, ranging from a single internal auditor to creating or designating a senior manager as "Director of Risk Management and Internal Controls." Regardless of which model the County chooses to employ, the growth, size and complexity of the County's financial operations now warrant such an office. By establishing now, a proactive risk management and internal controls strategy, the County could mitigate some of the inherent risk associated with the significant number of manual financial transactions currently taking place. The skills of a risk manager could be well utilized for building into the "Access Albemarle" project stronger controls.

Findings/Observations: *Important Characteristics/Roles*

1. The Board of Supervisors and senior management clearly understand the importance of the financial operations to the success of the County. Citizens often form their entire opinion about the efficiency and effectiveness of the County operations through viewing financial documents.

2. Because the finances of the County are so integral to its overall operations, it was not unusual to find a strong link between the strategic plan and the budget. In fact, it was observed during the course of this review that Albemarle County has a particularly strong link between the budget and the strategic plan. Each interviewee reinforced that a strong sense of strategic direction, beginning with the Board, permeated the financial operations. Guided by the strategic plan, there is also in place a well thought out performance management tacking system with attendant "Key Performance Indicators" (KPIs) for each department.

3. Despite an overall acknowledgement of a strong understanding of the strategic linkages to the budget, when interviewees were asked: "How do you know you are doing a good job?" only one interviewee used referred to KPIs as a measure of

performance. All of the foundations are laid to build upon the existing system to turn it into a superior performance management system. What may be missing is the emphasis on performance management overall.

4. Albemarle County is well positioned to be a leader in performance management among Virginia localities. Careful review of the KPIs to ensure performance rather than process oriented and to make them more current would be the next step in performance management evolution. While some of the measures are more static than one would hope because of reporting cycles, the KPIs are only useful indicators of performance to guide the organization if they are timely. The current system reports on a quarterly basis.

5. The County created a citizen led Budget Process Review Committee in an effort to improve the County's accountability for expenditures. This in-depth review of the County's financial planning processes was composed of a list of stellar representatives from the community. The findings of the Committee generally reinforced the current processes, noting only a few opportunities for improvement.

6. The review noted, with some concern, that much of the financial data on the website was not as easily accessible, which is a discouragement to the public and its ability to have transparency to information.

Recommendations

1. Strengthen the existing performance management system, making it a more formal part of its management structure, and make performance management a priority…the priority.

2. Continue refinement of the KPIs and the reporting structure. What is currently in place can easily be characterized as strong. Making the measures more robust and meaningful to the employees and the citizens would further enhance the performance management system. Review the KPIs routinely to make sure they measure the results of the County's strategic initiatives.

3. Develop changes and improvements for the performance management system with the input of the Board and the citizens of the County. Such buy-in will enhance the usefulness and meaning for all concerned.

4. Consider a citizen review process for the performance management system similar to the efforts undertaken to increase transparency for financial planning. Having the input and buy in from the general public on the performance management system will serve as a two way conduit to improve the significance of the KPIs while at the same time informing the citizens of Albemarle County of the attention to performance existing within the County's operations.

<u>Findings/Observation</u>: *Construction Management*

1. Albemarle County and Albemarle County Public Schools maintain a combined construction management function. Many school divisions maintain separate construction management responsibilities from the City or County.

2. Citizens have raised questions about the cost per square foot for the construction of County and school facilities. Per square foot costs can vary widely based on the expected-life and life-cycle cost considerations of a facility. A facility being built to last more than fifty years will cost more to construct than a building designed for twenty years. A building design that considers life-cycle costs, a roof structure, for instance, will cost more than a building design that does not consider life-cycle costs. Costs should be a consideration when constructing public buildings, and the citizens should be assured that all consideration is being given to the balance between costs and design features of a building.

3. Albemarle County and Albemarle County Public Schools have a special and positive working relationship that has developed and progressed over time. It was noted in the interview process that more coordination was desired. While this is in the process of being addressed already, ongoing communication should be a priority in this area to protect the outstanding working relationship.

<u>Recommendations</u>: *Construction Management*

1. Implement value engineering as a matter of policy in every building project. There may be small projects that would be exempt from this process but the policy should require a written justification approved by a County official outside of the Construction Management department. The savings should be tracked and documented to the County Executive and the Board of Supervisors in the routine reporting process. Significant savings, as much as five to ten percent, can be realized through value engineering. The County staff indicated that while value engineering has been used, it is not currently a policy. The process clearly should include external, as well as internal value engineering components.

2. Enlist the assistance of architects, engineers, and building contractors to review design and architectural plans before they are put to bid to advise the County about design elements that might save costs. This process has worked well in other communities and also creates more public and business trust in the process. This advisory committee should be formalized and report their findings to County management. The composition of the advisory group should be monitored to ensure that it does not replicate any existing advisory group with like responsibilities.