SUCCESSION PLANNING GAP ANALYSIS

Report # 18-017

Issued by the
Internal Audit Office
April 2018
LAS CRUces UTILITIES
SUCCESSION PLANNING GAP ANALYSIS # 18-017

EXECUTIVE SUMMARY

In accordance with the FY18 Las Cruces Utilities (Utilities) annual audit plan, the Internal Audit Office completed the following special project: Succession Planning Gap Analysis. Based on our results, two observations have been identified. The observations and conclusions reported do not require Management responses.

We found that Utilities does not have a formal succession planning process in place, which may result in a lack of qualified staff able to assume critical responsibilities when key staff vacate their positions. Twenty-three critical positions are currently vacant or have the potential to be vacated within the next 5 years due to retirement eligibility. Fourteen of those are in areas of concern for Utilities management.

With the unique expertise required of key personnel to ensure business continuity, Utilities would benefit from a formal succession planning and staff development process. Management should consider working with Human Resources (HR) for development and implementation of a formal succession plan, but completing the hiring process for the vacant critical positions should be a priority.

Additionally, 2 key positions critical to Utilities operations that were recommended by The Mercer Group in 2009 have not yet been implemented, although 1 has been budgeted for FY19. Also, without the addition of the recommended middle-management positions, there continues to be a gap between supervisors and administrators which may not provide enough supervision to adequately direct and control Utilities programs and staff. In the context of effective succession planning, transitioning from supervisor to administrator may be difficult considering the differences in the education and experience required. Due to the age of The Mercer Group study, Management should consider conducting a new needs assessment to better determine today’s business and staffing needs.

For details of observations and recommendations, please see attached listing.

BACKGROUND

In February 2009, The Mercer Group completed an Organizational Analysis for Las Cruces Utilities and made recommendations to optimize their organizational and management structure. They found Utilities to be a well-managed, high performing organization, but very lean relative to its staffing and without a succession plan. Recommendations for additional staff and the development of a succession planning process to bridge the knowledge and experience loss gap expected by future retirements were made to continue at high performance levels in the future.

AUDIT OBJECTIVES

- Identify critical positions at risk of being vacated within the next 5 years due to retirement eligibility.
- Determine if critical positions recommended by The Mercer Group in 2009 have been implemented.
SCOPE AND METHODOLOGY

The scope of our analysis consists of an identification of key Utilities positions in place and vacancy statuses as of February 26, 2018.

Procedures to be performed include:
- Discussions with Utilities management and review of MUNIS Position Control to identify key positions.
- Verification of employee retirement eligibility via MUNIS Employee Inquiry and HR reports.

CONCLUSION

Due to the critical nature and level of expertise required for some Utilities positions, we believe a formal succession planning and staff development process would be beneficial in the achievement of Utilities organizations goals and business continuity. Completion of a current staffing needs assessment would assist with this effort.

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LAS CRUCES UTILITIES
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OBSERVATIONS AND RECOMMENDATIONS

OBSERVATION 1 – Utilities does not have a formal succession planning process in place to identify and develop staff for key positions. Staff may not be prepared to assume responsibilities for critical operations as vacancies occur.

Overall, Management identified 59 positions as critical to Utilities operations – 23 are currently vacant or may be vacated within the next 5 years due to retirement eligibility. These 14 key positions were of most concern to the Utilities Director.

CRITICAL POSITIONS OF MOST CONCERN TO UTILITIES DIRECTOR

<table>
<thead>
<tr>
<th>KEY POSITIONS</th>
<th>CRITICAL POSITION</th>
<th>SECTION / SUB-SECTION</th>
<th>CURRENT VACANCY</th>
<th>RETIREMENT ELIGIBILITY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>DIRECTOR’S OFFICE</td>
<td>UTILITIES DIRECTOR</td>
<td>X</td>
<td>&lt; 3 YEARS &lt; 5 YEARS</td>
</tr>
<tr>
<td></td>
<td></td>
<td>GAS BUSINESS ANALYST</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ADMINISTRATORS</td>
<td>BUSINESS SERVICES</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>WATER</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>WASTEWATER</td>
<td>X</td>
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<tr>
<td></td>
<td>WATER</td>
<td>ELECTRICIAN</td>
<td>X</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>SUPERVISOR (METERS, VALVES, HYDRANTS)</td>
<td>X</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>SUPERVISOR (WATER PRODUCTION)</td>
<td>X</td>
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</tr>
<tr>
<td></td>
<td>WASTEWATER</td>
<td>MANAGER (WW TREATMENT)</td>
<td>X</td>
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<tr>
<td></td>
<td></td>
<td>SUPERVISOR (LINE MAINTENANCE)</td>
<td>X</td>
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<tr>
<td></td>
<td></td>
<td>INSPECTOR (COLLECTIONS SYSTEMS)</td>
<td>X</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>CREW LEADER (WWTP)</td>
<td>X</td>
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<td></td>
<td></td>
<td>LIFT STATION OPERATOR</td>
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<tr>
<td></td>
<td></td>
<td>CREW LEADER</td>
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</tbody>
</table>

Although Utilities does not follow a formal succession planning process, we found that efforts focused on employee development have been made on an informal basis. There have been opportunities to serve in interim or acting positions to gain experience, informal coaching by management on the budget process and/or other jobs in their sections, as well as transfers to other departments to develop skill sets that will better prepare staff for supervisory positions within Utilities.

In a survey conducted Utility-wide, approximately 68% of respondents indicated an interest in career advancement. Over 67% indicated they have access to and have or plan to take advantage of coaching and training opportunities. Another 21% indicated they would like assistance in this area. However, 76% of respondents indicated a lack of strategy for recruitment and employee development. When asked if someone was fully trained and ready to fill their position, nearly 55% said No.
RECOMMENDATION 1 - Utilities would benefit from a more formal succession planning process to encourage promotion from within, retain institutional knowledge, and ensure business continuity in the future. Management should consider working with HR staff to develop and implement a succession plan that includes:

- Ongoing identification and status of key positions to include vacancy status and retirement eligibility;
- Identification of other essential positions that might be difficult to fill;
- Development of a progression map for advancement that identifies minimum requirements for each position;
- Internal training opportunities and the process to request them;
- Tuition reimbursement guidance for formal education assistance;
- Mentorship opportunities and requirements for participation.

A more formal succession planning process would provide a pathway to information and potential training opportunities for all interested employees, which may improve morale and encourage staff to prepare and apply for promotional opportunities.

OBSERVATION 2 – Key positions critical to Utilities operations that were recommended by The Mercer Group in 2009 have not been implemented.

Utilities indicated the organization was flattened by the City Manager in 2001. Management positions, such as superintendents and foremen, were eliminated leaving a gap between supervisors and administrators. The Mercer Group’s analysis recognized a need for these positions to improve management direction and provide enough supervision to adequately direct and control Utilities programs and staff. They also found staffing levels across Utilities may not be adequate to accomplish tasks in an effective and efficient manner or achieve service and quality expectations.

To fill the supervision gap, The Mercer Group recommended the addition of superintendents for each Utility section. Although such positions were deemed important by Management, Utilities has not been able to implement all of The Mercer Group’s recommendations due to financial limitations. As such, there continues to be a gap between supervisors and administrators. Transitioning from a lower level supervisory position to one requiring a greater knowledge base, education, and experience may be difficult for existing staff without an opportunity and time to obtain and develop the necessary skill set for advancement.

The Mercer Group identified a need for 90 new positions. Some recommendations were to increase the number of staff in current positions, while others were to create brand new positions that did not exist at that time. We reviewed a current MUNIS Position Control report for Utilities and found several existing positions that have the same titles as those recommended, but we were not able to confirm if the number of the positions recommended had been added, reclassified, transferred, and/or eliminated since the release of the report. We did find, however, that the overall number of Utilities positions has increased 18%, 47 positions, demonstrating positive efforts to adequately staff Utilities operations.
Our review did not find current, active titles for 29 of the 90 recommended positions. Management identified two (2) of these positions as critical to Utilities operations:

- Deputy Director – currently budgeted for FY19
- Engineering Technician – currently not budgeted

Twenty-one (21) of the 29 positions were identified as necessary to help improve operations and the remaining 6 as no longer needed, as the related responsibilities are being performed by existing staff.

A staffing / needs assessment based on today’s staffing levels was not included in the scope of this project.

**RECOMMENDATION 2** – Due to the age of the study, Management should consider conducting a new assessment to better determine today’s business and staffing needs.

We are available to answer any questions you might have regarding this report.