



WENDY GREUEL
CONTROLLER

April 2, 2010

The Honorable Antonio Villaraigosa
The Honorable Carmen Trutanich
Honorable Members of the City Council

With the local unemployment rate over 12%, it is critical that City government do everything possible to revive our local economy. One area that has long kept the City from being more “business-friendly”, is that Angelenos spend months and sometimes years awaiting approval for zoning and land-use permits. These delays stall development in the City, slowing the creation of critical construction jobs. The Departments responsible – primarily Planning and Building & Safety, need to find ways to work more efficiently in processing these applications.

My office recently conducted the attached follow-up audit of the Department of City Planning’s case processing activities. While small improvements have been made in a few areas since our original October 2005 audit, the Department has been unable to take necessary steps to become more efficient.

Out of all of the audits I have done so far, this is among the most dissappointing, because it appears that the City’s Planning Department was unable to implement the previous audit’s recommendations. The Department gave the reason that budget deficits and other reorganizations have hampered their ability to make the necessary changes. While the Department has used some of their resources to update community plans and zoning regulations in order to increase projects that can be built by-right, which reduce case processing times, this is not acceptable four and a half years after the original audit came out.

It has now been more than two years since the “12 to 2” plan was introduced to help streamline the permitting process and yet little progress has been made to the reduce the time and number of departments Angelenos must deal with to obtain a permit. It is symbolic of the City’s stagnant decision making process that little to no action has been taken on this proposal, which was intended to speed up the permitting process. I urge you to implement the entire 12 to 2 proposal immediately to help cut the bureaucracy and put Angelenos back to work.



I am disturbed by the fact that the City recently implemented higher fees for land-use applications with the expectation that additional staff would be hired to reduce wait times, yet even the Department admits that Angelenos will not see an increase in service. While the City is facing a massive budget deficit, I find it disingenuous to charge higher fees while the public receives fewer services.

While audits shine necessary light on the work our City does, we must also ensure that proper follow-up is done and recommendations that are made within these audits are implemented.

The prior audit found that the Department was organized around specialized, isolated functions that relied on redundant use of staff to process land-use cases. This approach is both inefficient—because multiple people must become familiar with each case—and frustrating to Angelenos applying for permits—because they have no single point of contact. Additionally, the prior audit found that the Department had not consistently met internal case processing goals. Our follow-up audit found that many of the previous findings remain unresolved and previous recommendations remain unimplemented.

Some of the follow-up audit findings include:

- The Department has not implemented the prior audit's recommendations to streamline the case processing function
 - The prior audit recommended a “cradle to grave” approach whereby one planner handles a case from the beginning to the very end, which has not been done.
 - In 2008, two streamlined teams were created in the San Fernando Valley, however management has not yet implemented the planned reorganization Citywide.
- The Department's current case processing goals may not be realistic and it has not yet established targets, as recommended in the prior audit
 - Despite having approved case processing timeframe goals, they are consistently not met. Management indicates these goals were developed by previous management without any meaningful process analysis.
 - Management should consider whether the current goals are realistic measures of performance.
- Case processing timeframes have improved but fall far short of the Department's current goals and the timeframes recommended in the prior audit
 - Commission and Division of Land case processing timeframes have improved since the prior audit, which is not surprising given the number of applications has fallen by 46% and 90%, respectively between FYs 04-05 and 08-09 because of the economic downturn.

- Zoning Administration case processing timeframes worsened, despite the fact that case filings fell by 40% between FYs 04-05 and 08-09.

Given our current economic situation, reforming the Planning Department must become a high priority. I hope you will join me in ensuring this audit's recommendations are swiftly implemented.

Sincerely,

A handwritten signature in black ink that reads "Wendy Greuel". The signature is written in a cursive, flowing style.

Wendy Greuel
City Controller



WENDY GREUEL
CONTROLLER

April 2, 2010

S. Gail Goldberg, Director of Planning
City Planning Department
Room 525, City Hall
200 North Spring Street
Los Angeles, CA 90012

Dear Ms. Goldberg:

Enclosed is a report entitled "Follow-up Audit of the Department of City Planning's Case Processing Activities." A draft of this report was provided to your Department and discussed at an exit conference held on January 20, 2010. Comments provided by you and your staff were considered in finalizing this report.

Please review the final report and advise the Auditing Division by May 3, 2010 on the actions you will take to fully implement the outstanding recommendations. If you have questions or comments, please contact me at (213) 978-7392.

Sincerely,

FARID SAFFAR, CPA
Director of Auditing

Enclosure

cc: Reverend Jeff Carr, Chief of Staff, Office of the Mayor
Jimmy Blackman, Deputy Chief of Staff, Office of the Mayor
Austin Beutner, Deputy Mayor, Office of the Mayor
William Roschen, President, City Planning Commission
Miguel A. Santana, City Administrative Officer
June Lagmay, City Clerk
Gerry F. Miller, Chief Legislative Analyst
Independent City Auditors



City of Los Angeles Office of the Controller

Follow-up Audit of the Department of City Planning's Case Processing Activities

April 2, 2010

Wendy Greuel
City Controller

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FOLLOW-UP AUDIT OF THE DEPARTMENT OF CITY PLANNING'S CASE PROCESSING ACTIVITIES

EXECUTIVE SUMMARY

The Controller's Office completed a follow-up review of the October 2005 Performance Audit of the Department of City Planning's Case Processing Function. The objective of the follow-up review was to evaluate the Department of City Planning's (Department) efforts to improve case processing timeframes and implement prior audit recommendations.

The audit was performed in accordance with Generally Accepted Government Auditing Standards and covered activities from June 2005 through June 2009. Fieldwork was conducted from July through November 2009.

Background

The October 2005 audit found that the Department's case processing function was organized around specialized, isolated functions that relied on multiple hand-offs between staff. The audit noted that this type of structure was inefficient since multiple people must become familiar with each case. It can also be frustrating to customers (case applicants) since they do not have a single point of contact. In addition, the prior audit found that the Department did not consistently meet its internal case processing goals.

Case processing timeframes can be improved through a combination of efforts, including streamlining operations, developing comprehensive Community Plans and clear zoning codes, and increasing staff resources. The prior audit focused on improving case processing by recommending process efficiencies; however, it did note that the Department had significant vacancies. In addition, the audit commented that long-range planning, which includes developing comprehensive plans and clear zoning codes, was impacted because staff resources were prioritized toward addressing the case processing workload.

The Department must process every land-use application that is filed. Therefore, long-range planning efforts might be sacrificed to meet case processing demands, particularly when staff resources are inadequate to handle the entire workload, or if operations are inefficient. The Department's management is committed to long-range planning and understands that it must streamline the case processing function to ensure that their limited staff resources can be appropriately balanced between these two critical functions.

Summary of Audit Results

Our follow-up audit found that the Department has made little progress since 2005 to implement the prior audit's recommendations to streamline the case processing function. The Department planned to address the recommendations through a major reorganization, which, according to Department management, has not yet been fully implemented because of staffing challenges and other high priority projects needed to be completed first. For example, in 2007, the Department decided to undertake a comprehensive study to bring case processing fees more in line with actual costs. Department management stated that it was not feasible to reorganize while the study was being conducted. Department management also stated it could not implement the re-organization until it fully understood the impact of the City's mandated work furloughs (implemented in July 2009) and expected staff separations through the Early Retirement Incentive Program (ERIP) to be effective during 2010.

Now that the new fees have been adopted, and the Department has a better sense of the impact of the employee furloughs and ERIP, it must not delay plans for reorganizing to streamline the case processing function. Implementing operational efficiencies is critical to improve the amount of time the Department spends processing land-use applications. It will also help ensure that the Department's staff resources can be appropriately balanced between case processing and long-range planning, a high priority for the Department's Director.

KEY FINDINGS

- ❑ The Department has not implemented the prior audit's recommendations to streamline the case processing function.**

In 2007, under the direction of a new General Manager, the Department developed plans to address the audit's recommendations to streamline the case processing function by reorganizing staff teams by geographical region. While two "geo-teams" in the San Fernando Valley were created in the Summer of 2008, management has not yet implemented the reorganization Department-wide. Because implementation of many of the prior audit's recommendations relied on the re-organization, very few of the recommended process efficiencies have been made.

Department management cites several reasons for not yet implementing the re-organization. The Department had other major initiatives it needed to implement, including a strategic plan and a comprehensive fee study. In addition, the Department stated that it could not re-organize until it fully knew the effects of the City's managed hiring policy, mandated work furloughs and Early Retirement Incentive Program.

To move the Department forward and improve case processing timeframes for development projects, the Department needs to make major changes, whether it is reorganization or other streamlining efforts that address the prior audit's recommendations.

❑ **Case processing timeframes have generally improved but still fall short of the Department's goals and the timeframes recommended in the prior audit.**

Commission and Division of Land (DOL) case processing timeframes have improved since the prior audit. Zoning Administration case processing timeframes, however, worsened, despite the fact that case filings fell by 40% over the last four years.

While DOL case processing timeframes have improved, only 43% were processed within the Department's current goal of 75 days. Likewise, Commission case processing has significantly improved; nevertheless, only 65% were processed within the Department's goal of 105 days. Zoning Administration case processing has remained relatively stable yet poor; approximately 20% met the Department's goal of 75 days.

The Department has established case processing timeframe goals; however, management indicated that these were developed by prior management without any process analysis. In addition, the Department has not established outcome measures, e.g. 90% of cases will be processed within a goal of 75 days, as recommended in the prior audit. Because the Department has continued difficulty meeting established goals, it should consider whether the current goals are realistic measures of performance. Performance goals and targets should be challenging, but also achievable.

While the Department did not implement the specific prior audit recommendations related to the public counter's processes, management implemented alternative procedures to address the underlying issues that previously impaired that function's effectiveness. We found that the quality of the public counter's review has improved and that the number of days in which cases are forwarded to Zoning Administration has significantly decreased.

We also found that the Department has improved the time in which the Letter of Determination (LOD) is mailed after the public hearing, but it still falls short of the 14 days recommended in the prior audit, as well as its current internal standards¹. The median number of days in which the LOD was mailed after the public hearing for Commission, DOL and Zoning Administration cases was 30 days, 19 days and 23 days, respectively. Only 52% of Commission cases, 68% of DOL cases, and 75% of ZA cases met the Department's internal standards.

In August 2009, the City adopted significantly higher fees for land-use applications. According to the Department, the development community supported the increased fees, since it was expected that additional staff would be hired, resulting in faster case processing times. However, Department management also stated they made it very clear to developers that, given the City's current financial situation, it is unlikely any new staff would be hired in the next two fiscal years, and that case processing

¹ Currently, the goals are 45 days for Zoning Administration and DOL cases, and 30 days for Commission cases.

timeframes are not likely to improve immediately. To maintain continued support from the public for the higher fees, the Department must work to improve case processing timeframes by implementing the prior audit's recommendations to streamline operations.

□ The usefulness of the Department's information system in measuring performance is limited.

The prior audit noted a significant number of inaccurate dates in the Planning Case Tracking System (PCTS); we again noted this issue while conducting our analysis of case processing timeframes. For example, we found dates to be out of sequence (i.e., the second milestone was listed as having occurred prior to the first), and that many cases were put on hold, but the date indicating when the case came off hold was never entered into PCTS. These inaccuracies make it difficult for Department management to easily assess timeframes and gauge performance.

The prior audit recommended that the Department strengthen input controls to ensure the accuracy of all dates. The Department implemented some controls and system enhancements; however, these modifications still do not ensure data accuracy or reliability.

Data inaccuracies significantly impact the usefulness of any type of performance reporting. The Department has committed to stakeholders and the development community that it will begin publishing quarterly performance measures. It is imperative that the information presented be accurate and the results can be relied upon and used by management.

REVIEW OF REPORT

A draft report was provided to the Department of City Planning on January 5, 2010. We discussed the contents of the report with Department management at an exit conference held on January 20, 2010, and considered their comments in finalizing our report. Management indicated general agreement with the findings and recommendations. We would like to thank the Department's management and staff for their cooperation and assistance during the audit.

INTRODUCTION AND BACKGROUND

The Controller's Office issued an audit report on the Los Angeles City Planning Department's case processing function in October 2005. The prior audit found that the Department was organized around specialized, isolated functions that relied on multiple staff to process land-use cases. This type of operational structure is inefficient as multiple people must become familiar with each case, and can be frustrating to the Department's customers (case applicants) as they have no single point of contact. Our prior audit also found that the Department had not consistently met internal case processing goals. At the time of the prior audit, Department management stated that inadequate staffing prohibited them from processing cases in a timely manner. Our 2005 audit did not validate management's assertion; however, we noted the Department had a significant number of vacant staff positions. Our follow-up review found that positions have remained relatively constant, and vacancies continue to be significant.

Overview of the Case Processing Function

The Department of City Planning is charged with shaping land use within the City of Los Angeles, and carries out this responsibility by:

- Preparing and maintaining the General Plan and its Land Use Element, comprised of 35 Community Plans;
- Preparing other plans, (i.e., Specific Plans and Overlay Districts, and ordinances); and
- Processing applications from the public for specific uses of land.

All developers or individuals must obtain a building permit from the Los Angeles Department of Building and Safety before they can begin their construction project. Many of these projects can be completed "by-right," indicating that the project complies with the City's current planning and zoning code requirements, and the applicant does not need to obtain approval from the Department of City Planning before building permits can be obtained. However, in some cases, applicants must obtain a Letter of Determination from the Department prior to obtaining a building permit. These include instances when the project requires a variance to the Planning and Zone Code or a permit for conditional use; involves the division of one parcel of land into multiple tracts; or if the site has special circumstances for which strict application of the planning and zoning code is impractical.

Land-use applications (cases) are processed by different units within the Department and are approved or denied by different bodies, depending on the type of case. In general:

- *Office of Zoning Administration* processes cases that involve special use permits, such as conditional uses of land, and variances to the zoning code.
- *Division of Land* processes applications that involve dividing land into multiple parcels, converting buildings into condominiums, lot line adjustments, and private streets.
- *Community Planning Bureau* processes applications that, per the zoning code, require approval from the City Planning Commission or one of the seven Area Planning Commissions. These applications generally involve large-scale developments or projects that have a citywide impact. These cases are subject to two public hearings; first by a planner, then by the appropriate commission charged with making the determination. The Bureau also processes Director cases, which include applications related to Historic Preservation Overlay Zones, as well as those cases requiring Design Review Board approval.
- *Expedited Unit* primarily processes subdivision and zoning administration cases at an accelerated rate for an additional fee.

Regardless of type, land-use entitlement applications processed by the Department generally follow a similar path. Customers file their application at a public counter, counter staff review the application file for completeness and then forward it to the appropriate division for processing. Once at the appropriate division, the case is evaluated, which may include a review of environmental impacts, a site visit, and an examination by other City departments. A public hearing is conducted and the Department mails a Letter of Determination (LOD) notifying the applicant of its decision.

The Department has indicated that the case processing function can be improved by four primary factors: operational streamlining, comprehensive Community Plans, clear zoning codes, and increased staffing. The prior audit focused on improving the function through operational streamlining; however, it did note that the Department had significant vacancies and that long-range planning was impacted as a result of the prior Director's priority of allocating staff resources to case processing. The Department is currently undertaking a major initiative to revise the Community Plans and zoning regulations to increase the number of projects that can be built "by-right." These initiatives will ultimately improve the case processing function by reducing ambiguities related to land-use, as well as the number of applications filed with the Department.

Overview of the Geo-teams

In 2007, under the direction of a new General Manager, the Department developed plans to reorganize its case processing and long-term planning functions by geographical region. In the Summer of 2008, the Department rolled-out two geographical teams (geo-teams) in the San Fernando Valley. The long-term goal for the geo-teams is that they would be comprised of planners who have been cross-trained to process most types of applications (i.e., commission, subdivision, etc.) This structure would improve workflow since an application can be assigned to any planner on the geo-team, rather than the current structure, whereby only staff in the Community

Planning Bureau process commission cases, and only staff in the Division of Land process subdivision cases. Staff on the geo-teams would also conduct environmental clearances. The Valley geo-team has adopted much of this “model” structure.

Geographically-based teams will also benefit long-range planning efforts. For example, “regional” planners working within a specific area of the City will have a greater understanding of the area and be in a better position to develop plans that holistically address the community’s needs. The Department believes strongly that long-range planning (i.e., development of the community/specific plans) should only be performed by staff dedicated to that function; otherwise, if staff split their time, case processing responsibilities will generally take precedence. Nevertheless, the Department intends to allow staff to rotate between case processing and long-range planning.

Because case processing staff will be transitioning from a “silo” structure, where they only processed one type of land use application, to one where they will be expected to process a variety of case types, processing timeframes may initially worsen until staff adjust to the steep learning curve. However, over time the new structure is expected to improve the overall efficiency of the case processing function.

NOTABLE ACCOMPLISHMENTS

Department management stated that, despite the budget reduction, loss of staff, and hiring freeze, it has made significant improvements in many aspects of its operations since the 2005 Audit. For example, the Expedited Section expanded the types of cases accepted, which has increased the number of cases in which 100% of the processing costs are recovered. In addition, the Valley Office now provides full services to applicants for the first time in the Department’s history. Valley constituents no longer have to travel to Downtown to file or follow-up on their applications.

The Department has contracted with a consultant to assist in the structuring of the remaining geo-teams. According to the Department, several code reform initiatives, such as TFAR, Small Lot Ordinance, Downtown Ordinance, and the Downtown Street Standards have been adopted in the past three years that reduce the complexity of requirements. Several draft New Community Plans are near completion and, once finalized, will reduce the need for discretionary action. The Department also stated that it established the 12:2 Committee and utilizes the Committee to resolve development issues.

Department management indicated that Phase I of the Condition Development Management and Management System (CDMS) has been completed and is now being used by both Planners and other 12:2 review departments to develop and clear development conditions. Department management also indicated that it has secured \$1.8 million to conduct a historic survey on all properties in Los Angeles (SurveyLA). In addition to establishing the new fees, Department management also stated that it has been extremely successful in obtaining outside funds and resources, such as grants, cost recovery agreements, and volunteer staff, to fill the gaps in City funds. These accomplishments build the long-term foundation needed to make case processing more efficient and effective.

OBJECTIVES, SCOPE AND METHODOLOGY

The objective of this follow-up review was to evaluate the Department's efforts to improve case processing timeframes and implement prior audit recommendations. Our audit covered the period from July 2005 to June 2009. Fieldwork was conducted between July 2009 and November 2009.

Our audit was performed in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. In conducting our audit, we interviewed and obtained information from Department management and staff to understand current procedures for processing cases. We also obtained data from the Department's Planning Case Tracking System to assess case processing timeframes.

During the initial planning phase, we identified that the majority of recommendations had not been implemented. Therefore, we did not conduct a detailed follow-up review of each recommendation. Rather, this report provides a status of the Department's actions and plans to reorganize the case processing function. In addition, this report presents data on case processing timeframes for FYs 2005-2006 through 2008-2009.

AUDIT FINDINGS AND RECOMMENDATIONS

SECTION I: CASE PROCESSING FUNCTIONS AND THE GEOGRAPHIC REORGANIZATION

Finding # 1: The Department has not implemented the prior audit's recommendations to streamline the case processing function.

The prior audit found that the Department was organized around specialized, isolated functions that rely on multiple staff hand-offs to process a land-use application. The report noted that this type of operational structure is inefficient, as multiple people must become familiar with each case, and can be frustrating to customers as they have no single point of contact. The prior report recommended that the Department streamline the case processing function by adopting a “cradle to grave” approach, whereby one planner handles a case from the beginning to the very end. This approach also supports the Mayor’s “12 to 2” Building Reform Plan by reducing inefficiencies and bureaucracy, and providing applicants with one point of contact.

In 2007, the Department developed plans to address the audit’s recommendations through reorganizing the case processing and planning functions by geographical region. While two “geo-teams” in the San Fernando Valley were created in the Summer of 2008, management has not yet implemented the planned reorganization Department-wide. Because implementation of many of the prior audit’s recommendations relied on the re-organization, very few of the recommended process efficiencies have been made.

Department management states that they moved slowly in implementing the re-organization for several reasons. First, the Department had other major initiatives it needed to implement, including completing a strategic plan. In addition, it conducted a comprehensive study of its processes to establish a new fee schedule to more accurately reflect case processing costs. Department management asserts that they did not want to initiate a major re-organization until after the study was completed.

Management also stated that it could not re-organize until the effects of mandated work furloughs and the Early Retirement Incentive Program were known. For example, five of its six Principal Planners, who were slated to manage the geo-teams, have submitted requests to retire. As a result, the Department has revised its initial plans to have seven separate geo-teams – one for each Area Planning Commission – to between three and five teams.

The uncertainty of the re-organization may further stall division-level efforts to improve operations. For example, we found that division managers seem tentative about making process changes, since they are uncertain if or when the re-organization will

occur. In addition, uncertainty generally creates anxiety among staff, and potentially impacts productivity. The Department needs to make major changes, whether it is the reorganization or other streamlining efforts that address the prior audit's recommendations, to move the Department forward, and improve case processing timeframes for development projects. As discussed in more detail in Section II, the Department's case processing workload is much lower now than in years past. Consequently, it is a good time to make a major organizational transition, in advance of the economy's rebound and expected increase in development, which will place additional demands on the Department.

SECTION II: CASE PROCESSING TIMEFRAMES

Finding # 2: The Department's current case processing goals may not be realistic and it has not yet established targets, as recommended in the prior audit.

The Department has established case processing timeframe goals; however, management indicated that these were developed by previous management without any meaningful process analysis. In addition, the Department has not established targets in which the goals should be met (e.g., "90% of cases will be processed within a goal of 75 days"), as recommended in the prior audit. Because the Department has continued difficulty meeting established goals, it should also consider whether the current goals are realistic measures of performance. Performance goals and targets should be challenging, but they also must be achievable.

As part of the new fee structure, the Director of Planning has committed to stakeholders and the development community to regularly publish how well the Department is meeting its case processing goals. The Department recently retained a consultant to assess case processing goals and develop targets through benchmarking and a detailed review of processes. The Department has also partnered with the Mayor's Office to hire a Management Analyst to track and report case processing performance.²

Finding # 3: Case processing timeframes have generally improved but fall short of the Department's current goals and the timeframes recommended in the prior audit.

Overall Timeframes

As illustrated in Exhibits 1 and 2, Commission and Division of Land (DOL) case processing timeframes have improved since the prior audit. This is not surprising, considering that the number of applications fell by 46% and 90%, respectively, between FYs 04-05 and 08-09 because of the economic downturn. On the other hand, Zoning Administration (ZA) case processing timeframes worsened, despite the fact that case filings fell by 40% between FYs 04-05 and 08-09.

² The position will be funded by the Mayor's Office but located in the Department of City Planning.

Exhibit 1

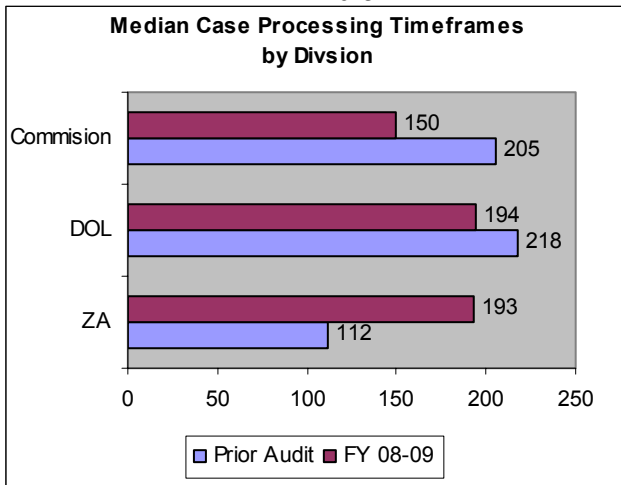
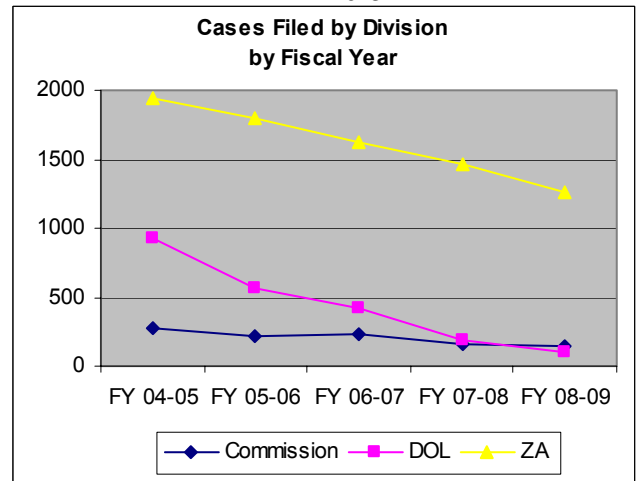
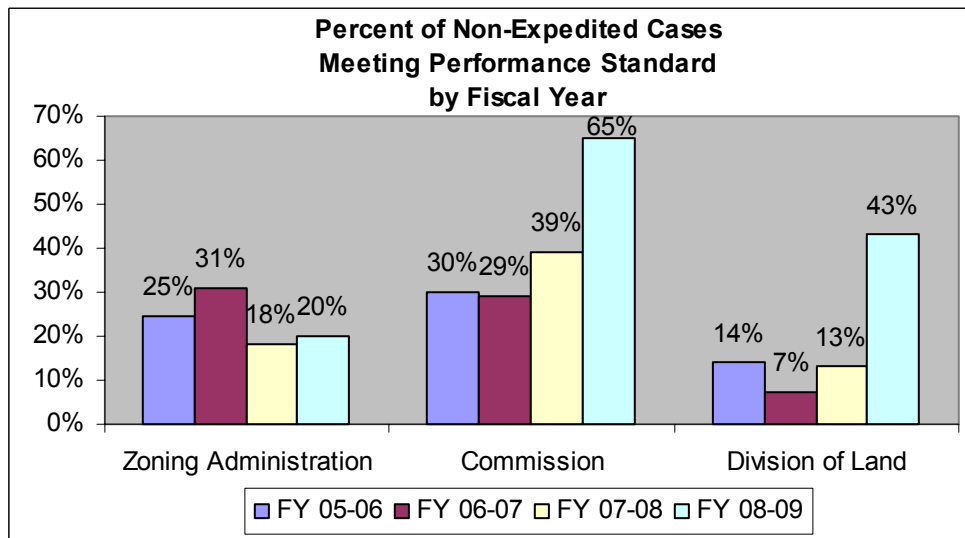


Exhibit 2



While DOL case processing timeframes improved since the prior audit, and the percent of cases meeting the Department’s current goal of 75 days has steadily improved, only 43% were processed within the Department’s goal in FY 08-09, as illustrated in Exhibit 3.³ The percent of Commission cases processed within the Department’s goal of 105 days significantly improved since FY 05-06; nevertheless the rate was still only 65% in FY 08-09. The percent of ZA cases processed within the Department’s goal of 75 days in FY 08-09 remained relatively stable since FY 05-06. As shown in Exhibit 3, the percent of ZA cases meeting the Department’s goal did increase in FY 06-07 but then fell in FY 07-08. This can be explained by the establishment of a “strike force” of contract workers in the latter part of FY 05-06 to reduce the backlog of cases. According to the Department, the ZA office began FY 06-07 with little to no backlog and could process new cases more quickly.

Exhibit 3



³ As stated in Finding # 2, the Department’s current case processing goals may not be realistic. We used these standards to assess the Department’s performance since they are the current established goals. The prior audit also used these goals to assess performance.

Zoning Administration attributes their poor case processing times to several factors. First, Zoning Administration staff handled a higher proportion of revocation cases and Department of Building and Safety appeals, which are both very time consuming, in 2008 than in prior years. Second, at the time of the prior audit, the office had nine Associate Zoning Administrators, and, as of November 2009, there were seven. Lastly, Department management stated that ZA staff were redirected from case processing to address workload in another high-priority function – long-range planning.

Zoning Administration staff also stated that because they have such a large case backlog, the decline in new application filings has not had any impact on their ability to process cases in a more timely manner. For example, while an average of 78 new Zoning Administration cases were ready to be processed each month (i.e., the application and environmental clearance were complete) the cumulative total cases ready to be processed was more than 600, as of September 1, 2009. Based on workload statistics, Zoning Administration completes an average of 74 cases a month. Therefore, at this rate, even if no new applications were filed, Zoning Administration would have enough work for eight months just to “catch-up.”

Public Counter

The prior audit found a significant bottleneck during the intake stage at the public counter for ZA cases. Specifically, the audit found that ZA cases were subject to two detailed reviews by senior counter staff, but despite those reviews, incomplete case files were still forwarded to the division. Moreover, public counter staff took an average of 23 days to forward cases to Zoning Administration.

The prior audit recommended that intake staff only be responsible for ensuring that all required application documents have been submitted, and that the assigned planner in Zoning Administration be responsible for deeming the case complete through a detailed qualitative review. The prior audit also recommended that the public counter forward cases to Zoning Administration within two days of filing.

The Department did not implement the recommendation as directly stated but has worked to address the underlying issues. Applications are still subject to multiple, detailed reviews by public counter supervisors; however, we found that the public counter now forwards cases to Zoning Administration in 11 days, which is within half the time noted in the prior audit. While significant, at least some of this improvement is likely attributable to a decline in the number applications. However, based on comments from Zoning Administration staff, the quality of the public counter review appears to be much more effective now, with very few incomplete case files being forwarded to the division. In addition, cases are rarely returned to the public counter; instead, problems are fixed by Zoning Administration.

Because the Department decided to address the finding by improving the quality of the public counter review rather than transferring that responsibility to Zoning Administration, our prior recommendation that cases be forwarded in two days no longer applies. As part of its current assessment of goals, the Department should identify a realistic number of days in which the public counter is expected to review and transfer applications to Zoning Administration.

Letters of Determination

The prior audit also found a significant delay in the average number of days it takes the Department to mail the letter of determination (LOD) after the public hearing. The prior audit recommended that all LODs be mailed within 14 days of the public hearing; however, the Department stated that staff shortages and case backlogs make it difficult to reach such a goal. Currently, the goal remains unchanged since the prior audit – 45 days for Zoning Administration and DOL cases, and 30 days for Commission cases.

The Department has improved the time in which the LOD is mailed, as illustrated in Exhibit 4, but falls short of the 14 days recommended. In addition, the Department could make further improvements to meet its current internal standards, as illustrated in Exhibit 5. Department management indicated that it is working with a consultant to automate much of the LOD work by programming the Conditions and Development Management System to generate a Word document listing all of the conditions attached to an approved project. Once completed, this initiative should help reduce the time it takes staff to draft and mail the LODs to the applicants.

Exhibit 4

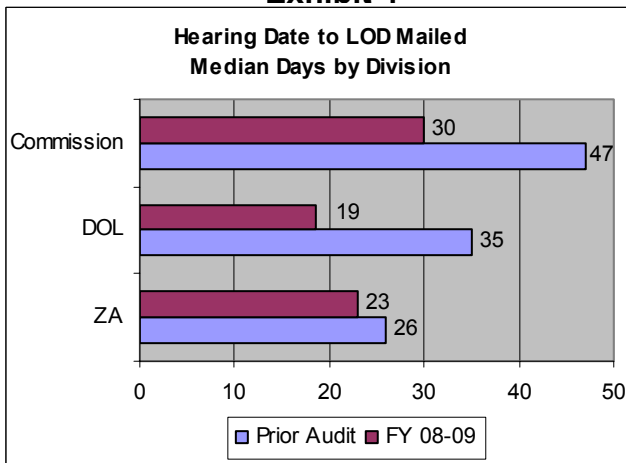
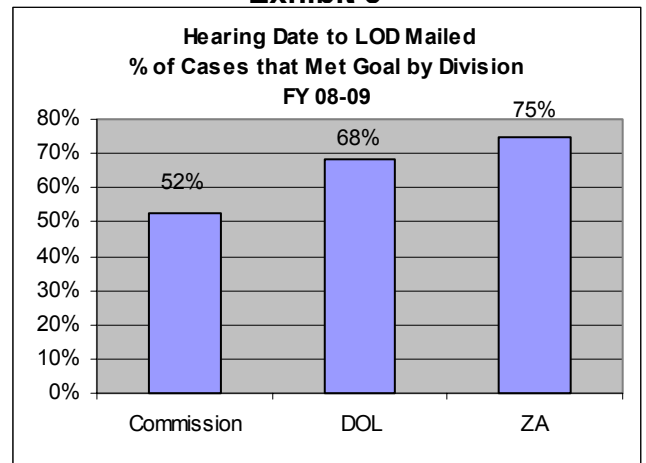


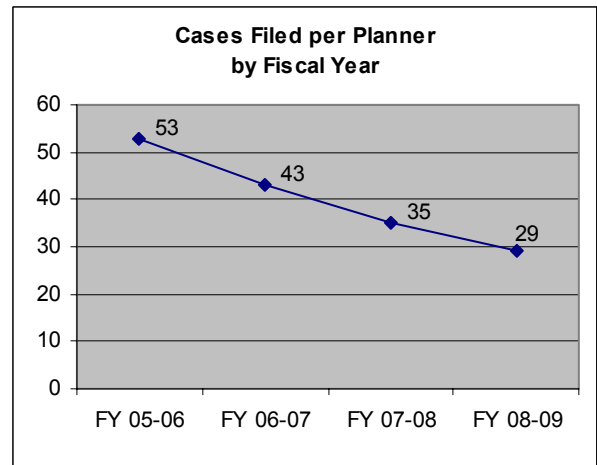
Exhibit 5



Staffing

The Department generally attributes its poor case processing times and backlogs to inadequate staffing. In FY 07-08, the Department obtained resolution authority for 34 additional positions to address case processing workload. The Department filled 18 of the 34 positions;⁴ however, the Department’s total Planner workforce actually fell by one since FY 07-08. As Exhibit 6 shows, case workload per planner has steadily declined since FY 05-06; and FY 08-09 workload is almost half of FY 05-06. Therefore, as expected, case processing

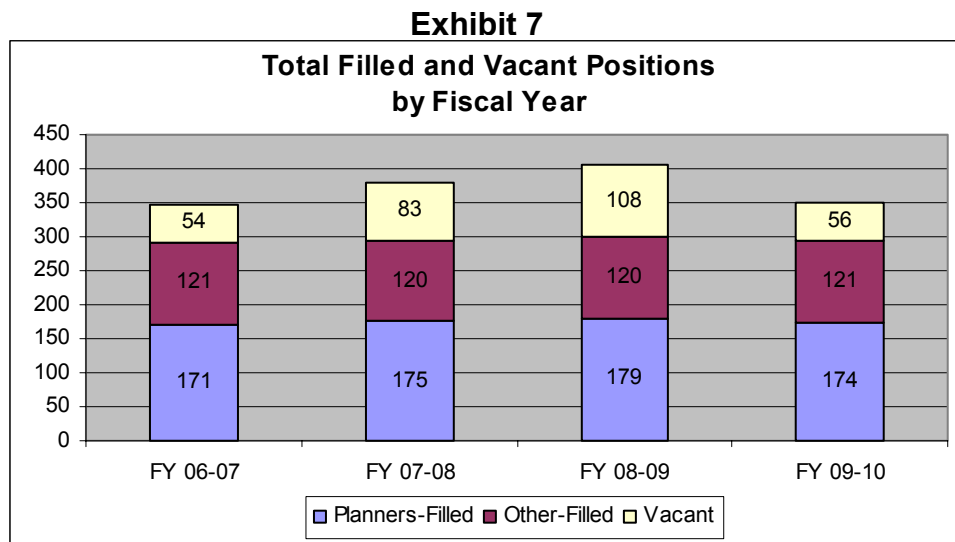
Exhibit 6



⁴ Fourteen of the unfilled positions were deleted from the budget; two currently remain vacant.

timeframes have generally improved during that same time. However, improvement has not been proportional to the drop in workload.

According to the Department, while case filings may have declined, their long-range planning workload has increased and staffing has remained constant, as illustrated in Exhibit 7. For example, in FY 08-09, the Department obtained authority to fill 12 planner positions to implement the New Community Plan Program. These 12 positions were never filled due to the City’s managed hiring policy; consequently, the Department is fulfilling this responsibility with existing staff. In addition, the Department has recently taken on numerous other initiatives, including developing 10 new Transit-Oriented Development Plans and seven Specific Plans. Consequently, according to the Department, it is balancing its case processing and long-range planning work assignments using existing staff.⁵



During our prior audit, we noted that Citywide and community planning was neglected by the Department’s prioritization of staffing resources on case processing. The current Director is committed to long-range planning and has made the strategic decision not to re-assign staff from that function to address case processing workload demand. We agree that there should be a balance in allocating staff resources between the case processing and long-range planning functions. Developing comprehensive Community Plans and clear zoning codes is critical to improving the case processing function in the long-run. Good land-use plans reduce ambiguity, and allow more projects to be built “by right,” which, in turn, should result in a reduced case workload and better timeframes due to those efficiencies.

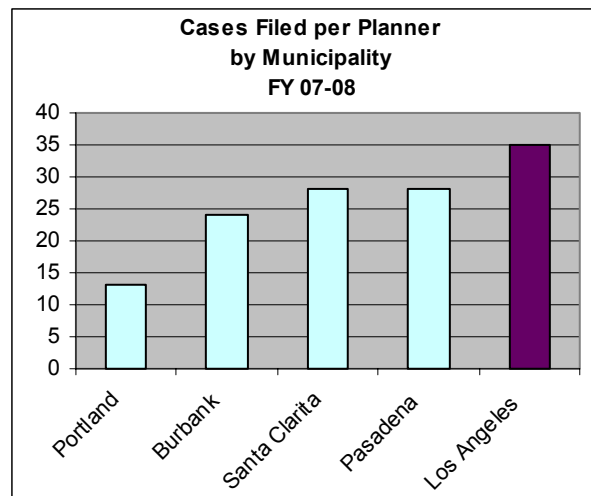
The City’s recent fiscal crisis has further impacted the Department’s ability to meet workload demands. For example, the Department has been significantly impacted by

⁵ We were unable to quantify if and how many staff have been reallocated from the case processing function to assume long-range planning activities.

the mandated 10% work furloughs imposed on the City Planning classifications⁶ and 40 staff have applied to retire early through the City's Early Retirement Incentive Program. In addition, as identified in the prior audit, the Department relies on staff overtime to complete assignments; however, the City's budget has necessitated a decrease in overtime use. We found that 50% fewer hours were charged to overtime in FY 08-09 compared to FY 06-07, and the Department stated that their overtime policy was changed, restricting its use to cover community planning meetings and legally mandated meetings. ZA case processing, which traditionally depended heavily on overtime, received no overtime approval since late 2007.

We also found that, in FY 07-08, Los Angeles had the highest caseload of any other municipality identified in the Department's 2008 Fee Study, as shown in Exhibit 8. Also, it is reasonable to assume that cases processed by the Department are probably more complex than the other municipalities identified because of Los Angeles' cumbersome zoning code and the existence of both coastal and hillside land-uses. In addition, when looking at the average workload of planners assigned only to case processing (i.e., not long-range planning) the workload is actually 41 cases per planner for the City of Los Angeles.

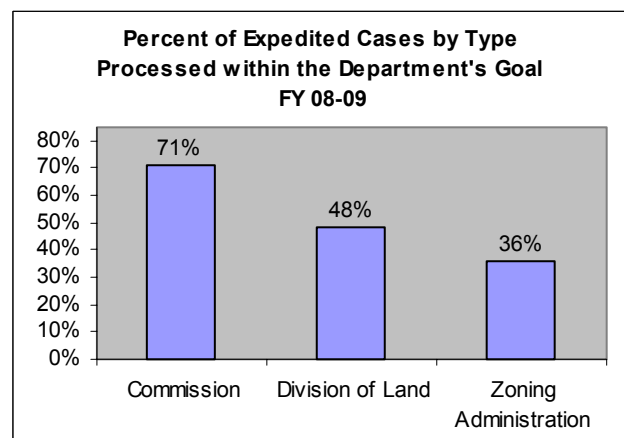
Exhibit 8



Expedited Unit

The Expedited Unit was established in 2004 to process subdivision and associated Zoning Administration cases at an accelerated rate for an additional fee, based on recovery of full staff costs. The prior audit found that the Expedited Unit processed cases in significantly less time than the Department's average, and recommended that the Department expand the number and type of cases that are accepted for expediting.

Exhibit 9



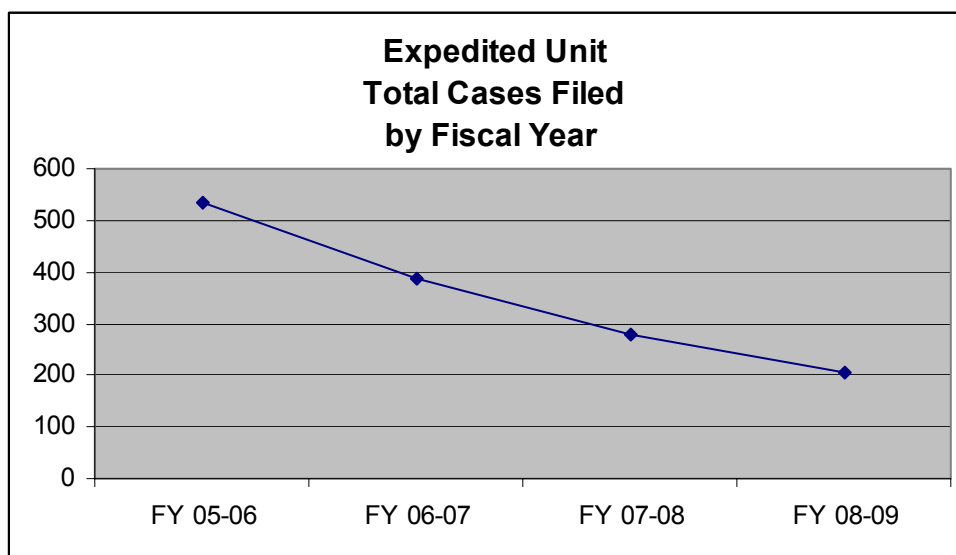
Our follow-up review again noted that the Expedited Unit processes comparable cases in significantly fewer days than other case processing units. We found that, on average over the past four fiscal years, the Expedited Unit processed DOL cases in 200

⁶ 85% of the Department's total staff is represented by the Engineers and Architects Association, whose members are required to take one furlough day each pay period. Consequently, the Department has been disproportionately impacted by mandatory work furloughs.

fewer days, Zoning Administration cases in 168 fewer days, and Commission cases in 122 fewer days than their respective non-expedited divisions. However, the Expedited Unit does not do particularly well in meeting the Department's current goals⁷, particularly for DOL and Zoning Administration cases, as illustrated in Exhibit 9. However, as previously discussed, these internal timeframes may not be realistic measures of appropriate or desired performance.

As illustrated in Exhibit 10, customer demand for expedited services declined significantly between FY 05-06 and FY 08-09 as a result of the cooling real-estate market. In response, the Expedited Unit reduced the number of staff from 24 to 11 and began accepting stand-alone Zoning Administration cases in the Fall of 2008. Prior to that time, the Unit primarily accepted DOL cases and Zoning Administration cases that were incidental to a DOL case. This might explain why the decrease in expedited cases between FY 07-08 and FY 08-09 was not as much as the prior years.

Exhibit 10



The prior audit noted that the Expedited Unit demonstrated a successful model for streamlined case processing. Particularly, cases processed by the Expedited Unit are handled by only one planner from beginning to end. The prior audit recommended that all case processing functions within the Department adopt this “cradle to grave” model; however, this has not happened. The ultimate goal stressed by the prior audit’s recommendations was that all case processing times would improve through this “cradle to grave” approach, and that, over time, a separate “expedited” unit would no longer be necessary. However, because the Unit processes cases in significantly fewer days than non-expedited units, and there is still demand for their services, the Expedited Unit still serves a purpose. However, the Department’s eventual goal should be to expedite all cases by streamlining the case processing function, revising the zoning code, developing comprehensive plans, and ensuring that staff resources are appropriately

⁷ The Department’s goals for the Expedited Unit are the same as the other case processing functions: 75 days for Zoning Administration and Division of Land cases, and 105 days for Commission cases.

matched to their workload, as managed by routine assessments of performance indicators.

New Fee Schedule

In August 2009, the City Council and Mayor approved new fees for land-use applications. While some of the new fees are still heavily subsidized, most have increased significantly. The new fees do not recover full staff costs, as do the Expedited Unit fees, since they do not include Citywide overhead charges; however, the new fees are closer to actual costs than what had been previously assessed. In addition, costs related to overhead are to be phased-in to the fee structure over the next several years.

According to the Department, they had significant support from the development community to increase fees, since it was expected that additional staff would be hired, resulting in faster case processing times. As part of the new fees, the Department also committed to the development community that it would publish quarterly accountability reports, illustrating the percent of cases meeting performance standards. However, Department management also stated they made it very clear to developers that, given the City's current financial situation, it is unlikely any new staff would be hired in the next two fiscal years, and that case processing timeframes are not likely to improve immediately.

To maintain continued support from the public for the higher fees, the Department must work to improve case processing timeframes. Since it is unlikely that additional staff will be hired to address case processing timeframes in the short term, the Department needs to implement the prior audit's recommendations to streamline operations using current staff resources. The Department must also continue updating community plans and revising the zoning code to ultimately reduce the number of cases it is required to process. In addition, the Department may need to revise the public's expectations for reasonable case processing timeframes.

Once the City's financial situation improves, the Department, along with the City Council and Mayor, must ensure that the case processing functions are appropriately staffed. A special revenue fund is currently being established to capture revenues from case processing fees in a separate account, which will ensure the monies are used for the intended purpose to pay for labor, equipment, and materials related to case processing activities. According to the Department, the establishment of a special fund was critical for continued support from the development community for the increased fees. However, to meet developers' expectations for better case processing times through increased staffing, it is imperative that City leaders do not reduce the Department's general fund allocation to offset the increase in fee revenue.

Finding #4: The usefulness of PCTS in measuring performance is limited.

The prior audit noted a significant number of inaccurate dates in PCTS, and we again noted this issue while conducting our analysis of case processing timeframes. We found dates to be out of sequence (i.e., the second milestone was listed as having occurred prior to the first). In addition, we found that many cases were put on hold, but

the date indicating when the case came off hold was never entered into the system, making it difficult for management to obtain a meaningful measurement of timeframes.⁸

The prior audit recommended that the Department strengthen input controls to ensure the accuracy of all dates. The Department implemented some controls, including automatically populating the case filed date when the record was created, adding drop-down calendars and prohibiting users from entering a “hearing date” if the “acceptance date” is blank.

The Department indicated that it considered adding the logic checks recommended in the prior audit, but made the business decision not to do so. The Department explained that because of its operational structure, more than one individual enters a date in PCTS and they do not want to prevent one person from entering a date because the prior person entered a wrong date. Moreover, they do not feel that it would be efficient to make that second person track down the correct date for the first entry, and believe that this would ultimately cause additional problems with missing and inaccurate dates in PCTS.


Department management stated that they identify bad data when they run their performance reports, and that two planners are assigned to help clean-up the data. However, this method is neither efficient nor effective, since we still noted numerous instances of inaccurate data.

During the follow-up audit, the Department instituted a logic check that prohibits users from entering a hearing or determination date that precedes the case acceptance date, since these are considered two critical milestones in measuring performance. For all other milestones, the Department stated that it would institute a pop-up message that warns the user that the date they entered is out of sequence with the prior date; however, staff may choose to ignore the message. We believe these enhanced controls will better ensure the accuracy of PCTS data.

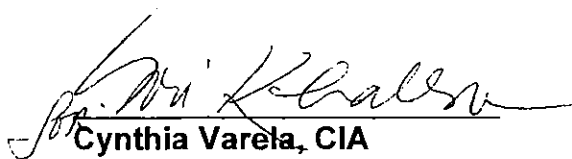
Data inaccuracies significantly impact the usefulness of any performance reporting system. The Department has committed to stakeholders and the development community that it will begin publishing quarterly performance measures, therefore it is imperative that the information is accurate.

⁸ In analyzing timeframes for this audit, we removed all cases that had dates out of sequence or no hold end dates.


Respectfully submitted,



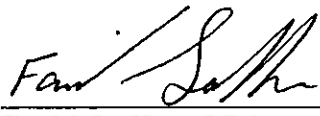
Sara Glick, CIA
Internal Auditor III



Cynthia Varela, CIA
Chief Internal Auditor



Siri Khalsa, CPA
Deputy Director of Auditing



Farid Saffar, CPA
Director of Auditing

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