

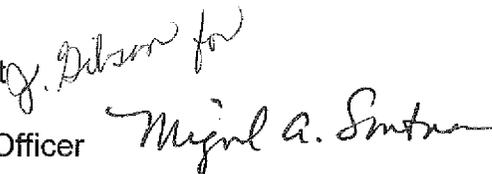
CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: November 19, 2010

To: Honorable Members of the City Council

From: Gerry F. Miller, Chief Legislative Analyst

Miguel A. Santana, City Administrative Officer

Subject: **CORE RECOMMENDATION REGARDING CREATION OF AN INSPECTOR
GENERAL FOR REVENUE AND COLLECTIONS****SUMMARY**

On October 12, 2010 the Audits and Governmental Efficiency Committee and Budget and Finance Committee instructed the City Administrative Officer and Chief Legislative Analyst to report back on the feasibility of creating a position similar to an Inspector General for Revenue and Collections, as recommended by the Ad Hoc Commission on Revenue Efficiency (CORE) in its *Blueprint for Reform of City Collections*. Specifically, the Committees requested that we identify the steps necessary to create this position/function, identify the resources, and provide an implementation timeline.

Background

In October 2010, CORE submitted the *Blueprint* report which contains 65 recommendations applying to multiple City departments. The report indicates that there are opportunities for the City to realize additional revenue by strengthening the oversight over the collections process.

CORE recommended the appointment of an Inspector General (IG) for Revenue and Collections to fulfill the oversight responsibility. This position would independently monitor, report on, and assist departments' compliance with current directives and in the implementation of new reforms. The IG would be guided by prior Controller audit recommendations, CORE recommendations in the *Blueprint* report, and other collections reforms as they are initiated by policymakers.

CORE noted that there are multiple entities that have a role in monitoring collections. The Mayor's Executive Directive 5 requires compliance by all departments with the *Citywide Guidelines to Maximize Revenue Collection*. The Office of Finance develops and monitors departments' compliance with the *Guidelines* and also coordinates the City's overall collection efforts. The City Administrative Officer is responsible for developing and monitoring the City's budget, which includes performance in meeting various revenue targets. The City Controller performs both financial and performance based audits, and the topic of billing and collections has been the focus of two audits within the past few years.

CORE noted that the oversight roles of the above offices are not limited exclusively to monitoring collections. General Managers must also focus on managing their respective departments and providing their core services. In addition, the Office of Finance is somewhat limited in its authority to fully evaluate and report on the performance of other General Managers in this area. Therefore, CORE recommended an inspection-based entity that can be more proactive in monitoring and reporting which can also work more closely with departments.

CORE recommended that the Inspector General have the following duties:

- Provide independent reports and oversight on the following topics:
 - Departments' performance in collections and meeting revenue targets.
 - Compliance with directives of Mayor, Council and Office of Finance.
 - Implementation of prior Controller recommendations and CORE recommendations from the *Blueprint* report.
- Provide ongoing oversight of collections reforms currently in progress in the Office of Finance, Fire Department, Department of Transportation, and other departments.
- Facilitate coordination between City departments as necessary.
- Report quarterly to Council's Audits & Governmental Efficiency Committee and Budget & Finance Committee with progress reports and/or recommendations.

CORE recommended an initial two-year term with a possible option for a third year.

Proposed Functional Title: Executive Director for Revenue Efficiency

In arriving at the recommendations contained in this report, a working group was convened composed of representatives of the following Offices: City Administrative Officer (CAO), Chief Legislative Analyst (CLA), Office of Finance, Council President, Chair of Budget and Finance, and Chair of Audits and Governmental Efficiency. The working group also met with the Chair and Vice Chair of CORE.

In broad terms, the traditional role of an inspector general is to conduct general audits and investigations of an organization's operations to determine compliance with policies and procedures, and to provide monitoring and oversight to ensure on-going compliance. Many of the duties described in the CORE report are appropriate for an Inspector General. The working group believes, however, that the City would be best served if the responsibilities of the position were less focused on monitoring, oversight and reporting. Instead, greater emphasis should be placed on collaboration with departments and assisting in development of processes to implement, and integrate into the departments' operations, the recommendations contained in the Controller's audits and the CORE report. Related tasks would include, but not be limited to:

- Making an accurate assessment of each department's outstanding uncollected debt.
- Working with departments to set citywide and department specific goals.
- Working with departments to address obstacles and challenges in revenue collections and related issues.
- Developing and recommending new and more effective approaches to revenue generation and collections.

Periodic progress reports in fulfilling these tasks and assisting departments toward implementation of the Controller's and CORE's recommendations would be provided to CORE and the appropriate Council Committees.

Given the broader scope of work beyond that of an Inspector General for monitoring, oversight and reporting, the CLA and CAO recommend the functional title of *Executive Director for Revenue Efficiency*. We believe this title would foster and reflect the close coordination that would be required between this position and CORE given the common objectives to be achieved. Moreover, it conveys the level of experience and qualifications necessary for the position to be effective, and the importance Council and the Mayor have placed on its ability to meet their expectations to reform the City's revenue collections program.

It should be noted that the Executive Director for Revenue Efficiency is not intended to be responsible for City revenue and collections audits. Such responsibility is authorized to the Controller per Charter Section 261.

Proposed Process and Timeline for Selection of Position

The City would greatly benefit from an individual who has had extensive experience performing a broad range of duties and responsibilities related to revenue collection (such as those described above), and who has successfully developed new approaches and implemented improvements to revenue collection programs, resulting in increased revenues. Given the urgency of this issue to the City, the working group agrees with CORE that the position should be of limited duration to ensure a positive outcome will be achieved within a relatively short time frame. Further, obtaining such experience external to the City would provide a fresh perspective to our current approaches and processes. For these reasons, it is recommended that a Request for Qualifications (RFQ) be released to seek the most qualified individual who would be contracted for one year, with two one-year options. At the end of the first year, Council and Mayor could assess the quality of performance and quantifiable achievements before deciding if the contractor should be retained for a second year.

Because the City Administrative Officer reports to both the Council and Mayor on budgetary, revenue and other financial matters, it is recommended that the CAO serve as the awarding authority and contract administrator. The CAO would prepare and release the RFQ and convene an evaluation panel to review the written responses and interview the most qualified

respondents in arriving at a recommendation to Council and Mayor for contract award. In addition to representatives from other entities the CAO deems appropriate, it is recommended that the evaluation panel include a representative from CORE. The CAO would oversee the activities of the contractor, including providing guidance to ensure the scope of work is appropriately and timely completed, and conducting preliminary reviews of reports and other work products to ensure factual accuracy, and that the recommendations are practicable and achievable under the City's governance structure. Work space would be provided in the Office of the CAO given the extensive contact the contractor would have with departments.

Below is the proposed timeline for the RFQ process:

<u>Activity</u>	<u>Date</u>
Release RFQ	January 3, 2011
Responses due to CAO	February 3, 2011
Evaluation of Responses	February 4 – 23, 2011
Interviews of short-listed respondents	March 1 – 2, 2011
Council report on contract award	March 25, 2011

It is estimated that the contract cost for a sole practitioner would be approximately \$200,000 annually; however, the actual amount will not be known until the RFQ process is completed. The contract cost and related administrative costs cannot be absorbed within the CAO's budget; therefore, an appropriation must be approved by Council and Mayor before the contract is executed.

RECOMMENDATIONS

That Council:

1. Find that, as provided under Charter Section 1022, it would be more feasible to contract for the temporary position of Executive Director for Revenue Efficiency to assist the City in reforming its revenue collection program.
2. Authorize the City Administrative Officer to release a Request for Qualifications for selection of a contractor to fulfill the scope of work to be performed by the Executive Director for Revenue Efficiency.
3. Instruct the City Administrative Officer to report back to Council on a recommendation for contract award following completion of the Request for Qualifications (RFQ) process.

FISCAL IMPACT

An appropriation is not required at this time. However, a General Fund impact of approximately \$200,000 is anticipated, plus administrative costs incurred by the CAO, upon selection of a contractor (for a twelve month period). The actual amount will not be known until the RFQ process is completed. An additional appropriation will be required if the contract is extended for an additional year. The above recommendations are in compliance with the

City's Financial Policies inasmuch as the Executive Director for Revenue Efficiency is intended to enhance the City's revenue collection programs.

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