

**AGENDA: 5**

**BAY AREA AIR QUALITY  
MANAGEMENT DISTRICT**

**DISTRICT-WIDE RISK ASSESSMENT  
PHASE I REPORT**

**MARCH 16, 2022**

**Prepared by:**  
Sjoberg  
Evashenk  
Consulting

# PROJECT OBJECTIVES

- The Bay Area Air Quality Management District (District) hired Sjoberg Evashenk Consulting, Inc., to perform independent management audit services.
- Task Order No. 1 required an independent District-wide Risk Assessment that considers:
  - Internal controls established to ensure compliance with applicable standards;
  - The accuracy of the District's cost recovery process and fee setting; and
  - Potential improvements to the effectiveness and efficiency of District operations, including staffing levels to address workload demands.
- Key Deliverables:
  - Phase 1 Report (March 14): A progress update, preliminary observations, and results of our analysis of the District's proposed staffing increases reflected in the Fiscal Year 2022 budget.
  - Phase 2 Report (May 30): A final Risk Assessment report that will rank District departments or programs for audit priority.

# PROJECT APPROACH

To meet the project objective for this Phase I Report, we performed the following procedures:

- Conducted more than 25 interviews of District management personnel.
- Reviewed documents relating to the organizational structure, budget, and operations of the District, including workload and performance metrics.
- Identified systems of internal control, including manual and automated business processes.
- Obtained information regarding workload trends, the allocation of staffing resources to manage existing or anticipated workloads, and impacts of perceived staffing shortages on operational outcomes.
- Identified requests for additional staffing resources, as well as the potential for enhancing operational efficiencies where the need for additional staffing resources has been identified.
- Identified potential backlogs, tasks that are not performed, and internal control weaknesses, as well as potential risks associated with each.

# PHASE I OBSERVATIONS

While the Risk Assessment remains ongoing, our focus on this Phase I Report revealed the following:

- The District's allocation of 26 positions in the Fiscal Year 2022 Budget is generally reasonable and consistent with our assessment of the District's workload demands and priorities.
- Despite commitments to hold off hiring for the 26 positions until after this Phase I Report, 10 of the 26 positions are now filled, revealing internal control failures in the hiring process. Our Risk Assessment will recommend an audit of Human Resources.
- The total number of vacancies at the District is currently 43.

# RESULTS: FYE 2022 STAFFING ALLOCATIONS

The Board approved 26 new positions for Fiscal Year End (FYE) 2022. According to discussions with management in the Human Resources Office and review of position control tracking documentation, the positions were allocated to the following divisions/offices.

Count	Division/Office	Positions	Count	Division/Office	Positions
3	Community Engagement (CE)	<ul style="list-style-type: none"> <li>1 Senior Staff Specialist</li> <li>2 Not Specified</li> </ul>	4	Meteorology & Measurements (MM)	<ul style="list-style-type: none"> <li>1 Senior Air Quality Specialist</li> <li>1 Air Quality Laboratory Technician</li> <li>1 Principal Air Quality instrument Specialist</li> <li>1 Air Quality Instrument Specialist</li> </ul>
4	Compliance & Enforcement (ENF)	<ul style="list-style-type: none"> <li>2 Air Quality Inspectors</li> <li>2 Senior Air Quality Engineers</li> </ul>	1	Rules and Strategic Policy (Rules)	<ul style="list-style-type: none"> <li>1 Senior Air Quality Engineer</li> </ul>
4	Engineering (ENG)	<ul style="list-style-type: none"> <li>1 Manager</li> <li>3 Air Quality Engineers</li> </ul>	5	Strategic Incentives (SID)	<ul style="list-style-type: none"> <li>1 Manager</li> <li>1 Supervising Staff Specialist</li> <li>1 Senior Staff Specialist</li> <li>1 Staff Specialist</li> <li>1 Assistant Staff Specialist</li> </ul>
4	Finance (FIN)	<ul style="list-style-type: none"> <li>1 Director/Officer</li> <li>3 Staff Specialists</li> </ul>	1	Technology Implementation (TIO)	<ul style="list-style-type: none"> <li>1 Staff Specialist</li> </ul>

# RESULTS: FYE 2022 STAFFING ALLOCATIONS

To analyze the rational for the allocation of the FYE 2022 positions, we independently identified divisions/offices demonstrating the greatest need for resources by:

- Interviewing management of each division/office and reviewing information relating to backlogs and/or necessary work that was not being performed, and identified those that posed the greatest risk to the District.
- Analyzing payroll data to understand trends related to hours worked, including which divisions/offices consumed most of the District's overtime.

We compared the divisions/offices identified through our analysis as demonstrating the greatest need for resources to the divisions/offices where the FY 2022 positions were allocated.

# RESULTS: FYE 2022 STAFFING ALLOCATIONS

We identified 8 divisions/offices where key backlogs or work and activities that were not fully covered posed the greatest potential risk to the District:

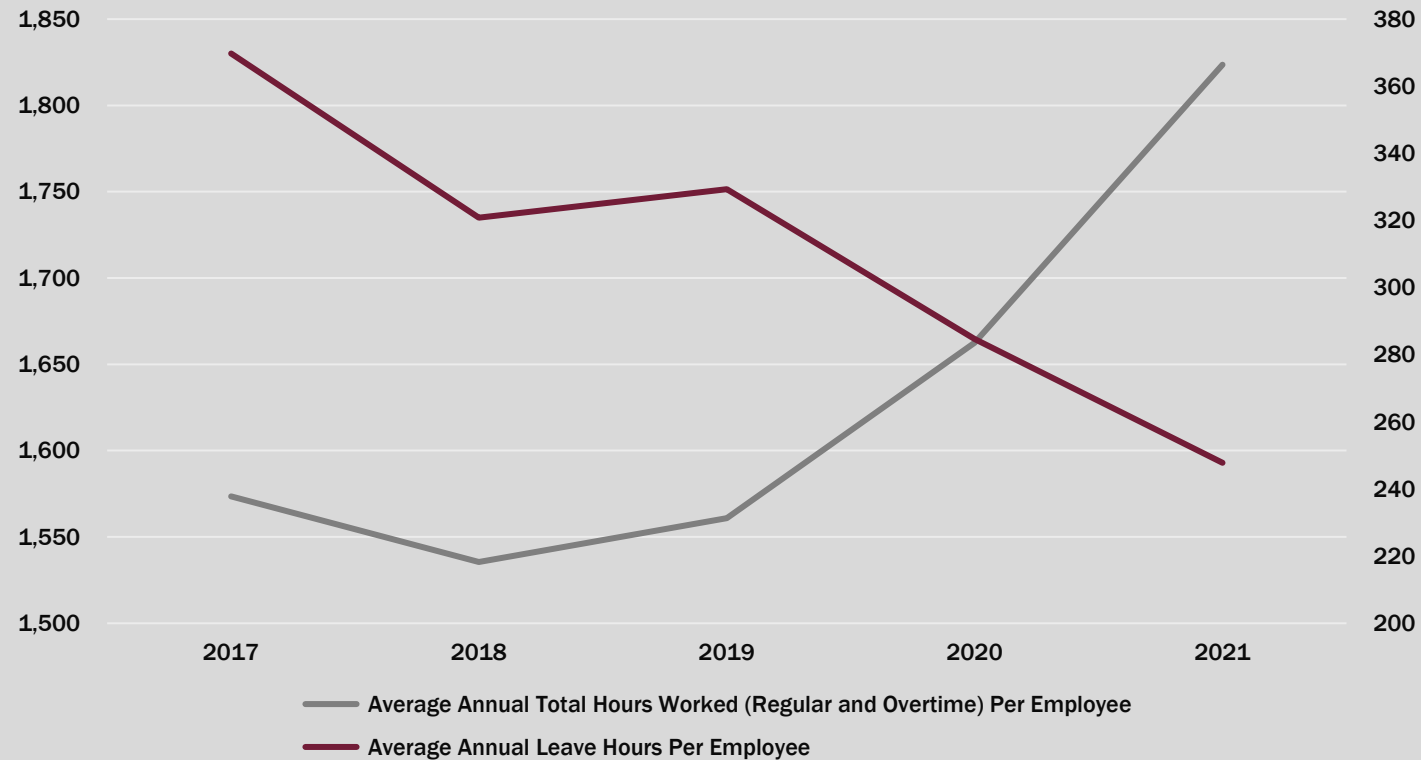
<ul style="list-style-type: none"><li>• Enforcement</li></ul>	<ul style="list-style-type: none"><li>• My Air Online</li></ul>
<ul style="list-style-type: none"><li>• Engineering</li></ul>	<ul style="list-style-type: none"><li>• Finance</li></ul>
<ul style="list-style-type: none"><li>• Meteorology &amp; Measurements</li></ul>	<ul style="list-style-type: none"><li>• Legal</li></ul>
<ul style="list-style-type: none"><li>• Strategic Incentives</li></ul>	<ul style="list-style-type: none"><li>• Administrative Resources</li></ul>

Examples of key activities that are backlogged or not fully covered, include:

<ul style="list-style-type: none"><li>• Inspections</li></ul>	<ul style="list-style-type: none"><li>• New Production System</li></ul>
<ul style="list-style-type: none"><li>• Permitting</li></ul>	<ul style="list-style-type: none"><li>• Refunds and Invoicing</li></ul>
<ul style="list-style-type: none"><li>• Source Testing</li></ul>	<ul style="list-style-type: none"><li>• Enforcement Actions</li></ul>
<ul style="list-style-type: none"><li>• Compliance Reviews</li></ul>	<ul style="list-style-type: none"><li>• Asset Tracking and Monitoring</li></ul>

# RESULTS: FYE 2022 STAFFING ALLOCATIONS

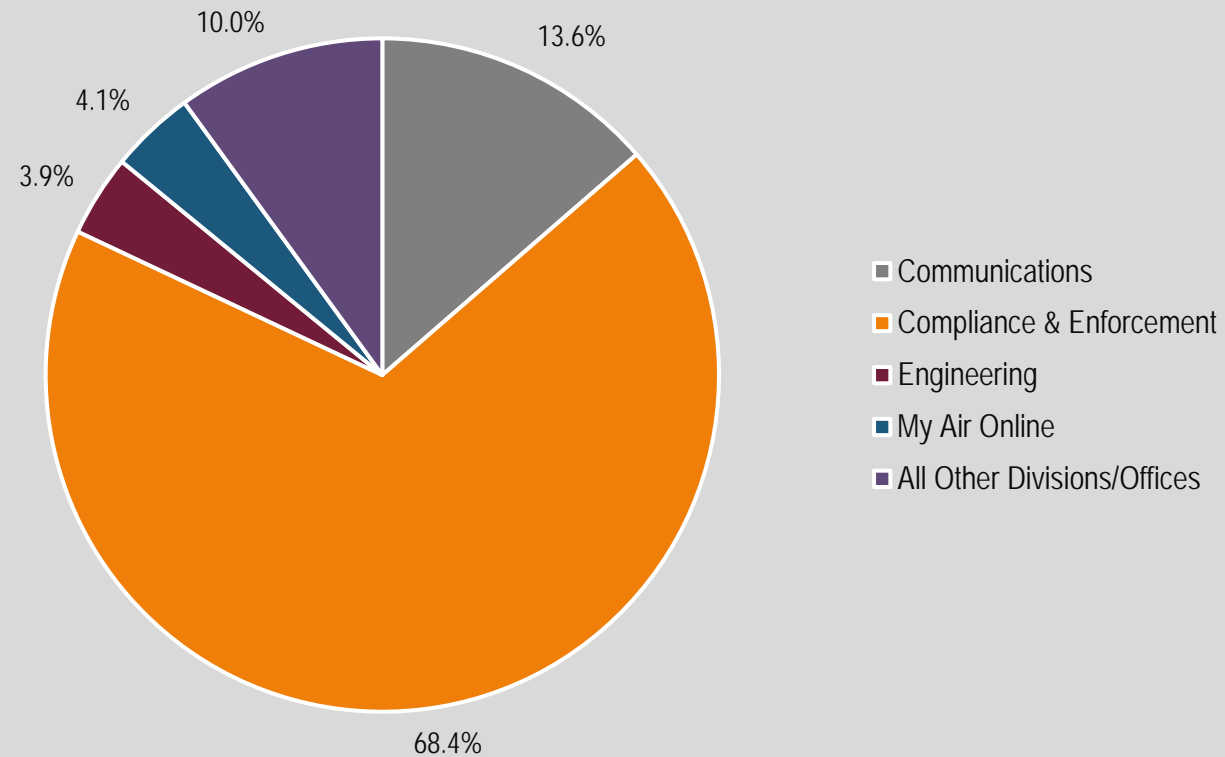
During FYEs 2017 and 2021, Hours Worked by District Employees Have Increased While Leave Hours Have Decreased





# RESULTS: FYE 2022 STAFFING ALLOCATIONS

## District Employee Overtime Hours Consumed Are Concentrated in Certain Divisions



# RESULTS: FYE 2022 STAFFING ALLOCATIONS

- Comparison of the divisions/offices identified through SEC's analysis as demonstrating the greatest need for resources to divisions/offices where FYE 2022 positions were allocated.

Divisions/Offices	SEC's Analysis of Divisions with Greatest Resource Needs	District's Allocation of FYE 2022 Positions
ENF	✓	✓
ENG	✓	✓
MM	✓	✓
SID	✓	✓
FIN	✓	✓
Rules		✓
CE		✓
TIO		✓
Legal	✓	✓
My Air Online	✓	
Communications	✓	
Administrative Resources	✓	

# RESULTS: INTERNAL CONTROLS IN HIRING PROCESSES

10 of the 26 FYE 2022 positions were filled as of March 2022 and only 16 positions remain vacant and on hold pending the results of this Phase I Report

Positions On Hold			Positions Filled		
Count	Division	Position Title	Count	Division	Position Title
1	CE	Senior Staff Specialist	1	ENG	Air Quality Engineer
2	CE	Senior Staff Specialist	2	ENG	Air Quality Engineer
3	CE	Assistant Manager	3	ENG	Air Quality Engineer
4	ENG	Air Quality Engineer (transferred from ENF)	4	ENG	Manager
5	ENG	Air Quality Engineer (transferred from ENF)	5	FIN	Director/Officer
6	ENG	Air Quality Engineer (transferred from ENF)	6	MM	Senior Air Quality Specialist
7	ENG	Air Quality Engineer (transferred from ENF)	7	MM	Air Quality Laboratory Technician
8	FIN	Staff Specialist	8	MM	Air Quality Instrument Specialist
9	FIN	Accountant (converted from Staff Specialist)	9	SID	Senior Staff Specialist
10	FIN	Accountant (converted from Staff Specialist)	10	TIO	Staff Specialist
11	MM	Principal Air Quality instrument Specialist			
12	Rules	Senior Air Quality Engineer			
13	SID	Manager			
14	SID	Supervising Staff Specialist			
15	SID	Staff Specialist			
16	SID	Assistant Staff Specialist			

# RESULTS: INTERNAL CONTROLS IN HIRING PROCESSES

- Requests to recruit all 10 positions were submitted to the CEO between August 18 and August 25, 2021
- Hiring recommendations were submitted between August and December 2021, after the recruitment process was complete and candidates were selected for the positions. In one case, the request to begin recruitment and the recommendation to hire were submitted at approximately the same time.

Division	Position	Request for New Employee	Hiring & Salary Recommendation	Position Filled
SID	Senior Staff Specialist	8/19/21	08/17/21	09/27/21
ENG	Air Quality Engineer I	8/23/21	09/09/21	10/12/21
ENG	Air Quality Engineer I	8/23/21	09/23/21	10/25/21
MM	Air Quality Instrument Specialist I	8/18/21	08/23/21	10/25/21
TIO	Staff Specialist I	8/19/21	09/16/21	10/25/21
FIN	Director	8/18/21	10/08/21	11/08/21
ENG	Manager	8/25/21	11/12/21	11/22/21
MM	Senior Air Quality Specialist	8/18/21	11/18/21	12/20/21
MM	Air Quality Laboratory Technician I	8/23/21	11/23/21	01/03/22
ENG	Air Quality Engineer I	8/23/21	12/10/21	02/14/22

# RESULTS: INTERNAL CONTROLS IN HIRING PROCESSES

Our review of the District's hiring of 10 positions recognized to be on hold revealed several problems:

- While, by the time of this study, management across the District acknowledged that the 26 positions allocated through the FY 2022 were on hold, none were able to identify a specific date the positions were actually placed on hold. Given the commencement of hiring activities in August 2021 for all 10 positions, it appears that there was confusion regarding the “hold” status of the positions.
- It is evident that the Board communicated to the CEO, and the CEO communicated to District management, that the 26 positions were to remain on hold until after this Phase I report. By October 2021, management across the District recognized that the positions were on hold, and executive leadership committed to the Board that the positions would remain on hold until after this study. Yet, for at least four positions, recruitment remained underway and recommendations to hire were submitted to the CEO after this commitment.
- Failures associated with at least four control points that should be present in the recruitment process resulted in the hiring of on-hold positions.

# RESULTS: INTERNAL CONTROLS IN HIRING PROCESSES

## Internal Control Weaknesses:

- Direction to place positions on hold was never formalized in writing, allowing for the potential that individuals could intentionally or unintentionally obfuscate the mandate to hold off hiring.
- The District's method of Position Control, which should clearly designate positions as "frozen" or "on hold". The District's Position Control document did not; rather, it identified the positions as FY 2022 positions, but designated most as "approved for recruiting." This contradicted management's commitment to the Board.
- Human Resources Management, as a function, is widely recognized as being responsible for ensuring an organization complies with all relevant personnel rules, policies, mandates, and other guidance—including mandates originating from the Board of Directors. The Human Resources Division went beyond recruiting efforts for on-hold positions, but continued to process the hiring of personnel into on-hold positions.
- The CEO centralized the approval of all personnel actions under his direct authority, signing off on each request to recruit and hire candidates. However, the approval process was not properly established and the CEO was not supplied with the complete set of information required to evaluate the request.
  - For all 10 positions that have been filled, the hiring memo to approve specific candidates included no reference to the fact that the position was a FYE 2022 authorized position or that the position was considered "on hold." Relevant information was not submitted to the CEO at the time of approval.

# PHASE I CONCLUSIONS & NEXT STEPS

## Overall Conclusion

- It is clear the District requires additional resources to meet existing workload demands and to support Board priorities.
- The internal control weaknesses observed in this Risk Assessment, as well as potential process improvement within high-priority departments, will be addressed in the Final Report and will be recommended for future audit.

## Next Steps

- We will complete our Risk Assessment and provide a draft report to the District in April 2022 and a final report in May 2022.
- As part of this Risk Assessment, we will recommend a performance audit of the Human Resources Division with the objective to evaluate more comprehensively the operational efficiency and effectiveness of the Human Resources function within the District.

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BAY AREA  
AIR QUALITY  
MANAGEMENT  
DISTRICT

AGENDA: 6

# Conduct Interviews and Consider Recommending Appointments to the Hearing Board

Administration Committee Meeting  
March 16, 2022

Rex Sanders  
Chief Administrative Officer  
[rsanders@baaqmd.gov](mailto:rsanders@baaqmd.gov)

# Overview



- Hearing Board Background
- Members
- Recruitment
- Interviews and Discussion

# Background



- The Hearing Board is a quasi-judicial body that rules on particular cases that affect only individual facilities. It is authorized to hear requests for variance relief, permit revocation, abatement orders, and appeals by permit applicants, or by interested third parties, concerning the issuance or denial of permits.
- Hearing Board consists of five members and their alternates, including the following category: Professional Engineer, Attorney, Medical Profession, and two Public Members.
- Hearing Board members serve a term of three years and are eligible for reappointment until they have served 15 consecutive years.

# Members



## Hearing Board Roster and Vacancy Status as of March 1, 2022

Category	Hearing Board Position	Name	County of Residence
Public	Principal A	<b>VACANT</b>	
	Alternate A	Amelia Timbers Term expires 10/19/23	Contra Costa County
	Principal B	Barbara Toole O'Neil ( <i>Vice Chair</i> ) Term expires 10/14/23	San Mateo County
	Alternate B	Qian Tan Term expires 10/24/23	Santa Clara County
Attorney	Principal	Valerie Armento ( <i>Chairperson</i> ) <b>Recruitment open</b> , as term expires 4/16/22	Santa Clara County
	Alternate	<b>VACANT</b>	
Professional Engineer	Principal	Catherine Fortney Term expires 12/10/22	San Mateo County
	Alternate	<b>VACANT</b>	
Medical	Principal	Peter Chiu <b>Recruitment open</b> , as term expires 5/7/22	Santa Clara County
	Alternate	David Conrad Term expires 10/14/23	San Mateo County

# Recruitment



- There are 3 vacancies. 1) Principal Member A in the Public category; 2) Alternate Member in the Attorney category; and 3) Alternate Member in the Professional Engineer category. The Air District also recruited for two additional Hearing Board positions set to expire April 16, 2022, and May 7, 2022: 4) Principal Member in the Attorney category; and 5) Principal Member in the Medical category.
- The recruitment for this position was posted on January 26, 2022, and applications were due February 25, 2022.

# Recruitment (cont.)



- The positions were promoted in nine newspapers throughout the Bay Area, websites, mailing lists, etc.
- Nine candidates invited to interview: seven for the (Principal or Alternate) Public Category, one for the (Principal) Attorney Category and one for the (Principal) Medical Category.

# Interviews & Discussion

