



**Washington County
Auditor's Office**

County Succession Plan Needed for Projected Workforce Turnover

Final Report

May 10, 2021



John Hutzler, CIA, CGAP, CCSA County Auditor

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Succession Planning

Executive Summary

Why we audited this:

- Washington County will need to replace half of its workforce within five to seven years.
- The Commissioners recognized succession planning as a Board priority in 2019, and the Division of Human Resources (HR) identified succession planning as an area of focus in its 2019 five-year strategic plan.
- We undertook this audit to determine whether existing County policies and practices and the HR strategic plan incorporate best practices for succession planning, including retention of institutional knowledge.

What we found:

- The County does not have a succession plan, and the County Administrative Office (CAO) does not require departments to have succession plans.
- Succession planning practices vary from department to department. Knowledge retention is informal and ad hoc.
- The HR Strategic Plan includes a succession planning initiative, but HR has yet to start that process.
- The HR Strategic Plan incorporates best practices for succession planning but could be strengthened.

What we recommend:

- The Chief HR Officer should review and update the HR strategic plan.
- The plan should include ongoing monitoring to measure progress on the succession planning initiative.
- The Chief HR Officer should propose an Administrative Policy for adoption by the Board that directs the County Administrator to plan for succession in the County workforce.
- The County Administrator should implement that policy through an Administrative Procedure that defines the roles and responsibilities of the CAO, HR and department management in the succession planning process.
- Once developed, the Chief HR Officer should submit the succession plan to the County Administrator for implementation or Board adoption.
- To better guide succession planning efforts going forward, the CAO should develop a new Washington County Strategic Plan for BCC approval.



A handwritten signature in black ink, appearing to read 'John K. Harty', is written over the right side of the seal.

BACKGROUND

Every organization needs good leadership and sufficient, well trained staff to carry out its mission. As leaders and staff depart through retirement, resignation and termination, organizations must replace them.

Public sector employers are legally prohibited from naming individuals to step into a Civil Service position without a fair, open, competitive recruitment to demonstrate their merit or fitness to do the work. This recruitment process is generally open to both external and internal candidates.

The Oregon Department of Administrative Services defines succession planning as the strategy of assessing and forecasting workforce needs by identifying critical positions and developing competencies to meet those needs. Succession Planning connects important positions at risk of vacancy with capable candidates through recruitment and employee development.

“When experienced workers leave the organization, they take with them more than leadership skill or one pair of hands to do the work. Experienced workers also possess special knowledge about the way past decisions have been made and why. That is called *institutional memory*.”
Rothwell, *Effective succession planning*, 2015.

Knowledge transfer is a critical component of succession management. It involves the capture of specialized knowledge gleaned by an incumbent to assist the successor to the position. That knowledge includes not only day-to-day specialized skills, but also technology and documents such as desk manuals, policies and procedures, and institutional knowledge that an employee carries in their head.

The loss of institutional knowledge could negatively impact the delivery of County services by remaining or replacement staff. This risk is greatest when an employee leaves unexpectedly.

According to the US Bureau of Labor Statistics, state and local governments lost about 20% of their employees each year from 2015 through 2019. As Baby Boomers born in 1946-1964 retire, replacing them with qualified workers from the smaller generations that followed presents a challenge.

In August 2019, the Human Resources Division (HR) projected that 487 (22%) of Washington County employees could retire by the end of 2024 and 754 (34%) by the end of the decade. With other departures, HR estimated the County would need to replace half of its workforce within five to seven years, many in key leadership positions. Washington County does not have a County-wide succession plan that identifies critical positions, vacancy risks, and strategies for developing capable candidates and knowledge retention, although some departments have identified critical positions and vacancy risks. Faced with these challenges,

HR identified succession planning as one of its strategic areas of focus in its 2019 five-year strategic plan, and the County Commission has recognized succession planning as a “Board initiative”.

We undertook this audit to determine whether existing or planned County succession planning efforts incorporate best practices, including well-designed processes to ensure the retention of institutional knowledge.

**BEST PRACTICES
FOR SUCCESSION
PLANNING**

Best practices for succession planning include the following:

Management support:

The active support of top management is critical to sustain succession planning across transitions in leadership. Up-to-date succession planning policies adopted by the governing body demonstrate the active support and participation from leadership.

A formal plan:

Without a formal succession plan, succession initiatives tend to occur haphazardly. When succession planning is informal and unplanned, incumbents tend to identify and groom successors similar to themselves in appearance, background, and values, frustrating efforts to promote a diverse workforce. A formal plan evidences commitment to succession management, and identifies risks and strategies to achieve it.

Clear roles:

Succession planning is a complex subject involving human beings. Clarifying the roles and responsibilities of key actors is essential for implementation.

Employee communication:

A core element of a good plan is communicating the plan to those affected. Succession plans that are thoughtfully communicated to the organization are more likely to be successful.

**Critical positions and
competencies:**

Some positions and competencies in an organization are more critical than others. A succession plan should identify critical positions, the risks of vacancies, and a process for a smooth change in such positions. Specialized knowledge, skills and abilities are required for many positions. Identifying those critical competencies is essential to ensure that departing employees are succeeded by qualified replacements.

Strategic alignment:

Assessing future service needs based on the strategic direction of the organization prepares an entity to meet new challenges and take advantage of emerging opportunities.

**Data collection and
analysis:**

Managers need good data to guide their decisions and actions. Workforce analysis relies heavily on the proper collection and evaluation of data such as reasons for turnover, turnover rates, and retirement eligibility. Data analysis should encompass the number, skills and competencies of current employees (supply analysis), the number, skills and competencies needed for the future (demand analysis), and the difference between them (gap analysis).

- Manager training:** Training managers to participate effectively in succession planning by developing the talents of their direct reports helps promote equity in the treatment of employees. The U.S. Office of Personnel Management considers effective training in leadership skills to be the most important element of a workforce change.
- Employee development:** Developing the competencies of current employees and preparing them for advancement are important elements of succession planning. Formal training and developmental assignments, such as job shadowing or job rotation, can help interested candidates develop the requisite skills prior to a vacancy.
- Recruitment and retention:** Improving retention and recruitment policies and practices can reduce employee departures and improve the organizations prospects for filling vacancies that do arise.
- Knowledge transfer:** Written policies and procedures should facilitate the transfer of institutional knowledge from departing employees to their successors. Recommended techniques include mentoring/coaching/job shadowing, desk manuals and other job aids, documenting critical knowledge, and conducting exit interviews/questionnaires.
- Monitoring and evaluation:** It is essential to evaluate succession planning efforts to determine whether they are effective and achieving appropriate outcomes. Performance measures help evaluate those outcomes and hold management accountable for achieving results. Succession planning should be an on-going effort, regularly monitored with reviews of it conducted annually.

**FINDINGS &
RECOMMENDATIONS:**

Washington County has neither a County-wide succession plan nor an Administrative Policy or Procedure requiring departments to develop succession plans or ensure knowledge retention. The County Administrative Office and Chief HR Officer reported that developing an Administrative Policy or Procedure was not a priority in the past because department directors were already doing much of the organization's succession planning at the departmental level.

However, none of the departments we reviewed had written succession plans, and practices varied from department to department. Some departments had identified key positions, while others had not. Cross-training employees appeared to be more for

the purpose of ensuring coverage in the event of absence than developing employees for advancement.

Most departments we sampled did not have well-designed procedures or practices to ensure that departing employees in key positions recorded important information about their position before departure and to transfer such information to their replacements. Knowledge transfer occurred mostly by informal, ad hoc processes. Retired employees sometimes were rehired specifically to record such knowledge, develop desk manuals or procedures for their former position, or train their replacements. Nearly forty-three percent (43%) of regular full-time positions filled in the first 4 months of 2020 were filled by PERS retirees.

The Human Resources Division (HR) has identified succession planning as a strategic area of focus in its 2019 Strategic Plan. The Strategic Plan incorporates each of the best practices for succession planning described above to some degree. We make several recommendations that would strengthen the plan and improve the prospects for its successful implementation.

Figure: Comparison of Human Resources 2019 Strategic Plan to Succession Planning Best Practices:

Best Practices	Incorporated in HR Strategic Plan?
Management support	Room for Improvement
Formal succession plan	Room for Improvement
Clear roles and responsibilities	Room for Improvement
Employee communication	Yes
Critical position and competencies	Yes
Strategic alignment	Room for Improvement
Data collection and analysis	Yes
Manager training	Yes
Employee development	Yes
Retention and recruitments	Yes
Knowledge transfer	Room for Improvement
Monitoring and evaluation	Room for Improvement

Source: Auditor's Office analysis

The Board of County Commissioners has already identified succession planning as a “Board initiative”, and HR intends to develop active support of top County management by engaging the County Administrative Office in conversation about effective

succession planning strategies. Based on those conversations, **the Chief HR Officer should propose an Administrative Policy for adoption by the Board that directs the County Administrator to plan for succession in the County workforce.**

The HR strategic plan clearly states that HR intends to create a succession plan for the County. However, best practice suggests adoption of a formal succession plan by the Board or County Administrator should be a primary outcome of the succession planning initiative. **Once developed, the Chief HR Officer should submit the succession plan to the County Administrator for implementation or Board adoption.**

Most key roles and responsibilities are described in the strategic plan or implied by existing position descriptions. HR intends to take a lead role in succession planning, to work with department management to identify critical positions, and to establish core competencies. The essential duties of directors or assistant directors of most departments include elements of succession planning, such as developing and retaining highly competent staff. HR proposes to train managers and supervisors to evaluate staff on core competencies and to communicate with employees about core competencies, career goals and employee development opportunities. Presumably that manager training would be placed in the context of the succession planning initiative.

However, HR cannot direct other departments to engage in succession planning. The HR strategic plan has no force beyond the HR Division, absent an Administrative Procedure from the County Administrator directing other departments and employees to participate in the process. **The County Administrator should implement an Administrative Procedure that defines the roles and responsibilities of the CAO, HR and department management in the succession planning process.**

The HR Manager and Assistant Manager under whom that division's strategic plan was developed are no longer with the County. The recruitment for the new Chief HR Officer identified review and reconsideration of the strategic plan as a top priority for the position. However, this recruitment process was unsuccessful, and that review has not been completed. The Assistant Director of the Department of Support Services has been named as the Chief Human Resources Officer. HR has not reviewed or updated the HR strategic plan or implemented the succession planning initiative. **The Chief HR Officer should review and update the HR strategic plan to more fully incorporate best practices of**

succession planning and should implement the succession planning initiative with all deliberate speed.

Strategic alignment: Although HR plans to “create a succession plan that meets the needs of anticipated vacancies,” in order to achieve “a workforce that meets the County’s mission,” the HR strategic plan could more clearly articulate the importance of aligning the succession plan with the overall strategic goals of the County. HR’s ability to accomplish this is limited by the fact that the County 2020 Strategic Plan is outdated and was never adopted by the Board. The Board has identified strategic planning as a Board priority and the CAO is developing a strategic planning process. **To better guide succession planning efforts going forward, the CAO should develop a new Washington County Strategic Plan for Board approval.**

Data collection and analysis for succession planning are an integral part of the HR strategic plan. Specific elements include identifying retirement and attrition trends, assessing employee turnover rates, maintaining an inventory of critical positions, and conducting needs/gap analysis for leadership and staff development.

HR addresses employee development in plans to provide comprehensive supervisory, management and leadership training and multi-modal training and education opportunities to develop leadership.

HR identifies a variety of tasks designed to enhance recruitment and retention practices throughout its strategic plan. Among these are implementing best practices in talent acquisition, evaluating benefits such as childcare, flexible schedules, gym and entertainment discounts, and collaborating with labor organizations regarding issues that may impact recruitment and retention. HR also plans to increase opportunities for internal internships, job rotation, and stretch assignments to improve employee satisfaction, maintain competitive compensation levels, and make Washington County an “employer of choice”.

In its Strategic Plan, HR proposes to assure institutional knowledge transfer by implementing a process to capture and pass along critical knowledge and capabilities. **That process should be implemented by an Administrative Procedure approved by the County Administrator.**

Evaluation is implied by the inclusion of desired outcomes for the five-year succession planning initiative and a reference in the

strategic plan to project completion evaluations. However, **the plan should also include ongoing monitoring of the succession planning initiative to measure progress toward desired outcomes.** Interim targets should include early implementation of an Administrative Procedure on succession planning and the eventual adoption of a formal succession plan by the County Administrator.

**EQUITY,
DIVERSITY, AND
INCLUSION:**
Implications for
Succession Planning

In 2018 the Coalition of Communities of Color (CCC) released its report *Leading with Race: Research Justice in Washington County*. Among other things, that report called on governments in Washington County to:

- emphasize the importance of equity, diversity and inclusion (EDI),
- reflect the communities of color they serve,
- make space for communities of color to be appointed to decision-making positions at all levels of power and support them in those positions,
- ensure pay equity, opportunities for career advancement, workforce development, and
- ensure a safe and welcoming environment for employees of color.

Later that year, a DEI Think Tank of county employees, including the HR Manager, proposed a 12-month plan to recruit, hire, retain and develop a diverse workforce. HR incorporated some of the elements recommended in the Think Tank report related to recruiting, hiring, and retaining a diverse workforce into its 2019 HR Strategic Plan.

In February 2020 the Washington County Board of Commissioners adopted its Equity Resolution, which among other things, directed the County Administrator to:

- create an Office of Equity, Diversity and Inclusion and a Chief Equity Officer position, and
- promote the recruitment, employment, hiring, training and retention opportunities for communities of color.

Later that year, the County hired its first Chief Equity and Inclusion Officer (CEIO). The CEIO now coordinates the Equity Leadership Council, which includes the Directors of every County Department and Office and is co-chaired by a member of the

Board and the County Administrator. The Council has recently chartered six employee committees, including one to create and implement policies and practices that improve the diversity and inclusion of County employees at every level of County government.

Although the 2019 HR Strategic Plan incorporated elements of EDI, best practices for EDI in succession planning will continue to emerge in Washington County. As the CHRO reviews and updates the HR strategic plan, we encourage the CHRO to work closely with the CEIO and the Equity Leadership Council to incorporate new policies and best practices into the County's succession planning process.

OBJECTIVE, SCOPE AND METHODOLOGY

We included this audit in our FY2019-20 audit plan to determine whether existing or planned County succession planning efforts incorporate best practices, including well-designed processes to ensure the retention of institutional knowledge. The scope of our review included actions of the Board, the County Administrative Office and County Human Resources regarding succession planning from January 2019 through January 2021 and processes for institutional knowledge transfer in several County departments and offices. To accomplish our audit objectives, we:

- Interviewed managers and staff from Washington County Human Resources Division, the Department of Support Services, and the County Administrative Office.
- Interviewed directors, managers and staff and reviewed relevant documents from a judgmental sample of six departments accounting for seventy-seven percent (77%) of County employees.
- Reviewed audits, websites, and other documents related to succession planning in Oregon and other jurisdictions.
- Reviewed literature on succession planning and knowledge retention including the GFOA's *Best Practice for Succession Planning* and William J. Rothwell's *Effective succession planning: ensuring leadership continuity and building talent from within*, Fifth edition, 2015.
- Reviewed relevant laws and regulations.
- Reviewed the *August 2019 Employees Eligible to Retire* report to the Board of County Commissioners.

- Reviewed County Administrative Policies, the Personnel Rules and Regulations, and selected senior management position descriptions.
- Reviewed County and Human Resources strategic plans and adopted budgets.
- Compared the *Human Resources Division Strategic Plan 2019* to best practices for succession planning.

COMPLIANCE WITH AUDIT STANDARDS

We conducted this performance audit in accordance with generally accepted government auditing standards, except that we have not had an external peer review. 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.



Signed:

Audit Team:

County Auditor:

John Hutzler, CIA, CGAP, CCSA

Senior Auditor:

Fiona Howell Earle, CIA, CA

Senior Auditor:

Sherry Kurk, CISA

Reviewer:

Kristine Adams-Wannberg, CIA, CGAP

**SUMMARY OF
RECOMMENDATIONS**

1. The Chief HR Officer should review and update the HR strategic plan to more fully incorporate best practices of succession planning and should implement the succession planning initiative with all deliberate speed.
2. The HR strategic plan should include ongoing monitoring of the succession planning initiative to measure progress toward desired outcomes.
3. The Chief HR Officer should propose an Administrative Policy for adoption by the Board that directs the County Administrator to plan for succession in the County workforce.
4. The County Administrator should implement that policy through an Administrative Procedure that defines the roles and responsibilities of the CAO, HR and department management in the succession planning process and a process for the capture and transfer of institutional knowledge.
5. Once developed, the Chief HR Officer should submit the succession plan to the County Administrator for implementation or Board adoption.
6. To better guide succession planning efforts going forward, the CAO should develop a new Washington County Strategic Plan for BCC approval.

**APPENDIX:
DOCUMENTING
CRITICAL
KNOWLEDGE**

An important element of knowledge retention/transfer is documenting critical knowledge.

The City of Kansas City uses a **Knowledge Transfer Template** to collect the following information from a departing employee:

1. Job Description
2. Stakeholder Communication
3. External Relationships and Key Contacts
4. Internal Relationships and Key Contacts
5. Professional Organizations/Memberships
6. Project Status Report
7. Periodic and On-going Tasks
8. Meetings
9. Technologies Needed
10. Business Knowledge Needed
11. Administrative Tasks
12. Processes
13. Important Documents
14. Lessons Learned

COUNTY ADMINISTRATOR'S RESPONSE



May 10, 2021

John Hutzler, County Auditor
Washington County Auditor's Office
221 S First Avenue
Hillsboro, OR 97123-3901

Dear Mr. Hutzler,

This letter provides a written response to the County Auditor's final draft audit report titled: *County Succession Plan Needed for Projected Workforce Turnover*.

The County Administrative Office recognizes and acknowledges the importance of succession planning for any organization. Washington County intends to focus our future succession planning work on identifying positions that are critical to each department, identifying key competencies, and offer learning and development opportunities for employee competency development. The Human Resources Team will produce data that help identify potential retirements, departments or divisions with elevated turnover and ensure incorporation of best practices in recruitment to continue to develop a talented and diverse workforce.

Our organization is in the development of a County-wide learning and development program to assist in building both technical and leadership skills among our current staff, which will allow employees to be better prepared to compete for promotional opportunities when they become available. This is possible due to the authorization to hire the first Learning and Development Manager. The Learning and Development Program, in conjunction with documentation of key competencies and current work processes, will allow employees to temporarily perform work that is critical to the organization while a recruitment process takes place.

Below is our detailed response to each recommendation in the audit.

RECOMMENDATION 1		
Auditor recommendation: The Chief HR Officer should review and update the HR strategic plan to more fully incorporate best practices of succession planning and should implement the succession planning initiative with all deliberate speed.		
Agree or Disagree with Recommendation	Target date to complete implementation activities	Name of specific point of contact for implementation
Agree	June 30, 2022	Eva LaBonte

Narrative for Recommendation 1

The Chief Human Resources Officer has prioritized the further development of the Human Resources Strategic Plan for the upcoming fiscal year. This will be important work as we re-focus our efforts from the immediacy and intensity of our COVID response over the past year. The CHRO will work collaboratively with County Administrative Office to execute an updated HR Strategic Plan.

Please contact Eva LaBonte at 503-846-4476 with any questions.

RECOMMENDATION 2 Auditor recommendation: The HR strategic plan should include ongoing monitoring of the succession planning initiative to measure progress toward desired outcomes.		
Agree or Disagree with Recommendation	Target date to complete implementation activities	Name of specific point of contact for implementation
Agree	Continuous	Eva LaBonte

Narrative for Recommendation 2

The Chief Human Resources Officer will continually monitor the County’s succession planning initiative with metrics such as the overall turnover rate and the length of time vacated positions remain unfilled, along with employee survey data measuring employee satisfaction, engagement, and morale. Some common succession planning metrics such as the early selection of internal succession candidates and the percentage of positions that are filled by internal candidates are not appropriate for public sector organizations where open and competitive recruitment processes are required and also offer opportunities to increase a more diverse workforce.

Please contact Eva LaBonte at 503-846-4476 with any questions.

RECOMMENDATION 3 Auditor recommendation: The Chief HR Officer should propose an Administrative Policy for adoption by the Board that directs the County Administrator to plan for succession in the County workforce.		
Agree or Disagree with Recommendation	Target date to complete implementation activities	Name of specific point of contact for implementation
Agree	March 31, 2022	Eva LaBonte

Narrative for Recommendation 3

The County Administrator supports creating an administrative policy and accompanying administrative procedure to formalize and support succession planning. The County’s Chief Human Resources Officer (CHRO) has given several presentations at national conferences on the subject of succession planning best practices and will utilize this knowledge in creating a formal Succession Planning policy.

Please contact Eva LaBonte at 503-846-4476 with any questions.

RECOMMENDATION 4 Auditor recommendation: The County Administrator should implement that policy through an Administrative Procedure that defines the roles and responsibilities of the CAO, HR and department management in the succession planning process and a process for the capture and transfer of institutional knowledge.		
Agree or Disagree with Recommendation	Target date to complete implementation activities	Name of specific point of contact for implementation
Agree	June 30, 2022	Tanya Ange

Narrative for Recommendation 4

The County Administrator supports creating an administrative policy and accompanying administrative procedure to formalize and support succession planning. The County looks forward to being an innovator in this arena, since besides the State of Oregon, almost no Oregon public agencies have drafted succession planning policies.

Please contact Tanya Ange at 503-846-8806 with any questions.

RECOMMENDATION 5 Auditor recommendation: Once developed, the Chief HR Officer should submit the succession plan to the County Administrator for implementation or Board adoption.		
Agree or Disagree with Recommendation	Target date to complete implementation activities	Name of specific point of contact for implementation
Agree	June 30, 2022	Eva LaBonte

Narrative for Recommendation 5

The Chief Human Resources Officer will submit a succession plan to the County Administrator for implementation.

Please contact Eva LaBonte at 503-846-4476 with any questions.

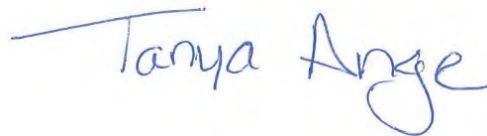
RECOMMENDATION 6 Auditor recommendation: To better guide succession planning efforts going forward, the CAO should develop a new Washington County Strategic Plan for BCC approval.		
Agree or Disagree with Recommendation	Target date to complete implementation activities	Name of specific point of contact for implementation
Agree	Fiscal Year 2023-2024	Tanya Ange

Narrative for Recommendation 6

The Board has established strategic planning as one of their top priorities in the upcoming fiscal year. The BCC has started strategic planning process discussions and is scheduled to have the next process discussion in July 2021. Based on direction from the BCC, the County Administrator will move forward with a strategic planning process.

Please contact Tanya Ange at 503-846-8806 with any questions.

Sincerely,



Tanya Ange
County Administrator

cc: