

City of Corpus Christi Efficiency and Effectiveness of the Financial Services Department Report

May 13, 2016



Procedures Performed



- We conducted interviews with City personnel
- Evaluated policies, procedures and processes of 5 key topical areas and 10 divisional operations
 - Compared to Government Finance Officer's Association (GFOA) policy best practices
- Evaluated processes internal controls against relevant risks
- Evaluated efficiency and effectiveness of operations to respond to Management's questions
- Compared City of Corpus Christi's operations to other Texas cities, State statutes, and Corpus Christi's City Ordinances

Topical Areas	
Organization and Support of Financial Services	Policies and Procedures
Staffing Levels	Financial Performance Reporting
CAFR Preparation	
Divisional Operations	
UBO	Purchasing
Warehouse	Accounts Payable
Accounts Receivable/Collections	Accounting
Payroll	Grants
Cash Management	Central Cashiering



Organization and Support of Financial Services

Organization and Structure



- Financial Services is logically structured and similar to other Texas cities
- Segregating the Budget Office from Financial Services and UBO from Utilities provides an additional layer of internal control and segregation of duties for the City
- Separate managers for Accounts Payable and Payroll are necessary for appropriate span of responsibility and control

Utility Billing and Budget Office Benchmark City Comparison				
	City*	Utilities Billing in Finance?	Budgeting in Finance?	Title of Finance Director
1	Amarillo	Yes	-	Director of Finance
2	Arlington	-	Yes	Director of Finance/CFO
3	Austin	-	Yes	CFO
4	Corpus Christi	Yes	-	Director of Financial Services
5	Dallas	-	Yes	CFO and Director
6	El Paso	-	-	CFO
7	Fort Worth	-	Yes	Director
8	Garland	-	-	Director
9	Grand Prairie	-	-	CFO
10	Irving	-	Yes	CFO
11	Laredo	-	-	Director
12	Lubbock	-	-	Director
13	Plano	Yes	-	Director
Totals	13	3	5	Director

*The City of San Antonio was not included in the comparison due to the Utility Function being performed by an independent organization.

Supervisor-to-Staff Ratios



- Generally, Supervisor-to-Staff ratios appear appropriate based on internal benchmarks and other best practices guidelines.
- City ratios were evaluated against internal criteria and best practices from external guidance
 - Corpus Christi Human Resources Department informally uses a 1:5 ratio
 - State of Texas utilizes a 1:11 ratio
- Supervisor-to-Staff ratios should be re-evaluated in two divisions:
 - Utility Accounts: Resolution Intake (1:16 ratio)
 - Utility Accounts: UBO SMF Resolutions (1:0 ratio)
 - Procurement (1:12 ratio)

City of Corpus Christi Supervisor to Staff Ratios		
Division/Section		Supervisor to Staff Ratio*
1	Administration	1:3
2	Accounting	1:6
3	City Treasurer	1:4
4	Cash Management	1:3
5	Central Cashiering	1:9
6	Collections	1:7
7	Utility Accounts	1:7
8	Utility Accounts: Resolution Intake	1:16
9	Utility Accounts: Utility Billing	1:6
10	Utility Accounts: UBO SMF Resolutions	1:0
11	Purchasing	1:1
12	Procurement	1:12
13	Warehouse	1:6
14	Grants	1:3
15	Accounts Receivable	1:4
16	Accounts Payable and Payroll	1:7
17	Accounts Payable	1:6
18	Payroll	1:8
Financial Services Department Average		1:6

*The Supervisor to Staff ratios include vacant positions and those filled with Temporary Leased Workers.

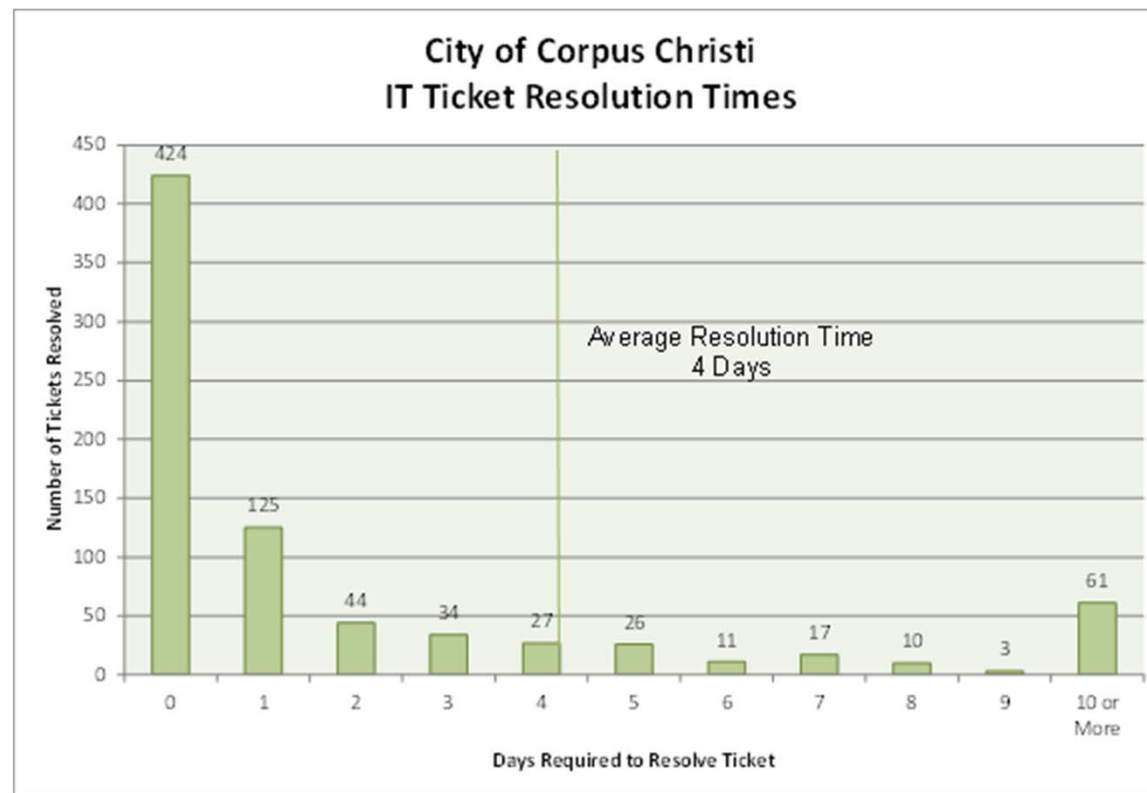
IT Support and Analysis



- INFOR was not configured to support business operations resulting in manual workarounds and increase labor workloads in the Financial Services Department
- Reports used by Financial Services that were available in the previous system were not developed in the INFOR implementation
 - Multiple data extracts are created and manipulated to get similar data
 - Increased time to process transactions and reconcile funds on a monthly basis
- Financial Services would benefit from a dedicated Business/IT Technical Analyst in their department
 - Benefits include:
 - Balanced workload for Supervising Accountant currently fulfilling Analyst responsibilities in addition to accounting responsibilities
 - Appropriate levels of technical knowledge and expertise
 - Detailed understanding of the Financial Services Department's processes, applications, reporting, and end-user requirements

IT Support and Analysis

- IT Department does not consistently document and track help desk calls
- For the documented help desk calls, IT Helpdesk support provides appropriate response and resolution time to Financial Services



- Additional collaboration between IT and end-user departments would increase long-term efficiency and effectiveness of the Financial Services Department



Staffing Levels

Staffing Levels and Approach weaver

Assurance • Tax • Advisory



- Additional personnel are necessary in the Financial Services Department to appropriately segregate duties within the divisions and to align responsibilities within job roles and functions
 - Accounts Payable Manager
 - Business Technical Analyst
 - Investment Analyst
 - Travel Coordinator
- Staffing levels are not systematically determined
- Temporary Leased Workers are heavily used to supplement staffing needs in Purchasing and the UBO
- Workforce planning analysis and/or time study for the Financial Services Department should be conducted to determine appropriate staffing levels and reduce the reliance on Temporary Leased Workers specifically within
 - UBO
 - Accounts Payable
 - Payroll
 - Purchasing

Pay, Classification, and Qualifications



- We evaluated the pay and classification for nine positions within the City and the qualifications of 22 employees filling those positions
 - City Treasurer
 - Accounts Manager
 - Utility Accounts Manager
 - Chief Accountant
 - Supervising Accountant
 - Senior Accountant
 - Cashiering Supervisor
 - Buyer
 - Customer Service Representative
- We evaluated the pay and classification of the nine positions to the “Market Average” calculated by the City’s Human Resource Department, based on external sources
- The City should re-evaluate the pay for the positions with greater than a 5% below market variance
 - 3 positions that are below by greater than 5%
 - 1 position that is below by greater than 10%
 - 1 position that is below by greater than 20%
- Generally the employees filling these positions meet the qualifications and requirements
 - One Buyer and one Senior Accountant did not meet the minimum education qualifications as defined in the City’s job description



Financial Services Policies and Procedures

Financial Policies



- City- wide policies should be revised and expanded to meet the GFOA best practices,
 - Some elements of the GFOA best practices contain content that are beyond the purview of the Financial Services Department and contain financially-related, Enterprise-wide subject matter

GFOA Policy Recommendation	Financial Policy Elements	Elements Addressed by City Policy	Not included in City Policy
Essential	86	56	30
Important	62	29	33
Discretionary	26	10	16
Total	174	95	79

- The City's Debt and Budgetary Financial Policies should be updated to include the basic elements recommended by the GFOA
- The City's Investment Policy prescribes duties for an Investment Analyst, which is not a position currently in place at the City
- Policies that affect various functional areas of the City (Financial Services, Human Resources, Administration, etc.) should be routed to the appropriate level of management in the Department to ensure continuity of processing and appropriate internal controls are in place

Financial Policies

- The City should continue to implement the proposed plan to revise the City's policy structure and implement reasonable and sufficient policies that support practices across the City that includes:
 - Clear definitions of a policy vs. procedure
 - Workflow through senior management to evaluate and approve new policies or policy changes
 - Updates to all policies to include references to current systems, laws, processes, etc.
 - Consistent framework defining
 - Indexing
 - Approval authority
 - References to procedures and guidelines
 - Exceptions
 - Compliance monitoring
 - Version control



Financial Performance Reporting

Analyses of Financial Trends and Emerging Issues



- We compared performance reports of the City to 15 other Texas Cities
 1. Houston
 2. San Antonio
 3. Dallas
 4. Austin
 5. Fort Worth
 6. El Paso
 7. Arlington
 8. Plano
 9. Laredo
 10. Lubbock
 11. **Garland**
 12. Irving
 13. Grand Prairie
 14. McAllen
 15. Midland
- The City presents financial information and analysis more frequently than many other Texas cities
 - Corpus Christi provides City management monthly budget to actual information, quarterly Budget Performance Reports, and detailed trend analysis
 - Other cities in the comparison publically provide annual budget reports or periodic reports of revenue streams such as hotel tax, sales tax, or utility revenue
- The nine cities indicated in **bold** above provide publicly-available, periodic financial performance analysis other than the CAFR

Performance Criteria and Results



- Current City Performance Reports (CPR) provide operational and task-based information
- Financial performance criterion have not been defined for tracking and monitoring
- We identified 10 financial balances and 11 benchmark ratios and performed comparative analysis against 15 Texas cities
- Relative to the 15 cities in our comparison for the benchmark ratios, the City's is higher or lower to the relative average in the following:
 - The City's is at or above average in
 - Total and current assets
 - Revenue per capita
 - Asset coverage of expenditures
 - The City also has higher
 - Long term and current liabilities
 - Expenditures per capita



CAFR Preparation

Preparation Time



- CAFR preparation time is reasonable based on the size and complexity of the City
 - Estimated time to close the year, reconcile funds and prepare CAFR schedules range from 2,500 to 3,300 hours
 - 305 hours of the close time is related directly to CAFR preparation
 - 135 hours are preparing the final CAFR document
 - 170 hours are for preparing statistical information and footnotes

- Reports and data extracts needed to prepare the CAFR are not readily available in INFOR, which increases the amount of time necessary to complete the financial close process
- Data aggregation software may aid the City in preparing the CAFR
- Financial reporting capabilities will provide meaningful information to more closely monitor performance

Top Texas Cities Ranking #	Entity	2014 Population	2014 Total Governmental Expenditures	Estimated Preparation Hours	CAFR Preparation		CAFR Software Used
					In-House	Audit Firm	
1	City of Houston	2,239,558	2,817,613,000		X		
7	City of Arlington	383,204	384,318,000	390	X		
8	City of Corpus Christi	320,434	404,784,752	135	X		
12	City of Garland	235,501	223,465,328		X		
13	City of Irving	232,406	287,440,647	960	X		
15	City of Grand Prairie	185,453	231,805,456	80-100	X	X	
22	City of Killeen	138,154	112,278,907		X		CCH
25	City of Denton	128,205	140,549,073		X		
40	City of Allen	94,179	99,723,820	60		X	
45	City of Bryan	80,913	73,496,546	400-500	X		
59	City of Georgetown	59,102	95,231,172	80-100	X	X	
61	City of Rowlett	58,407	47,696,162	50		X	
65	City of Euless	53,630	58,148,151	60		X	
107	City of Southlake	29,086	74,455,839	50		X	
198	Town of Addison	15,457	54,752,200		X	X	CAFR Unlimited
261	Town of Highland Park	8,950	27,617,966	32		X	

Divisions

- Utility Billing Office (UBO)
- Purchasing
- Warehouse
- Accounts Payable
- Payroll
- Cash Management
- Central Cashiering
- Accounts Receivable and Collections
- Grants
- Accounting



Utility Billing Office (UBO)

Utility Billing Office



We evaluated the procedures in place to identify the internal controls in place for the Utility Billing Office process

Process Area	Identified Controls
Customer Set-up	3
Customer Set-up: Previous Customer or Delinquent Accounts	3
Security Deposits: New Customer	2
Meter Reading	4
Billing and Invoicing	3
Billing: Fees and Payment	3
Adjustments/Write-Offs: Credit Adjustments and Fee Waivers	3
Adjustments/Write-Offs: Write-off's and Non-Sufficient Funds (NSF) Checks	4
Allowances	1
Security Deposits: Cancellation of Services	3
Utility Rates	2
Complaints	2
Total	33

Billing and Receivables Management



- Automated Meter Readers (AMR) may not provide accurate readings, requiring meter re-reads, manual estimations and calculations to complete utility billing (20 – 30% of invoices)
- Utilities and the UBO cannot reconcile the total gallons of water treated and distributed over any given period
- Work orders to resolve AMR issues are not resolved in a timely manner
 - As of January 2016, over 4,000 Utility Field Services work orders are outstanding dating back to January 2014
 - UBO Supervisors and Managers spend significant amounts of time estimating usage for billing and resolving billing disputes
- Estimates are used more frequently than allowed by City Ordinance
- City's "courtesy adjustment" policy is broad and allows too much discretion
- The INFOR system will provide Customer Service Representatives adequate access to respond to customer inquiries
- Water revenue and cost of service analysis is detailed in the Utility Rate Model
- The detail in the model adequately supports the cost of service

Billing and Receivables Management



- UBO personnel adequately monitor billing activity, delinquency notices, account aging, and trends for collections and write-offs
- Additional metrics could be monitored to improve UBO operations
 - Monthly Uncollectable Rate
 - No-read percentages for meters
 - Percentage of total adjustments to customer bills per month
 - Breakdown of meter no-reads that require estimates, manual calculations and visual re-reads
- We compared the City of Corpus UBO to other Texas cities
 - Of the 19 cities surveyed, 16 respondents submitted responses to our inquiry

	UBO FTEs	Billings Per Month	Uncollectable Rate
High	41	21	15%
Low	12	1	0.66%
Median	16	5	8%
City of Corpus Christi	17	21	9.47%



Purchasing

Purchasing



We evaluated the procedures in place to identify the internal controls in place for the Purchasing process

Process Area	Identified Controls
Purchase Initiation and Approval	
Purchase Request Initiation	4
Purchase Approval	3
Purchase Order Modifications	1
Purchasing Activities	
Informal Bidding	3
Emergency Purchases	4
Sole Source Purchases	3
Inter-local and Cooperative Agreements	3
Sourcing	
Solicitation	4
Evaluation of Bids / Proposals	3
Selection and Award	3
Contract Negotiation, Approval and Issuance	2
Construction Sourcing	
Solicitation	2
Evaluation of Bids / Proposals	4
Selection and Award	4
Contract Negotiation, Approval and Issuance	2
Change Orders	3

Process Area	Identified Controls
Contract and Vendor Monitoring	
Contract Monitoring	1
Inter-local and Cooperative Agreements	-
Vendor Spending Monitoring	1
Vendor Acceptance and Maintenance	
Vendor Acceptance and Setup	3
Vendor Maintenance	1
P-Card Purchases	
P-Card Request and Approval	2
P-Card Usage	4
P-Card Account Reconciliation	2
P-Card Monitoring and Tracking	2
P-Card Usage Overrides	1
Lost/Stolen P-Card	1
P-Card Cancellation	1
Total	67

Internal Controls



- We identified opportunities to improve the purchasing process, including opportunities to increase efficiency
 - Monitoring purchases and spending to consolidate similar items
 - Tracking and reporting violations in purchasing procedures
 - Monitoring procedures to identify split and/or sequential purchases
 - Increasing access to and knowledge of Inter-local and Cooperative Agreements
 - Developing standard INFOR reports to reduce queries
 - Reducing reliance on Temporary Leased Workers to process P-Cards
 - Develop a policy to formally present contract change orders to City Management and/or the City Council for approval

- Many of the improvements had already been identified by the Assistant Director of Financial Services in charge of purchasing, who was hired in January 2016
- We compared Corpus Christi to other Texas cities
 - Of the 19 cities surveyed, 14 respondents submitted responses to our inquiry

	Purchasing FTEs
High	76
Low	3
Average	14
City of Corpus Christi	15

	Centralized/Decentralized
Centralized	11
Decentralized	3

Centralized

Note - One city reported that they are centralized only for purchases greater than \$5,000. All purchases less than \$5,000 are performed at the department level with dedicated purchasing personnel in that department.



Warehouse

Warehouse

We evaluated the procedures in place to identify the internal controls in place for the Warehouse process

Process Area	Identified Controls
Non-Stock Inventory Items	1
Stock Inventory Items	3
Receiving and Stocking	3
Receiving (Accounting)	1
Shipping	2
Inventory Issuance	1
Inventory Returns	2
Inventory Write-off	-
Inventory Count	1
Physical Inventory Count	2
Inventory Adjustment	-
Total	16

Warehouse Operations



- Purchasing Divisions' Warehouse appears to be appropriately positioned in the Financial Services Department
- We identified opportunities to improve warehouse operations
 - Repairing structural (roof) damage to the warehouse and remediating mold damage to comply with employee health and safety requirements and utilize square footage
 - Review and evaluate the sales mark-up rate – the current 13% sales markup rate has not been validated
 - Implementing cycle counts
- All 19 cities surveyed are included in our comparison

	City Utilizes a Central Warehouse	Warehouse Function Organized in Finance
Yes	13	10
No	6	
City of Corpus Christi	Yes	Yes

Note - One city reported using multiple warehouses throughout their operations. Each warehouse was managed by the individual department it served.

Rank	2014 Estimated Population	City	Year-End Inventory Value \$
8	320,434	City of Corpus Christi	\$362,863.00
12	235,501	Garland	\$5,127,814.00
13	232,406	Irving	\$1,058,000.00
22	138,154	Killeen	\$808,765.00
25	128,205	Denton	\$5,893,144.00

Note - Of the top 25 Texas cities, 4 respondents provided data who are comparable in size and operations.



Accounts Payable

Accounts Payable



We evaluated the procedures in place to identify the internal controls in place for the Accounts Payable process

Process Area	Identified Controls
Vendor Invoice Review and Approval	
Services Invoices/Materials Invoices/	2
Inter-local and Cooperative Purchases	2
Misc. Invoice/Non-PO Related	-
P-Card Payments to Vendors	3
Electricity and Telecom Expenses through AP P-Card	1
Grants	-
Engineering/Construction	2
Credit Memo	1

Process Area	Identified Controls
Processing Accounts Payable	
Recording Invoices	1
Invoice Approvals	-
Invoices to be Paid and Payment	2
Reporting and Reconciliation	
Interest Paid on Invoices Paid Past 30 days	-
Accounts Payable Aging Review (Net 30 Posting only)	-
Total	14

Processing Accounts Payable



- The Accounts Payable Division should have a manager separate from the Payroll Division
- The Accounts Payable Division processes payments in a reasonable amount of time, once they are received from other City departments
- Accounts Payable personnel should formalize procedures to escalate and resolve invoice discrepancies
- The City does not have a process in place to ensure compliance with the Texas Prompt Payment Act
- The City's process for receiving, approving and paying invoices is not effective or efficient
 - Invoices are not received at a central location
 - 3-way match of invoices, receiving documents and purchase orders are not consistently performed due to missing documentation from receiving departments
 - Departmental invoice approval is delayed resulting in the City owing interest to vendors in accordance with the Texas Prompt Payment Act (estimated at \$186,000 in interest due for late payments from September 2015 to January 2016)
- Of the 19 cities surveyed, 9 are included in our comparison

	Accounts Payable FTEs	Avg Days to Process Invoice	AP Processing Days	Estimated Monthly Disbursements (Check/ACH/Other)
High	12	18	7	3,500
Low	1	3	2	250
Median	5	7	7	850
City of Corpus Christi	5	35	4	3,500

Accounts Payable Training



- To earn a rebate, P-cards are used disproportionately and inefficiently to pay recurring invoices
 - Contracts for Temporary Leased Workers, Office Supplies, Electricity, and Telecom are paid with P-cards
 - Transactions are recorded in several systems and spreadsheets before being recorded in INFOR at a summary level
 - Payments are not processed against purchase orders
 - P-card reconciliations are performed by Payroll personnel
 - Accounts Payable P-cards have a \$97,000 single item and \$1.25 million monthly limit
 - P-card rebates totaled between \$111,000 and \$191,000 annually from 2008 through 2016
- The City should reduce dependence on Temporary Leased Workers to monitor the P-card program



Payroll

Payroll



We evaluated the procedures in place to identify the internal controls in place for the Payroll process

Process Area	Identified Controls
Employee Set-up and Removal	
New Hires	2
Terminations	2
Employee Changes	2
Timekeeping and Approval	
Time Entry and Validation	3
Holiday, Vacation, Sick Pay Processing	2
Payroll Processing	
Payroll Register Reconciliation	3
Exception and Error Review	2
Segregation of Duties	1
Voluntary Deductions	2
Termination Pay/Retirement/Resignation	2
Off-Cycle Pay Requests	1
Garnishments	2

Process Area	Identified Controls
Reconciliation and Reporting	
Payroll Reasonableness Review	3
Payroll JE's and GL Reconciliation	2
System Access and Review	3
Travel Processing	
Travel Reimbursement Processing	2
Total	34

- The City has controls in place within the Payroll Division and IT to identify “ghost employees”
- There does not appear to be duplication of efforts between the Payroll Division and other departments in the City

Payroll Processing



- Several opportunities were identified to improve efficiencies in payroll processing as well as to improve internal controls
 - Separate Accounts Payable and Payroll managers to improve oversight
 - Updating outdated timekeeping software
 - Automating timesheet approval and reducing dependency on Temporary Leased Workers to approve timesheets
 - Synchronizing data between payroll systems for the Fire Department or requiring the Fire Department to record time in the City-wide timekeeping system
 - Human resources communicating pay status changes to payroll and all other affected departments
 - Removing travel expense payments from Payroll to Accounts Payable with a dedicated Travel Coordinator position

- All 19 of the cities surveyed are included in our comparison

	Payroll FTEs	# Pay Periods Per Month
High	48	4
Low	1	2
Mode	1	2
City of Corpus Christi	9	2

Note 1 - The function of the FTEs represented is to process payroll within the Payroll Division and do not include personnel within other departments who review and approve timesheets.

Note 2 - FTE's represented within the count for the City of Corpus Christi include personnel who track and validate time as well as personnel who process travel advances and reimbursements.



Cash Management

Cash Management

We evaluated the procedures in place to identify the internal controls in place for the Cash Management process

Process Area	Identified Controls
Cash Disbursements & Transfers	3
Positive Pay	1
Cash Accounting	1
Close-out, Reconciliation, and Reporting	2
Cash Deposits	3
Investments	4
Total	14

Opportunities for Automation or Improvement



- The City could improve the cash management and investment processes to be more efficient and effective
 - Cash management is highly dependent on the City Treasurer to approve check runs and conduct all investment activities without segregation of duties
 - Segregating investment duties by filling the Investment Analyst position provided by the City’s Investment Policy
 - Automating the activity uploads for cash payments received into INFOR
 - Five separate data files are received from various departments
 - The data files are inconsistently created
 - Each data file must be processed by to prepare it for import
 - Segregating duties to process cash disbursements

- Of the 19 cities surveyed, 18 respondents are included in our comparison

	Defined Investment Committee and Officers	Investment Analyst Position
Yes	18	5
No	0	13
City of Corpus Christi	Yes	No

Note - The duties of the investment analyst could be performed by personnel within the cities surveyed who do not have an Investment Analyst title.



Central Cashiering

Central Cashiering

We evaluated the procedures in place to identify the internal controls in place for the Central Cashiering process

Process Area	Identified Controls
Management review of previous day deposits	2
Cashier document payments and management reviews transaction	3
Issuance of cash drawers	7
Management secures cash	3
Management physically secures cash	3
Management reviews employee credentials	1
Management tracks inventory	1
Customer receipts documented	2
Management approves reconciliation	3
Staff reconciles accounts	1
Collection/Posting Payments	2
Total	28

Cash Collections



- Development Services substation has very low volume (10% of the Central Cashiering substation) and could be consolidated with Central Cashiering
- Physical security at the Development Services cashiering location should be enhanced for employee safety
- Heavy reliance is placed on an in-house developed application and the City should continue to convert from the HTE application to the PCI application to coincide with the implementation of INFOR
- Corpus Christi offers payment options that are similar to those of other Texas cities
- Of the 19 cities surveyed, 17 respondents are included in our comparison

	Lockbox	Phone	Substation	Online	Collections	Other
Yes	13	16	7	17	12	4
No	3	1	10	-	2	9
No Response	1	-	-	-	3	4
City of Corpus Christi	Yes	Yes	Yes	Yes	Yes	Yes



Accounts Receivable / Collections

Accounts Receivable / Collections



We evaluated the procedures in place to identify the internal controls in place for the Accounts Receivable / Collections process

Process Area	Identified Controls
System Access	1
Invoice Request	2
Invoice System Log-in	2
Invoice System Posting	3
Staff Training	-
Billing Accuracy	3
AR Aging/Collection Efforts	1
Aging Report Reconciliation	1
Bank Account Reconciliation	2
Total	15

Billing Processing and Collections



- Accounts receivable personnel routinely create and send invoices in a timely manner
- Changes in City policies or procedures that affect invoicing for services are not effectively communicated the Accounts Receivable personnel
- Opportunities for automation exist to improve efficiency in operations
 - Reporting
 - Data collection
 - Reconciliations
- City personnel pursuing delinquent collections should receive training to prevent legal violations, or collections should be outsourced
- Several other Texas cities in our comparison have centralized Accounts Receivable and Collections like the City
- Of the 19 cities surveyed, 15 respondents are included in our comparison

	Accounts Receivable FTEs
High	6
Low	1
Median	3
City of Corpus Christi	4

	Centralized/Decentralized
Centralized	10
Decentralized	5

Centralized



Accounting

Accounting

We evaluated the procedures in place to identify the internal controls in place for the Accounting process

Process Area	Identified Controls
Account Reconciliations	4
Journal Entries	2
Estimates	3
Revenue Recognition	2
Bank Reconciliations	2
Fixed Assets	2
Monthly Close	2
Total	17

Financial Close Time



- The City's Accounting Division has difficulty closing the financial records within the 14 day target
 - INFOR implementation has caused closing delays to the monthly close
 - Changing the year-end date also contributed to delays to the year-end close
 - Departments outside of Financial Services do not turn in reconciliations in a timely manner
 - INFOR fixed asset module causes delays in closing year-end records due to lack of reports and data being readily available
- The City's financial close time is comparable to other Texas Cities
- Of the 19 cities surveyed, 16 respondents are included in our comparison, all of which have a September 30 year end

	Accounting FTEs	# of Days to Close Monthly	# of Days to Close Annually	CAFR Draft Completion Date
High	34	12	90	April 18
Low	3	3	10	January 15
Median	11	9	48	March 3
City of Corpus Christi	12	14	37	March 31



Grants

Grants

We evaluated the procedures in place to identify the internal controls in place for the Grants process

Process Area	Identified Controls
Monitoring of Spending	2
Reimbursement Requests	4
Financial Closeout	2
Total	8

Close-Out Time

- Grants are closed out in a timely manner
- Opportunities to improve efficiencies and internal controls exist
 - Improving INFOR reporting to improve data availability
 - Reviewing setup of grant revenues in INFOR
- Due to high volume funding sources, the City should consider purchasing grant management software to assist in managing grants and compliance requirements
- Of the 19 cities surveyed, 15 respondents are included in our comparison

	Grant Accountant FTEs	Number of Grants	\$ Value of Grants	SEFA Draft Completion Date
High	4	85	\$30 M +	March 28
Low	0	3	< \$500K	November 16
Average	0	22	\$5.7 M	March 3
City of Corpus Christi	4	64	\$17.5M	January 29

Note - The majority of the cities do not have dedicated grant accountants. Grants are processed through other accounting positions.



Conclusion

Conclusion

- The Financial Services Department should perform a reports needs analysis and reporting functionality and automation should be built into INFOR
- Key staffing and positions should be filled to appropriately segregate duties and reduce dependence on Temporary Leased Workers
- Management should create an action plan that is prioritized for each division to implement remediation for priority items in the next 6 months
- Designate individuals responsible for taking action and target implementation dates



Discussion

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APPENDIX A
City of Corpus Christi
Financial Services Assessment
GFOA Recommended Policy Comparison
May 13, 2016

GFOA Recommended Policies	Essential	Important	Discretionary	Existing City Policy?	Reasonable/ Sufficient?
General Fund Reserves*					
Definition and Purpose of Reserves		X		Yes	4
Reserve Target Levels	X			Yes	Yes
Funding the Target Amount		X		Yes	Yes
Conditions for Use of Reserves	X			Yes	4
Authority Over Reserves	X			Yes	4
Replenishment of Reserves		X		-	
Excess Reserves			X	-	
Periodic Review of Targets			X	-	
Reserves in Other Funds*					
<i>Reserves for Other Governmental Funds</i>					
Establish Intent for Special Purpose	X			Yes	Yes
Target Level of Reserves			X	Yes	Yes
Maximum Level of Reserves			X	-	
Sources of Funding			X	Yes	Yes
<i>Reserves for Internal Service Funds</i>					
Target Level of Reserves	X			Yes	Yes
Funding of Reserves	X			Yes	Yes
Use of Reserves		X		Yes	Yes
Excess Reserves			X	-	
<i>Reserves for Enterprise Funds</i>					
Definition and Purpose of Reserves	X			Yes	Yes
Target Level of Reserves	X			Yes	Yes
Funding of Reserves		X		Yes	Yes
Conditions for Use of Reserves	X			Yes	Yes
Authority over Reserve	X			-	
Replenishment of Reserve		X		-	
Excess Reserves		X		-	
Revenues*					
<i>Revenue Goals</i>					
Diversification and Stabilization	X			-	
Equity		X		-	
Relation to Economic Development		X		-	
Collections	X			Yes	1
<i>Non-recurring and Volatile Revenue</i>					
Non-recurring Revenues	X			Yes	Yes
Volatile Revenues		X		-	
New Revenues and Changes to Revenues		X		-	
<i>Estimates of Revenue</i>					
Forecasting Philosophy	X			-	
Multi-year Forecasts	X			Yes	5
Revenue Manual			X	-	
Earmarking			X	-	
<i>User fees</i>					
Goal of User Fees		X		-	
Cost Recovery	X			-	
Review of Fees	X			-	
Property Taxes			X	Yes	Yes
Grants	X			Yes	2
Expenditures*					
Funding Operations		X		Yes	3
Personnel Compensation		X		-	

APPENDIX A
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GFOA Recommended Policies	Essential	Important	Discretionary	Existing City Policy?	Reasonable/ Sufficient?
Funding Non-Current Liabilities					
Asset Maintenance and Replacement	X			-	
Pensions and OPEBs	X			Yes	6
Efficiency			X	-	
Outsourcing			X	-	
Operating Budget*					
Key Budget Features					
Scope	X			-	
Length of the Budget Period	X			Yes	Yes
Basis of Budgeting	X			-	
Cost Allocation		X		-	
Level of Control	X			-	
Definition of a Balanced Budget	X			Yes	Yes
Budget Form and Information		X		Yes	Yes
Long-term Financial Forecasts	X			-	
Performance Measurement		X		-	
Principles of Budgeting					
Link the Budget to Long Term Strategic Plans	X			-	
Critically Examine Past Spending Patterns	X			-	
Prioritize Services	X			Yes	Yes
Understand and Manage the "Price of Government"		X		Yes	Yes
Assign Costs to Users		X		Yes	Yes
Maintain Existing Services Over Providing New Services		X		-	
Fund Liabilities	X			Yes	Yes
Preferences for Budget-Balancing Strategies		X		-	
Policies for Special Situations			X	Yes	Yes
Budget Process			X	-	
Budget Control System	X			Yes	Yes
Amendments to the Budget	X			Yes	Yes
Capital Asset Management*					
Capital Improvement Plan					
Scope	X			Yes	Yes
Project Identification	X			-	
Participants		X		-	
Selecting Projects		X		-	
Balanced CIP		X		-	
Funding Strategies		X		-	
Operating Budget Impacts	X			-	
Capital Budget		X		Yes	Yes
Capital Project Management		X		-	
Capital Asset Maintenance					
Inventory and Physical Condition	X			-	
Establish Standards by Asset Class		X		-	
Evaluate Infrastructure and Set Priorities		X		-	
Develop Funding Policies	X			-	
Monitor and Communicate Progress		X		-	
Long-Term Financial Planning					
Scope of the Plan	X			-	
Relationship Between Financial and Strategic Planning		X		-	
Find Imbalances	X			-	
Long-term balance	X			-	
Debt Management					
Purpose	X			Yes	Yes

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Conditions for Debt Issuance					
Acceptable Purposes and Conditions for Use of Debt	X			Yes	Yes
Permissible Debt Instruments	X			Yes	Yes
Restrictions on Debt Issuance					
Common Policy Elements Restricting the Use of Debt	X			Yes	Yes
Requirements for Pay as You Go Financing		X		-	
Financial Limitations					
General Debt Limitations	X			Yes	Yes
Revenue Debt Limitations		X		Yes	Yes
Structuring Practices					
Maturity Guidelines	X			Yes	Yes
Debt Service Schedule		X		-	
Debt Service Funds		X		-	
Use of Credit Enhancements		X		-	
Use of Redemption Features		X		-	
Use of Capitalized Interest		X		-	
Debt Issuance Process					
Approval of Issuance	X			Yes	Yes
Determining the Method of Sale	X			Yes	Yes
Selection and Use of Professional Service Providers	X			Yes	Yes
Credit Ratings		X		-	
Intergovernmental Coordination			X	-	
Debt Management Process					
Investment of Bond Proceeds	X			Yes	Yes
Compliance Practices	X			Yes	Yes
Refunding Bonds		X		Yes	Yes
Market and Investor Relations		X		Yes	Yes
Credit Rating Goals			X	-	
Special Situations					
Use of Derivatives		X		Yes	Yes
Interfund Borrowing		X		-	
Variable Rate Debt	X			Yes	Yes
Short-term Debt		X		Yes	Yes
Lease Debt		X		Yes	2
Alternative Financing Products			X	-	
Other Forms of Debt			X	-	
Investment Management					
Scope	X			Yes	Yes
Objectives	X			Yes	Yes
Pooling Funds		X		Yes	Yes
Standards of Care					
Authority to Invest	X			Yes	Yes
Investment Committee			X	Yes	Yes
Prudence	X			Yes	Yes
Conflicts of Interest and Ethics	X			Yes	Yes
Investment Portfolio					
Authorized Investment	X			Yes	Yes
Prohibited Investment		X		Yes	Yes
Diversification	X			Yes	Yes
Maturities		X		Yes	Yes
Competitive Bidding		X		Yes	Yes

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Safekeeping and Custody					
Eligible Institutions		X		Yes	Yes
Investment Advisors			X	Yes	Yes
Collateral	X			Yes	Yes
Safekeeping	X			Yes	Yes
Internal Controls	X			Yes	Yes
Reporting					
Reporting Frequency and Format		X		Yes	Yes
Performance Targets		X		Yes	Yes
Accounting, Auditing, and Financial Reporting**					
Audit Committee					
Membership	X			Yes	7
Responsibilities	X			Yes	7
Accounting					
Basis of Accounting for Records	X			-	
Empowerment of Staff for Management Decisions of Accounting Issues		X		-	
Endorsement of Key Management Accounting Policies			X	-	
Examination of Critical Management Practices	X			-	
Reporting					
External Reporting			X	-	
Internal Reporting			X	Yes	
External Auditing	X			-	
Internal Control and Risk Management					
Traditional Risk Management***					
Objectives	X			Yes	3
Authority	X			-	
Implementation		X		-	
Risk Financing	X			-	
Traditional Internal Controls					
Control Environment	X			Yes	3
Responsibility	X			-	
Communication of Internal Controls		X		-	
Enterprise Risk Management					
Definition of Risk and Governance	X			-	
Attitude of the Organization toward Risk	X			-	
Risk Aware Culture and Control Environment	X			-	
Architecture of Risk Management	X			-	
Risk Management Roles and Responsibilities	X			-	
Economic Development****					
Scope of the Policy	X			Yes	Yes
Goals for Economic Development	X			Yes	Yes
Project Eligibility	X			Yes	Yes
Evaluating Proposals					
Evaluation Criteria	X			Yes	Yes
Stakeholder Involvement		X		Yes	Yes
Information Required		X		Yes	Yes
Performance Standards		X		Yes	Yes
Other Issues with the Instrument			X	-	

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Procurement					
Guiding Values for Public Procurement		X		Yes	Yes
Objectives of the Purchasing System					
Cost (lifecycle cost policy)	X			Yes	Yes
APPEn	X			Yes	Yes
Timeliness			X	Yes	Yes
Managing Risk		X		Yes	Yes
Social and Economic Objectives			X	Yes	Yes
Maximizing Competition (full and open competition)	X			Yes	Yes
Maintaining Integrity and Transparency (ethics policy)	X			Yes	Yes
Purchasing Authority	X			Yes	Yes
Exceptions to Bidding		X		Yes	Yes
Purchasing Preferences			X	Yes	Yes
Standards		X		Yes	Yes
	86	62	26	95	82

* Policy area applies to the Office of Management and Budget

** Policy area applies to the City Auditor's Office

*** Policy area applies to Legal Department/Risk Management

**** Policy area applies to the City Business Liaison/Economic Development Office

1	While generally sufficient, the existing policy does not include defining targets designed to limit any variances in performance , efficiency, and cost effectiveness expected from the departments to which the policy applies. Targets for this policy can include expected collection rates of receivables, a broad guidance in the manner to which collection should be pursued, and circumstances when cost outweighs the benefit of pursuing collections.
2	The existing policy does not provide guidelines that align its elements to the city's missions, priorities, and fiscal goals along with defining targets that would limit variances in performance, efficiency, and cost effectiveness from the department to which the policy applies. Guidelines that would limit overreliance to certain instruments/programs for funding programs are not provided. Guidelines for this policy can include that would validate the need for pursuing grants or other funding programs and the use of credit/debt instruments.
3	The existing policy only addresses a portion of elements from the recommended practices and provides incomplete information on performance targets, rights and responsibilities, reporting and policy rationales.
4	The existing Policy does not include the recommended elements established within the GFOA Best Practices and should be enhanced.
5	The existing policy does not address the forecasting methods that are approved and used by the City.
6	The existing policy does not provide details on the City's pension program or reference the use of State of Texas Programs.
7	The policy areas is only listed in the Cities Municipal Code and not formalized within the Financial Policies.