

Section 3

Scope of Work

3.1 General Information

The City is interested in obtaining an overall assessment of Financial Services department. The purpose of the review is to:

Evaluate the efficiency and effectiveness of the City of Corpus Christi's Financial Services and identify areas for improvement with associated recommendations and action plans. Overall objectives include assessing how well the department is currently performing core services and identifying ways Financial Services can improve efficiency and effectiveness and performance relative to other cities. This includes results of comparisons against other municipal Finance departments and against industry standards. Aspects of the assessment include reviewing organization, staffing levels, financial policies and procedures, financial performance reporting, CAFR preparation, and divisional operations.

Examples of specific questions to be addressed are included in Section 3.2 below. If any “weaknesses” or “areas of improvement” are identified, the consultant will be expected to provide specific recommendations needed to close the gaps identified, including recommended action steps and implementation timelines.

3.2 Statement of Work

The Consultant will assess the City’s Financial Services Department taken as a whole and each of the specific divisional units and identify areas for improvement. Specific questions shall include, but not be limited to, the following topical areas and divisions:

- 1) Organization and Support of Financial Services
- 2) Staffing Levels
- 3) Financial Policies, Procedures, Process Flow, and Charting
- 4) Financial Performance Reporting
- 5) CAFR Preparation
- 6) Divisions:
 - a) Utility Billing Office
 - b) Purchasing
 - c) Warehouse
 - d) Accounts Payable
 - e) Accounts Receivable & Collections
 - f) Accounting
 - g) Payroll
 - h) Grants
 - i) Cash Management
 - j) Central Cashiering

1) ORGANIZATION AND SUPPORT OF FINANCIAL SERVICES:

- a) Is the overall organization of Financial Services logically structured and how does it compare to other Texas cities?
- b) Are supervisor-to-staff ratios and the span of control reasonable?
- c) Is the Utility Billing Office (UBO) properly structured within the organization and the right structure within UBO? Is there a case to be made for including the Utility Billing Office in the Finance Department (or as a separate department?)
- d) Would Financial Services be better served if "Functional or Technical Analysts" resided within the department rather than within MIS (IT)?
- e) Is the current level of technical IT support provided by the MIS Department adequate and if not, how should Finance be appropriately supported?
- f) Is there a better way to do this work?

2) STAFFING LEVELS:

- a) Does the Department use a systematic approach to determine staffing level needs for each of the major functional areas (UBO, Purchasing, Payroll, Treasury, Central Cashiering, Accounting), and if so, is the approach used reasonable? If not, describe approach and results.
- b) What is the minimum number of staff by position and division needed to do a good job in Financial Services?
- c) Are the staffing levels reasonable for each of the major functional areas?
- d) Is the pay and classification correct for staff and if not, what should it be?
- e) Are our people qualified?

3) FINANCIAL SERVICES POLICIES AND PROCEDURES, PROCESS FLOW AND CHARTING:

- a) Are the City's overall Financial Policies reasonable and sufficient?
- b) Does the Department have adequate systems in place to monitor compliance with financial policies?
- c) Does the Department have adequately documented procedures, process flow and charting for all major functional areas? If not, what is recommended to rapidly create procedures and flow charting?
- d) Are there adequate procedures to address all major policies?
- e) Is the City's annually adopted debt, budgetary financial policy, and investment policy reasonable and does it adequately address risk?

4) FINANCIAL PERFORMANCE REPORTING:

- a) Does Financial Services periodically provide City management adequate analyses of financial trends and emerging issues? If so, are the reports of a quality comparable to other Texas cities (e.g. San Antonio, Fort Worth, Arlington, Austin, Dallas, El Paso, and Houston)? If not, define the types of reports that should be provided.
- b) How does the financial performance of the City of Corpus Christi compare relative to other Texas cities?
- c) Has the City established criteria for what constitutes good financial performance?

5) CAFR PREPARATION:

- a) Has the level of effort devoted annually to prepare the CAFR been reasonable, and is it comparable to other municipalities?
- b) How does the preparation of the CAFR compare to other Texas cities? Does the external auditor prepare the book or is it done internally by staff?
 - i) If done by staff, how long does it take to complete the CAFR (from start to finish)? Is CAFR software used?
 - ii) If done by the external auditor, how much is the fee to do so?
- c) Has the level of effort increased significantly with INFOR and, if so, what are the contributing causes?
- d) Would it be cost justified to acquire CAFR software?

6) DIVISIONS: For each of the divisions, provide answers to the following questions:

- a) Are there reasonable controls, checks and balances, and review procedures?
- b) How does performance compare relative to other major Texas cities?
- c) Is the level of effort devoted to routinely process the following reasonable and are there opportunities to refine or further automate?:
an invoice, bill, accounting transactions, fixed assets, payroll, monthly/quarterly grant reporting, daily cash management transactions, or central cashing payments.
- d) Do our work processes and procedures align with our technology? If not, how can it be fixed?
- e) Can we outsource parts of the Finance Department? Which parts and would it be cost effective to do so?

a) UTILIY BILLING OFFICE (UBO):

- i) Do UBO customer service representatives have easy access to accurate customer account records sufficient to provide quality and timely service?
- ii) Are utility receivables adequately managed? This would include determining whether collection and receivable criteria are established and routinely monitored.
- iii) Are monthly reports of water revenues by rate class of sufficient quality and detail to support cost of service analysis?
- iv) Is the current level of functionality provided in the new UBO system reasonable?
- v) Are the current reports going to be provided as part of the new system?
- vi) Is there adequate inter- and intra-departmental input and training provided as part of the new system?
- vii) Do any major deficiencies or issues exist as part of the new system rollout which we are not aware?

b) PURCHASING:

- i) Are there significant opportunities to increase the efficiency of the procurement process? If so, how?
- ii) Are purchasing procedures adequately documented and communicated to City departments?
- iii) Is the City taking reasonable advantage of opportunities to purchase commonly used goods and services off of supply agreements or IDIQ's?
- iv) Is the training provided to departments adequate to support departmental compliance with new procedures given that the City moved from a decentralized to centralized purchasing process?

c) WAREHOUSE:

- i) Is the Purchasing Division's Warehouse structured appropriately and is the location appropriate? How does it compare to other Texas cities?
- ii) Are there significant opportunities to increase the efficiency of the City's warehouse?
- iii) Is the City taking reasonable advantage of opportunities to purchase commonly used goods and services off of supply agreements or IDIQ's?
- iv) Are procedures for utilizing the City's warehouse adequately documented and communicated to City departments?
- v) Is the training provided to departments adequate for utilization of the City's warehouse?
- vi) Are we being efficient? If not, are there better ways to do this work?

d) ACCOUNTS PAYABLE:

- i) Is the time and effort to routinely process accounts payable reasonable?
- ii) Is additional departmental training needed?

e) ACCOUNTS RECEIVABLE / COLLECTIONS:

- i) Is the time and effort to routinely process monthly billing reasonable?
- ii) Is additional departmental training needed?
- iii) Are the City's collection rates for utilities and miscellaneous receivables comparable to other Texas cities?
- iv) Are all accounts receivables centralized in other Texas cities or are they decentralized like in Corpus Christi?

f) ACCOUNTING:

- i) Is the number and type of journal entries reasonable?
- ii) Is the monthly/quarterly "close-out" time reasonable so that departments may obtain adequate financial statements?
- iii) Is our "close-out" time reasonable compared to other Texas cities?

g) PAYROLL:

- i) Is the frequency of payroll errors or adjustments reasonable?
- ii) Does there appear to be duplication of effort between the centralized payroll processing in Finance and payroll activities within the other City departments?
- iii) Are systems in place to identify "ghost employees"?

h) GRANTS:

- i) Are the number and type of journal entries reasonable?
- ii) Is our "close-out" time and preparation of the Schedule of Federal and State Expenditures of Awards reasonable compared to other Texas cities?

i) CASH MANAGEMENT:

- i) Is the level of effort devoted to investing City funds reasonable, and are there significant opportunities for automation or improvement?

- ii) Is the level of effort devoted to printing checks, doing wires, and doing ACH transactions reasonable, and are there significant opportunities for automation or improvement?
- iii) Are the number and type of cash interfaces and daily reconciliations reasonable?

j) CENTRAL CASHIERING:

- i) How does the collection of payments in person, on-line, by telephone, through the lock-box (mail-in payments), and at substations compare to other Texas cities?

3.3 Deliverables

The consultant will be required to deliver a final report that answers all the questions specified in Section 3.2 and requirements specified in Section 4 of this RFP. The final report shall be provided both in electronic and printed form, with 20 printed copies of the final report.

The report must include recommended actions and include return on investment analysis needed to address deficiencies identified, and where benchmarks indicate improvements are needed. An action plan shall include suggested tasks and timeline.

The consultant will be required to present to the City Council the final report, and comprehensively support the findings on a date to be selected by the City. All working papers to support the report shall be the property of the City's.

3.4 City of Corpus Christi Financial Services - Background

Financial Services is made up of five main divisions: administration, accounting, treasury, collections, and procurement and has 95 full-time equivalent (FTE) positions budgeted.

The *Administration Division* is responsible for the overall management and operations of the department. One assistant director is responsible for the Accounting, Treasury Divisions, and Collections Divisions, while the other is responsible for the Procurement Division.

The *Accounting Division* is responsible for the daily operations of general accounting and grants, reconciliation of the City's bank accounts, paying of City invoices city-wide, and administration of payroll. Accounting is responsible for the Comprehensive Annual Financial Report (CAFR), supplemental disclosure, cost allocation plan, daily general ledger and grant activities, and account reconciliations. Grant accountants report to the Controller. The INFOR financial module was implemented last year.

The *Treasury Division* includes cash management and central cashiering. Cash management handles the City's cash and investment portfolio. This division will be implementing a new cash receipting system on October 1, 2015.

The *Collections Division* includes accounts receivable and the Utility Business Office and is responsible for the monthly billing and collecting of the City's miscellaneous receivable and utility accounts. This division will also be implementing a new billing system on October 1, 2015, which will interface with the INFOR financial module implemented one year earlier.

The *Procurement Division* includes the purchasing function, operations of warehouse, messenger service and postage services.