

# Assessment of the Efficiency & Effectiveness of Financial Services



City Council Presentation  
June 14, 2016



# Assessments: Overview

---

- Purpose:
    - Identify gaps & improvements needed
    - Benchmark to other cities
    - Adopt best practices
    - Instill culture of continuous improvement
  - Recommendations:
    - Translated into *Implementation Plan* with tasks, timeline, & responsible staff
    - *Implementation Plan* is integrated into *Annual Business Plans*
    - For accountability, departments are monitored
-



# Prior Assessments

---

## Industry Experts

- **FY2011: IT**  
Competitive; \$700k in cost savings
- **FY2011: Fleet**  
Competitive; “rightsizing” downsized fleet by 8% (144 vehicles) w/\$2.4m projected savings over 5 yrs
- **FY2012: Solid Waste**  
No further privatization warranted; projected savings \$1.2m-\$2.9m over 5 yrs; First COS study
- **FY2014: Fire**  
28 recommendations to improve organization & service delivery

## OSM

- **FY2012: Municipal Court**  
32 recommendations to improve management processes, systems, & administrative controls
- **FY 2013: City Facilities**  
Recommended comprehensive oversight of property management, facility maintenance & established first property & facility database
- **FY 2014: City Attorney**
- **FY 2015: P-Card & Temporary Leased Worker Programs**  
24 & 12 recommendations, respectively



# **Assessment: Scope & Objectives**

---

- How well is the department performing core services in all operational areas?
  - Utility Billing, Purchasing, Warehouse, Accounts Payable, Accounts Receivable/Collections, Accounting, Payroll, Grants, Cash Management & Central Cashiering
- Focus Areas: organization, staffing levels, policies & procedures, process flows, financial performance reporting, CAFR preparation, internal controls



# On Schedule & Budget

---

7/18/2015	RFP issued
8/17/2015	Proposals due to City
8/27/2015	Finalists interviewed
11/10/2015	Contract award to <i>Weaver &amp; Tidwell</i>
Nov thru Apr	Consultant field work
May 2016	Consultant provides draft report
<b>Jun 2016</b>	<b>Final report &amp; City Council briefing</b>



# Weaver & Tidwell, L.L.P.

---



- Alyssa G. Martin, CPA, Partner, Advisory Services
- Daniel Graves, CPA, Senior Manager, Risk Advisory Services

# 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

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

# Organization and Support of Financial Services

- Financial Services Department is logically structured and the placement of the Utility Billing Office (UBO) and Budget Division are 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
- The INFOR application 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 in the prior application were not developed in the INFOR implementation
  - Multiple data extracts and data compilations are required to provide Financial Services with similar data



# Staffing Levels

- 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
- There is a high dependence on Temporary Leased Workers to supplement staffing needs in Purchasing and the UBO
- Based on the pay study performed by the City's Human Resource Department's, the pay for 5 of the 9 positions we evaluated were 5% or more below the "Market Average"
  - 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%

# 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
Total	148	85	63

- Responsible City Departments should evaluate the 63 elements not included in current City policies to determine if existing policies should be revised

# Financial Performance Reporting

- Compared in relation to 15 other Texas cities, Corpus Christi presents financial information and analyses more frequently than many other cities
  - Only 9 cities in our comparison provide publicly-available, periodic performance analysis other than their annual CAFR
- Of the 21 benchmark ratios and financial balances evaluated, Corpus Christi is within the relative average of the 15 cities in 16 of the areas
- Corpus Christi is higher in 3 areas and lower in 2 areas to the relative average of the 15 cities in the following benchmark ratios and financial balances:
  - 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

- The limited configuration of INFOR reporting during implementation has resulted in increased workload and timing to reconcile and close funds at period end
- In addition to increased INFOR reporting functionality, data aggregation software may aid the Financial Services Department in preparing the CAFR
- Increased financial reporting capabilities will provide meaningful information to more closely monitor the City's financial performance

# Divisional Operations

## Divisional Operations

### Purchasing

- INFOR reporting should be enhanced
- Purchasing monitoring procedures should be increased
- There is a high dependence on Temporary Leased Workers

### Accounts Payable

- Accounts Payable Division should have a manager separate from the Payroll Division
- City does not have procedures in place to comply with the Texas Prompt Payment Act
- P-cards used to pay recurring invoices is inefficient and utilized disproportionately
- There is a high dependence on Temporary Leased Workers

### Warehouse

- Building maintenance should be performed to comply with employee health and safety requirements and increase operational abilities
- The internal sales markup rate should be reviewed

### UBO

- There is a high dependence on Temporary Leased Workers
- There is a high volume of meter re-reads and manual estimates to complete invoices
- Courtesy adjustment policies are broad

### Payroll

- Payroll Division should have a manager separate from the Accounts Payable Division
- Travel expense payments should be assigned to a dedicated Travel Coordinator
- Dependence on Temporary Leased Workers should be reduced

Priority Level		
High	Moderate	Low

# Divisional Operations

## Divisional Operations

### Cash Management

- Investment Analyst position should be filled to segregate investment functions
- Cash disbursement duties should be segregated to reduce dependence on the City Treasurer
- Data uploads for received cash payments are manual and should be automated

### Central Cashiering

- Low volume substations should be considered for consolidation
- If not consolidated, physical security should be enhanced

### Accounts Receivable/Collections

- INFOR reporting should be enhanced
- Changes in City policies could be more effectively communicated
- City employees should complete delinquent collections training

### Accounting

- INFOR reporting should be enhanced
- Financial Services should continue to coordinate with other departments to receive timely information

### Grants

- INFOR reporting should be enhanced
- Additional grants management software may assist in managing grants and compliance requirements

Priority Level		
High	Moderate	Low



# Director's Response: Major Issues

---

- *Health and safety issues:*
    - Replacement of roof at Warehouse
    - Remediate moldy offices
  - *Staffing:*
    - Recommended five (5) new positions
    - Hire full-time equivalents (FTE's) versus using leased workers
    - Reclassify 6 out of 9 positions reviewed
    - Workforce planning analysis needed to systematically identify current and future staffing needs
    - Time study needed to define key activities by division
  - *Lack of reporting with new software*
-



# Director's Response: Major Issues

---

- *Utility meter and billing issues*
- *Compliance with Texas Prompt Payment Act*
- *Financial policies:*
  - Adopt Government Finance Officer's Association (GFOA)'s best practices for financial policies
  - City-wide standardization needed





# Director's Response: Developing Solutions

---

- Financial Services concurs with nearly all of the recommendations
- An *Implementation Plan* has been developed to execute recommendations
  - Includes beginning and ending dates
  - Includes staff responsible for implementation





# Director's Response: Developing Solutions

---

- Implementation Plan will become the foundation for Financial Service's FY2017 *Business Plan* (and future business plans as needed)
- Recommendations will enhance Financial Services' efficiency and effectiveness



**QUESTIONS?**