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 Weaver & Tidwell

Nov thru Apr Consultant field work

May 2016 Consultant provides draft report

Jun 2016 Final report & City Council briefing



Weaver & Tidwell, L.L.P. weaver



 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

Topica	l 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

- 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

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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 rations 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

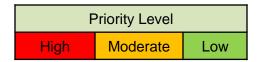
Divisional Operations

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 						



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	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 Low volume substations should be considered for consolidation If not consolidated, physical security should be enhanced INFOR reporting should be enhanced Changes in City policies could be more effectively communicated City employees should complete delinquent collections training INFOR reporting should be enhanced Financial Services should continue to coordinate with other departments to receive timely information INFOR reporting should be enhanced Additional grants management software may assist in managing grants and compliance							
Accounts Receivable/Collections	Changes in City policies could be more effectively communicated							
Accounting	Financial Services should continue to coordinate with other departments to receive timely							
Grants	· •							





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



Example of Implementation Plan

	of Corpus Christi Finance Hule										Actual	(beyon	d plan)	aa i		% Compl % Compl		ond plan)			
						Im	plementation	Plan		PE	RIODS (N	May begi	ins with	1, May 2	2, etc.)								
					Plan	Plan		Actual	Percent														
Ref#	GENERAL RECOMMENDATION	Area	Responsible Party	SPECIFIC ACTIONS	Start	Duration	Start [Duration	Complete	_ 1	2	3 4	5	6 7	8	9 10	11 12	13 1	14 15	16 17	18 19	20 21	22
	Financial Services should ensure that the planned INFOR functionality to flag all outstanding payment amounts is implemented as intended. As an interim measure, Financial Services and UBO should consider reviewing the HTE query on	Division		Implemented on 3/14/2016					100%				ш										
FC-15	a quarterly basis to ensure that bills less than \$100 are appropriately followed up and/or sent to collections.	Assessments:	Utility Accounts Manager						0%				П										
	, , , , , , , , , , , , , , , , , , , ,	UBO							0%	_			\vdash						+	_			
	The City should assess the adequacy of existing equipment and solutions for MTUs and AMRs. UBO, Utilities, and Financial		From Utilities (Water and	Address non-reads due to MTU problems					078	+	+	_						\vdash	+	$\overline{}$			-
	Services should focus on addressing meter reading issues at its root cause to minimize the impact on UBO efficiency.			Address non-reads due to MTO problems	6	4			0%														
FC-16	, , , , , , , , , , , , , , , , , , , ,		UBO, Utility Accounts		_					_	-	_							++				-
		UBO	Manager;						0%														
	It is recommended that the INFOR system be configured to not allow manual overrides to the limit on estimates in order to	Division		Configure Infor to not allow manual overrides to estimate	6	4			0%									ΙТ					
FC-17	comply with Ordinance S5-28. UBO, Utilities, and Financial Services should focus on addressing meter reading issues at its root cause to minimize the impact on UBO efficiency.	Assessments:		limit - Due 9/30/2016						+	+	+						\vdash	+		\blacksquare		
	root cause to minimize the impact on UBO efficiency.	UBO							0%				П										
	Financial Services should ensure that the planned functionality for pre-populated forms is implemented as intended.																						
	Additionally, Financial Services and UBO should consider developing a standardized application for customers to complete			Standardized online application form - due 5/1/2016	5	2			50%														
	that contains all required information online and in hard copy. Hard copy applications could be imported using OCR																						
FC-18	technology to increase the efficiency of processing the paper applications. Additionally, the City should consider adding		Utility Accounts Manager							+	+				$\overline{}$				+				
	online account registration and adding a klosk at City Hall to allow customers to complete applications online.	OBO		Hard copy application	5	2			90%									ш					
																		ш					
	The Finance Department should collaborate with the Utilities Department to examine and evaluate the cause of the high												П						+	_			
	rate of meter errors that result in the inefficient invoice processing of utility invoices and ultimately the reduction in cash	Division		due 9/30/2016	6	4			0%									1 1	- 1				
FC-19	flows to support the delivery of utilities to the City and its citizens.	Assessments:			_					_	+	_						-	++	_			-
		UBO	Manager						0%				ш					ш					
	Financial Services should formalize and strengthen the City's Adjustments policy. Customers should be required to request									-	\blacksquare	_						\vdash	+	\rightarrow	_		-
	billing adjustments by submitting a form online, in person, or writing a letter with predetermined criteria. Adjustment	UBO																ш		- 1 1			
	requests should have pre-defined benchmarks for what constitutes adjustments to bills. Adjustment criteria could include																	ш					
	but are not limited to the following examples:			Formalize and strengthen adjustment policy - due 9/30/2016	6	4			0%				ш					ш		- 1 1			
		Division Assessments: UBO Division Assessments:	, , , , , , , , , , , , , , , , , , , ,	1 -				076									ш						
	Requests for adjustments require the customer to fill out a form that includes the following details: Account Number,																	ш					
	Service Address, Contact Information, beginning date of																	ш					
	issue, repair date if applicable, type of leak if applicable,													т	П								
	description of repair or significant changes in usage, etc.												ш					ш		- 1 1			
	Adjustments must be requested within six months of the												ш					ш		- 1 1			
FC-20	billing period.		Utility Accounts Manager						0%				ш					ш		- 1 1			
	Courtesy adjustments may be given once per a 12-month period for increases in usage greater than 200% of their	UBO											ш					1 1	- 1	- 1 1			
	average bill amount.												ш					П					
	Leak adjustments are discretionary, require proof of repair,				_		_			-	+	+	Н	-	-	-		-	+	\rightarrow	-		+
	and may not be allowed for visible leaks.												Ш										
	Newly constructed pools have a one-time adjustment.												ш					ш					
	Extraordinary adjustments may be granted for bill increases greater than 500%.								0%				П					1.1					
	greater than 500%.								0/6				ш					ш					
	In addition to preventing excessive requests for adjustments, the policy for adjustments should formally define the												Ш										



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?