

**Finance Department tune-up:  
Benefits of a comprehensive assessment**

Mark Moses  
Director of Finance Services  
Regional Government Services Authority

2018 Municipal Finance Institute: December 13

**AGENDA**

- What is an assessment
- How is assessment performed
- How and why systems deteriorate
- Unique benefits of assessment
- Examples from the field
- Discussion & Questions

## What does an assessment cover?

- Finance policies
- Operating procedures
- Internal controls
- Interactions with other departments
- Finance software system
- Compliance
- Organizational design & classifications

## Assessment Steps

### **Audit-like**

- Determine scope & major areas of focus
- Review of key documents
- Interview staff
- Analyze results of document review & interviews
- Draft report & review with management
- Provide results in form suitable to meet needs

## How did we get here?

### How did we get here...

- Legacy systems designed and operated by legacy staff (who leave)
- Decades without review of processes
- Internal control environments have deteriorated as finance staffing levels eroded
- Single classification positions that hamper flexibility

## How did we get here...

- Cities grew without adjusting internal systems
- Finance software system struggles
  - Still using legacy systems based in 80's / 90's
  - Layering of add-on systems for budget, transparency, web interfaces
  - Incomplete / inadequate implementation of new software
- More intense pressure
  - Fiscal challenges (solvency a real issue)
  - Greater scrutiny (SCO, SEC, DOF, Auditors, public, etc.)

## Who benefits...and how?

- City Manager / Assistant City Manager
- New Finance Director
- Old Finance Director
- Finance Staff
- Departments who depend on Finance

## Why now?

- Challenging times put more pressure on...
  - Timely, accurate financial statements
  - Maintaining credibility (audit findings)
  - Ensure funds assumed in budget tie to CAFR
  - Retention of finance staff
- Financial consequences
- Poor controls reflect on management: You are responsible!
- If not now, when?

## Common Weaknesses

---

## **#1 Control over revenues**

- Inadequate control over billing
- Payments not directed centrally
- Revenues not adequately analyzed
- Limited cash controls

## **#1 Control over revenues**

- Inadequate control over billing
- Payments not directed centrally
- Revenues not adequately analyzed
- Limited cash controls

### **Consequences:**

- **Embezzlement**
- **Missed billings**
- **Financial misstatements**

## #2 Control over subsystems

- How are they integrated with GL?
- Regularly reconciled?
  - utility billing module
  - business license
  - class registration
  - building permits

## #2 Control over subsystems

- How are they integrated with GL?
- Regularly reconciled?
  - utility billing module
  - business license
  - class registration
  - building permits

### **Consequences:**

- **Embezzlement**
- **Financial misstatements**

## #3 Grant Oversight

- Central oversight of grants
- Complete grant inventory
- Consistent procedures

## #3 Grant Oversight

- Central oversight of grants
- Complete grant inventory
- Consistent procedures

### **Consequences:**

- **Loss of funds due to insufficient spending or timely reimbursement requests**
- **Audit findings**
- **Repayment of grant funds**



## #5 Benefits reporting on W-2s

- Rules are increasingly complex
- Requires coordination between benefits administration and payroll
- Requires knowledge of what payments to employees are reportable (cash payments, group life, take-home vehicles, health club reimbursements)

## #5 Benefits reporting on W-2s

- Rules are increasingly complex
- Requires coordination between benefits administration and payroll
- Requires knowledge of what payments to employees are reportable (cash payments, group life, take-home vehicles, health club reimbursements)

### **Consequences:**

- **Refile 941's**
- **Reissue W-2's**

## **#6 Policy Review**

- GFOA recommended financial policies
  - Do they exist?
  - Are they accessible?
  - Are they current?
  - Are they followed?
  
- Not all agencies have updated their policies to be compliant with new requirements:
  - Debt Policy – State guidelines
  - Purchasing Policy – Uniform Guidance / Federal Grants

## **#7 Consultants /intermediaries**

- Does someone review the work of outside parties/agents?

## #7 Consultants /intermediaries

- Does someone review the work of outside parties/agents?
  - **Continuing disclosure (bond covenants)**

## #7 Consultants /intermediaries

- Does someone review the work of outside parties/agents?
  - Continuing disclosure
  - **Third party administrators (WC, Gen Liab)**

## #7 Consultants /intermediaries

- Does someone review the work of outside parties/agents?
  - Continuing disclosure
  - Third party administrators
  - **County assessor (special taxes)**

## #7 Consultants /intermediaries

- Does someone review the work of outside parties/agents?
  - Continuing disclosure
  - Third party administrators
  - County assessor
  - **Report preparation (SCO report, Streets)**

## #7 Consultants /intermediaries

- Does someone review the work of outside parties/agents?
  - Continuing disclosure
  - Third party administrators
  - County assessor
  - Report preparation
  - **Rate consultants (utility, development fees)**

## #7 Consultants /intermediaries

- Does someone review the work of outside parties/agents?
  - Continuing disclosure
  - Third party administrators
  - County assessor
  - Report preparation
  - Rate consultants
  - **District tax administration (special taxes, fees)**

## #7 Consultants /intermediaries

- Does someone review the work of outside parties/agents?
  - Continuing disclosure
  - Third party administrators
  - County assessor
  - Report preparation
  - Rate consultants
  - District tax administration
  - **Benefit design (health plans, retirement programs)**

## #7 Consultants / intermediaries

(continued)

You can delegate work;

You can delegate tasks;

You cannot transfer responsibility.

## **#8 Risk Management**

- Usually not done well without a Risk Manager
  - Function split among 2-4 departments
  - Insurance Requirement Setting / Monitoring
  - Funding Policies not always clear
  - Risks assumed and not transferred

## **#9 Budget**

- Discrepancies between Budget & CAFR
  - Reserves not treated consistently
  - Fund balances not measured consistently
  - Policy statement conflicts
    - Budget control at line or fund level?
  - Pattern of exceeding authorized spending

## **#10 Finance and other Departments**

- Departments don't follow rules and finance staff do not understand why
- Mutual frustration
- Issues impacting recurring activities are worth resolving...
  - Accounts receivable
  - Cash Deposits
  - Invoice approval
  - Purchasing
  - Timecards
  - Budget Amendments

## **Other compliance issues**

- Use tax reporting
- FLSA overtime calculations
- Continuing disclosure
- Monitoring of contractual NTE's
- Maintaining outdated language in Muni Code and/or Administrative Polices
- Fee schedule doesn't tie to Council-approved resolutions and ordinances.
- Lack of compliance review / compliance audits



## Recap...

- Financial consequences of not checking in
  - Financial Reporting
  - Loss of funds / ignored funds / programming non-existent funds
- Inadequate systems aren't good for...
  - Morale
  - Productivity
  - Peace of mind
  - Internal Control Comments/Findings
  - Perception of Finance Department by others
- The fruit won't be hanging any lower than it is now !



**Mark Moses – 650-587-7300 x47**  
**[mmoses@rgs.ca.gov](mailto:mmoses@rgs.ca.gov)**