Management Response to MATRIX - Financial and Operational Audit of Finance Department
June 2016

Audit Item #	Recommendations	Management Response	Cost	Timeframe	Priority
1.0 General Administration					
1.1 The Finance Department must develop improved measures to forecast revenues and expenditures for current year finances and for multi-year projections. Budget variances need to be quickly identified so that corrective action may be taken, if need be.	Agree and in progress - Will provide quarterly financial updates on revenues, expenditures; monthly review of revenue by budget personnel; use different sources for revenue generation numbers; send estimates to departments.	No	Immediate	High
1.2 The Finance Department must improve its strategic support of City departments through budget monitoring, ongoing reporting, and communication of the City's financial conditions in quarterly budget meetings.	Agree - Will provide quarterly reports to departments and we will be implementing Cognos report writing software for departments to produce their own reports in addition to those already available.	No	Immediate	High
1.3 The Finance Department should evaluate increasing Budget staff to a total of five positions (from the current two positions) and Purchasing staff by one full-time position to achieve best in class service levels. Existing staff should be allocated to highest priority duties and perform the full range of duties within their job description. More detailed information regarding this recommendation follows in each relevant section.	Agree and in progress - Adding three full time positions for Budget in FY 2016-17 and one full time position for Purchasing in FY 2017-18.	Yes	Short-term	High

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1.4 The Department should coordinate performance measure development with each departmental function in order to have tangible means for understanding how effective and efficient City operations are performing. These performance measures should be included in the annual city budget to facilitate the public's understanding of government operations.	Agree and in progress - Will follow City time-line on performance measures as part of Riverside 2.0.	No	Medium-term	Medium
1.5 The Risk Management function is housed within Finance, which is less common among City governments. In the future, the City should evaluate options for combining Risk Management and Workers' Compensation administration into a single unit.	Evaluating - will come up with recommendations in FY 2017-18.	No	Long-term	Medium
1.6 Revenue budgeting duties should be allocated to the Budget Division to perform. More critical review and evaluation of revenue projections performed by outside services, and more defined in-house estimates should be developed.	Agree and in progress - 100% of revenue generation and verification will be part of Budget & Revenue Division.	No	Long-term	Medium
2.0 Financial Resources					

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2.1 The Division should analyze all budget requests in greater detail for reasonableness. Currently, if a department stays within their budget target dollar amount, they do not have to justify the reallocation of expenses, nor do they have to defend the continuation of prior year's budgeted expenditures. Personnel and operating expenses should be routinely vetted by the Budget Division to ensure need and appropriateness. Position control should be continuously updated.	Evaluating - Budget & Revenue Division will work with and assist Departments to write justifications and help themselves stay within their budget.	No	Immediate	High
2.2 The identification of new department-specific revenues should not be tied to increasing budget target numbers. All expenditures should be reviewed for necessity and reasonableness. In addition, the Division must properly analyze all revenue projections provided by City Departments for accuracy and reasonableness. Currently, there is limited staff to do so.	Agree and in progress - Will fully implement in FY 2017-18.	No	Immediate	Medium
2.3 Budget & Revenue Division should assist in the development of performance measures to support budget decisions and control of processes within the City structure. Such metrics provide quantifiable results of activities and will permit benchmarking of performance against outside organizations.	Agree and in progress - Will implement as part of Riverside 2.0.	No	Short-term	Low

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2.4 The Division should provide and discuss quarterly reports with all department heads. Departmental variances, and the city's overall financial condition, should be discussed at quarterly budget meetings.	Agree and in progress - Finance will distribute various quarterly reports to department budget coordinators. Will also educate Departments on how to access their own reports as needed, as well.	No	Immediate	High
2.5 The Budget Division should fully implement position control in order to project expenditures related to personnel. Budget should review all personnel changes to verify authorization and availability of budgeted funds. By doing so, the Division will also have the ability to determine whether to fill positions at all or on a lag in an effort to save on costs.	Agree and in progress - Finance is taking over position control processing with emphasis on automating this process as quickly as possible.	No	Immediate	High
2.6 The Department should add three full-time budget staff positions for complement of five allocated positions dedicated to budget functions. The Budget division should develop and monitor performance measures, establish greater controls on personnel change requests, increase monitoring of revenues and expenditures, and have a greater input in deciding budget authorization amounts.	Agree and in progress - Staff coming to Council for approval August of 2016.	Yes	Long-term	High
3.0 Payroll					

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3.1 The Payroll Division should track requestors of timecard corrections and retroactive payments. Repeated requestors should be alerted to Administrative Manual Policy 06.004.00. Finance Division Management and the City Manager's Office should explore possibilities for mandatory online re-training for requestors who continue to violate Policy 06.004.000.	Agree and in progress - Payroll is developing a spreadsheet log for the tracking and resolution of repeated timecard correction and retroactive payment requests. On a monthly basis management will review the list and reach out to repeat offenders and alert them to the applicable policy and reinforce adherence either through additional required training or disciplinary action.	No	Short-term	Medium
3.2 The Payroll Division should offer all visitors the option of conducting their conversation in private, in a conference room, or other isolated space.	Agree - Employees will be accommodated upon their request.	No	Short-term	Low
3.3 In the long term, Finance Department should move the Payroll Division away from the training room to enhance confidentiality. Given its small number of staff. Consider locations that will allow for some neutral space between Payroll and other Finance Divisions.	Agree and in progress - It is imperative that the payroll division has a secure and secluded work environment in which to conduct highly personal business. As there are no spaces currently available in Finance, the department is working with General Services to come up with a plan to accommodate this finding with implementation in Dec 2016.	No	Medium-term	Low
4.0 Accounts Payable and Receivable					

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4.1 The Finance Department should further revise its policy to allow fewer categories of expenses eligible for Request for Payments (RFP). The categories eligible for Request for Payment should be periodically reevaluated and reduced as appropriate.	Agree - Use of the RFP should be kept to a minimum as purchases of goods and services, to the extent possible, be made via the purchase order or purchasing card.	No	Short-term	High
4.2 Accounts Payable should work to (1) increase the number of vendors utilizing electronic payment and (2) develop a process for combining multiple checks to vendors. Finance should consider a policy mandate requiring electronic payment for repeat vendors.	Agree and in progress - Finance will work with our financial institution to periodically reach out to our vendors and extoll the benefits of receiving payments electronically (i.e. ePayables). Finance will work with Worker's Compensation staff to combine multiple payments to vendors into one check.	No	Short-term	Medium
5.0 Treasury					
5.1 The beginning balance of register drawers should be reduced to $500.	Agree and implemented - The Treasury division has lowered the beginning balance of register drawers to $500.	No	Short-term	Medium
5.2 Restrict petty cash transactions to only the Revenue Specialist or Lead Revenue Representative, who have increased access to the cash necessary to complete this transaction.	Disagree - Utilizing the Revenue Specialist and Lead Revenue Representative to handle petty cash transactions is not an effective use of their skillset or time. Since all cash drawers are balanced daily, the Revenue Representatives are tasked with and trained to handle all types of cash transactions, including petty cash.	No	Short-term	Low

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5.3 Codify and enforce a formal policy that cash drawers are never shared between staff to enhance internal controls.		Agree - A cash drawer policy will be developed to include restrictions on sharing of cash drawers.	No	Short-term	Low
6.0 Purchasing					
6.1 Purchasing should require the use of a Purchase Order with exceptions to emergencies, sole source and/or utilizing a cooperative purchase agreement limiting the use of Request for Payments (RFP) to those uses outlined in the policy criteria.		Agree and implemented - All emergencies, sole source and cooperative procurements currently require and generate purchase orders -- request for payments/direct payments are not utilized in these circumstances.	No	Immediate	High
6.2 Purchasing should update its procurement thresholds for the purchase of goods, services, and public works projects. A review of other cities' policies indicates that thresholds of below $5,000, between $5,000 and $75,000, and above $75,000 are appropriate for informal, written informal, and formal bid processes, respectively. This change will provide more timely service to departments with minimal increase in risk if appropriate oversight is utilized.		Agree and in progress - A Citywide Purchasing Task Force has been developed to look at this recommendation and many others in a goal to revise and modernize our purchasing process and payment system.	No	Short-term	Medium
6.3 With the addition of a new position, Purchasing should place a greater emphasis on the review of bid specifications provided to them by departments where they can determine the appropriateness of the specs.		Agree and in progress - Purchasing manager spends large percentage of time reviewing all formal bid specifications. Major review of the entire purchasing process per the Citywide Purchasing Task Force process will help this issue along with many others.	No	Immediate	Medium

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6.4 Purchasing should review all contracts especially in relation to insurance requirements thus ensuring all contracts are uploaded to SPL for review and reference.	Agree and in progress - As part of the Citywide Purchasing Task Force.	No	Immediate	Medium
6.5 Purchasing should routinely put services out to bid and not utilize evergreen contracts, which may limit downward changes in pricing opportunities.	Agree and in progress - As part of the Citywide Purchasing Task Force.	No	Immediate	Medium
6.6 The City should establish a formal vendor performance evaluation process to mitigate risks posed by known problem vendors. Vendor debarment is a core contracting process to safeguard the City from known problem vendors. Consider the use of language in RFPs that prior work will be considered.	Evaluating - Have tried in the past but will evaluate again looking at cost effectiveness, staff time needed and legal implications. Need more staff to implement. There is no canned solution to "purchase". Vendor evaluation must have user department evaluations be a part of it, and departments report that they do not have staff to support.	No	Long-term	High

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6.7 Given the staffing ratio comparison and the recommended procurement changes, one full-time buyer position should be added to the Purchasing Division.	Agree - Will add one - two full time position for Purchasing in FY 2017-18.		Yes	Long-term	High
7.0 Risk Management					
7.1 Risk Management should work with the outside vendor to develop more useful and timely reports regarding claims against the City. Additionally, the City should consider automation of the internal claims handling process to better track outstanding claims that the City has filed against others to enhance claims management and enable regular reporting of claim status.	Agree, evaluating and progressing - Outside vendor report writing functionality is being evaluated and other alternative software functionalities are being explored.		Yes	Short-term	Medium