# Finance Department
## Matrix Performance Audit Update
## March 2017

| Audit Item # / Recommendation | Management Response | Cost | Timeframe | Priority | Target Completion Date | Status | Progress |
|---|---|---|---|---|---|---|---|
| **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 | June 2017 | Completed | Revenue and expenditure budgeting and forecasting is in the end stage of transition to the Budget Office. This progress will continue to strengthen as more staff joins the Budget Office and are able to take on their full responsibilities. The Budget Office has three of five staff on board at this time. |
| 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 | Ongoing | Completed | The Budget Office has been proactive and progressive in reaching out to departments; quarterly budget meetings with certain departments started in November 2016. Other resources and tools are being utilized, such as IFAS reports, TeamBudget reports, SharePoint, and Excel reporting tools; Cognos will be unavailable until a new ERP system is installed. The communication between the Budget Office and departments has increased in frequency and strength as the Budget Office is on its way to being fully staffed. |
| 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 | Budget - March 2017 Purchasing - TBD | In Progress | Funding for Budget staff has increased to five staff positions through use of contingency funds approved by the City Council on August 23, 2016. Currently three of the five Budget staff positions are filled with two additional recruitments underway. While additional Purchasing staff are critical to keep up with demand, funding for additional Purchasing staff has not been identified at this time. |
| 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 | March-June 2018 | Completed | Internal Audit has been given the responsibility of coordinating performance measurement; performance measurement progress will be tracked in the quarterly financial reports. |
| 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. | Yes | Long-Term | Medium | June 2017 | In Progress | Currently, the Human Resources Department, City Manager's Office and Finance Department are reviewing the structures of Risk Management and Workers Comp; no decision has been made at this time. The Purchasing and Risk Management functions are being segregated into individual Finance divisions and a new Risk Management model is being studied. |

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| 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 | June 2017 | Completed | See response to Recommendation 1.1. |
| **2.0 Financial Resources** | | | | | | | |
| 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 | Budget Requests - Completed<br><br>Enhanced and Automated Position Control - December 2017 | In Progress | The Budget Office has taken on the responsibility to review and approve budget transfers and is beginning to routinely vet personnel and operating expenditures. The Budget Office is also working very closely with executive management to analyze budget requests. The first amendment to the Authorized Personnel Detail was adopted by Council on January 10, 2017. These amendments will be continued and incorporated into the budget review processes to improve overall position control in the City. Automation of position control has been very challenging. |
| 2.2  The identification of new departmental-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 | June 2018 | In Progress | The revenue and expenditure budgeting and monitoring processes and procedures are in the early and middle stages of establishment between the Budget Office, departments, and executive management. Departments are being trained to be more effective and accurate in their budget projections. The revenue projections process will continue to be enhanced in Fiscal Year 17-18. Progress will continue as more staff joins the Budget Office and are able to take on their full responsibilities. The Budget Office has three of five staff on board at this time. |
| 2.3  Financial Resources 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 | March-June 2018 | In Progress | As mentioned before, the Internal Audit division has taken on performance measurement responsibilities. The Budget Office has supported Internal Audit and will publish these as part of the quarterly financial reports. As the City's performance measures are adopted, the Budget Office will incorporate them in the City's budget processes, procedures, and documents. |

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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 | Nov-Dec 2017 | Completed | In the FY 2016/17 second quarter budget review, Budget Office staff has started to meet with major departments' budget liaisons/staff where some department heads were included at the discretion of the department. As this process becomes more developed and established, the department head will be part of the quarterly budget meetings. |
| 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 | Completed; Automated Position Control - December 2017 | In Progress | The City's position control was transitioned to the Budget Office. Human Resources, Information Technology, and the Finance Departments have formed a working team to further establish position control in the City. The accomplishments thus far include Finance as an approver for recruitments, the amendment of the City's Authorized Personnel Detail, and the open discussion and communication between the three departments to review policies and establish processes and procedures to maintain position control. The automation of this process has been extremely challenging - this alone has required .75 FTE of staff time. |
| 2.6  The Department should add three full-time budget staff positions for a complement of five 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 greater input in deciding budget authorization amounts. | Agree and in progress - Staff coming to Council for approval August of 2016. | Yes | Long-Term | High | Refer to Target Completion Dates, Status and Progress in the following Recommendations: Budget Office staffing - 1.3 Performance Measures - 1.4 Position Control - 2.1 Monitoring - 1.1, 1.2 Authorization - 2.1 | | |
| **3.0 Payroll** | | | | | | | |
| 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 retraining 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 | January 2017 | Completed | The payroll division is currently utilizing an Excel spreadsheet to log any issues deemed to be repetitive or dramatically impacting their ability to efficiently perform their duties. An overall evaluation of the process, including training needs, is expected to take place in June 2017. |

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| 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 | December 2016 | Completed | As of December 19th the payroll division was moved to a new location on the 6th floor that includes a private conference room to be used for confidential discussions with employees. |
| 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 | December 2016 | Completed | As of December 19th the payroll division has been relocated to a secure location. |
| **4.0 Accounts Payable and Receivable** | | | | | | | |
| 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 Payments 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 | June 2017 | In Progress | This item is being addressed through the Purchasing task force with the intent of minimizing the use of an RFP for payment. Adjustments to the Purchasing Resolution will require action from the City Manager's Office and the City Council. |
| 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 | March 2017 | Completed | Bank of America has assisted with a campaign to assist the City in converting vendors to our electronic payment process. Finance is currently working with the Worker's Compensation group to streamline the multi-check process. |
| **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 | Completed | Completed | The Treasury division has lowered the beginning balance of register drawers to $500. |

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| 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 | N/A | N/A | N/A |
| 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 | Completed | Completed | A cash drawer policy has been implemented within Treasury to include restrictions on sharing of cash drawers.  Administrative Manual section 06.007.00 - Cash Handling and Receipt Manual is in the process of being updated to include this control. |
| **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 | June 2017 | In Progress | The Purchasing Task Force is set to present its findings to the Finance Committee in March 2017, which will generally include direction on agreements requiring purchase orders.  Staff is currently working with the Innovation and Technology Department to add a contract management module with the City's financial system to ensure purchase orders are attributed to the correct agreements. |
| 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 $5000, between $5000 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 | June 2017 | In Progress | The Purchasing Task Force is set to present its findings to the Finance Committee in March 2017, which will include recommendations on bidding requirements and approvals as they relate to dollar thresholds. |
| 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. | Yes | Immediate | Medium | July 2017 | Not Started | Due to the denial of a new position in fiscal year 2016-17, this action item has not been started. As indicated at Audit item 1.3, additional funding for staff has not been identified.  Further, more than one position would be needed to centralize many of the recommendations in this audit, including but not limited to more in-depth review of bids, RFPs/RFQs, and contracts. |

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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. | Yes | Immediate | Medium | June 2017 | In Progress | As indicated at Recommendation 1.3, additional funding for staff has not been identified, which creates time constraints for proper review. Staff has instituted a process whereby all agreements that come to Finance for review are also reviewed by Purchasing. While the systems currently in place do not always allow for proper review prior to agreements being drafted/reviewed by the City Attorney's Office, the new process will allow Purchasing staff to review and direct departments to add additional information to systems, when applicable. |
| 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 | June 2017 | Completed | Efforts have been made to have departments routinely put services out for bid. The Purchasing Task Force is set to present this as part of its findings to the Finance Committee in March 2017. |
| 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 | TBD | In Progress | The Purchasing Task Force is set to present their preliminary findings to the Finance Committee in March 2017. As noted previously, this topic is currently being reviewed by the City Attorney's Office and the Finance Department. |
| 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 | TBD | Not Started | Due to the denial of a new position in fiscal year 2016-17, this action item has not been started. As indicated at Recommendation 1.3, additional funding for staff has not been identified, which creates time constraints for proper review. Further, more than one position would be needed to centralize many of the recommendations in this audit, including but not limited to more in-depth review of bids, RFPs/RFQs, and contracts. |

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| **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 | June 2017 | In Progress | Risk Management is now receiving reports from the third-party administrator which facilitate more effective and efficient handling of outstanding claims. Staff is currently recruiting for a Risk Specialist, Risk Supervisor and a Risk Manager. Additionally, staff is currently moving forward with the acquisition of a Risk Management system. RFP 1533, Risk Management Software, was issued on May 12, 2016 and six proposals were received on June 17, 2016. The top three proposers will be presenting their solutions to the City in the spring of 2017. Staff aims to have the purchase and implementation complete in the next 9-12 months. |