



**GOVERNMENT FINANCE OFFICERS ASSOCIATION
(GFOA)
RESEARCH AND CONSULTING CENTER**

City of Shreveport, LA

July 2020

Organizational Assessment and System Analysis

GFOA Observations/Recommendations



Table of Contents

I. About the Project.....	3
A. Executive Summary	3
B. Purpose.....	4
C. Scope of Work	5
D. Review and Prioritization.....	7
II. Business Process Improvements	9
A. Accounting	9
B. Budget.....	13
C. Procure – Pay	19
D. Customer Billing	25
E. Treasury	27
F. Asset Management.....	31
G. Time Entry – Payroll.....	32
H. Risk Management	35
III. New World System Improvements.....	39
IV. Structure of Department / Organizational Roles.....	43
A. Financial Policy Review	46
V. Chart of Account Improvements.....	51
Appendix A – Purchasing Manual Review.....	53
Appendix B - Organizational Structures of ‘Peer’ Cities.....	57
Appendix C – Chart of Account Recommendations.....	59



I. About the Project

A. Executive Summary

An organization relies upon its support functions to enable it to achieve its core mission. In the City of Shreveport (City), the Finance Department is essential to the overall operations of the City by allocating, monitoring and distributing the funds necessary for the City to deliver the services and programs to its residents. In turn, the Finance Department exists solely to support the City in providing services and programs and the Finance Department needs to ensure that it is balancing its obligations to financial stewardship and customer service to the organization that it serves.

The following assessment identifies key areas for improvement where the Finance Department is not efficiently and effectively supporting the City and its departments in providing services and programs. This report is intended to serve as a basis to guide the City's senior administration team and the Finance Department in developing a plan to implement the recommendations for its finance functions to better support the overall organization.

As part of this assessment, GFOA facilitated process-oriented group meetings and interviews with City staff from the Finance Department and other City departments and also reviewed numerous other documents to aid in identification of key issues. GFOA conducted research of our best practices, drew from industry best practices, and also our work with other clients to provide recommendations to the City to begin overcoming the identified issues.

The following is a summary of major themes from the more detailed GFOA observations included in the report:

- **Lack of Clear Policies and Procedures.** City policies are incomplete and outdated, at best, and without, the City suffers from creating consistent expectations as approved and review by the City Council. In addition, procedures for major finance functions are also not in place for several areas and for those in place, particularly related to purchasing, inconsistent and not user friendly.
- **Antiquated, Manual Processes.** The City is heavily reliant on manual processes that are being conducted outside of the City's financial system. In addition, some City processes do not follow industry best practices, including the absence of a requisitioning process to initiate purchases.
- **Poor Leveraging of Systems.** The current financial system, New World (NWS), was poorly implemented with little to no changes made to best leverage the functionality in supporting City processes. In addition, the City does not utilize several NWS modules that were included and purchased as part of the contract with NWS.
- **Lack for Training.** Additional training is needed in all major areas examined. Training is needed on two fronts – first for department end-users on a more routine, consistent basis, particularly related to payroll and second for Finance Department staff, cross-training is needed in all functional areas to ensure adequate coverage in times of staff absence and to help develop staff better to support succession planning with any future staff departures.
- **Poor and Inconsistent Communication.** Communication overall within the Finance Department and between departments is lacking. This results in departments contacting various people within Finance, including the Finance Director, and also Information Technology for routine questions.



In addition, information has been poorly disseminated from the top down on a number of items from prior Finance Department leadership.

- **Lack of Organizational Accountability.** The City suffers from a lack of staff being held accountable for their job duties and responsibilities. This was mentioned repeatedly through on-site interviews from staff across City departments.

The final item included above alludes to a more significant issue that the City will need to address in moving forward with the recommendations included in this report. Change management with departments and City staff will be a significant lift for the City in implementing and realizing benefits from improving its financial processes. A number of City staff from various departments and functional areas provided examples of when efforts were made to implement beneficial changes to finance related processes only to have these efforts stopped by department push back or department fear on how their staff would respond. Several polling questions asked during our site visits confirmed these fears as well with the following highlighting the results from the question - what will be the most difficult part of this project:

- People's mindsets and acceptance to change
- Working together with all departments
- Implementing
- Cohesion
- Making time
- The lack of enthusiasm to work towards improvements from negative minded personnel
- Getting buy in from everyone

As part of this, the recommendations contained herein will need to be championed as part of a broader City-wide improvement effort, not just a Finance Department initiative. This will take the leadership of the Mayor and Chief Administrative Officer (CAO) communicating to departments the need for suggested recommendations and also serve as a sounding board for concerns and making sure those are properly addressed.

The following sections explain GFOA's approach, observations, and recommendations in more detail. Next steps include meeting with City staff to prioritize the included recommendations and developing a plan of action for the City to begin implementing the recommended improvements.

B. Purpose

GFOA is leading a project for the City of Shreveport (the "City") to improve the City's financial-related processes, system utilization, and overall financial function/structure. At the initial meeting with Finance Department staff, the question of "why are we doing this?" was posed to participants. The responses are listed below:

- To ensure we are keeping our best foot forward
- To improve on our processes
- To verify the city's best practices
- To learn best practices
- To grow and improve



- To strengthen financial processes
- To enhance our business practices

As part of additional focus group discussions and individual interviews, GFOA asked questions that centered the following:

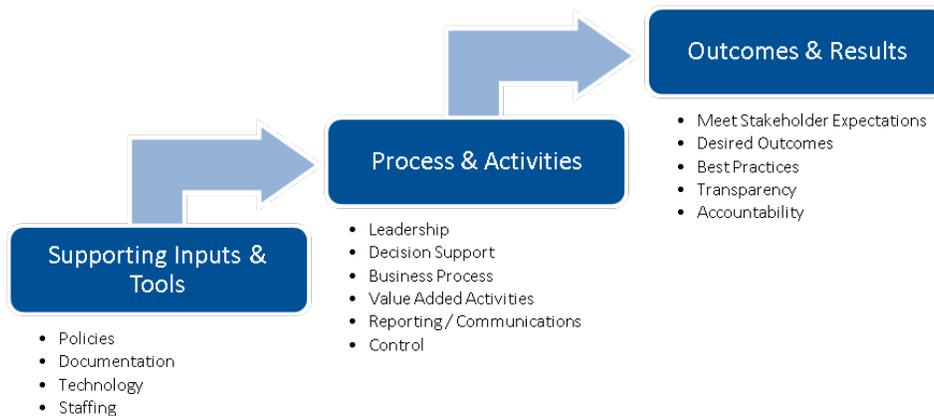
- What processes/functions work well?
- What processes/functions do not work well?
- Why are these process/functions working well or not working well?
- What changes can be made to help these processes/functions work better?
- What are the biggest barriers to implement these changes?

These questions served as the basis for GFOA’s on-site discussion and also related analysis of the City’s policies, procedures, processes and other relevant items/areas. In addition, the answers to these questions serve as the basis for our recommendations and potential solutions for the City’s finance function – and beginning steps towards improving the finance function.

C. Scope of Work

GFOA was engaged to work along with City staff in leading transformation of the City’s finance function, its policies and procedures, the structure of how tasks are distributed throughout the organization, and its enterprise technology systems, including the City’s more recent implementation of New World Systems.

Overall, the focus for all improvement projects is to improve upon GFOA’s model for financial management listed below. We believe that outcomes and results are dependent on both processes and activities managed throughout the finance function of an organization and the underlying supporting inputs and tools. Often, to correct or improve on outcomes and results relies on addressing the root cause of the issue found within a different layer of the model.





Outcomes & Results: In GFOA’s approach, the ultimate purpose of a high-performing finance function is to enable an organization to achieve high-quality results, demonstrating that the government is an effective steward of the public’s resources, that it is meeting the expectations and needs of users (both internal departments and the public), and that it supports the achievement of organization-wide goals.

Processes & Activities: An organization that is able to successfully execute key financial management activities can produce results. These activities include provision of analytical and informational services to decision makers, efficient and accurate transaction processing, effective internal control and risk mitigation, and timely and accurate reporting.

Inputs & Tools: Finally, the finance function’s technology, staffing, policies and procedures, and business processes determine the quality of its managerial activities.

GFOA reviews activities to identify what is working well and what might be improved, then analyzes supporting practices and tools to provide specific suggestions on improvement opportunities.

GFOA divided the project to the following phases or “mini projects” that address major areas for improvement. These areas include:

- Business Process Improvement
- New World System Improvements
- Structure of Department / Organizational Roles
- Chart of Account Improvements

The following processes were included in the scope of the project, covered in our workshops and interviews, and are included in the report with both our observations and recommendations:

Process List	
Process	Task / Topics
Accounting	<ul style="list-style-type: none"> • Chart of Accounts • General Ledger Transactions • Grant / Project Tracking • Financial Reporting
Budget	<ul style="list-style-type: none"> • Operating Budget • Capital Improvement Planning (CIP) • Capital Budget • Budget Adjustments / Amendments
Procure – Pay	<ul style="list-style-type: none"> • Vendors • Purchase Requisitions <ul style="list-style-type: none"> ○ RFP / RFI / RFQ • Purchase Orders / Contracts • P-cards • Change Order • Receiving/Inventory • Accounts Payable
Customer Billing	<ul style="list-style-type: none"> • Customer File



Process List	
	<ul style="list-style-type: none">• Billing• Accounts Receivable
Treasury	<ul style="list-style-type: none">• Cash Receipts<ul style="list-style-type: none">○ Online payments• Disbursements• Interest Allocation• Bank Reconciliation
Asset Management	<ul style="list-style-type: none">• Asset Acquisition• Asset Lifecycle• Depreciation• Transfer / Disposal / Retirement
Time Entry – Payroll	<ul style="list-style-type: none">• Time Entry• Time Approval• Payroll Calculations• Payroll Processing• Leave Management (FMLA)
Risk Management	<ul style="list-style-type: none">• Insurance• Claims Management

GFOA observations included in the report below were informed by our conversations on these process areas. The recommendations that then follow these observations are also organized by these major process areas and are supported best practices from GFOA, other leading organizations, and GFOA’s experiences with other similar organizations. In addition, our conversations in the process-related areas, also informed our recommendations related to improvements needed to New World, the organizational/structure, and the chart of accounts.

D. Review and Prioritization

After the City has reviewed GFOA’s observations and recommendations in this report, GFOA will be onsite to facilitate a discussion of the recommendations and preparation of a prioritization and action plan of the recommendations that the City can use to track progress towards the recommended improvements. GFOA will use a template similar to the example below to identify improvement opportunities, identify stakeholders responsible for executing the improvements, and designate a measure or indicator assigned to each outcome to demonstrate that improvement has actually taken place. GFOA would then be available to provide further details to the action plan or participate in implementation efforts, as requested.



Number	Improvement	Timeframe	Responsible	Measure / Outcome
1				
2				
3				
4				
5				
6				
7				
8				
9				

Note: All improvements identified in the prioritization/action plan will be based on the City's decisions and approved by City leadership. The prioritization/action plan is intended to be a document that the City has ownership over and not simply a consultant's recommendation.



II. Business Process Improvements

GFOA facilitated discussions with City staff to develop a better understanding of City processes for the areas included in the scope and develop current state process maps, where practical. The following section provides an overview for each process, lists GFOA's observations of the process, and makes recommendations based on best practices and industry standards. The GFOA observations are intended to identify issues, inefficiencies, abnormalities, areas for improvement, areas of confusion, or unique aspects for consideration. GFOA's observations are only that - observations based on discussion from meetings. In cases where there is not a standard process or where standard processes may not be followed across the organization, observations may not apply to all departments and/or users.

As part of GFOA's initial site visit to the City, staff were asked to answer a few questions related to the purpose of the review and overall goals for the City. The following highlights the results from the question: what word describes your current financial processes:

- Antiquated
- Busy
- Misunderstood
- Streamlined
- Heavy
- Convoluted
- Paper

Results like this are not unusual on other GFOA assessment projects. However, it does provide common ground for pursuing improvement strategies. The remainder of this section provides more detailed observations and recommendations for each of the City's major process areas that are the responsibility of the finance staff.

A. Accounting

Reliable financial reporting is key for not only evaluating and ensuring the City's financial performance, but also for building trust and confidence in the City's overall operations. As part of the financial reporting process, attention needs to be given to the structure of how financial information is gathered and vetted, including for regular internal monitoring and reporting and also for production of the comprehensive annual financial report (CAFR).

GFOA Observations

- Recent audit findings have eroded confidence in not only accounting function of the City's Finance Department, but also overall confidence in all functions of the Finance Department.
- Accounting Division has suffered from lack of consistent leadership over the last several years. Short tenured prior controller was let go after a short time period – but even prior to his dismissal lacked leadership in terms of treatment of staff and inclusion of staff in important processes.
- The prior finance director previously held the role of controller and was still performing a number of functions related to that role even after ascending to finance director. While GFOA does not



believe this was done with ill intent – the Accounting division staff suffer from not fully knowing all duties assigned to the Accounting division or what functions the prior finance director may have been performing that were actually Accounting division responsibilities.

- Prior controller conducted activities related to preparation of the audit in a ‘silo’ with limited to no engagement of either other senior level staff or his own accounting staff.
- Need better involvement of higher level stakeholders in the City (e.g. Mayor, Council, etc.) in the audit process to keep them regularly informed of significant findings and, more generally, the city’s financial operations and processes
- Issues with internal controls when controller position was vacant and with lack of any dedicated staff in treasury function (outside of what prior finance director performed).
- Uncertainty about responsibility of preparation of budget to actuals monthly reporting. Varying statements made by staff from monthly reporting for departments done by request and also how staff no longer involved in quarterly reporting to Council. Monthly reports to council are posted on-line through September 2019
- Discontinuation of quarterly reporting has also hurt accountants’ ability to catch errors and correct before year end.
- Inconsistency on how City Departments are tracking actuals – some departments using New World, other department are tracking expenses off system (likely MS Excel).
- Those departments that utilize spreadsheets to track expenditures do so to track further detail not necessarily stored in New World.
- Training on New World is lacking and/or insufficient for both Finance department and other department staff who use New World.
- Frustration expressed by Finance Department staff in not being included earlier in discussions around major updates and changes to software to help offset any glitches and other limitations in functionality.
- Relevant information not disseminated to Finance Department staff, for example, the prior controller did not share with staff an update to New World that was communicated to him, including the need to have accounting staff test update.
- Lack of professional development opportunities for accounting staff; no sharing of training materials to accounting staff from trainings prior controller attended.
- New World does not have the same amount of capabilities regarding journal entries as prior system – limited in terms of both amount of information that can be entered and the ability to have batches of entries uploaded into New World by IT.
- Highly manual general ledger transactions
 - Example: A funds transfer is done via paper form with signatures of department heads then with a copy of the journal entry emailed back to the department once the journal is posted.
- New World much more difficult to limit user access than prior system– can be problematic with who has ability to access and changes journal entries.
- Issue with ability being able to scan documents and post into New World related to accounting staff being ability to access the scanner.
- Lack of centralized reporting for grants, which could lead to inconsistency in required reporting for grants.
 - Grant reporting all done by the departments
 - Grants are being set up by ordinance or directly from the department – all via email



- New World grant module not consistently utilized or utilized to full potential
- Reconciliation between budget/actual and grant award can be quite difficult in New World given multiple award years, fiscal year timing, etc.
- Year-end close out process and CAFR preparation in general is mentioned as a concern by several staff (in Finance and other departments) with the turnover in the controller position.
- Need for clarification for cut off in terms of fiscal year reporting period – most recent auditors used a different date different from what accounting staff typically used
- Creative Solutions software relied upon to desktop publish the CAFR – software no longer supported. Creative Solutions use seems to be driven in part by reclassification journal entries being in Creative Solutions but not New World.

GFOA Recommendations

1. **Accounting staff regularly meet with audit firm.** The City should initiate a meeting with the auditors as soon as possible to discuss prior year findings and also gain familiarity with the audit team and their processes. The new controller, interim finance director, and accountants (preferably all accountants, but at minimum Financial Accountant IIIs) should be included in this discussion to prepare for developing the fiscal year 2019 audit. This will serve as a means of not only introducing staff to the audit team, but also helping to reinforce the need for a more collaborative audit process than what has been conducted in prior years – particularly fiscal year 2018. And also, the meeting will serve as the beginning of the expected interaction and communication throughout the audit process.
2. **Ensure the City Council’s audit committee is functioning properly.** Quality financial reporting is dependent on the City’s financial management team, the audit firm, and the City Council. While the City Council does have an Audit and Finance Committee in place, the structure of the committee should be evaluated to ensure it includes no less than three members of the City Council and that it is performing its essential function as a venue for candid discussion the auditors on audit-related topics, apart from City management. See GFOA Best Practice on Audit Committees for more information - <https://www.gfoa.org/audit-committees>
3. **Routine and timely reporting of financial activity throughout the year.** Financial information needs to be disclosed in a timely manner. As part of GFOA’s recommendations on timely reporting, the Accounting division should verify data collected and processed throughout the year, at minimum quarterly, including reconciliations and recording of capital assets. In addition, this should include financial analysis of interim management reports as well to identify anomalous or incomplete data that may need to be corrected. See GFOA Best Practice on Timely Financial Reporting for more information - <https://www.gfoa.org/timely-financial-reporting>
4. **Need for Documentation of Policies and Procedures.** Better documentation of policies and procedures is emphasized throughout this report – and is clearly needed in the accounting area, with no current procedure manual in place. Recommended policies are discussed more in depth in the ‘Financial Policy Review’ section of this report. A procedure manual is essential in order to ensure the day to day functions and duties of the division and staff are clearly documented to serve as a guide as to what needs to be done, by whom, and when. This will also help with cross-training of existing staff and training of future new hires. An excerpt from the GFOA Best Practice on Policies and Procedures Documentation further highlights the importance of documentation *“Communication is an essential component of a comprehensive framework of internal controls. One method of communication that is particularly effective for controls over accounting and*



financial reporting is the formal documentation of accounting policies and procedures. A well-designed and properly maintained system of documenting accounting policies and procedures enhances both accountability and consistency. The resulting documentation can also serve as a useful training tool for staff.” See the aforementioned best practice for more information - <https://www.gfoa.org/policies-and-procedures-documentation>

5. **Continue work on cross-training of staff within the Accounting Division.** As mentioned above, the division has begun work on cross-training of staff within the two areas of the division. This efforts should continue in earnest and be supported/monitored by the new controller to ensure the training covers all major duties and functions. This is of particular importance as several Accounting Division staff are or will be retirement eligible soon. The above recommended documentation of policies and procedures should support the cross-training efforts and may serve as a vehicle for helping cross-training efforts and ensuring completeness of scope of training.
6. **Establish a better whistleblower system for the City.** The City’s Personnel Rules and Regulations includes mention of whistleblower protections as established by State law. The City should ensure is has a mechanism in place to allow for the anonymous reporting of fraud or abuse by City staff and ensure the ability to appropriately follow-up/investigate as well. The City should make efforts to publicize the availability of this system as well. See GFOA Best Practice on Internal Control Environment for more information - <https://www.gfoa.org/internal-control-environment>
7. **Establish a City-wide commitment to maintaining good internal controls.** Abiding by internal controls – including policies, procedures and related rules – needs to be well-articulated and reinforced by the Council, Mayor, and other leaders within the City. Without this commitment, the Finance Department’s efforts to maintain internal controls and implement the majority of the recommendations included in this report will be of little to no value. See GFOA Best Practice on Whistleblowing for more information - <https://www.gfoa.org/whistleblowing>
8. **Evaluate internal controls to ensure good standards are in place.** GFOA has included recommendations on development of procedures and cross-training for all major financial management areas, as well as recommendations on improving and developing overarching policies for the City as well. However, as referenced above – this procedures and policies will only be as strong as the staff responsible for implementing and monitoring sound internal controls. In terms of evaluating internal control, Finance Department staff, and accounting in particular should be on the lookout for potential areas with shortcomings. GFOA’s recommendations on internal control center on five essential components, as defined by Committee of Sponsoring Organizations (COS), which include:
 - Control environment
 - Risk assessment
 - Control activities
 - Information and communication
 - Monitoring

Go to COSO’s website for more on these five essential components and the 17 principles associated with the components for more information - <https://www.coso.org/>. In addition, GFOA Best Practice on Internal Control and Management Involvement - <https://www.gfoa.org/internal-control-and-management-involvement> and also GFOA Best Practice on Internal Control Framework - <https://www.gfoa.org/internal-control-framework> contain additional information that may be helpful.



9. **Continue work on improving grant reporting and overall management.** The Finance Department is at work to have more centralized and better oversight related to the grant funds the City receives, including recording of better information in New World. The Department should continue these efforts and also keep in mind the following regarding establishing better grants oversight:

- Ensure grants are being utilized effectively and efficiently;
- Proper safeguard of assets purchased or developed with grant funds
- Required reporting for any grant is accurate and timely
- Grant resources are being compliantly utilized

In addition, GFOA has included additional recommendations related to grants in the Budget section of this report. See GFOA Best Practice on Grants Administration for more information - <https://www.gfoa.org/grants-administration> and also GFOA Best Practice on Internal Control for Grants for more information - <https://www.gfoa.org/internal-control-grants>

10. **Utilize functionality of New World to full extent to limit use of side systems.** The Finance Department needs to evaluate a new approach to developing the CAFR publication to eliminate reliance on Creative Solutions. This should include evaluation of better production of financial reports from New World and also utilizing common desktop publishing software such as MS Word – or a comparable program that the City may already own a license to.

11. **Develop a popular financial report.** To help re-new confidence in the City and its finances, GFOA recommends the Finance Department produces a popular version of the financial information in the CAFR. The popular version would contain more high level financial information, clear descriptions of what is presented and be much shorter in length. However, this should be more of a longer term goal for the department and be done in balance and consideration of other more pressing areas of need for the department, namely, production of the audit, developing procedure manuals, cross-training, and maintaining good internal controls. See GFOA Best Practice on Popular Reporting of Financial Information for more information - <https://www.gfoa.org/popular-reporting-financial-information>

12. **Selection of audit firm.** While the current audit firm is contracted for several years, GFOA urges the City to keep in mind the following in selection of an audit firm in the future, including:

- Unique needs of the City and whether audit firm is experienced in those areas
- Minimum five year contract length to ensure continuity
- Selection of audit firm via a competitive process
- *Key factor in selection should be ability of firm to provide a quality audit*
- Care when using audit firm for other non-audit services

See GFOA Best Practice on Audit Procurement for more information - <https://www.gfoa.org/audit-procurement>

B. Budget

The decisions made as to how resources are allocated during an organization's budget process are arguably some of the most important for any type of organization. These decisions will determine what services and programs are provided, how well those services and programs perform, and ultimately inform an organization's constituents as to whether or not an organization is successful in the provision of those services and programs. In addition, the budget process needs to address the alignment of decisions towards

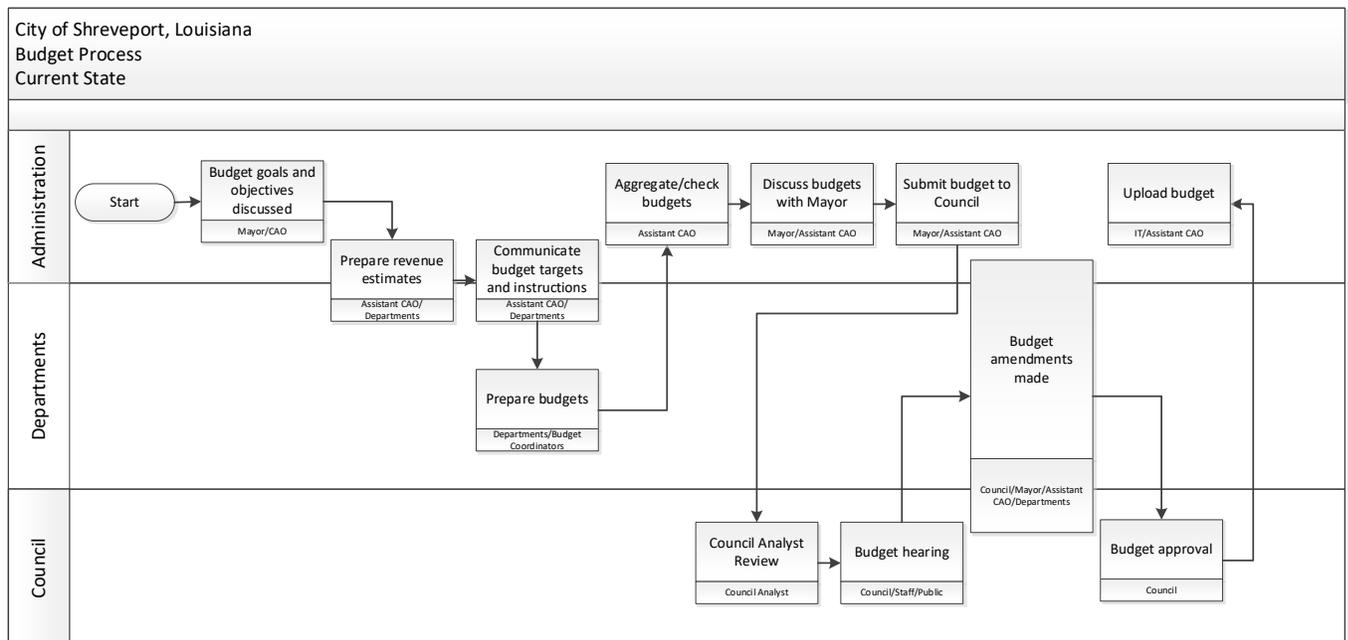


city priorities and whether or not these address city and constituent needs and are done so in a fair and equitable manner.

However, decisions as to where funds are allocated are only as good as the plan and organization vision from which they were derived. In addition, well-developed budget processes are centered on stakeholder engagement to have a well-informed process and advise stakeholders of what decisions were made and why. Well run budget functions also have a plan in place for monitoring budget performance, both in terms of spend and also outcomes to see if what was funded is actually delivering the services and results promised.

GFOA Observations

- City’s budget process suffers from a lack of organizational goals and strategic direction. This makes it difficult to set direction and prioritize initiatives/projects/etc. for the City.
- Current budget process is centered more on aggregating department developed budgets than discussions on what the City should and should not be allocating funds towards.
- Budget direction/decision-making initially done largely at the department level as initial instructions on budget development mostly centered on amount to be budgeted for, not alignment with goals and strategies, as referenced above.
- The following is a current state process map for the budget process:



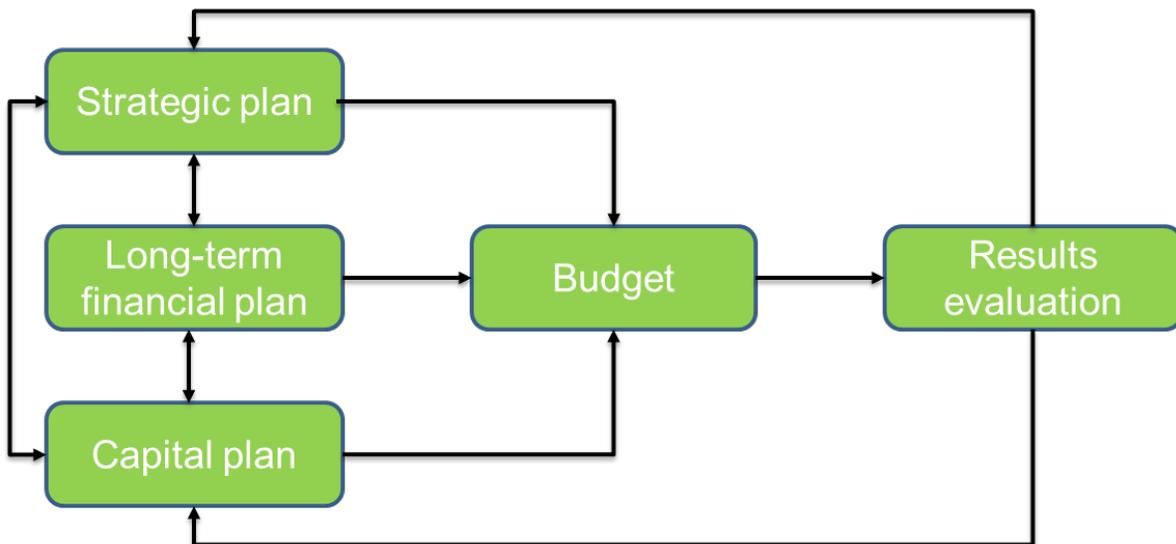
- Process to disseminate and aggregate information from departments cumbersome and largely dependent on emailed information and documents back and forth between the department and Assistant CAO.
- Department needs to provide a justifications for any budget changes that vary 10% or more from prior year resulting in little discussion, possible need for change in terms of how and what services and programs are provided.
- Process to develop the budget document itself relies upon ‘Wizard’ owned by IT – with Assistant CAO then reliant upon IT to make additional changes. Wizard used as it has a better publishing format.



- Budgets entered into New World by departments vetted by Assistant CAO.
- Inconsistencies between departments in terms of how budgets are developed – some departments have divisions within department develop their budgets and discuss, other departments more top down approach with department head developing entire budget for department.
- The City is currently working to improve its performance measures that are used to report results. However, at this point they are more estimates developed by departments as opposed to true metrics to gauge service delivery.
- Need for more clear definition of roles and responsibilities with budget functions currently performed by department staff, Finance Department, Assistant CAO, and also support from other staff such as the Manager of Administration in SPAR in peak times.
- New World information is not always correct in the budget entry module – particularly related to RO (job classification) code – departments have to spend time, sometimes significant, ensuring information is accurate – and also having offline spreadsheets to better track this information.
- Unsure if a vacancy factor is consistently applied by all departments, possible area of concern if not done uniformly.

GFOA Recommendations

GFOA recommendations on budgeting are grounded in a comprehensive approach where the budget process is informed by the organization’s multi-year plans and corresponding processes. While focused on the upcoming year, the budget process needs to be informed by these longer range plans in order to ensure an organization’s goals and strategies to achieve those goals are being funded appropriately and monitored to ensure that outcomes from funded strategies and services are being attained. Recommended multi-year plans include a strategic plan, long-term financial plan, and capital improvement plan. The following graphic helps to illustrate how these plans and processes inform the budget process and the feedback loop of monitoring results to ensure the budgeted funds are achieving the intended results.



Using this as a basis the following includes more details on these specific parts of the broader budget process. Of note, the following discussions of various plans intentionally focus more on the process to develop the plan than prescribing what a plan should look like or include. This is by design as the GFOA



recommendations and guidance emphasize the process as a way to have a better informed plan by having wide stakeholder engagement and input, which in the long run will result in a better plan and broader understanding of how the plan was developed.

13. **Develop a strategic planning process.** – A strategic plan is necessary for which will include goals for the City and strategies for how those goals will be achieved and also measurable performance indicators to demonstrate achievement of goals and progress being made towards achieving goals. The strategic plan – developed through a multi-year, highly collaborative strategic planning process – should establish a mission and vision for the city as well as shorter term goals that will help the city accomplish/fulfill its mission and vision, particularly in areas that have been identified in terms of need of improvement and/or additional work. See GFOA Best Practice on Establishment of Strategic Plans for more information - <https://www.gfoa.org/establishment-strategic-plans>
14. **Improve stakeholder engagement.** Constituent engagement in the budget and strategic plan development processes should be a top priority. Budget process engagement with constituents is limited to a public meeting and should be expanded to include other means of engaging the community as well, including surveys, forums, etc. See GFOA Best Practice on Public Engagement in the Budget Process for more information - <https://www.gfoa.org/public-engagement-budget-process>
15. **Enhance the budget process.** Key drivers of strengthening the budget process will be having the budget process informed by the strategic, long-term financial and capital improvements plans and planning processes also recommended herein. These plans and planning processes will help inform decisions made during the budget process in terms of relative priority of items being funded. In addition, the goals established by the strategic plan will help provide focus for the budget process and the ability to better prioritize existing services and requests for new programs/services to ensure alignment with City goals and objectives.

As such, GFOA recommends that the City move towards a program based budgeting approach to better align service and program provision with City goals to ensure limited City resources are maximized. In conjunction with this, the City may need to take a deep dive into existing services as well potentially utilizing an approach such as zero based budgeting (ZBB, which the CAO had identified as a potential methodology and asked for GFOA comment) to identify areas for possible repurposing. While results can be substantial in the first year utilizing ZBB, GFOA urges restraint in using ZBB annually as the amount identified will lessen in each subsequent year and the time and effort involved in completing ZBB can be significant. For additional information please see:

- *Anatomy of a Priority-Based Budget Process*, from GFOA’s Government Finance Review (GFR) publication - <https://www.gfoa.org/anatomy-priority-based-budget-process> (Note: priority based budgeting and program budgeting are used interchangeably)
 - *Zero-Base Budgeting: Modern Experiences and Current Perspectives*, also from GFOA’s GFR publication - <https://www.gfoa.org/zero-base-budgeting>
16. **Develop regular budget monitoring.** The City needs to establish a regular and consistent approach on how the budget is monitored centrally for all City funds. Key considerations include:
 - What elements should be reviewed – including revenues, expenditures, performance measures, etc.
 - How the elements should be analyzed – root cause of over/under spend, comparison basis, etc.



- At what level of detail should the analysis be conducted – will vary depending on area – by fund, object, program, etc.
- Who is responsible and outlining roles – clearly delineating between department and finance/budget roles
- Tools for conducting the analysis – relying on ERP system as much as possible
- Communications of analysis – how often, what format, and who is the audience
- Action – ensuring a plan is developed to correct any problems identified and who is responsible for correcting

This should be done in conjunction with better and more routine reporting by the Accounting division, as recommended in that section of the report in order to minimize duplication of effort. See GFOA Best Practice on Budget Monitoring for more information - <https://www.gfoa.org/budget-monitoring>

17. Continue developing performance measures. The City has begun to create some performance measures for some areas, but is still in the early stages. GFOA recommends the City continues these efforts, keeping the following conditions of useful/relevant performance measures in mind:

- Useful - helpful to decision making, understanding, or accountability efforts.
- Relevant –clear linkage to the service delivery/program outcomes and are readily understandable
- Reliable – well understood so stakeholders can rely on the information.
- Adequate – ensure enough and also an appropriate variety of measures are used to measure performance and that measures do not incentivize behavior that adversely impacts the measures – such as a quantity versus quality scenario.
- Collectible – measures are readily available and do not involve excessive time/effort to collect
- Consistent – measures can be regularly collected to track outcomes over time
- Environment – measures includes variables related to externalities that impact service delivery and program performance
- Responsibility – clearly identify responsibilities for collection, storage and dissemination of the data
- Systems – existing data collection capacities are leveraged appropriately or new systems are identified in order to ease the burden of data collection

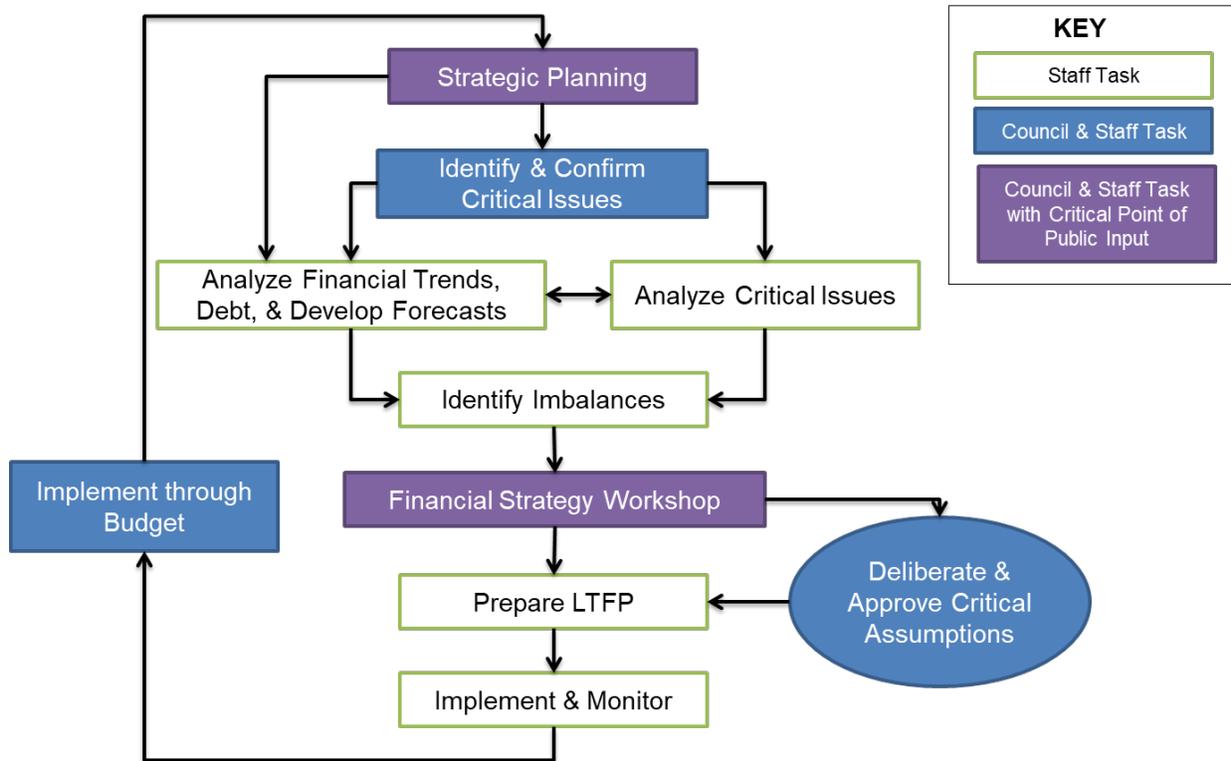
In addition, GFOA recommends that the City is very cognizant of how performance measures are communicated both internally and externally in order to ensure a good understanding of how performance measures are convey used, expectations related to measures, and appropriate context. See GFOA Best Practice on Performance Measures for more information - <https://www.gfoa.org/performance-measures>

18. Ensure forecasts are in-line with industry best practices. GFOA’s Best Practice on Financial Forecasting in the Budget Preparation Process (<https://www.gfoa.org/financial-forecasting-budget-preparation-process>) includes a number of considerations for evaluating the forecasting process and how to best utilize forecasts. Recommendations include clearly identifying assumptions used in forecast, gathering information to inform forecast and provides methodologies for conducting the forecast. Also, the best practice includes recommendations on how to increase credibility, how to present, and also best utilize the forecast for decision-making.

19. Leverage financial forecasts to develop a comprehensive long-term financial plan. The City should work on expanding the current forecasting process to a long-term financial plan to more clearly articulate future funding challenges and how to best sensitize the Council, community and other stakeholders about potential risks to the City’s finances. The following graphic helps to illustrate a potential framework for developing a long-term financial process, with more



information available in GFOA's Best Practice on Long-Term Financial Planning for more information – <https://www.gfoa.org/long-term-financial-planning-0>



20. **Tighten the capital improvement planning and prioritization process.** The City's capital improvement plan is a comprehensive presentation of the capital needs for the City over the next five years. GFOA advises the City further tighten the prioritization process by which projects are added to the list in order to ensure the projects of greatest needed get funded first. This is of even increased importance with the rejection of the 2019 general obligation bond proposal by voters as well. Other considerations to evaluate are ensuring the full financial impacts of any proposed projects were analyzed, particularly annual operating costs and the corresponding impact on the operating budget. See GFOA Best Practice on Multi-Year Capital Planning for more information - <https://www.gfoa.org/multi-year-capital-planning> and also GFOA Best Practice Communicating Capital Improvement Strategies for more information - <https://www.gfoa.org/communicating-capital-improvement-strategies>
21. **Ensure grants are appropriately included in the budget process and monitored.** Building upon the recommendations included in the Accounting section of this report, GFOA recommends establishment of an oversight committee for grants. The committee should include at a minimum the finance director, budget manager, assistant city/county/town manager (or equivalent), internal auditor, grants administrator/coordinator, and at least one department head – and have flexibility to add subject matter experts, as needed. Functions of the oversight committee would include:
- Receiving notification from department/staff of intent to apply for a grant, with committee then analyzing impacts to the City
 - Included in analysis would be how the grant aligns with City needs/goals and what costs City may need to incur as result of the grant
 - Committee would also analyze potential for costs once grant funding expires



- Further the committee would also determine who is responsible for what aspects of monitoring requirements of the grant

See GFOA Best Practice on Establishing a Grants Administration Oversight Committee for more information - <https://www.gfoa.org/establishing-grants-administration-oversight-committee>

22. **Expand the budget function.** In order to better facilitate the aforementioned recommendations, GFOA strongly recommends expanding the City's budget function both in scope in terms of monitoring of budget to actuals and performance measures and also staff to help support. Currently, the Assistant CAO is the only dedicated staff member devoted to the budget function for the City. At best, this allows him to pull together all of the information provided by department through their internal processes to present in a cohesive manner the entire budget plan for the Mayor and Council to make informed decisions about the City's spending plan. Even without the aforementioned recommendations for improvements to the process, development of long-term plans, and more robust follow-up throughout the year, this can be a difficult process for one person to be tasked with (not to mention lack of cross-training on the budget function). As the budget recommendations are implemented, additional analysts will be needed to assist with the process and monitoring of the budget. As this team is developed, the City should ensure duplication of effort between a centralized budget team, Finance Department staff and staff embedded in other City departments is minimized.

C. Procure – Pay

Procure-to-pay encompass the processes an organization uses to request, purchase, receive, pay, and account for goods and services. Procure-to-pay are business processes, which should address internal controls, organizational workflows, customer service, and vendor invoice payments. Financial software systems (New World for the City) should be leveraged to the fullest extent possible to best facilitate the entire procure-to-pay process.

GFOA Observations

Based on GFOA's analysis meetings, review of the purchasing manual, and interviews with various City stakeholders, GFOA recommends that significant changes are necessary to meet fundamental purchasing processes (e.g., requisition, purchase order, contract management, receiving, and sourcing) based on industry best practices. While goods and services are being procured and vendors are paid, the City's processes often do not meet industry best practices and there is general confusion among City stakeholders regarding what the purchasing policies are and what procedures should be followed. In addition, there was consensus among stakeholders that additional training is needed internally within Purchasing, but also at the departments.

- The City does not utilize purchase requisitions in process or in New World – which is a significant example of the City not following industry best practice.
- Departmental workflow approvals of purchase orders (PO) vary by department.
- Currently all PO's over \$1,000 are approved by the purchasing manager. Approximately 65 PO's are approved on a daily basis, which can take three hours to approve – which based on GFOA's experience, is unnecessary if they are reviewed to question the purchase item, especially since the departments have approved them already.
- Bids and formal solicitations are not tracked in New World (e.g. requisition or PO) until a contract is approved. Once a contract is approved with signatures it is entered into New World.
- In addition to approvals in New World, paper approval forms are also utilized by departments/users in the City.



- Departments draft contract documents and obtain appropriate signatures. Departments, also in a decentralized manner, make the determination if legal review is needed. Purchasing is not involved with contracts until the contract is attached to the PO in New World. This process creates confusion within the organization. The Mayor's Office, for example, may contact purchasing to inquire about a contract, but because they do not route or manage the contract, they in turn have to contact the departments to obtain information on contract status.
- Contracts are currently approved three times which is inefficient and unnecessary (e.g. internally in the department, then when entered into New World, and again when the PO is approved).
- The vendor self-service module was purchased and available in New World, although it is not fully implemented at the City.
- All change orders follow the same approval process for purchase orders regardless of the change. In addition, a paper based form, the Contract Routing Form, is used to propose a change to contracts.
- Currently the City requires a signed affidavit for vendors to be approved. In addition, a certificate of insurance is required for approvers. Risk is included in the approval path to review and approve the insurance certificates. It can take weeks to get a PO approved because of these requirements.
- New World currently has approximately 8,600 vendors, of which approximately 4,000 were converted from the previous financial system.
- There are inconsistencies on who enters vendor data into New World. For example, Water and Sewer staff enter new vendors directly into New World, but are approved by purchasing. Other departments email or manually send vendor data to purchasing for entry and approval.
- The process to approve vendor remit to (ACH) data is very cumbersome, inefficient, and handled outside of New World. Purchasing emails the vendor to receive confirmation the remit to location is correct. Once verified by the vendor the purchasing manager enters the information in New World. All vendor remit to's are verified in this manner. This process was initiated after a fraud event, although GFOA does not believe the City should have to manually (e.g. call vendors) obtain confirmation from vendors to validate their information.
- There are three vendor files currently at the City, whereas there could be one if New World was properly utilized. Vendor data is stored on a local shared drive, within New World, as well as hard copies.
- The City does not currently perform any significant receiving or matching of goods or services. Water and Sewer and a few miscellaneous departments are the only exceptions. This is another instance of a significant area where the City does not follow industry best practices. By not performing a formal receiving and matching (2 way or 3 way) process where goods and services are formally signed off on (electronic in New World) and delivered according to the terms of the purchase order or contract, leaves the City at risk for the potential of paying invoices and vendors for goods or services it never actually received.
- In addition, the current process for receiving (when used) is very manual and does not utilize New World. For example, invoices are sent to departments where they are manually initialed (approved), then sent to AP via interoffice mail, AP then pulls up the PO in New World, and finally pays the invoice. Invoices are not scanned into New World by departments or AP. Essentially the entire receiving process is done outside of New World.
- The City owns the PCard module in New World, although it is not used. There is anxiety that transitioning to this module would result in the revision of the current job description, or would invalidate the current process.
- Each department has a PCard administrator, although there are two people in City that have access to adjust purchase limits. The two associates provide back-up for each other.



- PCard's are used for purchases that are less than \$1,000. The City has three types PCards and each card type is used for a different type of purchase (travel, travel with air, and other purchases).
- FuelMan purchases are supposed to be reviewed by supervisors on a weekly basis and signed off/approved, although the statements are not being signed-off by supervisors.
- A lack of consistency regarding the communication and adherence to policies and procedures from management was communicated to GFOA. Essentially, mixed messages and instances of leadership changing decisions has created an environment where there is state of confusion for staff and departments. There are instances where a PO is approved for one department, but rejected for another department. Confusion on process and policies is an issue and concern that was shared to GFOA. Confusion exists internally at purchasing and also at the departments which has created an environment where purchasing and departments are "battling" each other, which is unnecessary and unfortunate.
- While documentation exists, departments consistently email purchasing asking them what the process is or how to handle an issue.
- Training on policies, procedures, and New World is a need for department users and also the Purchasing division.
- Cross-training is not a priority and there have been instances when staff have been out on extended leave which creates issues to ensure work is completed while an employee is absent.
- Clearly defining roles and responsibility for buyers would be helpful. A listing exists for who is responsible for certain areas (department), although it should be reviewed and confirmed to ensure staff are clear on day-to-day approval responsibilities.

GFOA Recommendations

23. **Implement the use of purchase requisitions in New World.** A purchase requisition is a transactional record, usually electronic if the organization has a financial system, used by an organization to request the purchase of a good or service. A requisition is used to set aside funds for the purchase and is connected to several other process steps, including purchase order, bid/quote, or formal solicitations. Best practice indicates essentially all purchases, including formal solicitations, start with the purchase requisition. Utilizing purchase requisitions in New World will allow for real-time budget control when the purchase request is made, allow for real-time budget-to-actual reporting, and it will eliminate the need for departmental Excel-based budget tracking.
24. **Formulate a committee to guide the implementation of purchase requisitions throughout the entire City.** The committee should document the process how purchase requisitions will be made in New World. In addition, the committee should plan for change management activities (including training activities in New World) as they related to this policy and process change. The committee should include representatives from across all City departments.
25. **Eliminate the use of paper approval forms.** New World should be the system of record for all City related purchases to avoid the difficulties in tracking and routing paper approval forms.
26. **Standardize the number of level of requisition approvals across the organization, by role.** Maintaining and managing workflow approvals by department or person is very cumbersome and time consuming to manage. Standardizing approvals across the organization by role will prove to be more efficient and streamlined.
27. **Develop a committee to review and change purchasing approval roles and thresholds.** A key questions for this group would be whether a \$1,000 purchasing manager approval necessary when

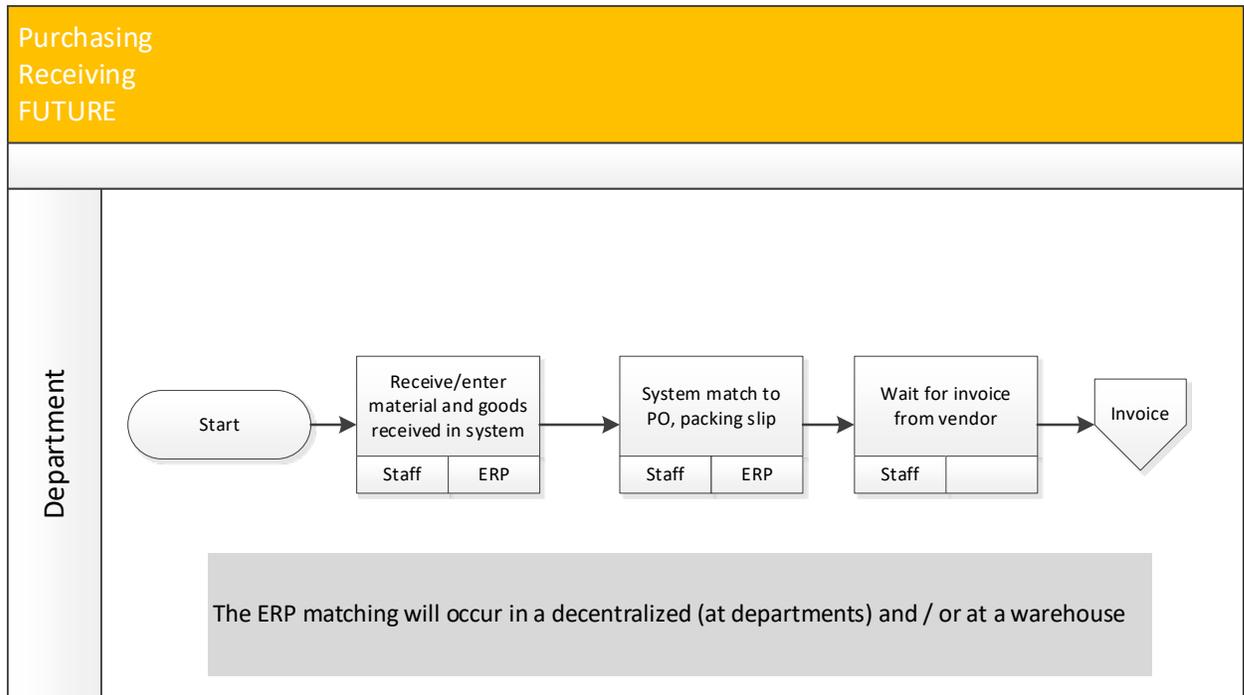


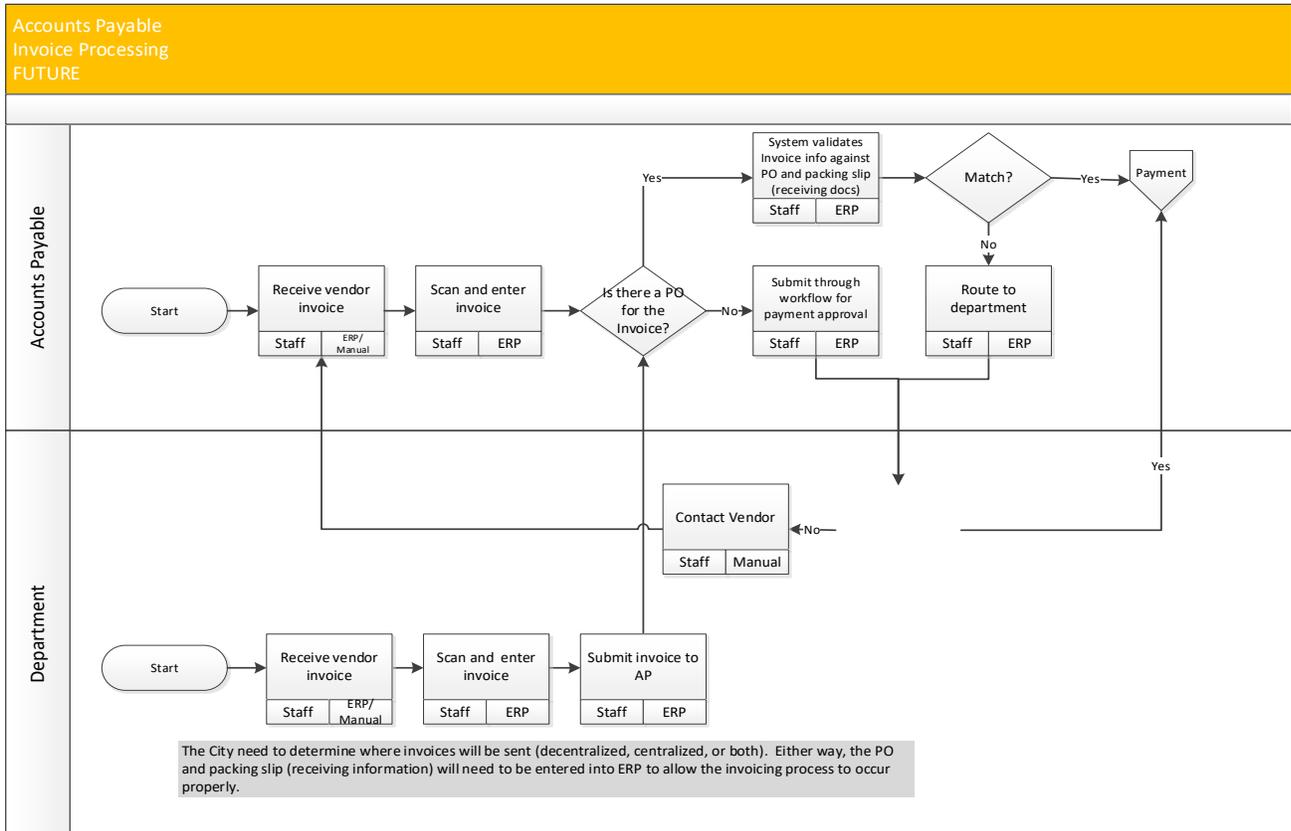
the departments have approved the purchase? Included in the committee should be representatives from various departments across the City.

28. **Determine if New World can be adjusted to reduce the levels of approvals for change orders and contracts.** Change orders currently have the same approval paths as purchase orders. While change orders should be reviewed and approved, GFOA questions if the identical approvals as the original PO is necessary. The City should determine if New World can be configured with different approval paths. For example, if the dollar impact to the change order is within 10% of the original PO, can it be approved outright without going through the same PO approval path? The City should determine what approvals for change orders are acceptable and then configure New World to meet that criteria.
29. **Determine if departments or Purchasing division should manage approvals and routing for contracts.** Contracts are currently managed at departments with little oversight from Purchasing. The City should determine when Purchasing should be included in development and approval of contracts.
30. **Ensure New World vendor file matches the vendor requirements.** The City should configure the vendor file to ensure all necessary data can be provided by the vendors in the system.
31. **Utilize New World as the system of record for vendor data.** New World should be the system of record for all vendor data to ensure consistency throughout the City to prevent tracking of vendors outside of the system and the potential for errors in terms of changing any vendor information.
32. **Reconsider the need to have vendors sign an affidavit to be a vendor in the system.** This is a potentially unnecessary step for vendors as the City can obtain this later if necessary. In addition, the affidavit requirement could prevent businesses from wanting to do business with the City. Vendors probably feel this is an unnecessary requirement and it may prevent quality vendors from working with the City.
33. **Expand the use of vendor self-service utilization in New World.** The City should fully utilize the capabilities and efficiencies that are gained when using vendor self-service. For example, vendor data should only be entered once (by the vendor preferably) and not re-entered into New World. Currently, vendors or departments email or mail their vendor packet to purchasing where they are then manually entered into New World – creating an unnecessary burden on Purchasing division staff.
34. **Discontinue the practice of contacting vendors outside of New World to have them confirm the information they provided the City is correct.** Utilize vendor self-service where vendors provide their vendor data, then have the Purchasing division approve them as “approved vendors”. In the event a vendor inputs incorrect remit or ACH data (as a typo), they will likely verify their data if they have not received payment. They will then be able to update their information. Purchasing should not have to “police” and validate all information provided by vendors.
35. **Standardize policy and procedures on who can access New World to add vendors across the City.** Decentralization of data entry is a best practice, so allowing departments to enter vendors into the system, then have them reviewed and approved by purchasing, would be preferred, if vendors not using self-service as recommended above.
36. **Institute policy and procedure where all departments will adhere to a formal receiving and matching process, including the use of New World.** Below are recommended high-level processes for receiving and invoicing. Essentially, the City should update New World with all



activities to the receipt of good and services (including condition and partial payment information), and thus the approval and matching to make appropriate payments on invoices. The current process is highly manual, inefficient, and does not adhere to best practice.





37. **The City should consider using one PCard for all purchases.** The current differentiation between travel, travel with air, and other purchases seems overly cumbersome – with other avenues for how these types of expenditures can be controlled.
38. **Clearly define policies and procedures regarding PCard purchases.** Once defined they should be communicated to the organization and documented for easy future reference for any staff utilizing PCards. There are instances where employees do not follow procedures (e.g. not turn in receipts, cards are not checked out).
39. **Explore using the PCard module in New World.** IT and the Finance Department should investigate the feasibility of utilizing the PCard module in New World and potential benefits. The use of this module is unlikely to negatively impact the need to reconcile purchases.
40. **Review, adjust, and re-implement policies and procedures related to FuelMan fuel purchases.** As with PCards, these policies and procedures need to be defined, communicated and then documented for future reference for all staff using FuelMan cards. In addition, the City should explore the possibility of FuelMan stopping purchases of fuel at “non-City” pumps.
41. **Re-write the Purchasing Manual.** The current Purchasing Regulations & Procedures Manual issued May 10, 2018 suffers from a number of deficiencies, including inconsistencies from current practices, incomplete information, and a general lack of being intuitive for non-expert users. GFOA initially commented on the purchasing manual in October 2019 with the recommendation that the purchasing manual should be rewritten in its entirety.

The purpose of the review was to compare the City’s manual to recognized industry best practices and identify opportunities for improvement. The industry best practices are from the National



Institute of Governmental Purchasing (NIGP), a non-profit similar to GFOA in terms of mission, but focused solely on purchasing. The re-write should address the gaps in the purchasing manual as compared to NIGP's best practice recommendations. The following outlines NIGP eight major elements which should be included in purchasing manuals:

1. **Purpose of a Procurement Policy.** A procurement policy must establish a purpose for the procurement function, as well as inform staff on what process is, rather than what process is not.
2. **Definitions.** Key concepts must be defined early in the manual, as well as any acronyms or other functions mentioned in the policy document.
3. **Basic Organizational Concepts.** A list of stakeholders and roles within the purchasing function should be defined. While the City's charter lays out some roles and responsibilities within the City, all those related to purchasing must be included in policy.
4. **Source Selection and Contract Formation.** Process workflows should be outlined for the purchasing process to give clear direction to staff using the policy. This will empower staff to purchase according to policy and ensure information is routed properly for approval.
5. **Specifications.** This should include thresholds for purchases, P-card program use guidelines, and purchasing authority definitions.
6. **Ethics and Code of Conduct.** Ethical procurement should be defined, and provide examples to ensure staff understanding of ethical procurement.
7. **Personnel and Professional Development.** Policy should include technical and professional qualifications for management and staff involved in procurement.
8. **Special Programs.** Any community or organization-wide goals related to purchasing, including disadvantaged or local business preference, should be outlined in policy.

The October 2019 report is attached as Appendix A.

42. **Update training materials and provide training to departments.** A re-written purchasing manual should serve as the basis and guidelines for updating all training materials on purchasing. Once updated, training should be provided to all departments to provide consistency and clarity. Any materials should also include training on how to use New World as part of any purchasing process included in training provided.
43. **Institute a program to cross-train staff.** The Purchasing division should create a program to cross-train buyers and other staff on major functional areas and other approval areas in order to have appropriate coverage for the department. This cross-training program should be reviewed and approved by the Finance Director or Deputy Finance Director as well to ensure sufficiency of plan and monitored to ensure completion.

D. Customer Billing

Customer billing encompasses the process of billing, tracking, and receiving payments from government customers. Functions include a fully integrated customer file, which stores all pertinent information about a customer's personal and account information. Organizations should utilize one central file if possible to ensure consistent tracking and information. If customers are tracked and billed successfully, organizations will see more consistent income and minimize the instances of outstanding bills.



GFOA Observations

- Departments bill customers in a variety of ways and billing practices are not standardized. Many bills are generated by hand or outside of the system.
- For some departments, customers to be billed are invoiced and tracked via Excel spreadsheet or other internal systems.
 - Many miscellaneous police functions, including traffic escorts for various community events, funerals, etc., are tracked in Excel and billed separately.
 - The Police department billing process is highly manual, with officers for special events sometimes receiving cash payments on the day of the event with no real paper trail.
 - Currently, all SPAR recreational center billing is done internally with Excel tracking. This includes space rentals, sports registration, and other billing purposes.
 - SPAR is in the process of purchasing a new internal system that may be used for billing and accounts receivable purposes.
 - Permits and property standards are billed and tracked through My Government Online.
 - False alarm billing is tracked manually at present. There is movement to put false alarm tracking and billing into My Government Online, but this has not been accomplished as of yet.
- There is no miscellaneous billing entered to New World at this time, and no true billing is occurring in New World.
- While New World is used to receive payments, this is done via manual entry and there is no follow up on payments or bills in any way.
- The accounts receivable (AR) module in New World is currently unused, and AR slips are paper slips that get manually signed, approved, and filed.
- The City does not have a centralized customer file with all customer personal and account information.
- The City currently does not employ any true aging process for most unpaid bills. While a letter can be generated from the New World system and mailed to customers with outstanding bills, this is rarely followed up on and, in some cases, not done at all.

GFOA Recommendations

The City should reevaluate current customer billing practices and try to streamline the inconsistencies across departments when it comes to billing, tracking payment, and accepting payment from customers.

- 44. Begin to utilize the accounts receivable (AR) module in New World appropriately.** The City currently has a module in the New World system for AR and Customer Billing, but these modules are not being used at present. Using a financial system for tracking and processing customer bills is considered best practice, and can minimize interdepartmental paper form use and the possibility of human error associated with manual record keeping. The technology already exists, so the City should try to utilize what it has already purchased.
- 45. Utilize one system city-wide for the issuing, tracking, and collecting of miscellaneous AR and other customer billing purposes.** One of the City's main customer billing issues stems from the multiple systems, including Excel, which departments use to track customer billing. This creates significant problems with data continuity and revenue tracking. It also leaves significant room for human error. The City should strongly encourage departments to eliminate use of their side systems as much as possible and use a common, agreed upon system throughout the City. The following



should also be taken into consideration for developing a universal system for customer billing and AR:

- Use New World as the City's one centralized customer file. No customer information should be kept outside of the system. This allows for consistent tracking and consolidated information, and will help the City to follow up on unpaid bills or implement an aging process if necessary.
- Eliminate the use of external tracking systems like Excel or any other manual tracking. This will minimize the possibility of lost, incorrect, or mismatched data between departments.
- Eliminate the use of paper forms or handwritten receipts whenever possible.

46. **The City should develop consistent billing policies across departments with standardized receipting practices.** Departments are currently billing and tracking bills to be paid in a variety of ways, and as such the Finance Department does not have up-to-date customer or billing information. The City must develop strong policies to ensure that customer information is tracked correctly.

- GFOA Best Practice on Receivables and Handling Receipts recommends that organizations have written policies for invoicing and collecting revenues. The following should be considered when developing billing and receivables policies per the GFOA best practice:
 - Establish invoicing and accounts receivable controls, processes, and procedures for services provided in advance of payments. Billing timeframe, dollar thresholds, use of outside collection services, and aging should all be accounted for.
 - Establish policies and procedures outlining proper handling, reconciliation, accounting, fraud prevention, and safekeeping of investments.
 - Establish appropriate controls related to receiving money from customers including the use of integrated receipts and accounting systems to allow for timely deposit, reconciliation, and recognition of collected revenue.
 - Establish a robust segregation of duties and supervision policies incorporated into the City's receivables policies and procedures. A single individual should not be responsible for both the receiving and recording of revenues.
 - See GFOA Best Practices for Receivables and Handling Receipts for more information - <https://www.gfoa.org/receivables-and-handling-receipts-treasury-office> .
- While the City should continue its decentralized receipting practice to eliminate some burden from the Finance Department, policies and procedures should be put in place and workflow approvals established to ensure appropriate receipting of revenue.

E. Treasury

Treasury functions at the City include the receipt of all cash and other payments made to the City, bank reconciliation, disbursements, interest allocation, cash flow, and cash handling. Debt management and maintenance of all City investments is also handled in the Treasury office. Treasury functions ensure payments are made in a timely, efficient manner, and all funds received are processed correctly. It is critical that the treasury function not only have policies and procedures in place, but also train staff to handle funds



appropriately. The treasury function is often the first line of defense for instances of fraud, phishing, or abuse of funds, making well-implemented procedures all the more important.

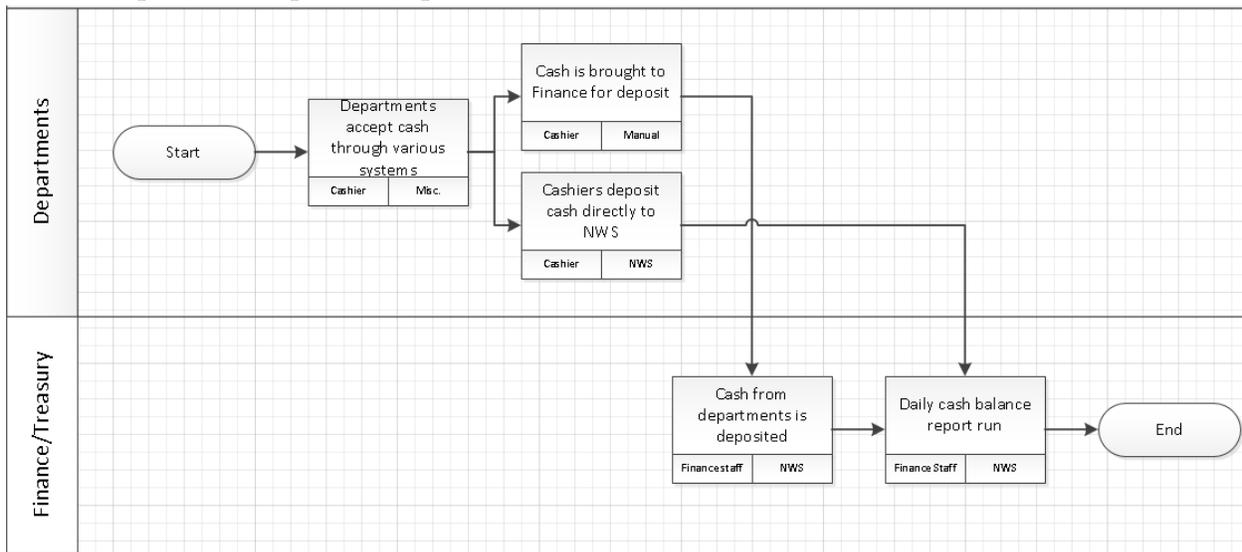
GFOA Observations

- The City currently uses multiple systems for revenue collection/point of sale. Each department has a different process for recording and tracking revenue as well. There is a desire by the City to consolidate these disparate systems into one point of sale, and a project to utilize Creditron citywide is currently underway.
 - Integration between Creditron and New World is still being considered and discussed. This will be key to successful integration, since very little is currently tracked in New World.
 - Credit Cards are only accepted at SNAP and the Landfill.
- The City's Treasury and Investment responsibilities were taken on by the previous Finance Director once the staff members performing those responsibilities originally left the City.
- Some departments bring physical cash to central finance for deposit, while others make deposits themselves and notify finance separately by sending a check for the amount deposited directly to finance. There is no consistency in the deposit process across the City, and current practices leave significant room for human error. Currently, there is very little documentation of deposit processes and receipts are in some cases handwritten.
- Multiple systems are used for the various revenue sources.
 - Water and Sewer and Property Tax are both using their own systems for revenue collection at this time. Water and Sewer uses Infor Cloud and Property Tax uses Oracle, but will be switching to Hamer. Property Tax was forced to switch to Hamer since Oracle will no longer be supporting the current system.
 - SPAR uses several different systems for revenue collection, including a specific system for TSNAP.
- Debt Payments:
 - The City's disbursement processes are largely manual. Debt payments are paid twice per year, are tracked via Excel spreadsheet and are entered to New World through a journal entry after a payment is already made.
 - Airport bonds are paid monthly, and all other bonds are paid twice per year. All of these are tracked manually in Excel and other personal tracking systems. Once the previous Finance Director finds the cash necessary to make the payments, they will notify an accountant who in turn prepares a wire. The Revenue Manager then sends the wire and creates the transaction in the City's Capital One account using pre-formed templates. Again, once payments are made and the wire is cleared, the transaction is recorded in the GL.
- Refunds:
 - For all one-off refunds, the process is highly manual. Departments will send a request to central Finance for a refund, which is in turn entered by Finance staff to New World. These one-time refunds may include EMS payments or false alarm calls.
 - Some refunds are automated, in the case of water, occupational licenses, and property taxes. These actions are done in New World with no manual tracking involved.
- Interest allocation is also tracked using an Excel spreadsheet, and while cash balances are pulled from New World there is no true verification process and significant manual entry.
- Cash balances are pulled daily from New World, and the investment distribution module is used for payment calculations. There is an additional Excel sheet that tracks daily cash balances in addition to New World.

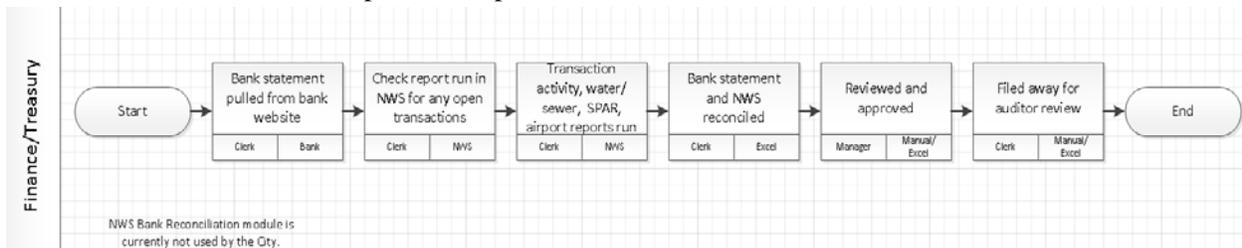


- City staff have expressed concerns over where the arbitrage rebate calculations is being calculated on airport-related bonds. The previous Finance Director kept a significant amount of bond and investment information with minimal to no support from other staff, and the methods used to track that information is somewhat unclear.
- Bank reconciliation is performed monthly. The City currently does not use the bank reconciliation module in New World, and large portions of the bank reconciliation process are manual.
 - The City has noted the current GL module is not compatible with City process. The GL is configured in such a way that requires the GL to zero out. This is only useful to the City for reconciling bank statements to bank statements – not bank statements to the GL.
- Bank reconciliation is currently performed for the following accounts:
 - Flex Spending
 - Workers' Compensation
 - Operating Budget
 - Payroll
 - 8-9 additional accounts for airport and water/sewer

Cash Receipts – current process map:



Bank Reconciliation – current process map:



GFOA Recommendations

- 47. Utilize the bank reconciliation module in New World.** While City staff has expressed concerns over the functional capabilities of New World bank reconciliation module, the City should further evaluate the model to determine whether or not it can be used for the City's bank reconciliation



needs. Currently, bank reconciliation is tracked and performed outside of New World, and while there are related reports pulled from New World there is no actual reconciliation done in the system. This can lead to a host of issues and leaves the City vulnerable to human error or data loss in the bank reconciliation process. The City's FY18 audit found a lack of controls for cash and investment reconciliations, and also lacking review for account reconciliations. Appropriate cash and bank reconciliation procedures and policies will be critical to the City.

- GFOA best practice on Bank Account Fraud Prevention states the importance of daily staff reconciliation of wires and ACH releases, as well as the usefulness of bank reconciliation tools, services, or software to reduce time on reconciliation and allow staff to focus on any exceptions or special cases. The GFOA Best Practice on Bank Account Fraud Prevention is available at this link - <https://www.gfoa.org/bank-account-fraud-prevention>

48. **Utilize the same POS system and credit card provider city-wide and accept credit card payments more broadly.** The City currently allows departments to choose their own point of sale system and credit card provider, while many departments do not use any credit card provider and only accept cash at their satellite locations or at City Hall. This will ensure consistency in reporting and revenue collection across departments and possibly reduce long-term costs by eliminating multiple systems and multiple providers.

- GFOA best practice on Electronic Payment and Collection Systems recommends that governments use electronic means to make payments as often as possible, including credit cards, and to utilize a single point of sale system. The advantages to accepting credit card and electronic payments include elimination of storage, handling, and processing of paper checks, reduction in visibility of information used in payment fraud, and elimination of lost or stolen checks.
- For more information on GFOA best practices related to credit card and payment acceptance, please see the following:
 - Adopting Electronic Payment Systems - https://www.gfoa.org/sites/default/files/TIM_ADOPTING_ELECTRONIC_PAYMENT_SYSTEMS.pdf
 - Payments Made By Governments - <https://www.gfoa.org/payments-made-governments>

49. **Develop cash handling policies and payables/receivables policies for all City employees, including internal controls for bank wire disbursements.** Developing clear policies for payables, receivables, and cash handling will assist in the implementation of the above recommendations. The City's FY18 audit found issues with the City's controls over cash disbursements via bank wire related to incorrect filling of the Vendor Funds Request Form, as well as uninsured bank balances as a result of lacking review policies. The City should develop policies and procedures, as well as utilize the existing financial system, to ensure successful bank wire distributions and the safety of bank balances in the future. The City must establish workflow approvals for all treasury processes and train staff on new and existing policies and New World functionality.

- GFOA Best Practice on Receivables and Handling Receipts in the Treasury Office recommends that governments establish and deliver training programs for employees to cover proper procedures for cash handling, customer receipts and accounts receivable including the ability to detect fraud related to various payment types. For more information



on cash handling, payables, and receivables policies, please see <https://www.gfoa.org/receivables-and-handling-receipts-treasury-office>.

50. **Ensure bank balances are as secure as possible.** The City needs to remain cognizant of the \$250,000 FDIC limit in depository accounts, and consider other options allowable under state law for investing excess funds while maintaining a balance between cash flow needs with investment safety. This could include collateralizing the public deposits as discussed in GFOA's Best Practice on Collateralizing Public Deposits available at - <https://gfoa.org/collateralizing-public-deposits>

F. Asset Management

Asset management is the process by which an organization formally tracks and manages the acquisition, and lifecycle costs and events of capital and fixed assets. Assets can be acquired through the procure-to-pay process or through a construction project. The asset lifecycle is the process of recording all events that occur during the life of a defined asset and can include the transfer, loss, improvement, and disposal or retirement.

GFOA Observations

- The City controlled assets have values of \$500 - \$2, 499. These are lower value assets the City wants to track as they are valuable to the business and process. Examples include: computers, weed eaters, iPads
- The City's asset capitalization threshold is \$2,500.
- Departments are supposed to identify the asset account on the PO and identify new assets in New World. The City relies on the departments to flag assets appropriately, or to be found by the Asset staff resource via the pending asset report. In addition, the GL distribution report in New World identifies all purchases in the system. This report is used to identify if assets have not been flagged correctly based on the capitalization threshold. The FY18 Audit found several instances, totaling over \$3 million dollars, where fixed assets purchases were not recorded properly (FY18 audit finding 2018-019).
- Departments provide an asset acquisition form to Asset staff after departments receive the invoice for the asset. The form contains YR, GL code, invoice #, PO #, tag number, major/minor code (useful life), location code, equipment, and improvement information. This information is added to the asset in New World when the asset is flagged as "active".
- Reports are generated in the projects module to identify projects that will close. Assets will be created when the project is 90% complete.
- Departments will email the Asset staff if the value of an asset changes.
- Projects are reviewed annually to review current values.
- The City does not track work order costs on assets. Work order data (e.g. improvements) do not currently update assets.
- Inventory is tracked annually. New World does not have an inventory report, but there is an asset listing report, but it only prints two assets per page.
- Exporting asset information to Excel is cumbersome and not user-friendly.
- Departments send the appropriate asset form (retire, new, transfer) to the Asset staff after the physical inventory is performed. New World system is updated based on the provided asset data. The Audit staff relies on departments to provide correct inventory information for posting. The FY18 audit found that inventory is not adjusted to reflect amounts that are on-hand at year-end (FY18 audit finding 2018-005).



- Departments could update the asset in New World but they currently have “inquiry” only access in New World.
- Departments determine which assets will be auctioned.
- The asset is identified as retired in New World after the check is deposited to the general fund. The Finance Department would like to be notified when the EFT is deposited.
- Straight-line depreciation in New World works well. Depreciation is calculated monthly.

GFOA Recommendations

51. **Increase capitalized asset threshold to \$5,000.** The City currently capitalized assets at \$2,500, whereas GFOA’s best practice is no less than \$5,000. GFOA recommends the City review and consider implementing GFOA’s best practice on capital asset thresholds. See GFOA’s primer on Capitalization Thresholds for Capital Assets, found at https://www.gfoa.org/sites/default/files/GFOAPrimer_CapitalizationThresholds.pdf
52. **Better leverage New World for tracking of control and capitalized assets.** The City currently tracks control assets in inventory or they are tracked manually. See GFOA’s best practice on control of non-capitalized assets at <https://www.gfoa.org/control-over-items-are-not-capitalized>
53. **Review GFOA’s Resource Center on Capital Asset Maintenance and associated best practices.** GFOA provides a variety of additional information and Best Practices regarding the maintenance of capital asset after they have been acquired. See <https://www.gfoa.org/capital-asset-maintenance-resource-center> to view all of the resources and best practices. Included in the resource center are Best Practices on Capital Asset Maintenance (see <https://www.gfoa.org/capital-asset-management>) and Role of the Finance Director in Capital Asset Management (see <https://www.gfoa.org/role-finance-director-capital-asset-management>)
54. **Cross-train department on how to flag assets.** City staff need to be trained properly to ensure assets are acquired appropriately (i.e., project close or when purchased), and to update the Finance Department with any adjusted values. In addition, City departments need to provide annual inventory data to the Finance Department. Departmental adherence to policies and procedures should help to resolve the recent audit findings.
55. **Review New World asset value / disposition settings.** Departments currently send asset disposition forms to Finance Department/Asset staff to communicate the condition of assets. GFOA recommends providing access to departments for the New World asset module to allow the departments to update New World directly, eliminating the need for paper asset forms. The Asset staff would then review and approve departmental edits.

G. Time Entry – Payroll

Time entry is the process whereby employees enter hours worked as well as any leave for a given pay period. Once employees enter hours worked managers review the entries before processing for payroll. Using the approved time entries, employees’ pay is calculated for a given period. Pay rates, including overtime, special pay, etc., are determined as well as deductions, withholdings, etc. After employees’ time entries have been approved and calculations have been completed, payroll is processed for a given period. Having accurate and timely information is critical to ensure employee’s pay and leave balances are accurate.



GFOA Observations

- Multiple systems are used to track time at the City, although most of them are fully integrated into New World.
 - New World
 - Attendance Enterprise (third-party system)
 - Time Clocks
 - Paper leave request forms
 - Paper timesheets
- The NEOGOV system is used for applicant tracking. Departments shared with GFOA that some new employees have not been entered into New World after they have started work. Only one department utilizes New World PAF (electronic personnel action form) functionality. All other departments send HR a paper-based personnel action form (PAF) which is used to prompt the data entry of new employees into New World.
- Attendance Enterprise is a best of breed time and attendance system that has been used at the City for approximately fifteen years. The City plans to upgrade to the cloud version in the future.
- There is currently no interface between Attendance Enterprise and New World. IT indicated the interface has not occurred because of a licensing issue.
- Employees in the City, except Police civil service, Community Development, and summer workers for overtime, use Attendance Enterprise. It is used to collect employee's time, leaves, and overtime. Having said that, departments use paper timesheets to capture employees time even when they have access to Attendance Enterprise. Paper timesheet data is re-keyed into Attendance Enterprise.
- Employees document the hours worked (or exception hours) for that pay period, sign, and give to their timekeeper. Department timekeepers then enter the timesheet data (exceptions mostly) into Attendance Enterprise.
- There are inconsistencies in how and who approves time and leaves at departments. Some departments require supervisor approval of hours and leaves, whereas others do not. There are also inconsistencies if and how salaried employees hours are approved or not. This was also identified as a material weakness in the FY18 audit (2018-002 material weakness).
- Overtime hours for Community Development, summer workers, and Police are entered directly into New World. Employees fill out a paper timesheet, their supervisor approves, then the timekeeper enters the hours into New World. Approximately 200 employees follow this process.
- There are seventeen time clocks at the City. Time clocks are set up to interface with Attendance Enterprise.
- The process to request leave is inconsistent as departments have different processes and paper-based forms for leave requests. For example, Public Works vacation requests are supposed to be provided three days in advance, whereas SPAR requests a week's advance notice, and Police six months advance notice.
- In addition, the methods to track leaves in departments is inconsistent, although most track employee leaves on a spreadsheet.
- Some departments (Police, Fire, SPAR) submit shift differential pay to payroll manually and out of class pay is tracked on spreadsheets. Timekeepers calculate the salary and then provide it to payroll. It is concerning that salaries are calculated outside of the New World on spreadsheets, is it a lack of New World functionality or related to implementation? It was communicated to GFOA that some departments make these calculations because there is concern HR will not enter the hours correctly.



- Police and Fire leave records are stored at the departments and not in central HR. HR should have all records related to all employee hours and leave hours, regardless of department. This was also identified as an issue in the FY18 audit.
- A significant issue that impacts payroll is verifying data timekeepers entries and the manager's approval. Timekeepers and managers are approving time, but assume payroll staff will verify and correct issues. Employees, timekeepers, and managers need to be held accountable for providing accurate and timely data to payroll. Again, this was identified as an FY18 audit finding.
- HR conducts an hour-long training class, twice a year with the department timekeepers. It appears most training related issues that arise from departments are coming from long-term employees that have been with the City for 20+ years.
- Exempt employees at the City are often paid for overtime hours. It appears that festivals and events drove this highly unusual practice to allow exempt employees to earn overtime pay.
- City employees are currently paid in advance on a semi-monthly basis. Employees are paid for 86.65 hours versus a traditional 80 hours bi-weekly. Exceptions are extracted out of the 86.65 to create leave balances. Attendance Enterprise cannot handle semi-monthly payroll (86.65 hours) which requires them to manually calculate leaves and hours worked. The primary issues is that New World cannot accommodate non-standard hours (86.65). In addition, the 86.65 hours rule required IT to develop a process to convert the hours and create a bridge that New World can handle.
- The City explored moving to bi-weekly pay previously, but department heads didn't want to have employees deal with the transition so it did not move forward.
- A manual interface exists from Attendance Enterprise and New World. Payroll instructs department timekeepers to run/process hours in Attendance Enterprise, then Payroll will export the data into New World.
- Leave balances are loaded by into Attendance Enterprise after payroll is processed
- Separate checks are run for terminated employees. If there are errors, they correct the error in the next payroll run.

GFOA Recommendations

56. **Change the frequency of payroll to bi-weekly from semi-monthly.** GFOA recommends the City make this recommendation a priority as it has the opportunity to have a significant positive impact on the organization. The improvements will be realized from a New World standpoint, but this will also have a significant impact on morale and workload. The City has the opportunity to have all staff in New World if the 86.65 hours and pay in advance rules can change. Moving to bi-weekly payroll (i.e., pay employees every other Friday) should also improve the process inefficiencies, remove the need for custom developed technology, and reduce payroll overtime hours. GFOA discussions with staff that included this topic were unanimously in favor of this recommendation and want the City to move to bi-weekly pay. This will also give the City the opportunity to automate more if the City implements this recommendation.
57. **Develop training and cross-training on time and payroll processes.** As discussed, the lack of training for timekeepers and payroll has created significant issues to process payroll accurately and in a timely manner. A tremendous amount of time is spent supporting departments on policies and procedures, and fixing errors that should not be submitted in the first place.
 - Cross-train payroll staff for all processes and procedures to run payroll. The City runs the risk where not enough staff are trained to process payroll.



- In addition, timekeepers should be held accountable to provide employees time into Attendance Plus (or other system) when expected. It is the obligation of departments to send accurate data (hours, leaves, etc.) to the Payroll group.
 - Train staff how to use New World PAF (personnel actions) so new employees are entered into New World in a timely manner.
 - Finance Department should provide additional training to timekeepers, especially for staff that continually make the same mistakes or do not follow policies and procedures. It is the obligation of departments to send accurate data (hours, leaves, etc.) to Payroll.
58. **Discontinue or thoroughly review the practice where exempt employees earn overtime pay.** Exempt employee are not entitled overtime pay by the Fair Labor Standards Act (FLSA) although there are many instance where this practice occurs at the City. The City should update the policy related to exempt employees and overtime to reflect federal standards related to pay. Similarly, the City should also eliminate comp time for exempt employees as well.
59. **Standardize and implement policies regarding the approval of hours.** As discussed, there are inconsistencies who approves hourly and salaried employee's hours at departments. This lack of standardization creates issues where incorrect data is provided to payroll, and also inconsistencies in overall procedures regarding the approval of hours worked and leaves. GFOA recommends the City develop and document policies related to the approval of time and hours for all employee groups (e.g. hourly, exempt, civil service, etc.).
60. **Utilize leave request functionality in Attendance Enterprise (upgraded version).** Currently, staff request leave via a paper request form, although they may be able to request it directly in Attendance Enterprise which would be more efficient with managers approving requests in the system as well.
61. **Standardize systems and processes for time entry.** The City should explore using a primary system for time entry where possible. For example, can Community Development use Attendance Enterprise?
62. **Explore integration with New World and Attendance Enterprise.** The lack of integration with Attendance Enterprise and New World creates many issues with data integrity. While it was communicated it is a license issue and also issues with the 86.65 pay-period hours, the City should further explore this integration.
63. **Explore interfacing NEOGOV to New World.** This interface could send new hire employees into New World, or provide a notification to add new employees. This data is currently manually communicated to HR for data entry.
64. **Implement New World PAF (electronic personnel action form) functionality throughout the City.** Only one department uses this functionality currently in New World. All other departments send HR a paper-based PAF. The City could should achieve significant efficiency gains if all departments utilized the system and not paper-based processes.

H. Risk Management

Risk management is crucial for an organization to ensure that it is not only best prepared to handle the risks associated with any shocks and unexpected events, but also that the organization is still able to function and provide services to its constituents. In today's environment, organizations face many risks – from those related to its day to day operations to those related to the environment, politic, technology, economy and



others– requiring a comprehensive approach. In addition, risk management is of particular importance to the finance function as nearly all risk management resolutions have some sort of financial impact.

GFOA Observations

- Overall perspective taken on risk management more related to very traditional view point of risk management such as protection of property, workers compensation claims, etc.
- No mention of technology/cyber related risks by the Risk Management division.
- Need for identification of risks that could impact the City, their relative potential to occur, and the associated fiscal and other impacts to the City.
- Uncertainty over total amount held in reserve and/or budgeted for potential claims – particularly with the amount not being needed in its entirety recently (per Risk Management division).
- Risk mitigation training based on claims and incident reports – need to better take into account potential risks which the City has not experienced – particularly related to information technology.
- Per Risk Management division, bulk of claims are police related – Police Chief working to address – but how is the Risk Management division helping to support his efforts?
- Safety Accident and Review Board limited only to handful of ‘safety’ employees and a Human Resources point person – unsure how this board then informs larger City-wide change that may be necessary to mitigate risk.
- Unsure of role of ‘Safety Officer’ function – risk identification or prevention? Stated need for more officers, but are additional staff truly needed without better clarification of officer roles and also more broadly, the need for clarification of the Risk Management division’s role.
- Need for greater buy-in from departments in terms of increasing the departments understanding as to why risk management needs to be a City-wide focus and not just the responsibility of the Risk Management division.
- Approval thresholds for claims approval seem appropriate; however, potential for significant financial exposure if a large number of small claims (payout of a claim of up to \$30,000 each can be approved by Risk Management division head) are paid out versus one large claim that was approved by the city council for payment – not clear how the smaller claims would be reported to mitigate exposure.
- Currently, Risk Management division has quarterly meetings with third party administrator (Hammerman and Gainer) who negotiate workers compensation and property claims.

GFOA Recommendations

Overall, the City needs to take a more comprehensive approach to risk management. As articulated in our observations, the City’s risk management is more focused on the more ‘traditional’ aspects of risk management and less on quickly emerging trends impacting local governments today. To be better prepared for risks, the City needs to broaden and clarify the risk management function and also ensure it is a City-wide priority of departments and employees.

65. **Delay movement of the Risk Management division to the Finance Department.** The City has discussed moving the Risk Management division to the Finance Department. The City should delay completing this step until the new Finance Department leadership has had the opportunity to address a number of the other aforementioned, more pressing needs in the key functional areas currently under its purview
66. **Conduct a risk assessment that includes all potential threats to the City’s operations.** The overall approach of Risk Management needs to be broadened to account not only for more



'traditional' risk mitigation areas, but also the increasing risks related to cyber security and related areas.

- a. GFOA's best practice - Creating a Comprehensive Risk Management Program – recommends developing a comprehensive risk management program. The following steps are included in development of the program:
 - i. Risk identification – to better understand the source, types and likelihood of risk.
 - ii. Risk evaluation – analysis of frequency and severity of current claims.
 - iii. Risk treatment – identifying what preventative and control measures, risk transfer, and risk retention actions that the organization could best utilize.
 - iv. Risk management implementation – develop policies and procedures to formalize risk management program and also clearly articulate responsibilities and accountabilities related to risk management for the organization.
 - v. Risk program review – regular review of the risk management program to ensure its effectiveness and make any necessary changes is crucial.
 - b. For more information see - <https://www.gfoa.org/creating-comprehensive-risk-management-program> (Note: In a similar vein to the evolving field of risk management, GFOA is also updating its guidance on risk management towards a more comprehensive, organizational-wide approach as opposed to one based on specific functional areas (e.g. treasury, accounting, etc.). We will be sure to provide an updated copy or link once completed.)
 - c. Additional information and resources related to risk management can be found:
 - i. Public Risk Management Association (PRIMA) (<http://www.primacentral.org/>).
 - ii. Association of Government Risk Pools (AGRiP) (<http://www.agrip.org/>).
67. **Emphasize that risk management is a City-wide responsibility.** The Mayor and Chief Administrative Officer need to reinforce to all City departments and employees are responsible for risk management. While the need and roles of the Risk Management division are important for the City, without the buy-in from all City employees to be cognizant of their roles in risk prevention, the efforts of a Risk Management division are wasted.
68. **Clearly define and delineate between roles and responsibilities of the Risk Management division and City Departments.** The roles and responsibilities of the Risk Management division should be clearly defined based on the overall analysis of potential risks facing the City. Staff roles and responsibilities should also be clearly identified. In addition, duties of the Risk Management division and duties of the City Departments related to risk management should be clearly delineated and formalized through service level agreements related to items such as training and professional development, risk management related employee discipline, and other items as identified through the broader risk management review.
69. **Develop a City-wide risk management training and professional development program.** The Risk Management division should leverage the results of a broader analysis of the City's risks to develop a comprehensive training and professional development program. Different courses and tracks should be identified based on employee function. Clear guidelines should be developed and agreed to City-wide on who receives the training, and also when and how the training is provided. Key items to keep in mind would be how to provide the updated training to new versus existing employees; additional training for employees identified engaging in 'risky' behavior; and also how training could be provided in an on-demand versus in-person format for easier accessibility.



70. **Analyze amount in reserves held for risk management associated claims.** This should also be done in conjunction with the amount already held in reserves for general operations per the recommendations related to a policy on a general fund reserve for the City. The reserves should not be held independently, but rather an aggregate amount of reserves for all City risks and operating needs should be determined.
71. **Create a City-wide taskforce to inform and support needed changes.** While the Risk Management division was recently shifted to the Finance Department from the City Attorney, GFOA would recommend that a City-wide task force, including councilmembers, be created to help inform, guide and review the aforementioned recommendations to the risk management function. Between risk management being an overarching, City-wide responsibility and the Finance Department having a number of other items to resolve, a task force would help to reinforce the importance and responsibility of the function City-wide and also help to best inform what areas are of most concern, what are the current gaps in support from the function, and how to best lay out a path that balances risk mitigation and provision of City services.



III. New World System Improvements

Enterprise Resource Planning (ERP) software solutions provide an organization’s financial, human capital and payroll management systems and processes. The City started to implement New World System (New World) in 2014 (contract signed December, 2013). Complex ERP implementations are difficult and challenging, but not impossible if organizations plan appropriately for the implementation. Based on GFOA’s analysis, New World was not properly planned for and implemented. As discussed throughout this report, the City missed opportunities to implement New World (or any ERP system for that manner) as effectively as it could have. As other organizations have done in the past, the City did not leverage any of the process improvement, technology, and other efficiency gains, by implementing a new ERP system to mirror the old system.

GFOA Observations

- The New World system implementation was essentially a re-implementation of the old system into New World.
 - The old chart of accounts design was implemented into New World. As a result, programs are not tracked.
 - All vendor data from the old system was converted into New World. Over 8,000+ vendors were converted, but only half of them are current vendors.
 - The City did not review and improve business processes in advance of the New World implementation.
- IT managed the New World implementation, but financial users were involved with the implementation.
- Not all of the New World modules and functionality that was purchased is being utilized by the City. The below table identifies the licenses the City owns and if it is being used. It should be noted, that while the City owns and uses some functionality, the processes the City use are often very manual. For example, while New World is the system of record for vendors, manual forms are being used to collect vendor data, thus the data is manually re-keyed into New World. Also of significance is that the City does not utilize requisitions in the purchasing process.

NEW WORLD PURCHASED LICENCE*	IN USE
Financial Management	
General Ledger	Yes
Budget Management	Yes, but inconsistent usage
Annual Budget Preparation	Yes
Accounts Payable	Yes
Revenue/Cash Receipting	Yes
Additional Financial Management	
Asset Management	Partially. Spreadsheets and paper forms are still used.
Grant Management	Partially. Spreadsheets and paper forms are still used.
Project Accounting	Yes
Misc. Billing & Receivables	No/Partially. New World is not being utilized fully for a formal receivables/matching process, as well as customer billing.



	The City also does not issue New World generated invoices
Government Reporting	Partially. New World could be utilized more here in lieu of spreadsheets.
Bank Reconciliation	No, City does not use bank reconciliation
Expanded Revenue Collections	
3 rd Party Receivables Interface (Batch)/Bank Reconciliation	No, City does not use bank reconciliation module/functionality
PC Cash Register Interface	Unclear
Procurement Management	
Purchasing Base	Partially. The City could expand use as it relates to vendors and vendor self-service. Vendors are manually entered into New World.
Requisition Processing	No.
Bid & Quote Management	No. The City could expand use as it related to vendors, requisitions, and PO's. Bid and Quote information is not entered into New World until a contract has been signed.
Contract Accounting	Partially. The City could expand use as it related to vendors.
Vendor Self-Service*	Partially. City purchased, but did not initially implement. Now being piloted by a small focus group.
PCard*	No, City purchased functionality in New World, but was never implemented.
Inventory*	No, City purchased functionality in New World, but was never implemented.
Human Resources Management	
Payroll Processing	Yes
Personnel Management	Partially. The City could utilize this further for employee reviews and management.
Position Control	Yes
Position Budgeting	Yes

*These three components are included in the 'Purchasing Base' module – but are included separately here to highlight the limited, if any, use of these important components.

- Tyler Technologies acquired New World in 2015. The City should inquire about the long-term viability of the New World product. For example, will Tyler Technologies still update New World with future enhancements to the degree Tyler will for its other products, including Tyler Munis? Based on GFOA's experience, New World is not marketed as Tyler Technologies flagship ERP solution for organization's the size of Shreveport, whereas Tyler Munis is. Previous to the acquisition, Tyler Munis and New World were competitors, although GFOA has not seen New World propose to any ERP RFP's in the past few years.



GFOA Recommendations

- **Better leverage New World and all purchased components.** The City needs to fully utilize all modules purchased for its New World system. Action plans should be put into place in terms of how the areas highlighted below can be better leveraged and prioritized for best impact. However, the City should also weigh the time and effort to better utilize purchased modules with improvements to processes and plans for the future regarding its ERP system.
 - **Use Requisitioning Functionality in New World.** The use of purchase requisitions as the first step of the purchasing process is a public sector purchasing best practice. While the City did not choose to implement requisitions in the New World implementation for a variety of reasons, GFOA recommends the City utilize this process and functionality in New World in the future. Utilizing purchase requisitions can be something the City implements now or in the near future.
 - **Utilize the AR module.** The City does not currently utilize the AR module for miscellaneous billing to issue invoices, and thus bill and collect for those services. City departments issue manual invoices and track them on spreadsheets. Significant financial accountability and process gains can be achieved if the City utilizes the AR functionality in New World.
 - **Utilize PCard functionality in New World.** The City can utilize the PCard module to assist in the review and reconciliation of PCard purchases. Currently, the City manually reconciles PCard purchases, but using the PCard functionality can improve this process as the system can flag items that need attention, as compared to viewing every line item.
 - **Utilize New World for receiving and matching.** The current process for receiving (when used) is very manual and does not utilize the New World. For example, invoices are sent to departments where they are manually approved (initial invoice), then sent to AP via interoffice mail. AP then pulls up the PO in New World, and pays the invoice. Essentially the receiving process is outside of New World, but it should be in the system to ensure the City applies 2 or 3-way matching principles and best practices.
- **Plan for New World / ERP system replacement via competitive RFP process.** Considering the New World was poorly implemented and planned for, GFOA recommends the City plan for the re-implementation of New World or a complete system replacement. GFOA recommends the City engage in process improvement and ERP readiness activities for a new system over the next two to three years. This timing would see the City utilizing New World for approximately ten years.
 - **Review and confirm scope and functionality.** The City should identify and document all functional requirements that would be included in scope of the implementation. This would include documenting all interfaces, data conversions, and functionality. GFOA recommends functional and system requirements also be included for systems that are currently third-party solutions (e.g. Attendance Enterprise, budget planning and development). Where possible, the City would benefit by reducing the number of interfaces if a solution can meet the needs of the City. Based on GFOA's experience, the City can include requirements for this functionality and let the competitive process drive what solution and implementation partner is the best fit for the City. This model will also allow for New World/Tyler to also propose a new system. Essentially, the City will have the opportunity to explore the entire ERP market based on the City's needs, including its existing system, New World.



- Identify process improvements, including policy changes that will be configured in the ERP solution.
- Plan for project staffing (ERP project staffing and backfill planning). The City should plan for proper project staffing as part of the overall project readiness activities. The City should also ensure training and change management activities are included in the City's planning activities.
- A critical component of ERP project success is to include all stakeholders and appropriate department users in the planning activities. The City should make sure all customers (internal and external) that utilize and/or depend on the ERP system are considered and included in the entire process.
- GFOA recommends all organizations develop teams based on business process to be made up of a cross-section of the organization. GFOA can provide the City with additional information on process improvement teams, with the general idea being to include all major stakeholders and users to discuss business processes. ERP systems are business process based, thus the City should plan for process improvement and implementation considerations to include the stakeholders and subject-matter-experts that are involved with a particular process. Ultimately, the goal of completing process improvement work prior to purchasing a new system is to avoid manipulating an ERP system to fit antiquated, paper-based City processes. Likewise, the City needs to be aware of the functionality of any ERP system it evaluates to ensure the ERP system is compatible with City processes and requirements.

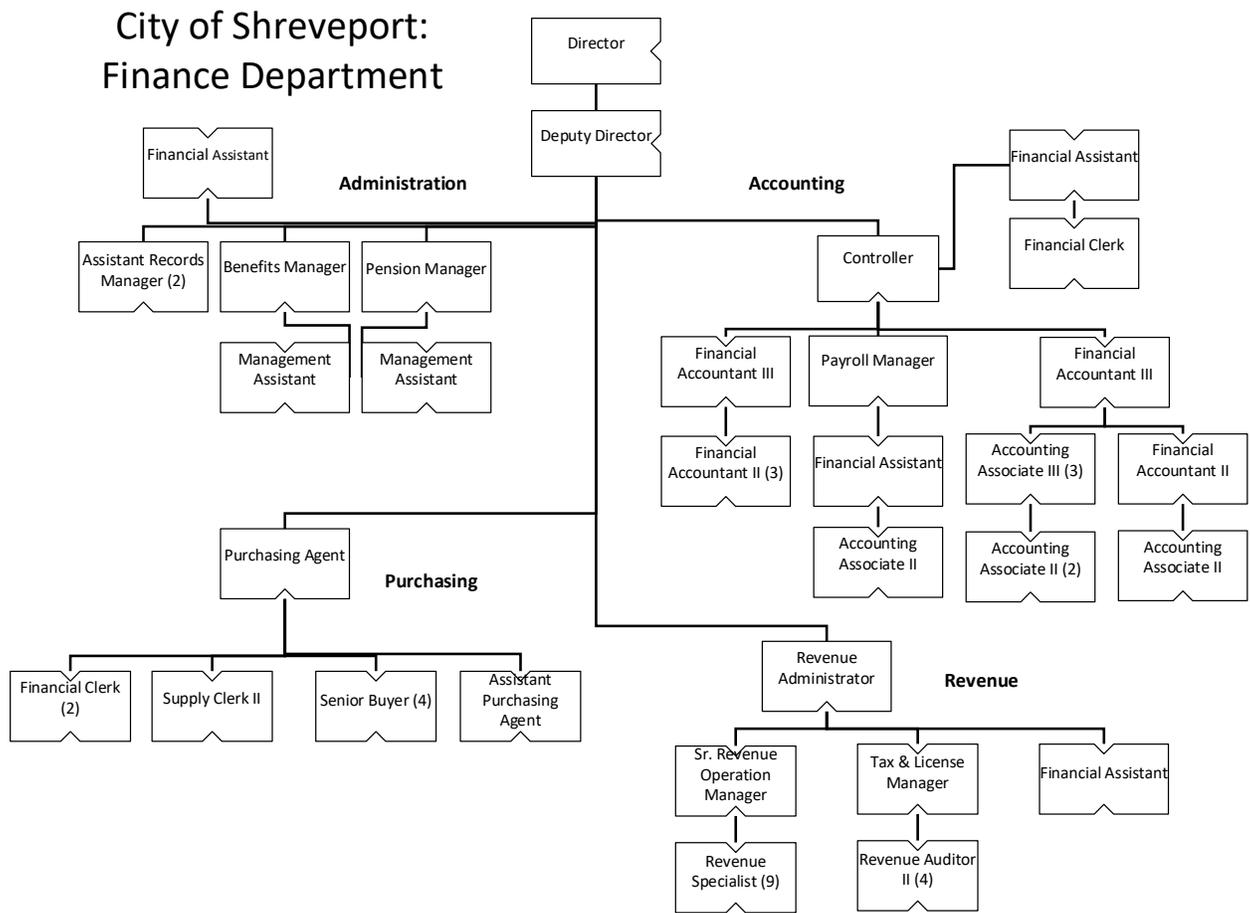


IV. Structure of Department / Organizational Roles

An organization's structure, roles within the structure, people filling those rolls, and staff development, are all vital components of how well an organization functions. Processes, procedures, and policies can be well-developed and align with best practices, but without the staff and a good structure in place to support staff, these guidelines will be difficult, if not impossible, to operationalize. The following offers GFOA observations and recommendations on these areas with particular focus on structure and professional development, including cross-training/succession planning. Additionally, focus on this area is of importance as deficiencies in structure and staff will limit the City's ability to effectively address the aforementioned concerns.

GFOA Observations

- Number of concerns regarding vacant positions, areas with less experienced staff and staff nearing retirement eligibility in a number of high level key areas, including:
 - Vacant Finance Director and Payroll Manager positions
 - New staff in Controller and Assistant Purchasing Agent roles
 - Retirement eligible (or near eligible) staff in Purchasing Agent, Financial Accountant III, Financial Accountant II, and 2 long tenured staff on the Tax and License team





- Overall – seems to be gap between Finance Department staff who have been with the City for 10-20 years and those hired just a few years ago.
- Concern with IT staff supporting Finance Department as well – one IT staff person retired late 2019 and the other IT staff providing primary support is long-tenured with City.
- The recent and potential for more turnover is of even greater concern given lack of documentation of key functional areas. While documentation does exist in an area or two – this documentation is lacking in terms of coherence and relevance.
- Example relayed to GFOA of prior payroll manager retiring and then having to be asked to come back temporarily as the department was not prepared for their departure.
- Cross training has started in some areas – namely accounting – but needs to be broadened within that division and to the entire department. A
- Broader issue outside of Finance Department as well and something City is aware of. Have had issues with not always being able to advertise or fill for positions until person is gone. Some departments may be able to absorb but others not.
- In addition, a resistance to change within the organization was mentioned several times – not only in the Finance Department, but more broadly within the City.
- The overall lack of accountability has led to issues, particularly with departments continued reliance on the Finance and IT Departments for more routine items or items which could be readily learned and understood by department staff.
- The resistance to change and lack of accountability is further compounded by knowledge not always being readily or willing transferred to staff new to particular areas.
- Staff performing duties in key functional areas, such as investments, treasury, etc, have not been replaced upon leaving City with functions taken on by the now departed Finance Director.
- In addition, staff moving from one role to another within the Finance Department (and even the City, to some extent) have kept responsibilities associated with their prior role, in addition to the responsibilities of their new position.
- No regular staff meetings for the Finance Department.
- Departments are inconsistently structured in terms of business/support staff.

GFOA Recommendations:

- 1. Fill vacancies as quickly as possible with highly qualified candidates.** The City is actively filling roles, but this remains a top priority and the most urgent need for the Finance Department. Without a fully staffed finance team, the ability to make progress on the other recommendations within this report will be even more challenging, if not impossible. The City should also strive to attract the most qualified applicants and ensure that the compensation and benefits offered for particularly important roles, such as the Finance Director, are in-line with industry standards.
- 2. Alter reporting structure of department.** For a better balance of responsibilities, GFOA recommends having the payroll group report to either the Controller or Deputy Finance Director as opposed to the Financial Accountant III. With the vacancy in the payroll manager and related issues this will allow for more oversight of this group as course corrections are made. Otherwise the current structure of the department is in general alignment for a city of its size, *this includes having the purchasing function remain under the purview of the Finance Director and not a standalone function.*



3. **Cross train Deputy Finance Director on essential functions and approvals.** Once the new Finance Director is hired and on-boarded, a schedule should be developed for the Deputy Finance Director to be trained on all essential functions, prioritizing items of high importance and those requiring the Finance Director's approval and/or signature. This will help to ensure continuity of operations in the event the Finance Director or division heads are unavailable or leave the City.
4. **Develop a cross training program for division managers in the Finance Department.** In addition, division managers should also receive cross-training on other areas within the Finance Department. This will assist with a better understanding of senior staff within the department on the roles, responsibilities and functions of key areas, and also may be useful if the department experiences another period of high turnover.
5. **Cross training of staff within each division of the Finance Department.** The accounting division has begun efforts to cross train accountants within key areas. This effort should be continued in earnest and expanded to include all areas within accounting and also have cross training between the two groups under each Financial Accountant III for broader understanding of the day to day needs within accounting.
6. **Create and/or update procedure manuals for all major functional areas in Finance Department.** This has been outlined above for specific process/functional areas examined, but one which GFOA cannot stress enough. The City suffers from a lack of documentation of how core functions are performed which is compounded by recent turnover and further threatened by pending retirements. Key functional areas needing documentation with procedure manual should be identified and prioritized to help ensure relevant and timely completion.
7. **Document roles and responsibilities of all Finance Department positions.** The position descriptions provided by the City to GFOA, should be expanded upon and better tailored to the specific needs of each role within the department. Attention should be given to ensuring that the roles and responsibilities of a particular position are defined for what is needed out of the particular position/function and not tailored to the individual currently filling the role. Any major discrepancies should be addressed and monitored as part of the recommendation to develop staff goals and professional development plans.
8. **Clear delineation of roles between Finance Department, Departments and Information Technology.** In conjunction with creating procedural manuals for finance functional areas and documenting roles/responsibilities of Finance Department staff, the City should ensure that finance-related tasks/duties are not duplicated between departments. This would include between Finance and the IT Departments – but also ensuring that department business-type staff are not performing duplicative tasks. Formal service-level agreements should be made between Finance and the departments to prevent overlap.
9. **Create a regular schedule for departmental training on major finance functions.** After development of procedure manuals. Clearly defining Finance Department staff roles, and establishing agreements between departments on functional responsibilities, a training program and schedule should be developed on major financial functions. This would include having materials available in some type of on-demand format for new hires to ensure consistent information is provided depending on role. In-person training should also be provided by Finance for new department hires that have active roles in financial functions, such as time-keeping, procurement, budget, etc. In addition, a regular training schedule on major financial function should be developed to provide an opportunity for re-fresher courses for current staff. And considerations should be



made to have the initial offerings of these trainings mandatory for any City staff involved in a particular function, such as time-keeping.

10. **Develop staff goals and professional development plans.** Once position roles and responsibilities are defined, Finance Department leadership should develop goals and a professional development plan for each finance staff member. This should be done in conjunction with the staff member and their direct supervisors and addressing deficiencies between the role/responsibilities of the positions and the person staffing the position. As part of developing goals and professional development plans, routine reviews (annual, at minimum) should be scheduled to discuss staff performance, re-visit/modify goals, and develop corrective action plans, if necessary.
11. **Provide additional opportunities for professional development.** In addition to the aforementioned cross-training, opportunities should be explored and encouraged for employees to attend outside training. This would include both in-person and virtual training opportunities, with the expectation that information would then also be shared across the department as well by the staff member attending a training. A schedule and approval process should be developed to ensure the Department is mindful of costs and also to ensure relevance of the training and access to attend training is fairly distributed within the Department.
12. **Develop a long-range vision and plan for the Finance Department.** In addition to correcting more immediate/urgent deficiencies in the Finance Department, a longer range vision/function for the department needs to be established as well. The City and Finance Department leadership should address what the expectations and role is for the Finance Department in overall management of the City.

In addition, GFOA also reached out to a number of similar sized cities within the southeastern United States that have lost population over the last decade (to mirror broader demographics, to some extent) to inquire about the structure of their finance functions. GFOA received information back from the cities of Mobile and Montgomery, Alabama. The information was used to inform/confirm several of our recommendations. The detailed information regarding the structure and headcount of the aforementioned cities financial functions can be found in Appendix B.

A. Financial Policy Review

This section of the report is intended to be a comprehensive review of all financial related policies of the City. A number of the policies discussed in the following have also been discussed in the previous sections on process improvement, as divorcing policy from process/procedure, and vice versa, is difficult as they are so dependent on one another for an organization to have a high function finance department. Policies are intended to serve as the high-level, governing body adopted expectations for specific financial functions. The processes/procedures outline how the vision set by the policies will be operationalized by the day-to-day activities of an organizations management and administrative teams.

As such, GFOA strongly recommends that organizations formally adopt financial policies. Financial policies help to institutionalize good practices and help protect these practices from any organizational changes. Steps to consider when making effective policies include scope, development, design, presentation, and review. The GFOA Best Practice [Adopting Financial Policies](https://www.gfoa.org/adopting-financial-policies-0) (<https://www.gfoa.org/adopting-financial-policies-0>) recommends prioritizing these basic financial policy categories that all governments should adopt:



- **General fund reserves.** Policies governing the amount of resources to be held in reserve and conditions under which reserves can be used.
- **Reserves in other funds.** Policies for other funds (especially enterprise funds) that serve a similar purpose to general fund reserve policies.
- **Grants.** Policies that deal with the administration of the grants process.
- **Debt.** Policies that govern the use of government debt, including permissible debt instruments, conditions under which debt may be used, allowable levels of debt, and compliance with continuing disclosure requirements.
- **Investment.** Policies that provide guidance on the investment of public funds, including permissible investment instruments, standards of care for invested funds, and the role of staff and professional advisors in the investment program.
- **Economic development.** Policies that address a local government's use of subsidies or other incentives to encourage private development.
- **Accounting and financial reporting.** Policies that establish and guide the use of an audit committee, endorse key accounting principles, and that ensure external audits are properly performed.
- **Risk management and internal controls.** Policies that address traditional views of risk management and internal control, as well as more modern concepts of "enterprise risk management."
- **Procurement.** Policies that are most essential for adoption by the governing board in order to encourage efficient, effective and fair public procurement.
- **Long-term financial planning.** A policy that commits the organization to taking a long-term approach to financial health.
- **Structurally balanced budget.** Policies that offer a distinction between satisfying the statutory definition and achieving a true structurally balanced budget.
- **Capital.** Policies that cover the lifecycle of capital assets, including capital improvement planning, capital budgeting, project management, and asset maintenance.
- **Revenues.** Policy guidance through the designing of efficient and effective revenue systems that guarantee the generation of adequate public resources to meet expenditure obligations.
- **Expenditures.** Policies addressing a range of issues around how the money is expended, including personnel, outsourcing, and funding long-term liabilities.
- **Operating budget.** Policies that describe essential features of the budget development process and form, as well as principles that guide budgetary decision making.

The City lacks a significant number of financial policies necessary for an efficient and effective finance office. Below is an analysis of the City's policies in each key functional area, as well as suggestions for policy improvements and development.

Accounting, Auditing, and Internal Control Policies

- City Ordinance requires the submittal of an annual financial report.
- The City's CAFR outlines key accounting policies, including:
 - The financial reporting entity.
 - Government-wide and fund financial statements.
 - Measurement focus, basis of accounting, and financial statement presentation
 - Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance
 - Accounting pronouncements
 - Estimates
 - Related party transactions



- While the City does outline basic accounting policies in its CAFR document, it is difficult to find any other guiding policies and procedures for the day-to-day accounting and internal controls practices for staff to use. The documentation of accounting policies and procedures should be readily available to all employees who need it. According to GFOA Best Practice, [Policies and Procedures Documentation](#), accounting policies should delineate the following key areas:
 - The authority and responsibility of all employees, especially the authority to authorize transactions and the responsibility for safekeeping assets and records.
 - Employee roles and responsibilities as it relates to all accounting procedures.
 - Procedures should be described as they are actually intended to be performed rather than in idealized form.
 - Should explain the design and purpose of control-related procedures to increase employee understanding of and support for controls.
- The City needs to develop policies and procedures related to:
 - Internal Controls
 - Accounting write-offs
 - Petty cash and bank account controls
 - Inventory
 - Risk management implementation and financing
 - Staff roles and responsibilities for management decisions on accounting issues
 - External audit
 - Membership and responsibilities of auditing committee

Asset Management

- City ordinance Article VIII details the City's policies related to asset management and the disposal of public property. The City's policies currently outline roles and responsibilities related to asset management, as well as value thresholds which require different disposal methods.
 - GFOA recommends maintaining these policies, as well as expanding upon them for broader staff use. GFOA's best practice on [Capital Asset Management](#) recommends developing policies to guide capital asset management from both a finance and operational perspective.
 - These policies should include the following:
 - Require complete inventory and periodic measurement of the physical condition and existence of all assets.
 - Establish methods of condition assessment for all types of capital assets.
 - Maintain a capital asset tagging system.
 - Roles and responsibilities for all parties involved in the asset management process.
 - Asset replacement guidelines to ensure lawful and timely replacement of assets.

Budget

- The City Charter requires the Mayor to propose and the City Council, to adopt an annual comprehensive operating budget.
- The City's budgeting policies as defined in their annual budget document include the following:
 - Responsibility for administering the budget is shared between the Mayor, CAO, Finance Director, and City Council.
 - Budgets must be balanced and adopted using the modified accrual basis of accounting.
 - Definition of operating reserves levels.
 - Requirement for several funds to operate within their self-generated revenues.
 - Expectation for pension and retirement funds to remain actuarially sound.



- GFOA best practice recommends that governments follow the budget process guidelines set by the [National Advisory Council on State and Local Budgeting \(NACSLB\)](#). These guidelines recommend the following key characteristics of the budget process be codified in policy and procedure documents:
 - **Definition of the Budget Process.** The budget process consists of activities that encompass the development, implementation, and evaluation of a plan for the provision of services and capital assets.
 - **Mission of the Budget Process.** To help decision makers make informed choices about the provision of services and capital assets and to promote stakeholder participation in the process.
 - **Key Characteristics:**
 - Incorporates a long-term perspective
 - Establishes linkages to broad organizational goals
 - Focuses budget decisions on results and outcomes
 - Involves and promotes effective communication with stakeholders
 - Provides incentives to government management and employees
- The City should consider creating budgeting policies for the following. These should include definitions and any workflow processes or roles and responsibilities associated:
 - Budget controls
 - Long term financial forecasting
 - Budget process and development
 - Capital budget planning and development
 - Public engagement efforts related to budget development
 - Cost allocation procedures

Debt Management

- Because of the technical nature of issuing debt, these policies are often lengthier and more detailed than other financial policies. This was an area that was missing the largest number of policy components. The City does not have robust debt management policies that detail where debt information is kept and tracked. It was difficult to find policies related to debt management other than a brief mention of debt and pension obligations in the City's financial report and CAFR.
- GFOA recommends that state and local governments adopt comprehensive written debt management policies. These policies should reflect local, state, and federal laws and regulations. The GFOA best practice on [Debt Management Policy](#) recommends the following policy areas be developed and reviewed periodically:
 - **Debt Limits.** The policy should consider setting specific limits or acceptable ranges for each type of debt. Limits generally are set for legal, public policy, and financial reasons.
 - **Debt Structuring Practices.** The policy should include specific guidelines regarding the debt structuring practices for each type of bond.
 - **Debt Issuance Practices.** The policy should provide guidance regarding the issuance process, which may differ for each type of debt.
 - **Debt Management Practices.** The policy should provide guidance for ongoing administrative activities, including investment of bond proceeds, arbitrage rebate monitoring and filing, and ongoing market and investor relations efforts.
 - **Use of Derivatives.** The policy should clearly state whether or not the entity can or cannot use derivatives.



Procure to Pay/Purchasing

- The City's current policies establish a central purchasing division within the Finance department in Sec. 26 Article II, and establish the Deputy Finance Director, Assistant to the Finance Director, Revenue Administrator, Controller, and Records Manager roles in the Finance office.
- Current policies briefly outline the requirements for a competitive purchasing process, including contract limits, and requires the development of a Purchasing Rules and Regulations Manual created and designed by the Purchasing Agent.

Treasury, Customer Billing, and Revenue

- The City currently lacks any solidified policies related to payments made, cash received, or receipts handled by the treasury office. These policies are critical to ensure funds are received correctly and cash is handled appropriately, as well as to avoid instances of external fraud related to payables.
- GFOA recommends that governments have policies and procedures in place for each payment method allowable at the government, as well as to use electronic means of payment as often as possible.
- The City does not have any standardized cash handling policies at this time as far as GFOA has seen. GFOA would recommend the development of cash handling and receivables policies. GFOA best practice on [Receivables and Handling Receipts](#) in the Treasury Office recommends that governments have written policies and procedures for invoicing and collection of revenue, which should include the following elements:
 - **Invoicing and Accounts Receivable.** The City should establish invoicing and accounts receivable controls, processes, and procedures, while considering the following: billing timeframe, dollar threshold, use of outside collection services, aging, and workflow.
 - **Cash Handling and Reconciliation.** The City should establish policies related to proper handling, reconciliation, accounting, fraud prevention, and safekeeping, as well as acceptable types of receipts. This may include cash, check, credit card, ACH, and wire transfer.
 - **Revenue Collection.** The City should establish controls related to receiving money from customers, and require timely deposits, reconciliation, and recognition of collected revenue.
- The City does not have any comprehensive revenue policies as far as GFOA is aware. While City ordinance lays out basic instruction for revenue collection, GFOA strongly recommends governments establish revenue policies related to the diversification and stabilization of revenues, forecasting, goals behind City user fees, and anticipated new or changing revenues.



V. Chart of Account Improvements

The chart of accounts establishes the overarching framework for how financial information will be prepared, report on and utilized throughout the City, its constituents, and other interested parties, including regulatory and oversight bodies. An unintuitive chart of accounts will diminish all of the hard work and effort behind preparing and reporting the City's financial results, by negating the usefulness of how the information is structured. A useful chart of accounts will not only meet reporting requirements, but also allow the City to track delivery of essential programs and services to best communicate how funds are being spent and then being able to help fully inform discussions around whether or not the amount spent was appropriate and if the services promised were delivered as well.

GFOA Observations

- Complete chart of accounts was transferred from prior system to New World in 2014 with minimal, if any change (leaving the chart virtually unchanged in decades with longevity of the prior Famous system). Discussion on changing chart ultimately was decided against as viewed to be too big of an undertaking at the time.
 - As part of this tried to condense sub-objects at first, but received push back from the departments – so sub-objects were left largely as is.
- Current segments utilized in New World:
 - Fund – Department – Division – Project/Grant – Object/Sub-object
- Capacity to utilize additional segments with eight segments available but only five being utilized.
- The combination of project/grant can cause issues, for example, as project and grant share the same field, if a grant is funding a project - funds need to be transferred from the grant to the project – as opposed to having the ability to track both the grant and the project in different segments on the same string.
- In addition, the projects/grants segment is limited to use for capital projects or grants – no segment available to track programs/initiatives/etc. – with the field left blank for non-grant operating strings.
 - For example – Mayor's request for report on spending related to programs that support his initiatives had to be done manually.
- Other segments, in general, are used appropriately without too much customization to track specific items. Division seems to have a few instances of being more programmatic or service delivery in nature than true sub functions of the department. Also, number of object and sub-object fields are considerable with some overlap/excessive detail.
- Another issue related to ineffective implementation of New World was the aggregating of all grants into a single field.
- In addition, grants for departments are generally grouped into a grant division for the department receiving the grant.
 - For example, the Safe Streets Grant field used over the last decade is accounted for under the 'Police Grants' division (as with all other grants for the Police Department) – but seems as though that would be more appropriate under the 'Operations' division of the Police Department or wherever the funds from the grant are primarily focused.
 - Detail shown below for several areas where this is done:



G/L Organization	Description
22.25.2210	Grants, Police Department, Police Grants
22.30.2220	Grants, Fire Department, Fire Grants
22.63.2263	Grants, Shreveport Area Transit System, SPORTRAN Grants

- Division is required for revenue and expense – department number is re-populated if no divisions under that department
- Currently utilize a total of 161 funds, including 17 operating funds
- Requests for any type of new segment, regardless of type, is requested through Accounting via email.

GFOA Recommendations:

- **Utilize one of remaining three segments in New World to track specific programs/initiatives.** The City should leverage one of the remaining and unused segments in the New World current chart of accounts for programs, initiatives or other sub department/division activities. This should be done in formulation of the budget and completed for all budgeted strings. If use of one of the remaining unused segments is deemed not feasible, the City needs to leverage the project/grant segment for all operating budgeted strings that are not grant funded or capital projects for the aforementioned activities – programs, initiatives, etc. Aligning the budget and ultimately actuals to a more activity/program/service delivery orientation will allow for better discussions and decision-making as what is being funded will be more readily intuitive to all parties involved in budget discussions – both externally and internally.
- **Continue work on grants segment to show greater detail.** The aggregating of all grant information into the system during the conversion to New World is a serious disservice to the ability of the City to effectively monitor and compare past grant information to more current patterns in grant funded services and programs. Efforts underway to repair this flawed decision should be continued to allow for a better understanding of activities related to grants.
- **Complete a comprehensive restructuring of the chart of accounts when implementing a new system in the future.** GFOA has included a recommendation for procuring a new system sometime within the upcoming several years. As part of that process, GFOA strongly recommends a complete re-configuration of the existing chart of accounts with focus on the aforementioned areas of adding segment detail capacity related to grants, projects, and programs; clarifying divisions; and a comprehensive review of all objects and sub-objects. Included as Appendix C is our complete recommendations and guidance on developing a chart of accounts for reference.



Appendix A – Purchasing Manual Review



Policy
Review

Purchasing Manual Review

Date: October 1, 2019

Objective

GFOA performed a review of the Purchasing Regulations & Procedures Manual issued May 10, 2018, by the City of Shreveport. The purpose of the review was to compare the City’s manual to recognized industry best practices and identify opportunities for improvement. As part of GFOA’s organizational assessment, we plan to review existing purchase policies, processes, and structures. This represents the first part of that analysis. All recommendations provided here should be viewed as preliminary given that a full analysis has not yet been completed. However, as GFOA does complete further analysis, we will have additional recommendations about how best to implement changes.

Overall Recommendation

GFOA strongly recommends a complete re-write of the City’s procurement manual. To be effective, a purchasing manual must communicate policies and procedures in a concise and organized way. In addition, the current policy is missing several components important to establishing an effective procurement function. For example, the current policy does not articulate high level goals of the purchasing function to help better frame why procurement matters and also does not help clearly articulate and define key roles and processes related to purchasing. In addition, the current structure of the manual would suggest a piecemeal approach to making changes in response to unfavorable purchasing incidents as opposed to a more comprehensive approach. However, the development of a new purchasing manual will take time and must be done in conjunction with developing fundamental basics, such as why the City has a purchasing function, down to analyzing and revamping the day-to-day processes to ensure alignment with intent, oversight and also industry best practices.

GFOA would also recommend that the development of a new procurement policy manual be done in collaboration with key City stakeholders including elected officials, City leadership, department heads, and



key procurement staff. Following development, City staff involved in the various procurement processes will need training (and potentially revised systems/tools) for the City to achieve full benefits from a plan revision.

Analysis

To support our overall recommendation, GFOA compared the City’s procurement policy manual against a framework from the *Developing a Procurement Policy Manual*, one of the global best practices publications developed by the National Institute of Government Purchasing (NIGP). This NIGP global best practice clearly and succinctly outlines the eight major elements of a procurement manual. The following will use these eight elements to evaluate the City’s purchasing manual on a scale of “Exceeds”; “Meets”; “Partially Meets/Not Clear”; and “Does Not Meet” basis. Each element will be followed by several more specific comments on shortcomings, next steps, etc.

Element 1.1: Purpose of a Procurement Policy – **Partially Meets/Not Clear**

- The overall purpose or values that elements of the City’s policy are based on are not clear. For example, what is the City trying to achieve with the procurement function? Does the policy prioritize:
 - Serving customers accommodating to diverse set of operational needs?
 - Improving organizational efficiency?
 - Purchase good/services at the lowest cost?
 - Increasing control and scrutiny of spending public dollars?
 - Promoting social goals, such as promoting local or disadvantaged businesses?
 - Reducing fraud?
 - Creating better supplier relationships?
 - Maximizing competition?
- Generally, purchasing policy manuals will provide information to stakeholders on how to complete tasks. The City’s policy focuses more on what *not* to do rather than providing information on what should be done.

Element 1.2: Definitions – **Partially Meets/Not Clear**

- Key terms and concepts that are critical to understanding of the City’s purchasing function are not defined in the manual. For example, the City and the purchasing manual need to clearly define and utilize purchase order and purchase requisition for their intended purpose. System limitations may hamper this, but this clarification is needed in order to ensure the purchasing process functions effectively.
 - The City has made a good start on page 10 – but needs to go much deeper in terms of definitions, i.e. requisitions, RFPs, RFQs, IFBs, etc.
- The City will need to more consistently articulate what acronyms stand for, and include in definitions, if needed.
- More specific example: split purchase definition should be revised to clarify - expected purchases, purchases by multiple departments, etc.
- Additional example: Routing process is referenced multiple times but not necessarily explained.



Element 1.3: Basic Organizational Concepts – **Partially Meets/Not Clear**

- The policy manual needs to include a comprehensive list of stakeholders and roles. For example, what is role of purchasing, departments, CAO, Mayor, Council, etc.
- Some roles/stakeholders are defined, but is not complete and listed in a number of different areas of the manual.

Element 1.4 Source Selection and Contract Formation – **Partially Meets/Not Clear**

- The policy manual will need to include process flows for key process and which process applies when. A few process flows are currently included, but not for all key processes or to a level of detail necessary to help assist users of the current manual.
- GFOA recommends that the entire policy manual be organized by end user process and key outcomes. This would allow it to be much more user friendly to departments and purchasing staff looking to the policy manual for guidance.
 - GFOA recommends including a decision tree that highlights what department wants to accomplish
- Need clear definitions for when certain purchasing vehicles apply:
 - P-Card
 - PO
 - Contract (professional services)
 - Contract (commodity)
 - Blanket PO
 - Emergency PO

Element 1.5: Specifications – **Partially Meets/Not Clear**

- City needs to consider thresholds for approvals, bids, POs, etc.
- P-Cards need to be better integrated with the purchasing policy
- Purchasing authority outside of purchasing agent (for 1,000) seems low.
- Solicitation request should also be a purchase requisition so it is in the system and encumbers budget.
- Capital asset threshold is referenced as \$500 - which is extremely low.
- The policy manual and related processes should be modernized. For example, GFOA does not believe there is a need to include petty cash requirements as more thorough use of p-cards would be more effective and efficient.

Element 1.6: Ethics and Code of Conduct – **Partially Meets/Not Clear**

- The City's manual includes a section on avoiding conflicts of interest. However, this section is narrow and should be expanded to include a much broader definition of ethical procurement. For example, the policy does not contain process or guidance on:
 - Conflicts of interest beyond immediate family members
 - Misuse of confidential information
 - Process for discipline
 - Process for suspending problematic or unethical vendors
 - Detailed process for hearing protests and appeals



Element 1.7: Personnel and Professional Development – Does Not Meet

- The City’s policy manual does not provide technical and professional qualifications for management and professional staff, identify training requirements for new employees, and those that will be involved in the procurement process

Element 1.8: Special Programs – Partially Meets/Not Clear

- Governments can use their purchasing policies to help advance community or organization-wide goals. The City’s policy makes reference to several initiatives, but does not provide guidance on how to implement these policies. The City should consider how to best include:
 - Disadvantaged businesses
 - Local businesses
 - Sustainable procurement guidelines
- Procurement can also prioritize spending on joint/cooperatively bid procurements or other similar strategies. The City should clarify how these will be used.

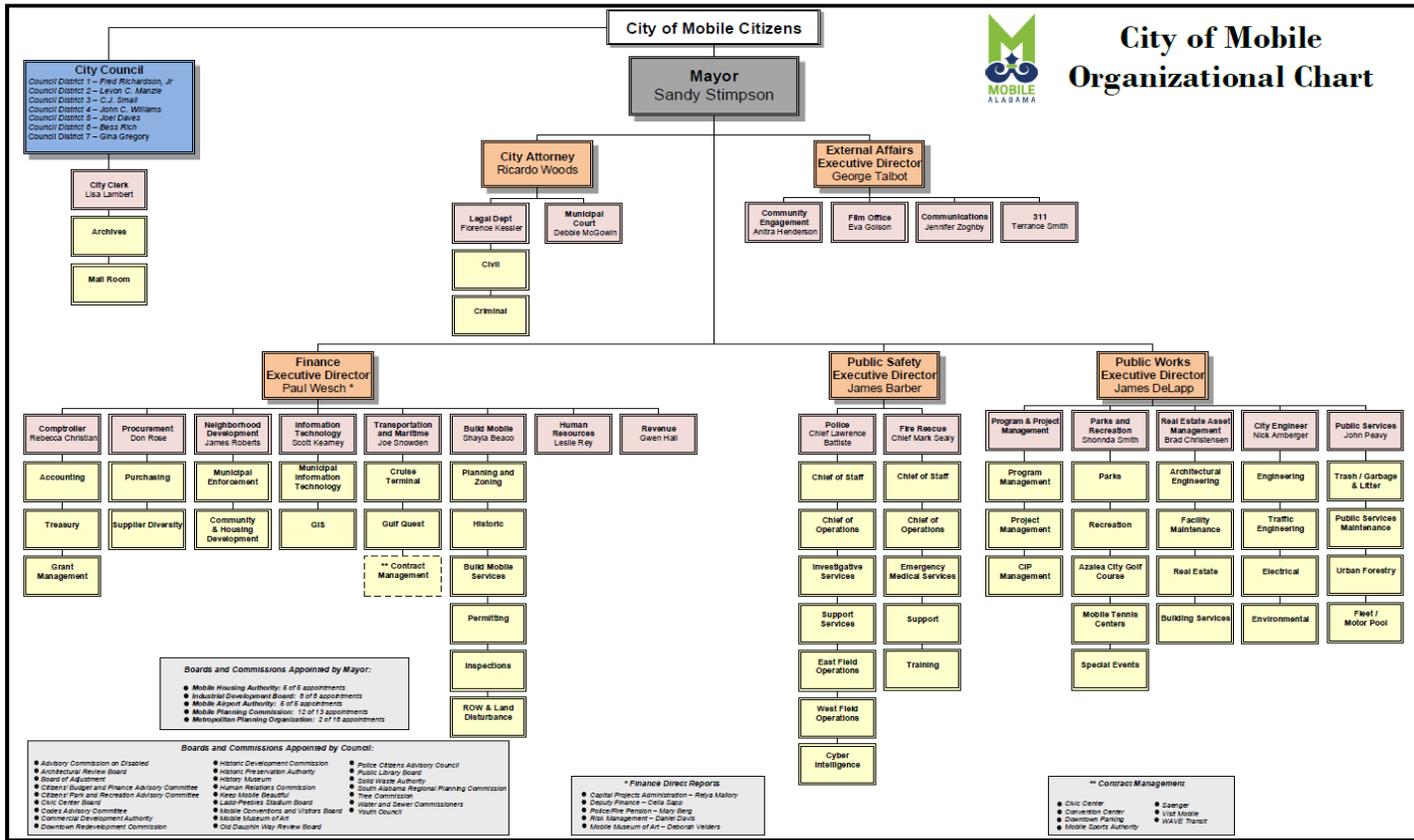
Attachment 1 – Public Procurement Practice – DEVELOPING A PROCUREMENT POLICY MANUAL

https://www.nigp.org/docs/default-source/New-Site/global-best-practices/policymanual.pdf?sfvrsn=d933e140_2



Appendix B - Organizational Structures of 'Peer' Cities

Mobile, AL Organizational Structure

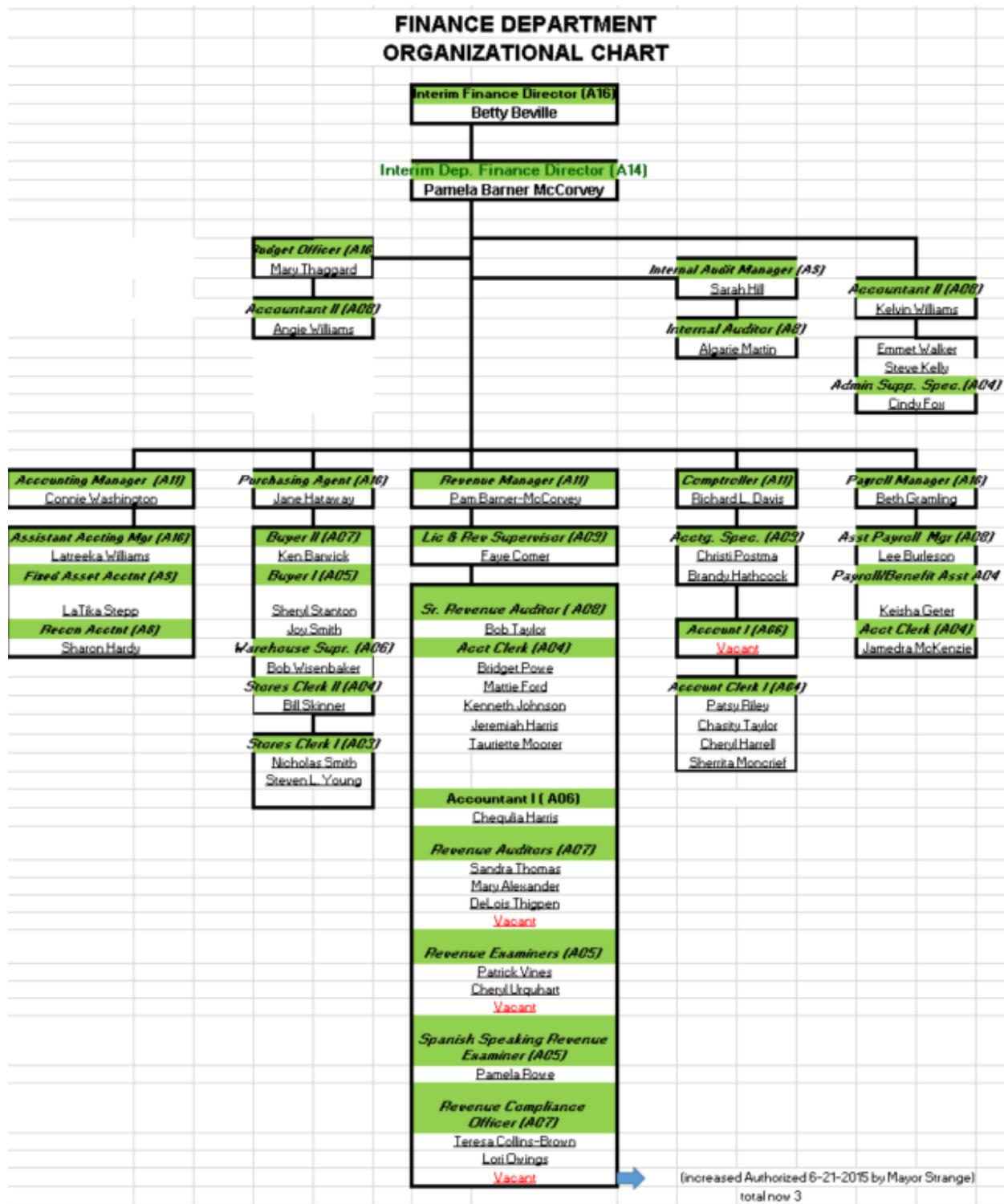


As of Feb 04, 2020

Mobile, AL has a total finance staff of 73 FTEs. The breakdown is listed below:

City of Mobile, AL Finance Office Headcount	
Department	FTE Count
Comptroller	21
Procurement	12
Revenue	30
Capital Projects	3
Finance Administration (includes budgeting)	4
Pension	2
Risk Management	1

Montgomery, AL Organizational Structure



Montgomery, AL has a finance staff of 53 FTEs. Payroll, Accounting, License and Revenue, Purchasing, Financial Management, Internal Audit, and Budget report to the Finance Director.



Appendix C – Chart of Account Recommendations



Chart of Accounts - Recommendations

Chart of Account Guidelines

GFOA has developed the following guidelines to assist governments in developing a new chart of accounts as part of an ERP implementation. For all projects, unless there are strict requirements that a specific chart of account structure be used, GFOA recommends that organizations take the opportunity of the ERP system implementation to develop a new chart of accounts. Below are GFOA's chart of account development recommendations:

1. **Define Each Segment** – Each segment of the chart of accounts should have a strict definition that can be communicated and enforced. This will prevent internal inconsistencies within the chart of accounts. For example, the City should universally agree on what a “fund” is, what a “department” is, what a “program” is and not allow any exceptions.
2. **Start Over** – When developing the chart of accounts, the City should start fresh and not concern itself initially with mapping back to the existing chart of accounts. The City should be reviewing its actual organizational structure and operations and build the chart off of that rather than its existing chart of accounts. This will prevent the City from replicating a problematic chart of account structure.
3. **Start Simple and Build-Out Detail** – The City should identify major categories within each segment and then work to build out detail. Again, this will help the City take a fresh perspective to the chart of accounts and prevent any unnecessary replication of the old chart. For example, when developing the object code listing, the City should first identify major object code categories and then work to define detail to the extent necessary. This will also help ensure that the overall chart is organized.
4. **Don't Store Unnecessary Data** - A well-developed chart of accounts will not require new accounts to be created often. Most organizations attempt to keep the chart of accounts relatively simple and high level and then utilize other components of the system (example: the project ledger, AR charge codes, salary pay codes, work order detail, etc.) to further define the detail. This will lessen the amount of maintenance required on the chart of accounts.
5. **Don't Repeat or Bring Forward Ineffective Numbering or Accounts** – Simply being able to convert chart of account data or having the ability to re-use existing number schemes is not always beneficial for the organization. As part of training and change management activities for the ERP implementation, many policies, processes, and systems will be changing. In many cases it is not a good idea to hold on to an old taxonomy or vocabulary with the chart of accounts. The City's end-users will eventually learn the new chart and dealing with the initial learning curve is better than dealing with inefficiencies in the new chart of accounts for the length of time the new ERP system is used.



Common Chart of Account Structure

GFOA recommends that the City, and almost all other organizations, define a chart of accounts with the following major components. Each one will track a slightly different type of information as described by the blocks below. It will also enable the City to track all required information for accounting, budgeting, and financial reporting.



Within each major component, the City could have one or more segments that define the level of detail necessary for the City’s tracking, managerial, and reporting needs. Potential options for each could include:

Component	Description	Possible Segments
Fund	Fund is the self-balancing accounting unit required for governmental accounting	<ul style="list-style-type: none"> • Fund • Sub Fund
Organizational Unit	Organizational unit represents the organizational hierarchy represented by an org chart, listing of business units, or locations that the City wants to track data for.	<ul style="list-style-type: none"> • Business Unit • Department • Division • Location
Program / Activity	Programs (also commonly called activity) are the services performed by organizational units. Each program should have a service outcome (result produced). Typically programs are ongoing and not limited to a specific organizational unit	<ul style="list-style-type: none"> • Function • Program • Activity • Sub-Activity
Object / Account	The object or account is the classification of the balance sheet item, revenue, or expense. For expense and revenue, this defines what was spent or earned (example: supplies).	<ul style="list-style-type: none"> • Object / Account
Project	Projects are often used to track programs with defined start and end dates or other events that would require additional detail beyond the chart of accounts. Project costs would be summarized in this segment but broken out in more detail in the project ledger. This allows for detailed tracking department by department.	<ul style="list-style-type: none"> • Project Roll Up • <i>(Additional segments defined as part of project/grant accounting)</i>

Note: GFOA does not recommend that the City use all of the “possible segments.” This list was supplied as potential examples to select from. GFOA recommends that the City define its chart of account segments using only those segment necessary and make an attempt to keep this structure simple.



Chart of Account Segment Considerations

GFOA used the common chart of account structure defined above to illustrate potential considerations and decisions points that will need to be made within each segment. After determining how many segments are most appropriate, the City will need to make decisions on how many values to include and how each should be organized/numbered. For smaller organizations, GFOA recommends that the chart be kept simple and additional segments not be added unless necessary.

- **Funds**

GFOA has observed that many cities create many new funds as a way of tracking information in a legacy financial system because the system lacks the flexibility in the chart of accounts to add segments and track projects, programs, or grants separately. As a result, governments have long list of “funds” many of which should not actually tracked as separate funds. GFOA’s Best Practice advised governments “to establish clear criteria for determining whether a given “fund” in its accounting system should be treated as a fund for purposes of external financial reporting. The application of these criteria to individual “funds” should be documented and then periodically reviewed to take into account changes in circumstances (for example, a significant decrease in a revenue source reported as a separate special revenue fund). A government’s periodic review of its fund structure ought to specifically consider whether the goals of general purpose external financial reporting could better be achieved by combining similar “funds” in the accounting system into a single fund for financial reporting purposes.”

- **Organizational Units**

As stated above, many organizations create one or more segments to refer to the organizational unit. These segments can include department, division (sub-section of department), or any other vocabulary used to create the organizational structure (typically supervisory and personnel reporting structures). When developing the chart of accounts and defining segments, it is important that all information within a segment is kept consistent. Also, because each segment code can only be used once, GFOA would recommend the City consider numbering hierarchical relationships with prefix numbers that identify the grouping. For example in the example below, all divisions belonging to the finance department begin with 10. For smaller organizations, it is likely that one segment is sufficient (only department).

<i>Department Number</i>	<i>Department</i>	<i>Division Number</i>	<i>Division</i>
10	Finance	1010 1020 1030 1040	Accounting Purchasing Revenue Budget
20	Police	2010 2020 2030 2040	Office of Chief Patrol Investigation Jail



- **Program/Activity**

The example stated in the previous section would therefore not apply to programs or activities. For most governments, these programs would not be limited to one department as divisions are so a different numbering method would be required. In the examples below, all programs /activities would be created under the example roll-up number by major function. While this may be similar to organizational unit or department, the City should avoid establishing a 1:1 relationship between organizational unit and program (as not all police programs are focused on public safety and presumably the police is not the only department that contributes to public safety).

<i>Example Number</i>	<i>Description</i>
10000	General Government
20000	Public Safety
30000	Transportation
40000	Health and Welfare
50000	Recreation
60000	Conservation and Planning
70000	Facilities
80000	Business Enterprises

- **Object**

As stated earlier, GFOA recommends that most cities develop a new object code listing and take this opportunity to clear up and organize the set of object codes used throughout the organization. GFOA’s experience with many other governments is that similar to fund, object codes are created to track projects, grants, and programs that should be tracked in other segments of the chart of accounts. Now that the City has the capability to re-do its chart of accounts that should be cleaned up. GFOA offers the following structure for object codes as an example. Within each major category, additional detail can be defined. Note: This structure is provided as an example. GFOA recommends that the City develop a structure that meets its needs.

<i>Example Number</i>	<i>Type</i>	<i>Description</i>
10000	Asset	Assets
10100	Asset	Cash
10200	Asset	Petty Cash
10300	Asset	Restricted Cash With Fiscal Agent
11500	Asset	Investments
12000	Asset	Receivables
12200	Asset	Short-Term Receivables
12300	Asset	Interest Receivables
12400	Asset	Due From Other Governments



<i>Example Number</i>	<i>Type</i>	<i>Description</i>
14000	Asset	Due From Other Funds
15000	Asset	Non - Current Asset
15100	Asset	Long Term Receivable
15200	Asset	Other Assets
15400	Asset	Property Held For Resale
15500	Asset	Capital Assets
20000	Liability	Liability
21000	Liability	Current Liability
21100	Liability	Accounts Payable
21200	Liability	Accrued Liability
21300	Liability	Payroll Liability
21400	Liability	Other Current Liability
22000	Liability	Due To Other Funds
25000	Liability	Non-Current Liability
25100	Liability	Non-Current Accrued Liability
25200	Liability	Other Non-Current Liability
25300	Liability	Deferred/Unearned Revenue
25400	Liability	Long Term Debts
25500	Liability	Asset Forfeiture
30000	Fund Balance	Fund Balance
40000	Revenue	Revenue
41100	Revenue	Property Taxes
41200	Revenue	Special Assessment Revenue
41300	Revenue	Sales Taxes
41400	Revenue	Other Taxes
41600	Revenue	Franchise Fees
41800	Revenue	Intergovernmental Revenue - Federal
41900	Revenue	Intergovernmental Revenue - State
42100	Revenue	Intergovernmental Revenue - County
42200	Revenue	Intergovernmental Revenue - Local Agency
42300	Revenue	Fines & Forfeiture
42400	Revenue	License
42500	Revenue	Permits
43000	Revenue	Fees And Charges For Services
43400	Revenue	Other Fees
43500	Revenue	Utility Fees
44000	Revenue	Investment Income



<i>Example Number</i>	<i>Type</i>	<i>Description</i>
45000	Revenue	Internal Service Charges
46000	Revenue	Other Revenue
49000	Revenue	Other Resources - Operating Transfers In
50000	Expense	Employee Services
51000	Expense	Salaries And Wages
51100	Expense	Salaries And Wages
51200	Expense	Paid And Unpaid Leave
51300	Expense	Premium Pay
55000	Expense	Employee Benefits
55100	Expense	Employee Benefits
55300	Expense	Workers Compensation Premium
60000	Expense	Operating Expenditures
61000	Expense	Maintenance & Utilities
61100	Expense	Maintenance
61500	Expense	Utilities
62000	Expense	Supplies & Services
62100	Expense	Supplies
62200	Expense	Services
62300	Expense	Travel & Education Expenditures
62500	Expense	Internal Service Charges
63000	Expense	Debt Service
70000	Expense	Capital Expenditures
90000	Other	Other Resource Use

- **Project**

The project segment often acts as an “optional” segment that allows the organization track additional detail (in addition to the segments described above) and allows the “project ledger to be used – opening up additional segments for more detailed tracking of and flexibility with expenses and revenues (purple segments below). Use of the project segment therefore does not need to be limited to capital projects, however this will likely be one of the more common uses. The project ledger (also called “job ledger” or “sub ledger”) can define unique attributes by project. Like all other chart of account segments having a clear plan for how to use the chart of accounts and being consistent and an compliance with the plan is key.



The following are common features that *may* be a good fit for the project segment (and project ledger).



- Capital projects
- Operating projects with defined start and end dates (grants)
- Events (Disaster clean-up)
- Expenses that relate to numerous revenue sources
- Activities / Events that require high levels of detail
- Unique department by department tracking needs (project segment can typically be set differently project by project).