



Financial Management and Internal Department Review

*Mayor and Council Study Session
September 13, 2011*



Financial Management Functions



Financial Monitoring Team

Developed in Fiscal Year 2010 to Collaboratively
Discuss Ongoing Financial and Management Issues.

Teams Include:

- Chief Financial Officer – co-chair
- Budget and Internal Audit Program Director – co-chair
- Finance Deputy Director
- Budget Administrator
- Department Director
- Department Financial Staff
- Budget Analyst

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Financial Monitoring Team

Quarterly Meetings: Topics of Discussion

- First Quarter – Review of Prior Year Actual Expenditures and Revenues vs. Budget
- Current Fiscal Year Projected Expenditures and Revenues including Revenue Trends
- Review Fund Balance Reserves (enterprise funds, internal service funds, HURF, ParkWise)
- Furlough and Overtime Management; Vacant Positions and Hiring Requirements
- Potential Revenue Enhancements
- Service Efficiencies; Performance Measures
- Possible New Grants and Issues with Ending and Loss of Funding on Current Grants
- Funding for Capital and Infrastructure Needs including Additional Operating and Maintenance Costs
- Potential Upcoming Budget Issues

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Financial Monitoring Team

- Additional quarterly meetings held with the core services departments (Police, Fire, Parks and Recreation, and Transportation) and the City Manager's Office to inform the City Manager, Deputy City Manager, and the Assistant City Manager of issues discussed during the quarterly financial monitoring team meetings.
- Purpose is to keep the City Manager's Office informed and provide the opportunity to make high-level decisions and/or discuss upcoming issues or activities.

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Expenditure Oversight Team Approval Matrix

- Approval processes have been established to provide stringent oversight and management of City expenditures
- Matrix developed in FY 2009 by team from Budget, Finance and Procurement with input from department heads, financial staff, and the City Manager's Office.
- Written approval requests for specific expenditures must be provided and include sufficient and detailed information for the approvers' (department head, budget analyst, A/DCM) review.

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Expenditure Oversight Approval Matrix

Expenditures Include:

- Purchase Requisitions
- New Solicitations (RFQ, RFP, etc.)
- Renewal of Contracts or Blanket Purchase Orders (P.O.)
- Individual Orders Against a Blanket P.O.
- Change Orders
- Contract Amendments
- pCard Transactions
- DA-23/Accounts Payable
- Print Services

Fixed Assets: All fixed asset purchases shall be made and reported in accordance with Administrative Directive 4.01-3.

Funding: Approvals apply to ALL acquisitions and payment requests regardless of funding source.

Travel Orders: ALL travel orders must have prior approval by the City Manager's Office regardless of dollar amount.

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Strategic Work Plan

Workforce planning document that **details the specific work that needs to be done over the next two years in alignment with budgetary resources** for operational and project priorities. The plan is subject to constant revision and reprioritization of projects allowing the City flexibility in the deployment of resources. Fiscal Years 2012/2013 plan approved by Mayor and Council in August 2011.

Priority Levels:

- Short Term (6 - 12 months); Long Term (1 year +); Urgent (Action needed now); Not Urgent (Delay will not cause harm to City or Department or Clients)

Focus Areas:

- Community Safety
- Strong Neighborhoods and Parks
- Downtown Revitalization
- Economic and Financial Recovery
- Effective Government
- Good Planning
- Transportation and Infrastructure

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Comprehensive Financial Policies

- Adopted by Mayor and Council in January 2011 as recommended by the Government Finance Officers Association (GFOA) to establish guidelines for the City's overall fiscal planning and management.
- Includes financial goals that are broad and fairly timeless statements of the financial position the City seeks to attain.
- Protects the Mayor and Council's policy-making ability by ensuring that important policy decisions are not controlled by financial problems or emergencies.

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Five-Year Financial Model

Developed in Fiscal Year 2011 and used in the Fiscal Year 2012 budget planning process.

- To improve decision making by proactively planning for anticipated future changes both in revenues and expenditures.
- To prioritize limited resources.
- To evaluate the long-term impact of choices.
- To improve the information available for decision making purposes.
- To evaluate sensitivity scenarios to evaluate risk.
- To improve transparency, communication and understanding.
- To provide a guide to develop a structurally balanced budget which will result in a more consistent environment for both our employees and the service to the citizens.

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Government Finance Officers Association (GFOA): Financial Management Model

(Government Finance Review August 2011 article)

- Under review by the Chief Financial Officer for future implementation.
- Self-evaluation tool that reviews jurisdictional adherence to best practices and charts path for improvement
- Goal: achieve high performance in financial management
- Resource for entire organization: finance and budget professionals, city executive staff, mayor and council

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Cash Management Administrative Directive (AD)

- Current policies and procedures AD is being updated by Finance Department to include Government Finance Officers Association (GFOA) best practices regarding internal controls.
- Goal: provide general checklist for departmental use in cash handling (i.e. collections, reconciliation, deposits).

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Internal/External Audit Functions

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Internal Audit Staff

FY 1999



Internal Auditors

FY 2012



Currently assigned to
delinquent sales tax collections

- Under oversight of Budget and Internal Audit Program Director since Fiscal Year 2010
- Recruitment underway for UA Masters of Accountancy students to be employed part-time as municipal interns to assist with payroll audits, compliance with ADs; funded with budget analyst vacancy savings



Collaborative Auditing

- Instituted in Fiscal Year 2009 in order for Internal Audit to be involved with departments on the front end of continuous self-auditing of key service indicators rather than conducting audits after the fact.
- Team approach to identifying and resolving operational issues as soon as they become apparent through tracking of key services metrics.
- Enhances awareness of issues and facilitates communication between key personnel, which may lead to additional options and perhaps faster resolution.
- Provides a system that gives departments an early indication of problems with service delivery, costs, etc.; assist departments in improving service delivery and reducing cost.
- Ensures that services are being provided at acceptable levels and that customer expectations are being met.
- Identifies financial indicators and trends and provides a system to track key financial information.
- Quarterly reports to City Manager, Mayor and Council, and the Independent Audit and Performance Commission (IAPC). *This is a recurring IAPC agenda item.*

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Independent Audit and Performance Commission (IAPC)

- Seven member commission established by Mayor and Council ordinance in October 2008
- Meets monthly and, as necessary, establishes subcommittees to review specific projects/issues
- 10 regular and 9 subcommittee meetings were held during Fiscal Year 2011.
- Technical and staff support provided by Internal Audit.
- Tests for reasonableness; “sniff test”

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Independent Audit and Performance Commission (IAPC)

Functions

- To review and provide comment to the Mayor and Council and the City Manager relating to the City's Annual Audit Plan.
- Upon direction from the Mayor and Council or the City Manager, provide independent appraisal of City programs, policies, and functions in order to help management perform more efficiently and effectively, and/or recommend that the Mayor and Council commission an independent firm to perform such an appraisal.
- Upon direction from the Mayor and Council or the City Manager, examine financial reports, various records, and procedures to determine compliance with applicable ordinances, regulations, policies and contractual provisions, and/or recommend that the Mayor and Council commission an independent firm to perform such an examination.
- Upon direction from the Mayor and Council or the City Manager, evaluate the City's internal control structure and recommend improvements that will help safeguard the City's assets.
- Perform other functions upon express direction by the Mayor and Council.

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Independent Audit and Performance Commission (IAPC)

Past Reviews and Reports Include:

- Metropolitan Tucson Convention and Visitors Bureau (MTCVB) – January-September 2011
- Fiscal Year 2012 Audit Plan – July 2011
- Internal Audit Analysis of Tucson Convention Center Contract Outsourcing – April-May 2011
- City's FY 2010 Comprehensive Annual Financial Report (CAFR) – January-March 2011
- Fleet Services Function – June-November 2010
- Tucson Regional Economic Opportunities (TREO) Compliance with Contract Deliverables – June 2010
- Potential Costs Associated with Implementation of Public Safety First Initiative – Summer/Fall 2009

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Internal Audit Plan

(Allocation of Work Conducted by Internal Audit Staff)

FY 2012 Plan Approved by IAPC on July 7; Scheduled for approval by Mayor and Council – September 13 Consent

Fiscal Year 2012 audits and reviews underway:

- Downtown Development Project Expenditures including Modern Streetcar
- SMART Transit Card Implementation
- Transit Farebox Revenue Policies and Procedures
- False Alarm Cost Recovery Analysis (IAPC staff work)

Fiscal Year 2011 projects included:

- ParkWise Payroll and Revenue Management Audits
- Pima Animal Care Center Financial Report Review
- pCard Audits; Imprest Account (petty cash) Audit
- Tucson Convention Center Vendor Contract Analysis

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External Financial Audit

- Heinfeld, Meech & Co. LLC – Current independent auditing firm under City contract.
- Annual independent audit of financial statements and test of internal controls.
- Audit Plan: Risk assessment approach and process
 - ✓ Significant audit areas and audit procedures for FY 2011 (e.g. cash and investments, revenues and receivables, payables and expenditures/expenses, payroll accounts and related liabilities, long-term debt, capital assets, TSRS, information technology, federal grant administration, component units, financial statements and disclosures)

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Evaluations, Training, and Organizational Communication Functions

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Employee Evaluations

Administrative Directive 2.02-13: Employee Performance Appraisal

- Supervisor is responsible for evaluating work and job performance
- Department director is responsible for the effective functioning of the performance appraisal system in their departments; be sure they are thoroughly and promptly prepared
- Annual frequency using reporting form provided by Human Resources or an alternate form developed by the hiring authority

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Administrative Directives and Department Procedures Training

- New employee orientation includes introduction and overview of employee-related ADs (e.g., safety, leaves, benefits, conduct, ethics)
- Department directors are responsible for training and communication on updated ADs and department procedures.

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Supervisory Leadership and Skills Training

- Updated program under development by Human Resources
- People performance/excellence in public service focus
 - ✓ Build leadership
 - ✓ Be good stewards of public trust
 - ✓ Create environment of optimal productivity and service
 - ✓ Meet challenges head-on
 - ✓ Get ahead of curve
 - ✓ Build morale and esprit de corps

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“Organizational Communication From the Bottom Up”

- Guidelines for Executive Leadership Team and direct reports for keeping each other informed
- Provides for communication upwards (i.e. chain of command) so that City Manager’s Office is able to review/be informed of issues and important topics on a timely and regular basis
- To be incorporated in future administrative directive

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Advise 10-4 Suggestion Program

- Online intranet tool for employees to communicate to management
- Goals:
 - Improve customer service
 - Save the organization money
 - Save employee time
 - Combination of the above

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