

## February 2018 Update to Finance Department 2016 External Performance & Financial Audit Action Plan

Recommendations	Action Plan	Target Completion Date
<i>1.0 General Administration</i>		
1.1 The Finance Department must develop improved measures to forecast revenues and expenditures for current year finances and for multi-year projections. Budget variances need to be quickly identified so that corrective action may be taken, if need be.	Finance has already implemented a different process to forecast revenues and expenditures, which were used for the FY 2016-18 budget development as well as FY 2015-16 quarterly reports. On the revenue side, additional sources are taken into account in forecasting, and projections are done at a line item level and with input from departments. On the expenditure side, departments are actively involved in developing their forecasts, with Finance verifying assumptions used. With the implementation of the Questica Budget upgrade, expenditure forecasting and modeling are improved and can be viewed over a five year period.	Completed
1.2 The Finance Department must improve its strategic support of City departments through budget monitoring, ongoing reporting, and communication of the City's financial conditions in quarterly budget meetings.	Finance Department worked very closely with Departments on their budget formulations for FY 2016-18 and has made available monthly budget reports for departments to use in managing their budgets. Quarterly financial updates for all major City funds, investment reports, and cash balances, are already provided to the City Council. All of the improved analysis tools and communication with City Departments is evident with the establishment of the FY 2018-20 budget process.	Completed

<b>Recommendations</b>	<b>Action Plan</b>	<b>Target Completion Date</b>
<p>1.3 The Finance Department should evaluate increasing Budget staff to a total of five positions (from the current two positions) and Purchasing staff by one full-time position to achieve best in class service levels. Existing staff should be allocated to highest priority duties and perform the full range of duties within their job description. More detailed information regarding this recommendation follows in each relevant section.</p>	<p>On August 23, the City Council approved staff's recommendation to increase the size of the Budget and Revenue Division from two positions to five, and authorized additional 3 FTEs. Recruitment for these positions is expected to last 10 -14 weeks. Through a December 2017 departmental reorganization and contribution from Riverside Public Utilities, staff was able to fund an additional senior buyer in the Finance Department.</p>	<p>Completed</p>
<p>1.4 The Department should coordinate performance measure development with each departmental function in order to have tangible means for understanding how effective and efficient City operations are performing. These performance measures should be included in the annual city budget to facilitate the public's understanding of government operations.</p>	<p>A Citywide Performance Measurement and Reporting Program has been launched through the Office of Organizational Performance &amp; Accountability and result in the development of performance measures for each City department based on the Riverside 2.1 goals.</p>	<p>Completed (including Measure Z )</p>
<p>1.5 The Risk Management function is housed within Finance, which is less common among City governments. In the future, the City should evaluate options for combining Risk Management and Workers' Compensation administration into a single unit.</p>	<p>The Risk Management function has been evaluated in conjunction with the City Manager's Office, City Attorney's Office, City Clerk's Office and Finance Department. In FY 2016-17, the City Council has approved a claims management system and in-house handling of Risk Management. The new process will increase staff's control over costs and dramatically increase customer service and accountability.</p>	<p>June 2018</p>
<p>1.6 Revenue budgeting duties should be allocated to the Budget Division to perform. More critical review and evaluation of revenue projections performed by outside services, and more defined in-house estimates should be developed.</p>	<p>During the FY 2016-18 Budget process and subsequent quarterly reports, the revenue analysis has shifted to the Budget Office. Additionally, with the recently created Treasury and Debt Division, the Budget Office will have increased insight into revenues.</p>	<p>Completed</p>

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<i>2.0 Financial Resources</i>		
<p>2.1 The Division should analyze all budget requests in greater detail for reasonableness. Currently, if a department stays within their budget target dollar amount, they do not have to justify the reallocation of expenses, nor do they have to defend the continuation of prior year's budgeted expenditures. Personnel and operating expenses should be routinely vetted by the Budget Division to ensure need and appropriateness. Position control should be continuously updated.</p>	<p>The two-year budget process has implemented many of these recommendations, which have now been institutionalized. As in any good partnership, the departments and the Budget and Revenue Division will work together in reviewing expenses and personnel. The Budget Office is involved in Personnel Action changes for conformance with budget measures and goals. Position Control was transitioned from HR to Finance, and a recent system upgrades (Questica and IFAS) have greatly improved position control and related analysis.</p>	<p>Completed</p>
<p>2.2 The identification of new department-specific revenues should not be tied to increasing budget target numbers. All expenditures should be reviewed for necessity and reasonableness. In addition, the Division must properly analyze all revenue projections provided by City Departments for accuracy and reasonableness. Currently, there is limited staff to do so.</p>	<p>This was implemented in FY 2015-16, and during the FY 2016-18 budget process.</p>	<p>Completed</p>
<p>2.3 Budget &amp; Revenue Division should assist in the development of performance measures to support budget decisions and control of processes within the City structure. Such metrics provide quantifiable results of activities and will permit benchmarking of performance against outside organizations.</p>	<p>Riverside 2.1 Goals and objectives are analyzed and updated in conjunction with the Office of Organizational Performance &amp; Accountability.</p>	<p>Completed</p>

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2.4 The Division should provide and discuss quarterly reports with all department heads. Departmental variances, and the city's overall financial condition, should be discussed at quarterly budget meetings.	As mentioned in Recommendation 1.2, monthly budget reports are available for departments, and departments are actively involved in the preparation of quarterly reports for the City Council. Quarterly budget meetings with larger departmental staff commenced in November 2017.	Completed
2.5 The Budget Division should fully implement position control in order to project expenditures related to personnel. Budget should review all personnel changes to verify authorization and availability of budgeted funds. By doing so, the Division will also have the ability to determine whether to fill positions at all or on a lag in an effort to save on costs.	As mentioned in Recommendation 2.1, positionControl was transitioned from HR to Finance, and a recent system upgrades (Questica and IFAS) have greatly improved position control and related analysis.	Completed
2.6 The Department should add three full-time budget staff positions for complement of five allocated positions dedicated to budget functions. The Budget division should develop and monitor performance measures, establish greater controls on personnel change requests, increase monitoring of revenues and expenditures, and have a greater input in deciding budget authorization amounts.	See Action Plan Responses 1.3, 1.4 and 2.1	Completed
<i>3.0 Payroll</i>		
3.1 The Payroll Division should track requestors of timecard corrections and retroactive payments. Repeated requestors should be alerted to Administrative Manual Policy 06.004.00. Finance Division Management and the City Manager's Office should explore possibilities for mandatory online re-training for requestors who continue to violate Policy 06.004.000.	The Finance Department developed a tracking worksheet that is used to identify recurring offenders. Repeated requestors (more than four separate offenses per month) are alerted to the Administrative Manual Policy 06.004.00. Tracking initially started November 2016. Due to staff turnover the tracking practice has been re-established January 2018.	Completed

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3.2 The Payroll Division should offer all visitors the option of conducting their conversation in private, in a conference room, or other isolated space.	The Finance Department recently completed a floor remodel in December 2017, which has created a secure place to store all payroll related records and offers visitors the option of conducting their conversation in private.	Completed
3.3 In the long term, Finance Department should move the Payroll Division away from the training room to enhance confidentiality. Given its small number of staff. Consider locations that will allow for some neutral space between Payroll and other Finance Divisions.	See Recommendation 3.2	Completed
<i>4.0 Accounts Payable and Receivable</i>		
4.1 The Finance Department should further revise its policy to allow fewer categories of expenses eligible for Request for Payments (RFP). The categories eligible for Request for Payment should be periodically reevaluated and reduced as appropriate.	In conjunction with the Purchasing Task Force, the Request for Payment (RFP) form was updated and renamed Request for Disbursement. The updated form allows for limited types of payments (e.g. debt, travel, and legal settlements).	Completed
4.2 Accounts Payable should work to (1) increase the number of vendors utilizing electronic payment and (2) develop a process for combining multiple checks to vendors. Finance should consider a policy mandate requiring electronic payment for repeat vendors.	Staff worked with the City's merchant services provider on an electronic payment campaign. The effort included sending a FAQ document on the benefits of electronic payments to all City vendors. At this time, the electronic payment process will not work for Risk Management or Worker's Compensation claims, which may require individual payments to certain vendors for claim tracking purposes.	Completed
<i>5.0 Treasury</i>		

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5.1 The beginning balance of register drawers should be reduced to \$500.	Implemented	Completed
5.2 Restrict petty cash transactions to only the Revenue Specialist or Lead Revenue Representative, who have increased access to the cash necessary to complete this transaction.	Finance disagrees with this recommendation. Due to the limited staff in Treasury, it would not be efficient, effective nor customer friendly to limit cash transactions to 2 staff members.	N/A

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5.3 Codify and enforce a formal policy that cash drawers are never shared between staff to enhance internal controls.	Implemented	Completed
<i>6.0 Purchasing</i>		
6.1 Purchasing should require the use of a Purchase Order with exceptions to emergencies, sole source and/or utilizing a cooperative purchase agreement limiting the use of Request for Payments (RFP) to those uses outlined in the policy criteria.	See Recommendation 4.1. In December 2017, City Council recently approved revised purchasing policies (Resolution No. 23256), which requires more purchases to utilize purchase orders.	Completed
6.2 Purchasing should update its procurement thresholds for the purchase of goods, services, and public works projects. A review of other cities' policies indicates that thresholds of below \$5,000, between \$5,000 and \$75,000, and above \$75,000 are appropriate for informal, written informal, and formal bid processes, respectively. This change will provide more timely service to departments with minimal increase in risk if appropriate oversight is utilized.	In December 2017, City Council recently approved revised purchasing policies (Resolution No. 23256), which raised the informal purchasing limit to \$10,000.	Completed
6.3 With the addition of a new position, Purchasing should place a greater emphasis on the review of bid specifications provided to them by departments where they can determine the appropriateness of the specs.	See Recommendation 1.3 and 6.2. The additional senior procurement specialist and increased formal procurement threshold, will allow Purchasing staff more time to focus on bid specifications.	Completed
6.4 Purchasing should review all contracts especially in relation to insurance requirements thus ensuring all contracts are uploaded to SPL for review and reference.	The City recently implemented a contract management module in IFAS. In conjunction with a final review by the City Clerk's Office prior to approval of agreements, insurance requirements are vetted appropriately.	Completed

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6.5 Purchasing should routinely put services out to bid and not utilize evergreen contracts, which may limit downward changes in pricing opportunities.	Purchasing staff reviews all agreement and renewals for evergreen provisions. Departments must provide justification for renewals (e.g. software licenses, etc.) prior to approval being provided. Updated purchases policies and procedures were approved by the City Council in December 2017 (Resolution No. 23256).	Completed
6.6 The City should establish a formal vendor performance evaluation process to mitigate risks posed by known problem vendors. Vendor debarment is a core contracting process to safeguard the City from known problem vendors. Consider the use of language in RFPs that prior work will be considered.	Staff is working with the CAO's office to identify any legal issues/challenges, process issues and how to best accomplish this legislatively through the City Municipal Code.	June 2018
6.7 Given the staffing ratio comparison and the recommended procurement changes, one full-time buyer position should be added to the Purchasing Division.	See Recommendation 1.3.	Completed
<i>7.0 Risk Management</i>		
7.1 Risk Management should work with the outside vendor to develop more useful and timely reports regarding claims against the City. Additionally, the City should consider automation of the internal claims handling process to better track outstanding claims that the City has filed against others to enhance claims management and enable regular reporting of claim status.	See Recommendation 1.5. The Risk Management function has been evaluated in conjunction with the City Manager's Office, City Attorney's Office, City Clerk's Office and Finance Department. In FY 2016-17, the City Council has approved a claims management system and in-house handling of Risk Management. The new process will increase staff's control over costs and dramatically increase customer service and accountability.	June 2018