



Item No. 2h

AGENDA ITEM REQUEST FORM

Town Manager

Connie Hoffmann

Department Submitting Request

Dept Head's Signature

BUDGET WORKSHOP JUNE 21, 2011

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|---------------------------------------|---|---------------------------------------|---------------------------------------|
| <input type="checkbox"/> Presentation | <input checked="" type="checkbox"/> Reports | <input type="checkbox"/> Consent | <input type="checkbox"/> Ordinance |
| <input type="checkbox"/> Resolution | <input type="checkbox"/> Quasi Judicial | <input type="checkbox"/> Old Business | <input type="checkbox"/> New Business |

**FY2011 DESIGNATED HIGH PRIORITY ITEM
GOVERNMENT EFFICIENCY**

SUBJECT TITLE: Improved Efficiencies & Practices in the Town's Finance Division

EXPLANATION: Last summer, I retained the services of consultant Doug Haag to identify opportunities to improve the efficiency of the Finance Division. Doug's report, which was sent to the Commission last fall, identified numerous inefficiencies and opportunities for improvement. In his capacity of Acting Finance Director, Doug implemented many of the changes he had recommended and attached is a report which clearly demonstrates the progress we have made in making the Finance Division more efficient while, at the same time, becoming more transparent in financial reporting and improving the quality of information the Commission receives.

In the past twelve months we have eliminated two of the five positions in the Finance Division. The work previously done by those positions has been redistributed to the City Clerk's Office, my office, and the remaining members of the Finance Division. We have gone from three 30 hour a week positions and two 40 hour a week positions, to three 40 hour positions to accomplish this. The HR Manager position was eliminated in the current year budget. One Accounting Specialist position is vacant, will not be filled, and will be eliminated in the FY 2012 budget.

I expect that our new permanent Finance Director, Tony Bryan, will continue to improve the quality and efficiency of the Finance operation.

EXPECTED OUTCOME: Commission awareness of the significant progress that has been made.

EXHIBITS: Report from Doug Haag dated June 2011

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Reviewed by Town Attorney
 Yes No

Town Manager Initials CH

Report on Improved Efficiencies and Practices in the
Town of Lauderdale-By-The-Sea's Finance Division Since July,
2010

Prepared by Doug Haag *DMH*

June, 2011

1. STAFFING

It was observed in the Financial Operations Review I did last summer that the Division seemed to be overstaffed for the size of the Town budget. At the time of the review the Division had the following budgeted staff:

<u>Position</u>	<u>Hours/Week</u>	<u>Duties</u>
Finance Director	40	Accounting, management & supervisory
Accountant	30	Accounting, purchasing and grants
Accounting Specialist	30	Accounts payable
Accounting Specialist	40	Accounts receivable, cash receipts and HR filing
HR-Risk Manager Vacant	30	Payroll, human resources and risk management
Total	<u><u>170</u></u>	

The current staffing configuration is as follows and represents a net decrease of 1.25 FTEs, or, about 30% from the beginning staffing level:

<u>Position</u>	<u>Hours/Week</u>	<u>Duties</u>
Finance Director	40	Accounting, management & supervisory
Accountant	40	Accounting, purchasing and grants
Accounting Specialist	40	Accounts payable
Accounting Specialist Eliminated	0	Accounts receivable, cash receipts and HR filing – Duties redistributed with cash receipts now processed by Town Clerk’s office.
HR-Risk Manager Eliminated	0	Payroll, human resources and risk management – Duties redistributed with the Town Mgr’s secretary now responsible for payroll & HR administration, the Finance Director responsible for risk mgmt functions & the Town Mgr assumed higher level HR responsibilities.
TOTAL	<u><u>120</u></u>	

Many of the efficiency improvements mentioned later in this report made it possible to eliminate the one Accounting Specialist position.

2. ACCOUNTS PAYABLE

- a) Eliminated manual tracking of purchase order (PO) balances by employing the FundBalance “Invoices by Purchase Order Report” that provides the same information. (FundBalance is the Town’s financial software system.)

- b) Eliminated manual tracking and payment of recurring invoices by setting up automatic bank ACH transfers for recurring fixed payments such as the monthly payments on the AMR, VFD, and BSO contract payments.
- c) Reduced invoice payment frequency from 2X and sometimes 3X per week, to once a week. This cut down on staff time required for set-up, printing, posting, and reduced the total number of checks issued by combining more vendor invoices onto one check.

3. CASH RECEIPTS AND ACCOUNTS RECEIVABLE

- a) Purchased and installed the FundBalance AR module to eliminate manual tracking of invoices billed by the town at various frequencies including monthly, quarterly and annually. This module now provides a single report that reconciles to the General Ledger (GL).
- b) Purchased a cash drawer and a receipt printer that eliminated manual entry of cash receipts by the Town Clerk's office into receipt books and the necessity for Finance to prepare journal entries to enter the daily cash receipt transactions into the general ledger and manually update numerous schedules for the purpose of tracking balances by account/customer. (The Town owned but was not using a cash receipt module that had a cash drawer function that could interface to the general ledger and accounts receivable modules.) Implementation of this functionality reduced the amount of time spent updating schedules and provided better controls and reporting because of the interface to the general ledger module.

4. BUDGET

- a) Eliminated the practice of preparing the annual budget using complicated Excel spreadsheets. The former Finance Director had told the Town Manager that FundBalance did not have budget worksheet capability. The Town Manager found this difficult to believe and, upon assuming the Acting Finance Director role, I determined that the FundBalance general ledger module did have budget preparation capability that the Town was not using. Utilizing this functionality in the FundBalance software has already made this year's budget process much less cumbersome than in past years and eliminates at least ¾ of the manual work that was done by the Finance Division in past years.
- b) Consolidated all parking revenues, operating costs and debt service into the Parking Fund effective with the FY 2011 budget to give a clear picture of the health of the parking system.
- c) Quit treating the different divisions of the Municipal Services Department as if they were Departments in the FY 2011 budget and accounting system. This allows us to roll up the costs of the total department without having to do it manually.

5. PURCHASING

- a) Implemented better control over the Purchasing function per the Town Manager's direction that Finance verify proper procurement policies had been followed before submitting purchase orders and checks for her signature.
- b) Uncovered several contracts that had been renewed over and over again by former Town Managers, either beyond the number of contract renewals provided for in the original agreement or for which no term had ever been clearly established. An example of this was the community bus operation contract. In each case, we utilized proper procurement procedures to obtain new vendors rather than continue to renew the contracts.

6. BANKING & INVESTMENT PRACTICES

- a) We reduced the number of bank accounts from 18 to 8 which made the accounting easier and reduced the number of transfers made among accounts.
- b) We determined that the Town's investment policy had been adopted by resolution on September 19, 2001 and had not been changed since. We updated the policy to allow for more diversification of the Town's investments and to add policies to better protect the principal. (The Commission approved the updated policy.)
- c) We created a monthly report to the Town Manager on cash & investments and a quarterly report to the Town Commission, neither of which had been being done under the prior administration.
- d) We moved a substantial amount of money that was sitting in a non-interest bearing account into an interest-bearing account and we invested approximately \$3.5 million of cash in instruments that paid 3-4 times the interest they were earning in a money market account at Sun Trust. An added benefit is that our cash is now invested in four different financial institutions, rather than just two.

7. OTHER ACTIONS

- a) We improved the monthly financial report to the Town Manager and the Commission by adding commentary on revenues and expenditure activity in that month that warranted comment or explanation and by providing a higher level comparison of budget to expenditures each month. (The prior administration simply sent the Commission a copy of the monthly FundBalance printout.)
- b) Implemented more practical approaches to a wide variety of processes, including the general ledger month-end closing, risk management reporting, and payroll deductions.

- c) Implemented best practices on handling interfund transfers (i.e. using wire transfers instead of checks).
- d) Established credit card accounts for the Town Manager, Assistant Town Manager and, most recently, the Municipal Services Director to avoid the need to cut checks for small purchases and to take advantage of better pricing on the Internet than through traditional vendors. PCards have been determined in one study after another to reduce the cost of procurement and payment processes.
- e) Implemented a new release of the FundBalance software without a hitch. The new release added functionality that enabled us to accomplish some of the efficiencies noted in this report.
- f) Solicited and implemented suggestions for operational improvements made by the staff, and involved them in matters which they had been excluded from in the past.
- g) Worked effectively with the new Audit Committee and a new external auditor to get the audit of FY 2010 done on time, despite the confusion and lack of continuity caused by the former Finance Director's abrupt departure.
- h) Designated the Pier Point \$1 million penalty/contribution as reserved for El Mar pedestrian improvements as required by the agreement with Pier Point.
- i) Determined that the depreciation accounts that had been set up by the prior administration were not required by relevant accounting standards and that their use was not restricted. Also determined that the amounts in those accounts did not tie back to the budget or depreciation schedules. Reported this information to the Audit Committee and the Commission.
- j) Set up a Fire Fund to ensure that revenues generated by the Fire Assessment Fee are properly accounted for and the funds that are restricted to fund fire-service related activities and equipment are not comingled with the General Fund balance.
- k) Determined that there was no documentation justifying the prior administration's actions in early 2010 to move funds from the undesignated fund balance into a storm water reserve account. We found no evidence that the funds came from storm water fees and brought that matter to the external auditor's attention. The external auditor then reclassified the funds to the general fund undesignated fund balance.