

Enhancing Your Financial Reporting and Transparency

Mountain & Plains
Intergovernmental Audit Forum
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Introductions

- Beth Machann, CGFM, City Controller
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Agenda

- Background
- Improved financial processes
- Peak Performance
- Annual close process
- Other Reporting Initiatives that improve transparency

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Background

- Financial management and business processes were very decentralized
- Manual processes, lack of consistency and delays in transactions
- Numerous audit comments, internal control risks and delays in annual reporting
- Underutilizing technology
- The City and County of Denver's Department of Finance was created in 2008 and is led by the Chief Financial Officer, Cary Kennedy

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Objectives of Controller

- Timely and accurate financial information that is easy to understand
- Communication and Training
- Standardization
- Develop partnerships
- Utilize Technology

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Improved Financial Processes

- Developed a Financial Improvement Program
 - Multi-year program
 - Organizational and Cultural change
 - Technology
 - Business Processes
- Improved foundational business processes
 - Payroll
 - Procure to Pay
 - Enterprise Cashiering
 - Accounting services
 - Others – grant management, records management, contracting

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Improved Financial Processes

- Payroll Initiative
 - Consolidated (\$1.5 million annual savings)
 - Business Case, Best Practice and consistency
 - Presentation to Mayor and Cabinet – Buy-in
 - Benefits
 - Employee pay accuracy
 - Improved Internal Controls
 - Implemented Bi-weekly/Lag
 - Went from Semi-monthly and real time
 - Consistent pay
 - Opportunity to ensure pay accurate

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Improved Financial Processes

- Payroll Initiative (cont)
 - Implemented Kronos
 - On-line timekeeping, rules included, transparent, real time, leave management, audit trail, approvals etc.
 - Key successes
 - Accurate and consistent pay
 - Reduction in corrections and time checks
 - Improved audit of time and pay
 - Separations payments from 6 months to pay period after last paycheck (2 weeks)
 - Improved compliance with FLSA

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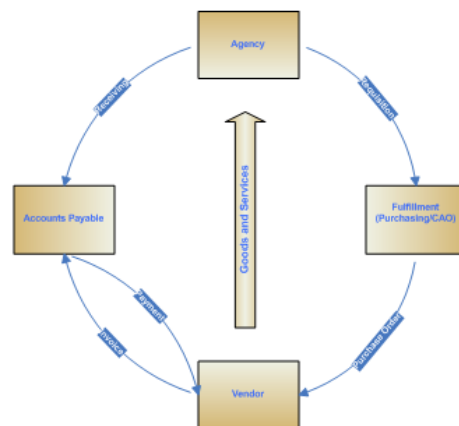
Improved Financial Processes

- Procure to Pay Initiative
 - 75% of non-contract purchases happened without a P/O
 - Not recorded in financial system until the invoice received (usually 30-60 days after the request to purchase)
 - No electronic documentation
 - Vendor confusion
 - No 3-way matching of invoice, receipt and PO
 - Invoices are routed around the city and are frequently lost
 - Purchase approvals occur at the end when an invoice is received; this is too late

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Improved Financial Processes

PROCURE TO PAYMENT (P2P) PROCESS



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Improved Financial Processes

- P2P Initiative(cont)
 - Utilized technology
 - Document management
 - Requisitions required for most transactions
 - 3-Way matching (invoice, PO and receipt)
 - Enhanced Pcard ability
 - Data Mining
 - Centralized Accounts Payable (\$1 million annual savings)
 - Automated contracting process

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Improved Financial Processes

- P2P Initiative(cont)
 - Key Successes
 - \$1 million in sustainable savings
 - Automated accruals
 - Transparent
 - Improved management of budget
 - Reduction in shadow systems etc.
 - Improved Vendor relationships
 - Improved purchasing negotiations
 - Improved financial controls
 - Reduction in Prompt Pay

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Improved Financial Processes

- Enterprise Cashiering System
 - Prior to 2010
 - Most cashiering was manual or in diverse systems
 - PCI Compliance risks
 - Each Department/Agency managed separately
 - Inability to accept payments on-line
 - Inability to forecast or trend
 - Implementing an Enterprise wide solution
 - Pay for City services on-line
 - PCI Compliant

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Improved Financial Processes

- Enterprise Cashiering System (cont)
 - Pay for services at any location
 - Automated interface to financial system
 - Key Successes
 - Improved internal controls
 - Decrease in check processing costs
 - Timely deposit at bank
 - Ability to forecast
 - Reduction of shadow systems
 - Customer friendly
 - Have increased transactions with no increase in staff
 - Projected 5 year Net Benefits - \$3,764,966 (594% ROI)

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Improved Financial Processes

- Accounting Services
 - Created team in Controller's Office to provide accounting support for departments and agencies
 - Customer Focused – Service Level Agreements
 - Currently supporting
 - Department of Finance
 - Department of General Services
 - Department of Environmental Health
 - Office of Children's Affairs
 - Human Rights and Community Partnerships
 - 4 other small agencies

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Improved Financial Processes

- Accounting Services (cont)
 - P2P Support – Forms, req entry, receiving, purchasing and AP intermediary
 - Contract initiation
 - Reconciliations
 - Journals
 - P-Card administration and reconciliation
 - Inventory
 - Grant Accounting
 - Budget development, monitoring and reporting
 - Advice and guidance on financial management issues
 - Financial Analysis
 - Ad-hoc reporting

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Improved Financial Processes

- Accounting Services (cont)
 - Benefits
 - Expertise in City financial processes and policies
 - Team staffing structure provides back-up and eliminates agency risk of losing key personnel
 - As part of the Controller's Office, Accounting Services works closely with the Accounting team, AP team, and Purchasing
 - Ensures the client agency's financial processing is done according to City policies and procedures
 - Allows the client agency to focus on its core mission

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Peak Performance

- Peak Performance
 - Initiative of Mayor Hancock's –Train employees in continuous improvement.
 - Strategic plans, performance metrics and reporting
 - Peak Academy – Lean Methodology
 - Greenbelts, Black belts and Peak Fellows
- Mayor Hancock's Vision –
 - “We will deliver a world-class city where everyone matters.”
 - Focus on - Kids, Jobs, Safety Net, Sustainability and Customer Service

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Peak Performance

City wide Successes as of June 30, 2013

- 681 Green belts and 104 Black belts!

	Soft Dollar (Identified)	Hard Dollar (Identified)	Soft Dollar (Actual)	Hard Dollar (Actual)
Black belts/Greenbelts	\$ 562,248	\$2,492,175	\$297,144	\$530,159
RIE's	<u>\$3,654,535</u>	<u>\$ 234,014</u>	<u>\$153,788</u>	<u>\$292,150</u>
Total	<u>\$4,216,783</u>	<u>\$2,726,189</u>	<u>\$182,932</u>	<u>\$822,309</u>

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Controller's Office Strategic Plan

- Mission – The Controller's Office ensures the financial integrity of the City and County of Denver by providing accounting, reporting, payroll, and financial services through strong internal controls to a broad community of internal and external customers and partners
- Goals –
 - Accuracy –Assure the City's financial information is presented in an accurate manner and in compliance with all standards and requirements
 - Customer Service – Provide exceptional service to internal and external customers and partners
- Excellent Financial Reporting and Transparency are key!

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Controller's Office Peak

- Controller's Office Innovation Team
 - Value Streams
 - Accounting and Financial Management Services
 - Disbursements
 - Financial Reporting
 - Strategic Plan aligns with value streams and actions
 - Black Belt and Green Belt training
 - 100% employees have gone through green belt training
 - 5 employees have gone through black belt training
 - Utilizing Peak to drive change and improve processes

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Controller's Office Peak

- 3 Recent Successes
 - Journal Workflow – Departments and Agencies enter their own journals into PeopleSoft, upload supporting documentation, and gather electronic approvals
 - Key Successes – faster and more accurate, no paper, transparent, annual hard dollar savings of \$49,000
 - Property tax duplicate payments and rejections received from mortgage companies – Partnered with AutoAgent, a company which provides a 3rd party property tax database
 - Key Successes – Better customer service, Soft savings of \$20,000
 - New Payroll Time and Attendance Change Form – This new and improved form will make it easier and faster for managers and supervisors to complete change requests
 - Increase customer satisfaction and reduce errors

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Annual Close Process

- We issue a CAFR annually
 - December 31st year-end
 - Issue date May 31st
- Communication and collaboration with agencies throughout the year is critical to meeting our goals

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Annual Close Process

- Agencies are responsible for...
 - Reconciling their funds monthly
 - By November 30th, certifying they have reconciled their funds through October 31st
 - Attending year-end training
 - Meeting year-end deadlines
 - Submitting a year-end package
 - Communicating issues to the Controller's Office
 - Responding to audit findings related to their agency
 - Submitting Financial Disclosure Certification

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Annual Close Process

- Help agencies understand the big picture and their role in financial processes
 - Fiscal Accountability Rules
 - Financial Network
 - Financial Officers Group
 - Internal Control Assessments
 - Training

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Annual Close Process

- Fiscal Accountability Rules
 - Topic areas include:
 - Internal Controls Cash Management
 - Revenue Expenditures
 - Employee related Grants
 - Assets Financial Reporting
 - Set parameters for fiscal activities
 - Assist officers and employees in conducting financial activities and in making fiscal decisions
 - Not intended to replace critical thinking
 - Available online - www.denvergov.org/finance

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Annual Close Process

- Financial Network
 - All levels of staff involved in financial matters are included in the electronic network
 - A mechanism for sharing changes that may impact users such as new rules, process changes, available trainings and other information to ensure users are up-to-date

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Annual Close Process

- Finance Officers Group
 - A monthly meeting that brings finance directors and managers across the City together
 - Discussion surrounds hot topics, changes to Fiscal Accountability Rules, updates to processes, year-to-date budget analysis, etc.

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Annual Close Process

- Internal Control Assessments
 - Internal controls are continuously monitored throughout the year
 - Annually review controls associated with revenue collection and cash handling
 - Monitor prior year audit finding resolutions
 - Coming soon – implementation of a fraud hotline

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Annual Close Process

- Training
 - Various trainings are offered throughout the year
 - Introduction to Accounting
 - Governmental Accounting
 - PeopleSoft
 - Asset Management
 - Grants
 - P2P
 - Financial Network training series

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Annual Close Process

- Publish close schedule for agencies in October

Controller's Office
2012 YEAR-END CLOSING SCHEDULE

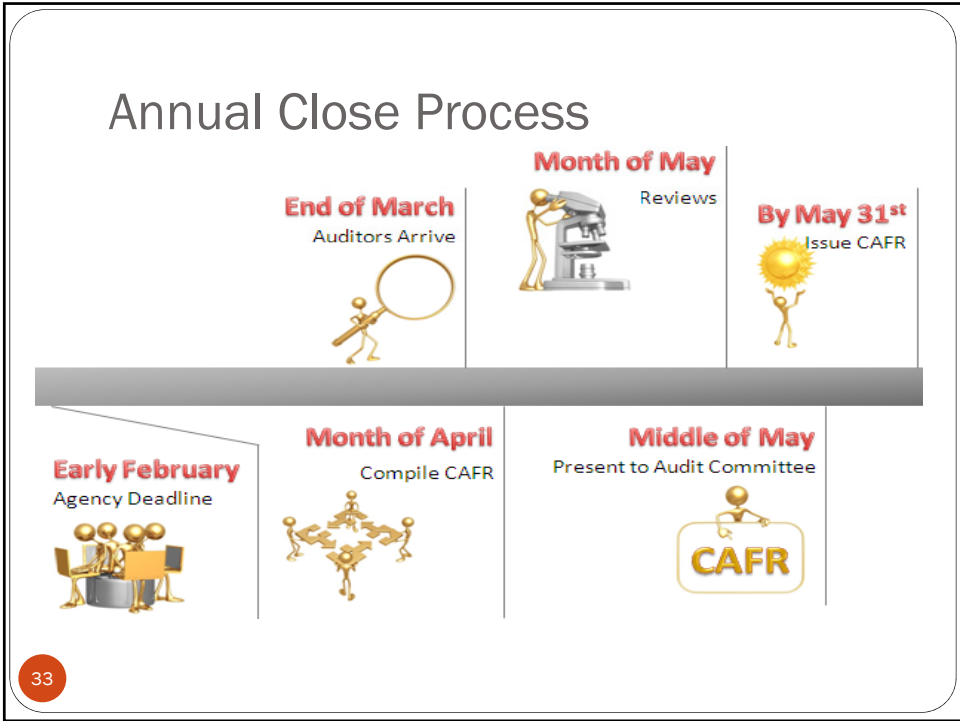
DEADLINE DATE	TASK / COMMENTS
Feb 8, 2013 4:00 p.m.	FINAL DEADLINE: Deadline for ALL 2012 Activity <ul style="list-style-type: none"> ❖ Journal vouchers, including all accrual entries except grant accrual/deferral ❖ Internal Billing Transfers ❖ Budget revisions ❖ Depreciation Expense Journal Vouchers - DIA and Wastewater only ❖ Compensated Absence Journals - Proprietary funds only Deadline for the following, if applicable <ul style="list-style-type: none"> ❖ Year-End Questionnaire ❖ Agency Managed Bank Accounts Reporting Package ❖ Long-Term Accounts Receivable Reporting Package ❖ Loans and Notes Receivable Reporting Package Final pre-audit close by Controller's Office <ul style="list-style-type: none"> ❖ Reports from this close will be given to the external auditors. ❖ Any journal voucher received after 4:00 p.m. will be processed as an audit adjustment only if the entry is material to the City and approved by both the

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Annual Close Process

- Year-end Training
 - End of November/Early December
 - Each agency must attend
 - Topics include:
 - Year-end deadlines
 - Accruals including payroll
 - Prior year issues/findings

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- ## Annual Close Process
- CAFR Creation
 - Use PeopleSoft to create Excel reports on fund trial balances and activity
 - Create a 'shell' that links schedules throughout CAFR for one data entry point, has check numbers for accuracy
 - New design features each year that are visually appealing
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Annual Close Process

- CAFR Creation

We developed a CAFR guide that documents how we put the CAFR together

	2012	2011	2010	2009
Liabilities				
Vouchers payable	73,514	37,785	111,299	24,905
Accrued liabilities	41,499	44,600	80,099	21,555
Unearned revenue	287,107	37,343	324,450	55,911
Advances	3,837	1,847	5,664	1,984
Due to taxing unit	999	-	599	-
Due to other governments	-	-	-	2,891
Liabilities payable from restricted assets	-	7,841	84,176	-
Noncurrent liabilities:				
Due within one year	112,276	110,683	251,809	49,886
Due in more than one year	1,529,873	3,853,524	5,250,010	1,102,945
Total Liabilities	1,935,225	4,178,997	6,114,238	1,770,042
Net Assets				
Invested in capital assets, net of related debt	1,238,768	262,385	1,501,153	1,236,655
Restricted for:				
Capital projects	202,718	23,645	227,262	85,178
Emergency use	32,033	-	32,033	255
Other services	80,277	697,619	746,865	85,310
Donor restrictions	10,677	-	10,677	87,633
Expendable	1,026	-	1,026	102,240
Nonexpendable	6,721	-	6,721	-
Other purposes	23,323	421,110	443,402	(120,969)
Unrestricted (net)	73,323	1,164,407	3,266,688	(1,473,102)
Total Net Assets	1,601,881	1,164,407	3,266,688	(1,473,102)

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Annual Close Process

- As a result of our efforts, including the business process improvements, we have significantly reduced audit findings and management letter findings
 - For 2012, no Material Weaknesses or Significant Deficiencies
- Issue date used to be June 30th
 - Beneficial for our bond ratings
 - Frees up staff to focus on other initiatives
- Other entities use our process as a model

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Other Reporting Initiatives

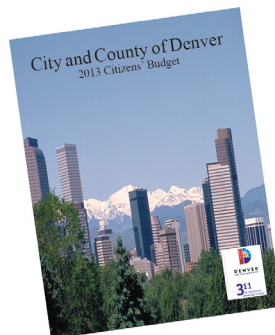
- PAFR
 - A condensed version of CAFR
 - Highlights key trends and statistics
 - Issued within 30 days after CAFR



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Other Reporting Initiatives

- Citizen's Budget
 - The intent of the Citizens' Budget is to present the City's Budget in a concise, transparent and understandable manner by program



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Other Reporting Initiatives

- Transparent Denver
 - Mayoral Initiative for a one-stop, self-serve website that provides transparency into the City's financial activities
 - Developed by researching other transparency sites, criteria used by public oversight groups
 - Utilized existing staff in the Controller's Office and Technology Services