

# Building a Strong Core

Assessing and Improving your Financial Operations

IGFOA 2020 ANNUAL CONFERENCE WEBINAR SERIES



# Learning Objectives

1. Identify key symptoms of a faltering finance function
2. Understand the framework for a Finance Department Assessment
3. Discuss how to shape conversations to achieve support for conducting a Finance Department Assessment
4. Learn how this approach helped a local government increase its efficiency and effectiveness

# Polling Question #1

## **What are you most interested to learn about today?**

- Common challenges for government finance functions
- How to identify “root causes” of process issues
- Simple ways to implement changes for greater efficiency
- Getting your CPE credit

# Financial Operations: Common Challenges Today



# Do you have these questions?

Do we have the right staff?

Do we have the right accounting and financial software?

Are we operating efficiently and effectively?

How do we go paperless?

Why are our financial reports not being completed timely every month?

Why does our staff not rely upon the financial information they receive?

Why are our managers tracking information outside of the Finance Department?

Why is there high staff turnover in the Finance Department?

Why is it so hard to modify or create reports?

How can we be more transparent and nimble as an organization?

Is excel the right tool to track information and prepare reports?

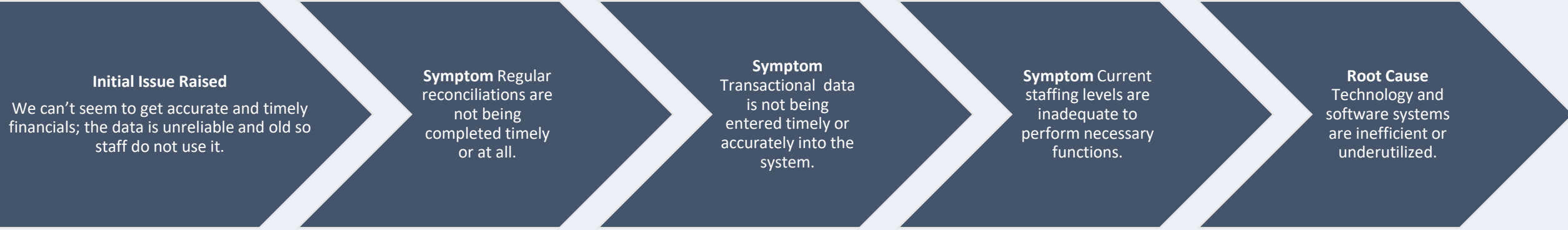
# What remedies have you tried?

- Process mapping
- Department restructure
- Outsource specific pieces
- Change/add systems
- Training
- Others?

# What we have learned...

- Often the “issues” raised are symptoms of deeper dysfunction. The dysfunction often stems from a combination of **structure, process, and systems**.
- Addressing one component alone may remedy the challenge(s) for the short-term but is usually not an effective, long-term solution.

# Example of Issues Versus Deeper Dysfunction





# Polling Question #2

How long does it take for you to close the books and issue final financial statements each month?

- 0-10 business days
- 11-15 business days
- 16-20 business days
- 21+ business days

# Financial Department Assessment Framework

# Approach to Finance Department Assessments

## Structure

- Critically review roles and responsibilities, job descriptions and skill set needed, staff capacity and workload, reporting structure, team culture, and other structural components.

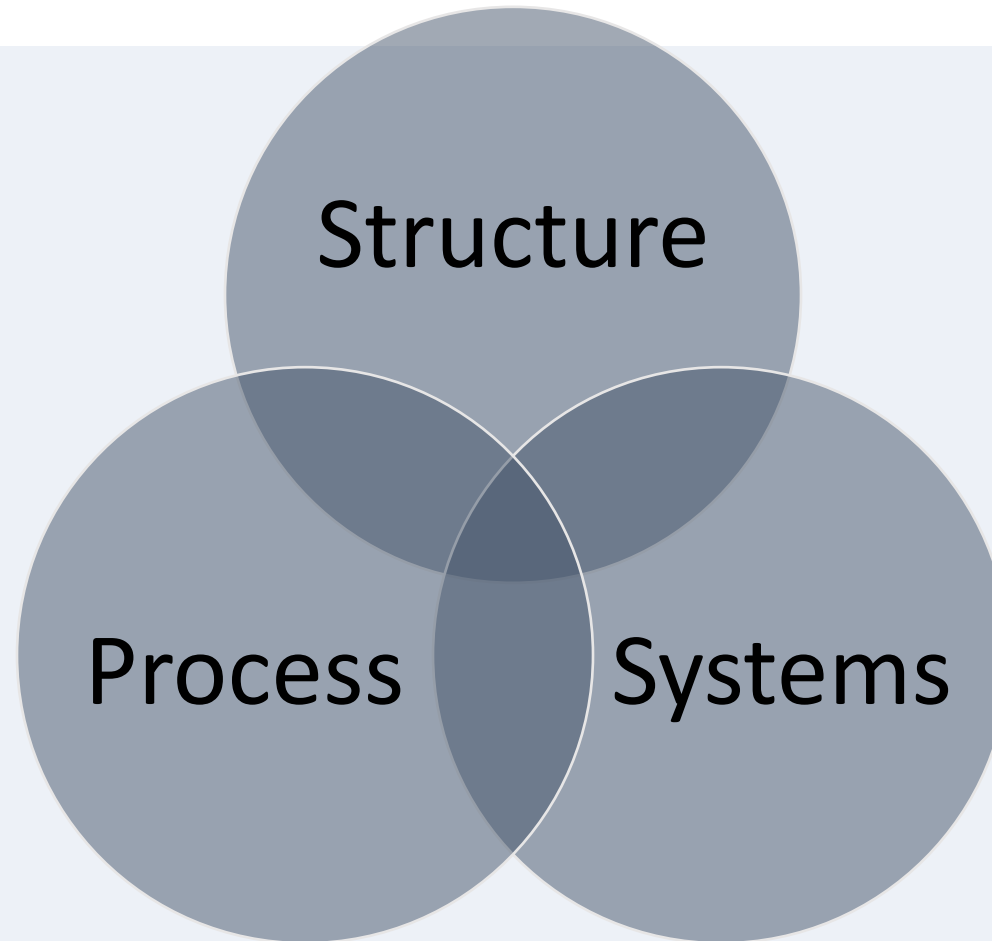
## Process

- Walk through all core finance processes to identify bottlenecks, opportunities for automation, spots with likely errors, controls concerns, and redundancy. This includes everything from entering an invoice to budgeting and reporting.

## Systems

- Seek to understand the key components of the core finance systems, how the systems are structured, where the general ledger is and is not integrated with other systems, and where the organization isn't using systems, but could to help automate or streamline.

# Approach to Finance Department Assessments



# Common Findings - Team/Structure

No time for professional development and team skill building

Finance team has not grown; but the operation has

Finance team is missing critical skillsets – often analysis, planning, and compliance

Are issues only within the Finance Department – or are there broader issues impacting the entire organization?

# Common Findings - Process

Processes are paper-heavy; manual signatures; lost documents

Concern re. segregation of duties has overloaded processes with approval steps

Lack of formal month end close process. Late financials and mess at month end.

# Common Findings - Systems

Assuming automation is too expensive; avoiding add-on systems

External facing systems are prioritized while internal systems fall behind

Chart of account continues to grow; many obsolete accounts

# Important things to consider

- The overall goal: better support for the organization
- Engage all finance and related staff in the process
- Frame the discussions as a way for everyone to help shape the future of the finance function; not as an “audit” or restructuring
- Gain insight from users of the financial outputs too
- Once you identify opportunities for improvement, go the next step and develop an actionable, **yet realistic plan** to implement the changes



# Polling Question #3

What should you avoid calling a process like this when sharing with your team?

- Assessment
- Review
- Audit

# Case Study

# Background and Situation

- Full-service municipality located in Southeast
- Total budget of approximately \$59 million
- Overly detailed financial reports prepared for Council
- Difficulty with Finance Director role and in recruiting
- Significant conflicts among Finance staff
- Reconciliations not being completed timely, or at all

# Known Challenges

- Initial conversation about pain points highlighted:
  - City Manager does not have a consistent Finance Director and Department needs a strong leader with expertise
  - Conflicting and untraditional responsibilities in job descriptions
  - Consistent financial statements not being provided to leadership
  - Audit was still incomplete 11 months after fiscal year end

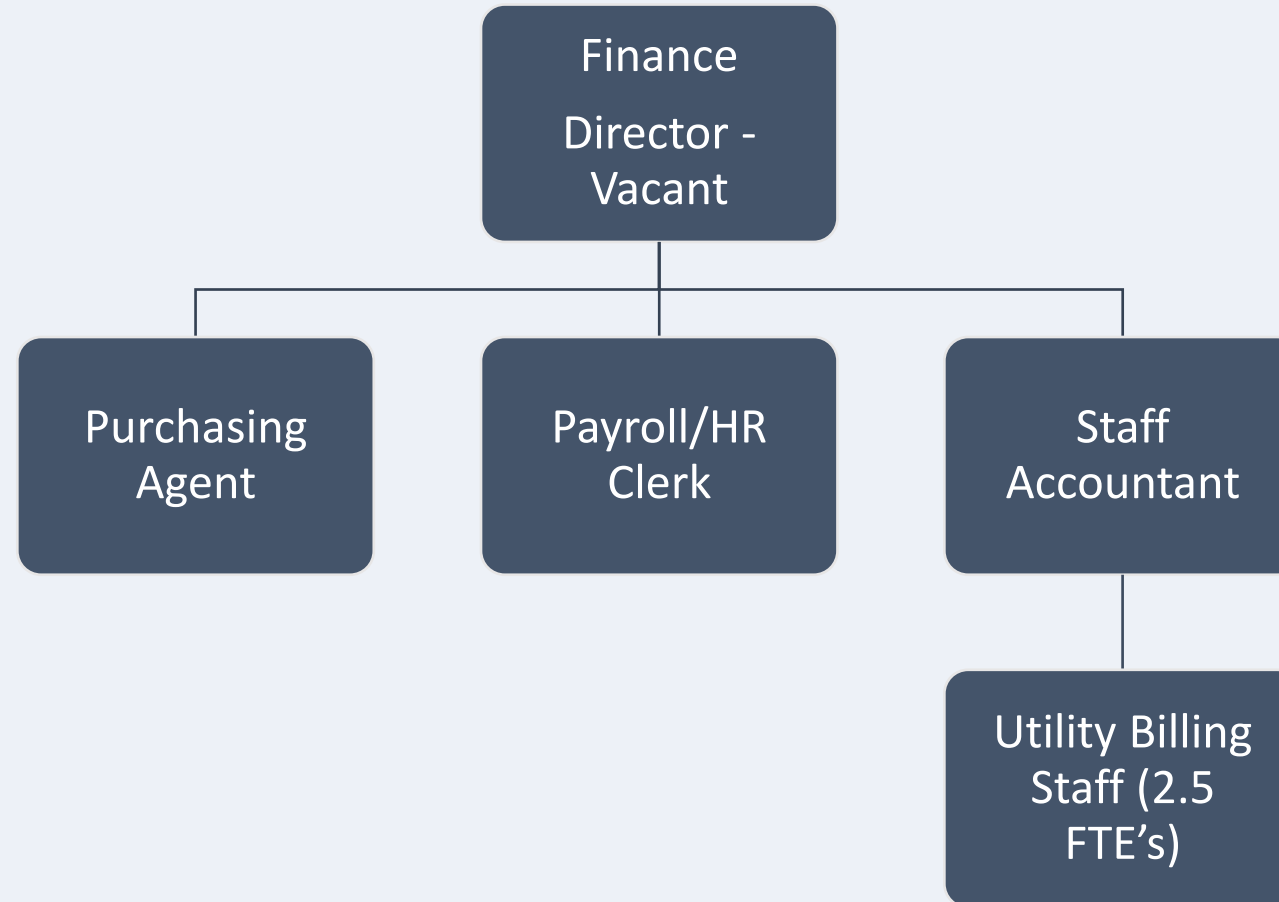
# What we learned

- Lack of a strong, consistent Finance Director in place hindered the organization for key finance functions such as audit, budget and financial analysis/planning.
- City budgeted for Assistant Finance Director type role.
- Tremendous lack of trust among several staff and major conflicts occurring.
- Further exacerbated by overlap of responsibilities, poorly aligned position structures and subsequent accommodations to try to solve a symptom of the problem.
- HR Department was going to request another FTE to replace the loss of their partial FTE due to accommodations being made for staff.
- City Clerk and Deputy City Clerk have capacity and ability to absorb traditional clerk functions being currently handled by Finance.

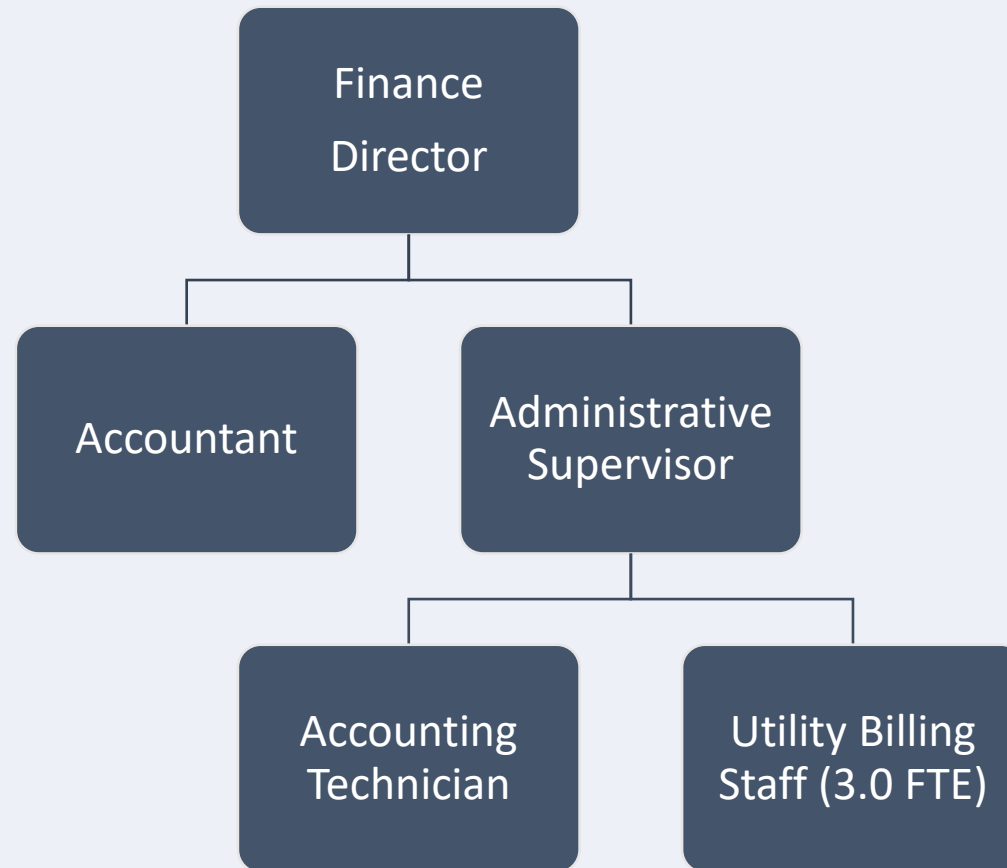
# Recommendations

- Restructure Finance Department based on updated position descriptions.
- With the position description updates, also review compensation.
- Finance Department requires more than one layer of leadership and supervision.
- Can utilize capacity in another department to assist in realignment of work.
- Organization should advertise for 4 positions after the restructure is completed, even though staff currently occupy 3 of the 4 FTE count in the Finance Department. Sends a strong message of “Organization first” and provides staff an opportunity to assess their career path.
- Increase by 0.5 FTE instead of 2.0 FTE originally being discussed before assessment.

# Existing Finance Org Structure



# Proposed Finance Organizational Structure





# Summary

- Finance Director will be able to delegate work to Finance Supervisor to allow for strategic and long-range financial management.
- Organization will realize significant dollar savings by adding 0.5 FTE instead of 2.0 FTE.
- With the recommendations, internal controls will be enhanced, including better segregation of duties and moving work to the correct level of staff.

# Questions?

## Thank you!

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