



2011 Business Plan & Budget

Financial Services

Service Mission Statement

The Financial Services Division is committed to supporting County Council and all County departments through being a key business partner and by providing timely and accurate financial information, developing sustainable capital and operating budgets, managing accounts payable and accounts receivable effectively, minimizing expenditures, business case analysis, and mitigating risk.

Service Description

The Finance department oversees the entire County budget of \$86.7 million annually. It provides support to all County departments to record and report all financial transactions, perform purchasing functions, and implement financial policies and internal controls. The Finance department's primary objectives are to provide strategic, planning and financial leadership, and operational accounting support. Below is a description of the Finance department's service objectives:

Strategic, Planning & Financial Leadership

- ***Provides a short and long term financial framework that supports the strategic directions of Council, protects the County's financial position and minimizes risk to the taxpayer***
- ***Acts as a key business partner in providing analysis and financial expertise***
- ***Establishes and documents fair financial business practices and policies***
- ***Identifies areas of financial risk to the Corporation and supports the implementation of internal business controls to mitigate risks***
- ***Applies best practices in financial processes and makes recommendations on the continuous improvement of procedures and efficiency opportunities***

Operational

- ***Maintains the accuracy, security and integrity of the corporation's books of account***
- ***Co-ordinates and provides leadership in the preparation of the annual operating and capital budget***
- ***Advises Council on a regular basis of the financial condition of the Corporation including analysis of financial results and stewardship***
- ***Administers the County's accounts payable system***
- ***Obtains goods and services at the best value to the Corporation***
- ***Administers the County's accounts receivable system***

Mandatory Programs

The Finance department is a mandatory function although we support both mandatory and discretionary programs administered by the operating departments.

Below are the core services provided by Finance:

- Financial Planning & Budgeting
- Purchasing
- Accounts Payable
- Accounts Receivable
- Collections
- Financial Reporting
- Risk Management
- Fixed Assets
- Internal Controls

Financial Planning & Budgeting – The Municipal Act requires that all municipalities prepare an annual budget. The budget must capture all expected operating and capital expenditures as well as identify all sources of funding. Any end of year surpluses, or deficits, must be included in the budget process for the following year. County staff prepare a cash based budget to determine the required levy but are also required to prepare an accrual based budget for financial reporting purposes.

The Finance department supports all other County departments in preparing their annual budgets and 5-10 year strategic plans. The annual budget is developed starting in September/October of the preceding year and works toward a February approval by Council. Finance oversees the annual budget process and leads the following functions:

- Setting a detailed schedule of actions and timeframes
- Developing templates and budget development tools
- Consolidating data for the County on both an accrual and cash basis
- Reviewing for consistency to prior years and alignment with Council objectives
- Ensuring the overall County budget and each individual department budget is balanced on a cash basis
- Determining annual levy requirements
- Presenting the overall budget to Council including reserve contributions and debt requirements
- Uploading the budget into the financial system
- Monitoring the financial results and measuring against the approved budget

In addition to the annual budget, the Finance department is working with all departments to develop long term financial plans. The long term plan will identify capital and operating needs, potential revenue sources, reserve contributions, investment strategy, and debt financing. It is very important to balance both the short and long term needs of the County when developing both annual budgets and long term plans.

Purchasing – The Finance department ensures the County receives the best total value when we purchase goods and services. Finance works closely with each department to develop tenders/RFPs for large purchases and oversees the purchasing process. Finance also monitors vendor compliance with the purchasing by-law and terms of the tenders and RFPs.

The purchasing process is documented in by-law 01-05. The Purchasing/Risk Manager ensures that policies are strictly followed so all vendors are treated fairly and the purchasing process is clear and transparent.

Accounts Payable (AP) – All County bills are paid by the Finance department with the exception of payments generated through the Social Services system. The payment process includes:

- Managing the vendor master records
- Verifying invoices are correct
- Confirming the financial coding is accurate
- Entering the information into the financial system
- Printing cheques and sending electronic files to the bank

Invoices are verified, approved and coded for entry into the financial system by the department receiving the goods or services. Finance provides a secondary review for reasonableness and accuracy and then processes for payment.

Accounts Receivable (AR) – The Finance department collects money and records the receipts in the financial system. The County receives payments by cash, cheque, debit, credit cards, and electronic fund transfers. Controls are in place to safeguard all forms of payment.

The County receives payments from a variety of sources such as:

- Federal and provincial government subsidies,
- Conditional and unconditional grants,
- Levy for general purposes,
- Commercial leases and Social Housing rent,
- Provincial Offences fines,
- Garbage bag tags and waste tipping fees,
- Sale of recyclable materials,
- Long term care accommodation,
- Interest and investment income,
- Miscellaneous fees and charges (i.e. entrance permits)

Collections – The Finance department works closely with every department to ensure all receivables are paid in a timely manner. The County employs two 3rd party collection agencies to perform collection duties. The Collection Specialist works with a collection agency to recover money that has been outstanding a significant period of time and monitor the progress of the 3rd party agencies. The primary collections focus is on POA fines but there are several active files related to receivables at the Golden Plough Lodge, waste facilities, Ontario Works overpayments, and Social Housing rents and damages.

Financial Reporting – The Municipal Act and Public Sector Accounting Standards (PSAB) govern the County's financial reporting. This legislation and the PSAB guidelines require regular reporting to Council and the County managers so they are able to make sound business decisions in a timely manner. Financial statements must be prepared in compliance with PSAB to ensure completeness and consistency in financial reporting across all municipalities in Canada.

The County prepares annual financial statements that are published for Council, the public, and our business partners. These statements are audited to ensure compliance with the PSAB accounting standards. The Finance department is also responsible for coordinating reporting to various Provincial Ministries and funding programs.

Risk Management - In addition to all legal, property and insurance matters, this area includes the management of the corporation's exposure to the risk of accidental and business losses. The County actively maintains its risk management policies and procedures throughout the entire operation.

Fixed Assets – Full accrual accounting was adopted by Ontario municipalities in 2009 and it is now the responsibility of the Finance department to maintain a complete and accurate listing of all assets owned by the County as well as to ensure the assets are recorded at the proper value. The acquisition cost of the County's assets is \$228,149,769. It should be noted that all assets are recorded at the value of date of acquisition which in some cases may have been many decades ago. Some of these assets have been in service for a number of years and the net book value of the total County assets is \$138,575,875. A strategy for the ongoing repair and maintenance costs of these assets as well as the replacement of aging assets will be an area of significant focus over the next several years.

All TCAs are amortized per the amortization schedule for that class of asset and amortization will be captured in the financial statements annually. All County assets are amortized using the straight –line method of amortization.

Debt & Investment – The Finance department is responsible for managing all loans and mortgages to ensure funds are borrowed for approved projects and within the relevant legislation. Additionally, rates and repayment terms should be competitive and reasonable for the size and nature of the project. At the end of 2009, the total County long term debt was \$15.9 million. While the debt level has increased in recent years in order to finance capital projects, the overall level of debt is well below the provincial averages for similar counties in southern Ontario. Based on 2008 provincial data, the debt burden per household is about \$200 less than the provincial average.

Managing all day to day banking is the responsibility of the Finance department as well as investing any funds that are not required for current operations. The investments must be in compliance with the Municipal Act and County policy. Historically, the County made insignificant contributions to reserves in an effort to balance immediate and long term needs against reasonable levy increases. The County has made a conscious effort to increase reserve contributions over the past two budgets. As the level of reserves increases, the Finance department will be responsible for the management of investments. At the end of 2009, total County reserves were \$9.3 million. On a per household basis, County reserves were almost \$400 less than the 2008 provincial average or approximately \$14.6M.

Internal Controls – The Finance department ensures policies and procedures are in place to protect the assets of the County from theft, fraud, loss or misuse. Controls also make sure the finances are reported correctly. It is imperative that such a large, complex business operation have a formal business control structure in place and functioning effectively.

Discretionary Programs

All Finance Department activities are mandatory.

Environmental Scan

Population and Demographics

The Finance Department provides financial oversight to all County departments: Social Services & Housing, Transportation & Waste, Emergency Medical Services, Economic Development, Tourism, the Golden Plough Lodge, Provincial Offences, and all other Corporate departments. In addition to supporting internal departments, Finance also manages relationships with the seven member municipalities of the County.

Funding

The Finance department is funded through the County levy. Costs are allocated to each department based on usage and level of support. For simplicity, departments are allocated costs based on their percentage of the overall County budget.

Legislative

All accounting must be in compliance with GAAP and PSAB accounting guidelines as well as the Municipal Act. The books of account are audited annually by an independent accounting firm and an audit opinion is published. In addition, the Finance department is responsible for various data submissions and report to provincial ministries, StatsCan, etc.

Economic Factors

The total County draft budget for 2011 is \$86.7M. The levy portion of the budget is expected to be \$41.8M with proposed operating costs of \$73.4M, capital costs of \$11.6M and debt principal repayment of \$1.2M. The estimated net reserve contribution is \$500K. After considering estimated assessment growth, the levy will increase 2.4%. New debentures are expected to be \$3M.

Prior Year Accomplishments

Strategic, Planning & Financial Leadership

- ***Provides a short and long term financial framework that supports the strategic directions of Council, protects the County's financial position and minimizes risk to the taxpayer***
 - Worked with each department through the budget process to focus on long term financial requirements including debt and reserve implications
 - Continued to develop a long-term financial strategic plan for the County including: capital and operating budgets, investment and reserve strategy, and debt strategy
 - Completed the implementation of a job costing system using the WennSoft software for the Transportation department including the development and implementation of user-friendly, real-time reporting tools. Rolled out the process to assign equipment usage to jobs electronically through the job cost system.

- ***Acts as a key business partner in providing analysis and financial expertise***
 - Supported operating departments to monitor spending, make funding claims and reporting for various programs including AHP , Build Canada and Infrastructure Stimulus programs
 - Improved the level of support provided to operating departments by identifying dedicated staff resources within the Finance department and developing subject matter experts
 - Shared procurement best practices and included member municipalities on contracts in order for them to benefit from the buying power of the County and other purchasing groups(i.e. cell phone, photocopier, courier)

- ***Establishes and documents fair financial business practices and policies***
 - Completed the PSAB the inventory and valuation of tangible capital assets in compliance with the County policy and received an unqualified audit opinion
 - Restated the 2008 financial statements per PSAB requirements
 - Developed and implemented an accounts receivable collection policy corporately as well as best practices for the POA collections

- Developed an investment policy to ensure aligned with Municipal Act requirements
- ***Identifies areas of financial risk to the Corporation and supports the implementation of internal business controls to mitigate risks***
 - Designed and implemented enhanced cash and gift card management procedures within Social Services
 - Worked closely with insurance providers and operational departments to identify risk areas and develop strategies to minimize exposure
 - Supported ad hoc reviews to ensure internal controls are functioning effectively
- ***Applies best practices in financial processes and makes recommendations on the continuous improvement of procedures and efficiency opportunities***
 - Uploaded over 1500 tangible capital assets into the financial system
 - Continued to implement the 2008 Finance Department Organizational review recommendations including the development of process specialists within the Finance team
 - Coordinated and hosted Northumberland County Clerks & Treasurers quarterly meetings
 - Participated in the EOWC Treasurers group meetings and initiatives

Operational

- ***Maintains the accuracy, security and integrity of the corporation's books of account***
 - Transitioned to full accrual accounting to ensure compliance with PSAB standards and produced new PSAB compliant financial statements
 - Successfully implemented the transition to HST
 - Supported the Golden Plough Lodge in implementing new Long Term Care Homes Act and reporting to the Local Health Integration Network (LHIN)
 - Assumed responsibility for preparing the long term care annual report (ARR) in-house

- ***Co-ordinates and provides leadership in the preparation of the annual operating and capital budget***
 - Developed a budget schedule to both remain on track with a first quarter budget approval and incorporate input from incoming Councillors
 - Provided an increased level of support to operating department in developing their budgets and business case analysis
- ***Advises Council on a regular basis of the financial condition of the Corporation including analysis of financial results and stewardship***
 - Provided enhanced quarterly financial updates to Council and monthly updates to department managers
 - Attended lower tier Council meetings to present the County budget and priorities
- ***Administers the County's accounts payable system***
 - The Finance department processed an average of 1375 invoices per month and issued over 800 cheques to vendors each month.
 - Started rollout of corporate purchase card program: EMS Fleet and supervisors, Transportation, Facilities
- ***Obtains goods and services at the best value to the Corporation***
 - Worked toward standardizing purchasing practices and realized significant cost savings on several contracts including: photocopier lease (\$80K annually), cell phone rates (50% annually), courier charges (75% per package), roadside mowing (\$20K annually), office supplies (30-40%), GPL food & supply purchasing
 - Enhanced the purchasing website to improve the interface with vendors and support fair procurement practices
 - Participated in the Ontario Public Buyers Association as an assistant board member and the Purchasing Management Association of Canada planning council
- ***Administers the County's accounts receivable system***
 - Recruited a Collections Specialist to recover outstanding receivables and implement procedures to manage ongoing collections efforts. The amount collected to date is \$3XXK.
 - Worked closely with the POA department to increase fine collection
 - Hold a seat on the MFOA POA Collections subcommittee

2011 Service Objectives and Related Work Initiatives

- ✓ Complete the long term strategic plan which includes a reserve strategy, capital expenditures plan, large projects and operational expenditure projections
- ✓ Recruit Junior Financial Analyst
- ✓ Review accounts payable process and implement opportunities for efficiencies such as electronic payments
- ✓ Implement an automated purchase order system
- ✓ Complete the implementation of the purchase card program throughout the remaining County departments
- ✓ Conduct a legal review of bid documents to update and mitigate risk to the County
- ✓ Continue to work with member municipality Treasurers group to identify and implement opportunities for co-operative purchasing
- ✓ Implement new modules on the purchasing website (Municipal Suite) to improve service levels and efficiencies
- ✓ Enhance the collections process through increased knowledge and the application of new software and revised processes
- ✓ Implement the WennSoft job costing software for additional departments
- ✓ Move financial reporting in-house (FIR, MPMP)
- ✓ Provide ongoing support to internal departments by embedding Finance staff in certain operating departments on a part-time basis (POA, GPL)
- ✓ Document key accounting procedures
 - Develop policies and procedures for the purchase to pay process
 - Review and revise purchasing by-law and related legal documents
 - Develop and enhance the insurance claims procedures
- ✓ Develop and implement fixed asset management practices
- ✓ Review processes with respect to internal controls across the organization and implement or modify controls appropriate to the financial risk
- ✓ Complete business continuity plan
- ✓ Continue to expand the use of tools available in the Great Plains financial system to enhance financial analysis and reporting
- ✓ Maintain current standards of timely and accurate accounts payable and accounts receivable processing
- ✓ Continue to support the implementation of the central filing process
- ✓ Coordinate and host Northumberland County Clerks & Treasurers meetings

2012 Forecast & Strategic Priorities

- ✓ Complete job costing and service management implementation for all departments requiring job cost data
- ✓ Continuous improvement of procedures with in-line internal controls
- ✓ Continue risk assessments and implement internal control enhancements
- ✓ Develop service levels with internal client departments and ensure consistency
- ✓ Implement a strategy for reserve fund investments

ISSUE PAPER #2 – Financial Projects

1. Purpose:

The purpose of this issue paper is to identify the need to make a number of enhancements to financial systems over the next several years.

2. Background:

The County has made a number of financial system enhancements in recent years and it is important to continue on this path. Recent improvements include the Great Plains upgrade to version 10.0 in 2008, installation of WennSoft job costing system in 2008 and set up of the Great Plains fixed asset module in 2009. These upgrades ensured compliance with Public Sector Accounting Board (PSAB) standards and greatly improved our financial reporting capabilities. Improved reporting allows managers to better understand the financial impacts of their decisions and events and as a result they can make more sound decisions and recommendations to Council.

Further, the Finance department has just completed a 3 year project to inventory and value all tangible capital assets owned by the County to meet the revised PSAB financial reporting guidelines. There were funds allocated in the 2008, 2009 and 2010 budgets to fund the support services of a consultant, additional one-time audit fees, and related system upgrades.

Staff propose that the budget allotment for the PSAB implementation be retained within the Finance department for system upgrades and/or new software to allow for increased automation of transactions and enhanced internal controls to take place over each of the next three years.

3. Proposed 2011 Project Details:

In 2011, a priority for the Finance department is to implement an automated purchase order process using software that directly feeds to the existing Great Plains financial system. An automated P.O. system is aligned with the purchasing processes of other medium to large sized municipal governments and is standard throughout private sector organizations of this size. The current process is manual and as a result is inconsistent across County departments. Any manual process is subject to errors and omissions and poses a risk of inappropriate use. The external auditors have recommended that formal internal controls be developed for the purchase order process and the process be automated and linked to the current financial system. This recommendation was formally made through the auditor's letter to management.

Benefits of an automated purchase order system include:

- Workflow approval prior to invoicing to ensure compliance with approval levels
- Consistent process across all County departments
- Centralized management of vendors to ensure all vendors
 - Compliance with requirements such as WSIB, and liability insurance
 - Financial reviews and bonding where appropriate
 - Vendor business information i.e. address, tax numbers, etc.
- Monitoring of total expenditures by vendor to ensure compliance with approvals and identify savings opportunities
- Streamline invoice coding and approval processes

4. 2012 Projects and Beyond

Staff are currently aware of several upcoming initiatives related to the maintenance and/or enhancement of the financial system. Each upgrade or enhancement incurs costs for the software as well as fees to install and customize new products. Near term projects include:

- Upgrades for the next version of Great Plains expected to be required in 2012
- Implementation of budgeting and forecasting software with new versions compatible with Great Plains to be available in 2012-2013
- Upgrade of financial reporting software as FRX will no longer supported once the new budgeting software is introduced
- Great Plains upgrades are generally made available annually but the County has historically upgraded every 2-3 years

5. Financial Implications

This project does not require any new funding in 2011 as it will utilize the PSAB funding of \$75,000 already in the Finance department budget. This cost includes the purchase of the software as well as implementation and set up support.

6. Recommendation

Staff recommend that the Finance department use the PSAB implementation budget allocation to fund future system upgrades and enhancements.

ISSUE PAPER #1 – Junior Financial Analyst

1. Purpose:

The purpose of this issue paper is to present the need for a junior analyst position within the Finance department. The primary role of this position will be to perform tasks formerly done by the Office Manager within Social Services as well as other financial support functions.

2. Background:

Historically, the Finance department has had limited staff to perform all of the duties required by the department. As a result, financial tasks and activities were executed by staff working in other departments. Over time these staff developed the required skills and this became the accepted practice.

Over the past two years, the Finance department has worked to centralize all Finance related processes. However, a significant amount of work remained with the Office Manager position embedded in Social Services. This position performed a number of duties that were financial activities related exclusively to Social Services as well as key financial duties for the entire County. For example, this position was responsible for the reconciliation of all County bank accounts. While the re-assignment of tasks outside the Finance department was an interim solution several years ago, it is not an appropriate allocation of work on a permanent basis. Additionally, it does not lend itself to cross-training and backfill for a critical function.

The individual in the Office Manager position retired in April of 2010. The work was temporarily transferred to a one year contract position that had been created to oversee the financial administration of Housing funding initiatives. The contract position was funded through the provincial funding initiative. However, there will be no more funding available beyond March 2011 and the position will cease to exist.

A detailed analysis of the finance work formerly performed by the Office Manager, and currently performed by the contractor, has been undertaken. Initially, the work transitioned to the contractor was approximately 85% of a full-time employee (FTE). Some tasks were determined to be more operational in nature and were reassigned within the Social Services department through the new Administrative Services Manager role. However, over half of the tasks are strictly financial and therefore, require a certain level of skill and training that is

not available with the staff resources currently in the Social Services department. Further, several tasks provide critical internal controls or Ministry reporting and should be supervised by the Finance department.

Key tasks transitioned from Social Services include:

Task	Monthly Time	% FTE (annual)
Bank Account Reconciliations, Follow Up & Adjustments	1.5 weeks	35%
'Form Five' – Social Services funding reconciliation	3 days	14%
Social Services journal entries	6 hours	4%
Internal Control Verification / General Finance Process Support	1 day	4%
Yearend processes (TPAR)	Annual	2%
Cheque & DBD payments, cancelled cheques, EFT returns, etc.	3 hours	1%
Total time		60%

The Finance department is not able to absorb the work of at least 60% of an FTE without increasing the current staffing levels. All Finance staff are currently working at capacity to meet the existing service demands and legislated obligations. It should be noted that all of the tasks above are required in order to be in compliance with minimum accounting standards and internal control expectations of the County auditors. For example, failure to complete reconciliations in a timely manner could potentially result in a qualified audit opinion leading to difficulty acquiring funding and/or loans.

The identified tasks tend to be cyclical in nature with increased demands during certain weeks of the monthly accounting cycle. Additionally, a general knowledge of accounting concepts and practices is required to properly complete this work. Therefore, it is not practical to hire a part-time position.

In addition to the transition of workload from the Social Services department, a number of other finance tasks could be transitioned to this position in order to lessen the demands on current Finance staff and further enhance the level of support provided to the operating departments. Some Finance staff, particularly managers, are working an excessive amount of overtime and an additional staff member would alleviate some of the demands placed on existing staff. Further, managers could spend a greater amount of time finding savings, identifying

funding opportunities, and implementing process improvements and efficiencies. This type of work is essential to finding cost savings within the current organization and sharing those best practices with the member municipalities. For example, staff identified the opportunity and implemented the processes to increase receivables collections by almost \$487K in 2010. Work would be transitioned to a new role to address the following priorities:

- The Purchasing & Risk Manager has implemented several initiatives which have resulted in savings for the County including: waste collection contract (\$725K annually), waste calendar (\$15K annually), GPL food & supply purchasing (~\$60K annually), photocopier leasing (\$80K annually), cell phone rates (50% annually), courier charges (75% per package), roadside mowing (\$20K annually) and office supplies (30-40%). Unfortunately, there is a significant investment of time required to identify each and every opportunity for savings and implement the desired solution. For example, the timing of several tenders (including paving) were advanced in 2010 in order to take advantage of improved pricing and/or vendor availability. Additionally, networking and buyer's groups offer opportunities for savings but attendance is difficult with day to day operations.
- Many of these opportunities for savings can be shared with the member municipalities where the benefits can be multiplied. Cooperative purchasing within the County is a largely untapped opportunity. It takes many hours to identify specific purchasing opportunities and roll it to the member municipalities. It is critical that we look within the organization for ways to make our dollar go farther.
- The Purchasing & Risk Manager is currently responsible for tangible capital asset management even though these tasks are not closely aligned with the other responsibilities of this position. This work could be moved to the new position and allow the Purchasing & Risk Manager to dedicate more time to pursuing opportunities for savings and better overall value for purchases.
- The economic downturn and more litigious tendencies in society seem to be leading to an increasing number of claims against municipal governments, including Northumberland County. Each claim requires a thorough follow up and investigation as well as discussions with the County insurer. This is a very time consuming activity and detracts from the purchasing function. Further, risk management procedures should be

revised and implemented to mitigate the risk of a claim against the County being successful and minimize the cost of insurance.

- There are a number of financial projects waiting to be implemented but staff find it increasingly difficult to make process improvements in addition to their regular workload. Projects that have been identified but require additional support to implement include: purchase order automation, internal control structure design, purchasing policy review, and procedural documentation. Further, operating departments are requesting an ever increasing amount of support from the Finance department. For example, Finance is currently developing in-house experts on each department. Social Services, GPL and POA all have a Finance staff member available to be embedded in their departments for a few days each month. Developing these types of experts will lead to the research necessary to build strong business cases for decision making and savings opportunities.
- The increased threat of litigation does not exist only for claims to the County. The threat is also increasing with respect to purchasing disputes. Staff are required to spend an increasing amount of time managing documentation to ensure that all bid documentation is fairly evaluated, filed and communications are made to the unsuccessful bidders.

Below is a summary of the tasks to be performed by a new position:

Task	% FTE (annual)
Tasks Transitioned from Social Services	60%
Tangible Capital Assets	10%
Risk Management support	10%
Continuous Improvement Projects	10%
Collections & Purchasing Administrative Support	10%
Total	100%

This position will report to the Accounting Manager as the majority of the responsibilities will be operational accounting in nature.

3. Financial Implications

The new position will be funded through an increase to the levy. However, it is expected that the operating departments will realize savings from enhancements to purchasing processes and risk management practices.

It is expected that the junior analyst position will be evaluated in salary grade D with an annual salary of \$40,000 plus benefits. The 2011 impact will be approximately \$30,000 plus benefits as the position will not be filled until the funding for the current contract position has been exhausted.

4. Recommendation

Staff recommend that the new position of Junior Analyst be funded in the 2011 budget and added to the Financial department organization chart.