



Audit Report Number 2006-06
City of Richmond
**City-Wide Analysis of Financial Skills,
Training and Resources**
As of June 30, 2005

Prepared by
CITY AUDITOR
Richmond, Virginia

Submitted to
The Honorable Members of City Council
November 14, 2005

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The Honorable Members of City Council
Richmond City Audit Committee
City of Richmond, Virginia 23219

City Auditor's Report

SCOPE

We analyzed, on a City-wide basis, the financial skills, experience, training opportunities and available resources relating to City staff responsible for performing financial functions for the City as of June 30, 2005. We excluded employees from the Department of Finance for the purpose of this analysis.

OBJECTIVES

Our objectives were to determine:

- whether the job function matched the related job classification description, and
- whether staff had the combination of skills, experience, resources and training to perform the job function requirements.

METHODOLOGY

This was not an audit as defined by Government Auditing Standards for Performance Audits issued by the Comptroller General of the United States. However, during the course of our work, we held discussions with City staff, reviewed training documentation and reviewed City job classification descriptions. We believe our analysis provides a reasonable basis for our conclusions and recommendations.

CONCLUSIONS

- The City's generic job classification descriptions are not very comprehensive and do not match some of the current work responsibilities specifically in the identification of financial responsibilities. Human Resources management indicated to our office that the descriptions are designed to be broad in nature. Additionally, while most of the job positions require a business degree, it is not specified that the educational focus relate to accounting or finance. This includes the positions entitled, "Accountant II" and "Fiscal Analyst."
- One agency (Department of Community Development) did not designate and train back-up personnel for the payroll function; one agency (Library) did not designate and train back-up personnel for the disbursements function.
- The Department of Finance holds training relative to the City's payroll system only once a year.
 - We only found one instance whereby a new employee did not necessarily appear to have the financial experience or education *and* also did not receive training on the City's financial system. Relative to training, some of the participants were eager to explore outside training opportunities. However, for smaller offices it is sometimes difficult to find available funds in the budget, as well as to find staff to fill in during the absence period. We encouraged staff to seek out pertinent training and have their supervisors add the training to the technical section of the employee work plan for performance evaluation purposes.
- Finally, we observed that many City agencies (excluding the Department of Finance) are generally not structured with a top-level accounting position with a certain level of expertise, such as a Certified Public Accountant. Our informal benchmarking with other cities revealed mixed feelings relative to whether a CPA is truly needed at the agency level. At this point in time, we have not included a recommendation to City administration to consider changing the existing requirements to obtain this degree of expertise at the agency level.

The management of the City of Richmond, Virginia, is responsible for maintaining financial records and establishing and maintaining a system of internal accounting control and management control. In fulfilling this responsibility, management is required to assess the expected benefits and related costs of control procedures.

We discussed the attached comments and recommendations with City management throughout the audit and formally on November 1, 2005; we have included management responses from the responsible officials. We would like to thank the departmental management and staff for their cooperation and assistance during this audit.

This report is intended for the members of the Richmond City Council, the City Audit Committee, the City and departmental management of the City; it is a matter of public record.

Respectfully submitted,

Randi L. Ricco-Clifford, CPA, CIA, CGAP
Interim City Auditor

November 1, 2005

EXECUTIVE SUMMARY

Background	<p>The City of Richmond is decentralized to the extent that individual agencies are responsible for processing disbursements and receipts, entering payroll-related transactions and preparing budget documents. The Department of Finance receives information from individual agencies to physically pay invoices and process payroll checks.</p> <p>The management of the City of Richmond has the responsibility of accumulating financial data and preparing financial statements with accuracy. During the period of practical experience, it is expected that staff members' tasks will increase in complexity, especially in the area of accounting. Hiring or transferring staff with financial experience and accounting education is the key to solid financial reporting and accountability.</p> <p>This analysis was designed to review certain agencies within the City to determine the adequacy of the level of skills of staff performing critical financial functions and identify training and resource weaknesses. Additionally, we analyzed job classification descriptions to determine whether they matched current job functions. We specifically compared the educational requirement for each position against the participant data. 19 individual City-staff members were selected from the following 9 City agencies:</p> <ul style="list-style-type: none">➤ City Clerk's Office➤ City Attorney's Office➤ Department of Public Works➤ Department of Community Development➤ Richmond City Library➤ Mayor's Office➤ Department of Parks, Recreation and Community Facilities➤ Human Services Commission➤ Social Services
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	<p>Specific job classifications reviewed under this analysis include:</p> <ul style="list-style-type: none"> • Accountant II • Account Specialist II • Fiscal Analyst • Administrative Program Support Assistant • Executive Assistant II • Executive Assistant III • Project Management Analyst • Office Specialist II • Administrative Project Analyst
<p>Summary of Recommendations</p>	<p>In order to improve operations and better achieve the Departments' objectives, we made recommendations for management consideration.</p> <ol style="list-style-type: none"> 1. Human Resources should enhance job classification descriptions to include financial responsibilities and accounting education, accordingly. 2. The Department of Community Development and the Library should identify back-up personnel for the payroll and disbursements process, respectively. 3. The Department of Finance should provide more frequent training on the City's payroll system.

FINDINGS AND RECOMMENDATIONS

1. Enhance existing job classification descriptions (Human Resources)

The Auditor's Office interviewed 19 employees from nine different agencies. We analyzed whether job classification descriptions matched to the financial functions that staff performed. In addition, we reviewed overall experience and specifically analyzed whether the financial education of the participants' matched the current job classification description. We observed the following items:

- Only five of the nine different job classifications matched actual financial duties performed by staff.
 - One of the positions geared specifically towards a small office environment, "Executive Secretary III" (this position generally performs accounts payable, accounts receivable, purchasing and/or payroll for the City's executive offices), had a corresponding job classification description that did not include any accounting duties or give any indication that this position had the potential to include responsibilities surrounding financial transactions. We do note that these staff members also perform non-financial functions on a day-to-day basis.
- Staff financial experience ranged from 6 months to 25 years. We reviewed the required education component for each job classification and note that only 9 out of 19 employees met the current, required education requirement for their position. However, Human Resources management has indicated that management has generally allowed a combination of experience, training and education in the applicant qualification process.
- Additionally, while most of the job positions require a business degree, it is not specified that the educational focus be in accounting or finance. This includes the positions entitled, "Accountant II" and "Fiscal Analyst." Our Office would consider these positions as critical positions that should require an educational focus in accounting.

RECOMMENDATION

Human Resource management has indicated that the job classification descriptions are intended to be broad in nature. However, we recommend that Human Resources:

- a) review the applicable job classification descriptions and enhance the duties and responsibilities to include specific language to indicate that certain financial experience may be required for the position, and

- b) review the job classification descriptions and include an emphasis on financial/accounting education, accordingly. This should specifically include the two job classifications mentioned above (Accountant II and Fiscal Analyst).

MANAGEMENT RESPONSE

Human Resources will add financial duties to the job specifications under “examples of duties.” Human Resources will also add Accounting or a related field under the education for Accountant II and Fiscal Analyst. The Human Resources Division Chief will implement this by December 31, 2005.

2. Provide backup personnel for payroll/disbursements functions (Dept. of Community Development and Library)

Two of the agencies have not identified and provided back-up personnel for specific accounting functions. The Department of Community Development has not identified and assigned back-up personnel for payroll. Similarly, Library management has not identified and assigned back-up personnel for the disbursements process. Essentially, one staff member is responsible for these particular functions for the respective agency. This employee needs to adjust vacation and training schedules, accordingly, to fit within the agency payroll and/or disbursement period. Relating to payroll, there is risk to the agency that in an emergency or unexpected situation, the entire agency’s payroll submission to the Finance Department may be delayed because a back-up staff member was not assigned and trained.

The Department of Finance has not required that all agencies establish back-up personnel. However, it is suggested to the agencies that appropriate procedures be in place to ensure the agency can operate efficiently.

RECOMMENDATION

To Community Development:

We recommend that management identify a staff member to be assigned and trained for the payroll back-up responsibilities.

To Library:

We recommend that management identify a staff member to be assigned and trained for the appropriate disbursement back-up responsibilities.

MANAGEMENT RESPONSE

Community Development: The Department of Community Development understands the need for back-up personnel. The Interim Director has assigned this task to the Project Management Analyst for the Department. By February 1, 2006, he will analyze

the options available to the Department and prepare a plan for providing back-up payroll personnel.

Library: The staff position currently assigned disbursement responsibilities is a Project Management Analyst. Backup responsibilities have been assigned to the Assistant Director for Internal Operations; this position supervises the Project Management Analyst and is the position most knowledgeable in procedures and requirements related to disbursements. Limited additional training is required. This is effective immediately.

3. Provide more frequent training on the City's payroll system (Dept. of Finance)

The Department of Finance offers training on the City's payroll system once each year. As such, new employees hired during the year are not provided training by Finance, but are paired-up with staff members who are already experienced with the payroll system. Finance allows this to occur until they can provide such training.

Due to turnover in smaller agencies, non-financial staff are sometimes placed into positions which include financial responsibilities or they are simply given financial responsibilities. With the minimal amount of experience and the lack of availability of training on the City's financial system, these employees are then held accountable for financial accuracy.

We found only one instance in our sample whereby a new employee did not necessarily appear to have the required financial experience or education *and* also did not receive training on the City's payroll system. However, this brings to light that new employees would most likely expect proper training soon after they are hired.

RECOMMENDATION

We recommend that Finance change their procedures and perform training on a more frequent basis.

MANAGEMENT RESPONSE

The Finance Department concurs with this recommendation and intends to offer quarterly training. The Payroll Processing Guide is available on the City's intranet as a reference source for Payroll Technicians, however, Finance understands the additional need for hands-on user training. The Payroll Manager will implement the new training schedule by March 31, 2006.

