



# Finance Boot Camp

“How to develop one for your organization”

Puget Sound Finance Officers Association

July 8, 2020

# Welcome new PSFOA members!

Imiteria	Kahue	Payroll Specialist	City of Auburn
Mozelle	Fok	Senior Budget Analyst	City of Bellevue
Jelena	Sergejeva	Budget Analyst	City of Bellevue
Joanna	Paradiso	Senior Financial Analyst	City of Bellevue
Cheryl	Harmon	Accounting Analyst	City of Bellevue
Stacy	Cochran	Administrative Assistant	City of Kirkland
Jessica	Clem	Senior Accounting Associate	City of Kirkland
Raevel	Chea	Senior Finance Analyst	City of Renton
Kristy	Magyar	Accounting services Division manager	City of Tacoma
Christine	Tudor	Accountant	City of Tacoma
Tori	Umemoto	Assistant State Auditor	Office of the Washington State Auditor
Lisa	Carrell	Assistant Audit Manager	Office of the Washington State Auditor
Michele	Cummings	Budget Analyst	Pierce County

# Agenda

- ▶ Olympia's Demographics
- ▶ Why Finance Boot Camp?
- ▶ How We Put it Together
- ▶ High-level View of 6 Sessions
- ▶ Today's presentation - available on PSFOA website tomorrow
- ▶ Olympia's complete 6 Finance Boot Camp presentations
  - available next week

# My Background – Goldilocks of City Finance

- ▶ 31 years in municipal finance and operations
- ▶ Lessons learned –all organizations:
  - Same issues regardless of size
  - All have potholes to fill
  - All need to be audited
  - All never have enough resource
  - Resources usually proportional to size
  - Each “unique”- none are really “special” !!!!



Large  
>700K

Small  
~10K

Medium  
~50K

# City of Olympia Demographics



- ▶ **Population – 54,150**
- ▶ **Employees – 600**
- ▶ **Fiscal Services – 19 FTEs**

## 8 Departments

1. **Executive (City Manager, Communications, H/R, Legal)**
2. **Administrative Services (Clerk, Fiscal, IT, Office of Performance & Innovation)**
3. **Community Planning & Development**
4. **Fire**
5. **Municipal Court**
6. **Parks, Recreation & Arts**
7. **Police Works**
8. **Public Works; Drinking Water, Waste Water, Storm Water, Waste ReSources**

- ▶ **Operating Budget - \$178 million**
- ▶ **Capital Budget - \$34 million**

A blue header with a white geometric pattern of diagonal lines forming a series of small triangles.

*“Everyone involved in overseeing or managing government operations needs to understand the basics of public-sector accounting and financial reporting.”*

~Michael Genito  
Commissioner of Finance, City of White Plains, New York

# Why Finance Boot Camp?

- ▶ All successful projects usually include 2 things:
  - Communication
  - Expectations
- ▶ Governmental accounting and finance is complex
- ▶ We don't spend enough time training, education, & communicating expectations to our internal customers
- ▶ 10-year vision – watching from all side
- ▶ When I got to Olympia – great team, eager to learn
- ▶ Time was right!

# Assess Your Organization

- ▶ Centralized budgeting & accounting vs Decentralized
- ▶ Who does what – roles & responsibilities
- ▶ Formal policies or institutional practices – there's a difference
- ▶ Terminology!!!!!!
- ▶ Who has authority to do what?
- ▶ Is finance empowered to guide, advise, make changes?
- ▶ Each organization is unique – no one size fits all



# What is Finance Dept's Role in Your Organization?

- ▶ Advisor?
- ▶ Gate keeper?
- ▶ My philosophy of finance department's role:
  1. Supporter to operations
  2. Educator to management and departments
  3. Enforcer of regulations and policies
- ▶ My Dad always said, *"What role did you have in all of this?"*

# So How Finance Boot Camp Work in Olympia?

- ▶ Proposed idea to finance team and upper management
- ▶ Got buy-off and buy-in!
- ▶ First sketched out outline - what did we want to cover?
- ▶ Determined level of detail we wanted in presentation
- ▶ Categorized topics into sessions
- ▶ Landed on 6 sessions

# Boot Camp Logistics

- ▶ Held in Council Chambers
- ▶ Each session < than 2 hours
  - Most went ~ 90 minutes
- ▶ Each session offered twice
  - Attempted to schedule: 1 morning and 1 afternoon session
- ▶  $6 \times 2 =$  Total of 12 sessions
- ▶ Duration – 6 months

# Boot Camp Logistics con't

- ▶ City-wide email communication
  - Showed summary of all sessions - asked employees to 'save the dates'
- ▶ Opened-up registration for first 3 sessions
- ▶ Immediate positive response
- ▶ 20 – 40 employees signed up for each session
- ▶ Opened-up the sessions 4-6 after Session 2

# Questions so far?



# City Finance Boot Camp Sessions 1 and 2

Session 1  
March



- City Government Structure
- City Authorization
- Terminology
- Governmental Accounting vs Private Sector
- Fund Accounting

Session 2  
April



- Terminology – Yes, More Terms!
- BARS
- Expenditure/Revenue Accounts
- Expenditure/Revenue Reports
- HTE Financial system & OpenGov

# City Finance Boot Camp Sessions 3 and 4

## Session 3 May



- All About Budget!!!
- 2020 Budget Kickoff

## Session 4 June



- Public Funds
- Steward of Public Resources
- What's a CAFR?
- Audits – Should We Be Afraid
- Grants

# City Finance Boot Camp Sessions 5 and 6

## Session 5 July



- Rules, Rules & More Rules!
- Color of Money and What Can It Be Used For
- Paying the Bills
- Why Can't I Buy This?
- Food, Glorious, Food!

## Session 6 August



- Capital/Small & Attractive Assets
- When People Owe the City Money
- When the End of Year, Isn't the End of the Year
- It's "Accrual" World Out There
- Allocated Costs
- Boot Camp Graduation



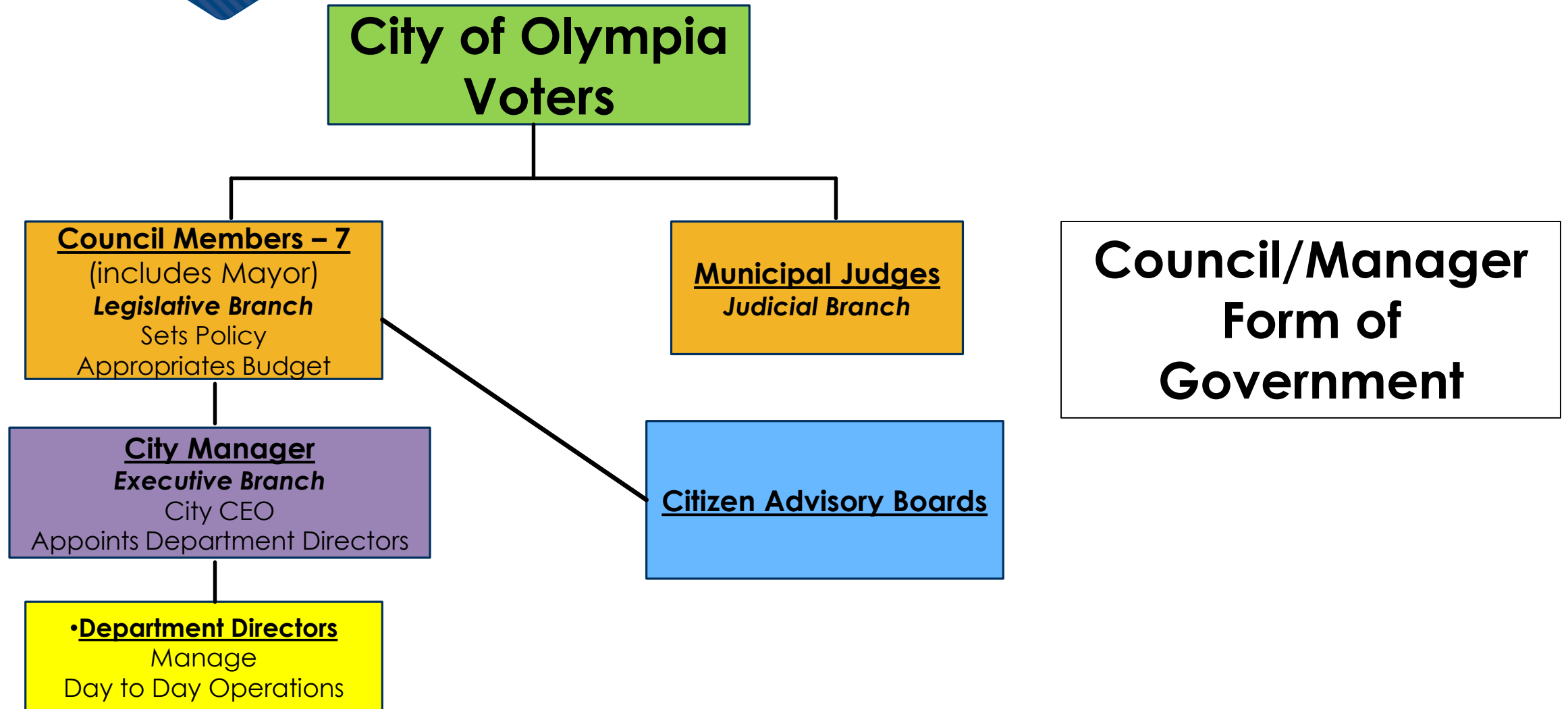
# Session 1 Agenda – Start with Basics

- ▶ Where Does the City Get Its Authorization?
- ▶ How is our City Government Structured and Why?
- ▶ What Do All Those Terms Mean?
- ▶ Why & How is Governmental Accounting Different than Private Sector?
- ▶ What is Fund Accounting & Why Should We Care?

# Where Does City Get Its Authority?

- Washington State Constitution provides for incorporation of municipalities
  - Article XI, Section 10
- Cities with population > 10,000 = First-class city
  - Charter
  - Non-Charter, Code
- City of Olympia – First class, Code city
- First-class (non-charter) code cities operate under chapter RCW 35A
- Olympia operates as '**Council/Manager**' form of government
- Federal laws, State Constitution, WACs, RCWs, Municipal Code, Resolutions, Policies

# How is Olympia Government Structured?



# What Do All Those Terms Mean?

- ▶ RCW – Revised code of Washington
- ▶ WAC – Washington Administrative Code
- ▶ Municipal Code
- ▶ Ordinance
- ▶ Codified
- ▶ Resolution
- ▶ GAAP – Generally Accepted Accounting Principles
- ▶ GASB – Governmental Accounting Standards Board

# Why is Governmental Accounting Different?

- Focus on providing services and accountability
- Majority of revenues raised through involuntary levied taxes
- Budget
  - Legally required
  - Legislative oversight
  - Management control
- Broader group of stakeholders
- More complex chart of accounts
- Longevity of entity
- **Use of fund accounting!**

# Governmental Fund – 3 Groups/11 Types

## Governmental Funds (5 types)

General Funds  
**001, 002, etc**

Special Revenue  
Funds  
**100's**

Debt Service Funds  
**200's**

Capital Project Funds  
**300's**

**Funding Source**  
*General Revenues*

\*Permanent Funds  
**700's**

## Proprietary Funds (2 types)

Enterprise Funds  
**400's**

Internal Service Funds  
**500's**

**Funding Source**  
*Rate Payers  
External*

**Funding Source**  
*Rate Payers  
Internal*

## Fiduciary Funds – 600's (4 types)

Agency  
Funds

Pension  
Trust Funds

Private Purpose  
Trust Funds

Investment  
Trust Funds

**Funding Source(s)**  
*Vary- Generally  
belong to others*

# Fund Accounting & Why Should We Care?

- ▶ One of most important principles of GAAP
- ▶ Provide types of funds
- ▶ While governmental accounting sometimes allows for more than one approach to presentation, there is most often a “preferred approach” example
- ▶ Show how we choose which fund to record transactions
- ▶ Explain color of money
- ▶ Why money has to move around between funds
- ▶ Restrictions

# Questions so far?



"We had a catch-22, but we 86'd it and now  
we're looking at a surplus of 64!"



# Session 2 Agenda

- ▶ Terminology – again!
- ▶ BARS Decoder Ring!
- ▶ Expenditures/Revenues
- ▶ Expenditure and Revenue Reports
- ▶ HTE and OpenGov (City's Financial & Reporting Systems)

# Terminology – Yes, Again!

- ▶ Appropriation = Expenditure side of Budget
- ▶ BARS – Budget, Accounting & Reporting System
- ▶ GAAP – Generally Accepted Accounting Principles
- ▶ HTE – City's Financial Management Information System
  - GMBA
  - SunGard
  - Superior
  - CentralSquare
- ▶ SAO – State Auditor's Office

# What is BARS? Why do we use it?

- Budgeting, Accounting, Reporting System (BARS)
- Established by Washington State Auditor's Office
- Use required by State law (RCW 43.09.200) – for all local governments
- Required for financial reporting
- Prescribes *minimum* requirements for:
  - Chart of accounts
  - Specific chart fields
  - Budgeting
  - Accounting
  - Financial Reporting
- Its use conforms to GAAP

# Olympia's BARS De-Coder Ring

Fund #  
(Prescribed)

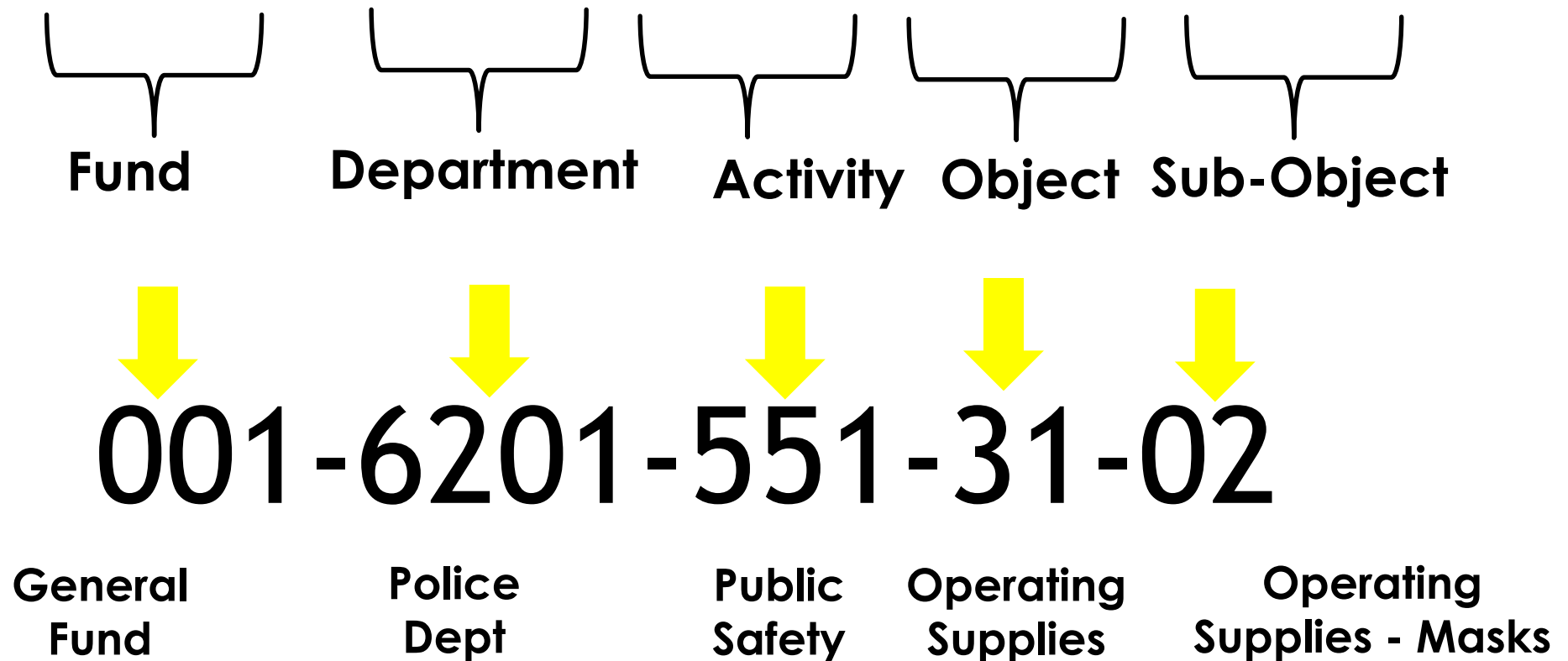
- 1XX = Asset # - Type
- 2XX = Liability or Fund Balance # - Type
- 3XX = Revenue # - Type
- 5XX – 899 – Expenditure # - Activity  
(Prescribed)

XXX - XXXXX - XXX - XX - XX

XX - Dept  
XX – Program  
(Local)

- More detail of Asset OR
- More detail of Liability/Fund Balance OR
- More detail of Revenue OR
- Type of Expenditure
  - (Prescribed/Local)

# Example - Olympia's Expenditure Chart Field String



# How To Read Expenditure Report

- ▶ Provide example of organization Budget to Actual expenditure report
- ▶ Explain how to read it
  - ▶ Across top; left to right
- ▶ Explain terms
  - ▶ Original budget vs Revised Budget
  - ▶ Current period actuals
  - ▶ YTD actuals
  - ▶ Available remaining balance
- ▶ Give examples of what to look for
  - ▶ Expenditure line items with negative balances
  - ▶ We use 15% variance (up or down) as starting point
  - ▶ Identify level of compliance at City and Department levels

# Olympia's HTE Detailed Budget Report

PREPARED 04/03/2019, 12:50:46  
PROGRAM: GM267L  
CITY OF OLYMPIA

DETAIL BUDGET REPORT  
25% OF YEAR LAPSED

PAGE 3  
ACCOUNTING PERIOD 03/2019

FUND 001 GENERAL FUND			FUND/DEPT/DIV			001 6103 POLICE/Administrative Services							
RA	FILE	OBJ	ACCOUNT			*****CURRENT*****			*****YEAR-TO-DATE*****				
SUB			DESCRIPTION	BUDGET	ACTUAL	%EXP	BUDGET	ACTUAL	%EXP	ENCUMBR.	ANNUAL BUDGET	UNENCUMB. BALANCE	% BDGT
53			GENERAL GOVERNMENT										
538			INFORMATION TECHNOLOGY										
	51		INTERGOVERNMENTAL										
	51 13		THURSTON COMMUNICATION	0	.00	0	0	.00	0	.00	0	.00	0
	51 39		OTHER STATE OF WASH.	0	.00	0	0	.00	0	.00	0	.00	0
	51 **		INTERGOVERNMENTAL	0	.00	0	0	.00	0	.00	0	.00	0
	96		INTERFUND INSURANCE SVCS										
	96 01		LIABILITY INSURANCE	0	.00	0	0	.00	0	.00	0	.00	0
	96 **		INTERFUND INSURANCE SVCS	0	.00	0	0	.00	0	.00	0	.00	0
	99		OTHER INTERFUND CHARGES										
	99 03		PC REPLACEMENT POOL	0	.00	0	0	.00	0	.00	0	.00	0
	99 **		OTHER INTERFUND CHARGES	0	.00	0	0	.00	0	.00	0	.00	0
538	**	**	INFORMATION TECHNOLOGY	0	4869.45	0	0	27857.58	0	65308.07	0	93165.65-	0
53	**	**	GENERAL GOVERNMENT	0	4869.45	0	0	27857.58	0	65308.07	0	93165.65-	0
55			SECURITY OF PERSON & PROP										
551			POLICE - ADMINISTRATION										
	11		SALARIES AND WAGES										
	11 01		SALARIES AND WAGES	42877	20863.20	49	128631	105707.08	82	.00	514527	408819.92	21
	11 02		HOURLY	0	.00	0	0	.00	0	.00	0	.00	0
	11 03		OVERTIME	250	.00	0	750	190.43	25	.00	3000	2809.57	6
	11 04		LONGEVITY	0	.00	0	0	.00	0	.00	0	.00	0
	11 06		SPECIAL PAY	0	.00	0	0	.00	0	.00	0	.00	0
	11 10		COMMUTE REDUCTION INCENT.	0	.00	0	0	.00	0	.00	0	.00	0
	11 11		OPT OUT	530	530.00	100	1590	1590.00	100	.00	6360	4770.00	25
	11 **		SALARIES AND WAGES	43657	21393.20	49	130971	107487.51	82	.00	523887	416399.49	21
	21		PERSONNEL BENEFITS										
	21 01		PERSONNEL BENEFITS	16925	7708.82	46	50775	38894.74	77	.00	203100	164205.26	19
	21 03		UNIFORMS	0	.00	0	0	.00	0	.00	0	.00	0
	21 04		CLEANING ALLOWANCE	0	.00	0	0	.00	0	.00	0	.00	0
	21 08		TEAMSTERS PENSION TRUST	125	.00	0	375	246.86	66	.00	1500	1253.14	17
	21 **		PERSONNEL BENEFITS	17050	7708.82	45	51150	39141.60	77	.00	204600	165458.40	19
	31		OFFICE AND OPERATING SUPP										
	31 02		MISC OPERATING SUPPLIES	42	.00	0	126	.00	0	.00	500	500.00	0
	31 08		BOOKS AND MANUALS	0	.00	0	0	.00	0	.00	0	.00	0
	31 **		OFFICE AND OPERATING SUPP	42	.00	0	126	.00	0	.00	500	500.00	0
35			SMALL TOOLS & MINOR EQUIP										
35 00			SMALL TOOLS & MINOR EQUIP	125	2194.07-1755-		375	2194.07-	585-	.00	1500	3694.07	146-
35 **			SMALL TOOLS & MINOR EQUIP	125	2194.07-1755-		375	2194.07-	585-	.00	1500	3694.07	146-

# Olympia's HTE Detailed Budget Report con't

PREPARED 04/03/2019, 12:50:46  
PROGRAM: GM267L  
CITY OF OLYMPIA

Current  
Month

BUDGET  
YEAR

Year to  
Date

Annual

3  
2019

FUND 001 GENERAL FUND		FUND/DEPT/DIV 001 6103 POLICE/Administrative Services		*****YEAR-TO-DATE*****			ENCUMBR.	ANNUAL BUDGET	UNENCUMB. BALANCE	% BDGT
HA ELE OBJ SUB SUB	ACCOUNT DESCRIPTION	BUDGET	CURRENT ACTUAL	%EXP	BUDGET	ACTUAL				
53	GENERAL GOVERNMENT									
538	INFORMATION TECHNOLOGY									
51	INTERGOVERNMENTAL									
51 13	THURSTON COMMUNICATION	0	.00	0	0	.00	0	.00	.00	0
51 39	OTHER STATE OF WASH.	0	.00	0	0	.00	0	.00	.00	0
51 **	INTERGOVERNMENTAL	0	.00	0	0	.00	0	.00	.00	0
96	INTERFUND INSURANCE SVCS									
96 01	LTABILITY INSURANCE	0	.00	0	0	.00	0	.00	.00	0
96 **	INTERFUND INSURANCE SVCS	0	.00	0	0	.00	0	.00	.00	0
99	OTHER INTERFUND CHARGES									
99 03	PC REPLACEMENT POOL	0	.00	0	0	.00	0	.00	.00	0
99 **	OTHER INTERFUND CHARGES	0	.00	0	0	.00	0	.00	.00	0
538 ** **	INFORMATION TECHNOLOGY	0	4869.45	0	0	27857.58	0	65308.07	93165.65 -	0
53 ** **	GENERAL GOVERNMENT	0	4869.45	0	0	27857.58	0	65308.07	93165.65 -	0
55	SECURITY OF PERSON & PROP									
551	POLICE - ADMINISTRATION									
11	SALARIES AND WAGES									
11 01	SALARIES AND WAGES	42877	20863.20	49	128631	105707.08	82	.00	514527	408819.92 21
11 02	HOURLY	0	.00	0	0	.00	0	.00	.00	0
11 03	OVERTIME	250	.00	0	750	190.43	25	.00	3000	2809.57 6
11 04	LONGEVITY	0	.00	0	0	.00	0	.00	.00	0
11 06	SPECIAL PAY	0	.00	0	0	.00	0	.00	.00	0
11 10	COMMUTE REDUCTION INCENT	0	.00	0	0	.00	0	.00	.00	0
11 11	OPT OUT	530	530.00	100	1590	1590.00	100	.00	6360	4770.00 25
11 **	SALARIES AND WAGES	43657	21393.20	49	130971	107487.51	82	.00	523887	416399.49 21
21	PERSONNEL BENEFITS									
21 01	PERSONNEL BENEFITS	16925	7708.82	46	50775	38894.74	77	.00	203100	164205.26 19
21 03	UNIFORMS	0	.00	0	0	.00	0	.00	.00	0
21 04	CLEANING ALLOWANCE	0	.00	0	0	.00	0	.00	.00	0
21 08	TEAMSTERS PENSION TRUST	125	.00	0	375	246.86	66	.00	1500	1253.14 17
21 **	PERSONNEL BENEFITS	17050	7708.82	45	51150	39141.60	77	.00	204600	165458.40 19
31	OFFICE AND OPERATING SUPP									
31 02	MISC OPERATING SUPPLIES	42	.00	0	126	.00	0	.00	500	500.00 0
31 08	BOOKS AND MANUALS	0	.00	0	0	.00	0	.00	.00	0
31 **	OFFICE AND OPERATING SUPP	42	.00	0	126	.00	0	.00	500	500.00 0
35	SMALL TOOLS & MINOR EQUIP									
35 00	SMALL TOOLS & MINOR EQUIP	125	2194.07-1755-		375	2194.07-	585-	.00	1500	3694.07 146-
35 **	SMALL TOOLS & MINOR EQUIP	125	2194.07-1755-		375	2194.07-	585-	.00	1500	3694.07 146-



# OlyFinance (OpenGov)



Reports

Stories

Budget Report

Budget to Actual

Thurston County  
Point in Time  
Homeless Counts

Filters

Views

This report shares the current year budget and year to date actuals. The report updates daily.

Updated On 7 Jul, 2020

← Back

History

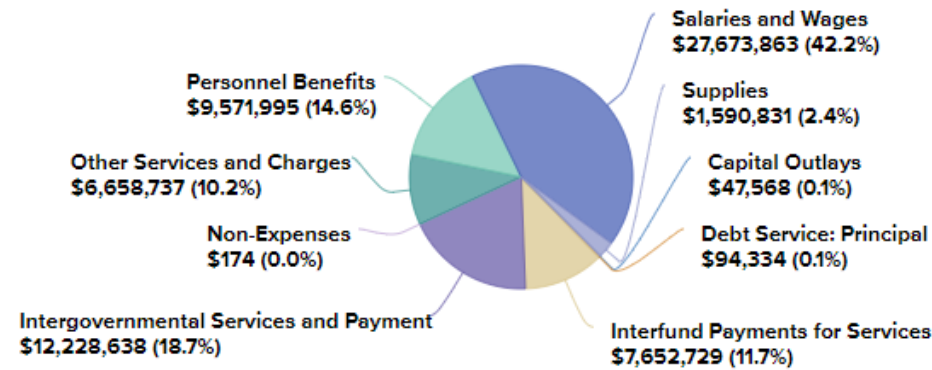
Reset

Broken down by

Expenses

Funds

Visualization



2020  
Actual  
(YTD)



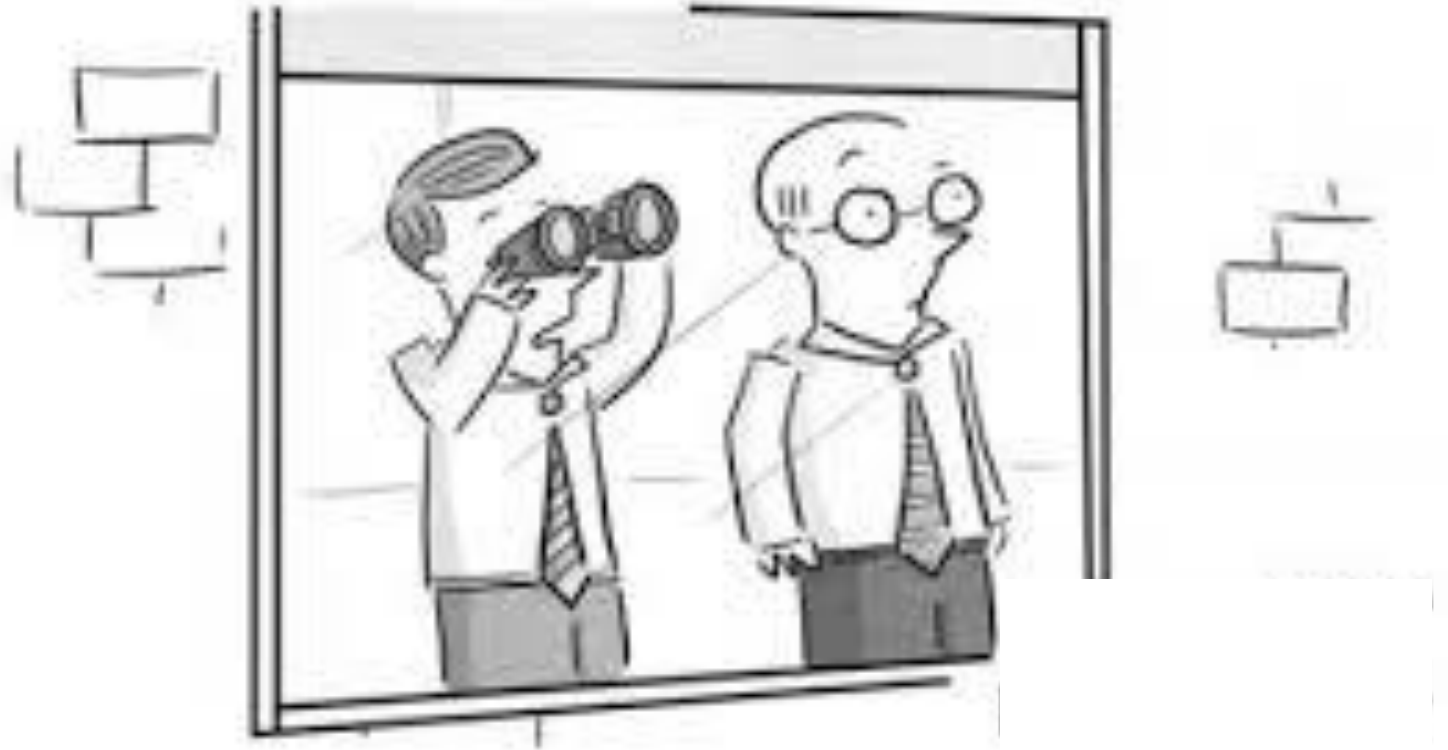
Sort A to Z

- Capital Outlays
- Debt Service: Interest an...
- Debt Service: Principal
- Interfund Payments for S...
- Intergovernmental Servic...
- Non-Expenses
- Other Services and Charg...

# Repeat Exercise for Revenues

- ▶ Many may not be familiar with revenues, but important for all to understand and read reports
- ▶ Explain difference between “general revenues” and “program revenues”
- ▶ Identify who projects revenues in our organization
- ▶ Do departments understand their own program revenues?
  - ▶ Rates
  - ▶ Grants
  - ▶ Fees

# Questions so far?



"I know this accounting in the cloud is supposed to make things easier, but how do we know which one is ours?"

# Session 3 – All About Budget!

- ▶ Terminology – AGAIN!
- ▶ Budget Philosophy
- ▶ High-Level Budget Rules
- ▶ Types of Budget
- ▶ Which Funds Do We Budget?
- ▶ Phases of Budget Process
- ▶ Roles & Expectations

# Why budgets are like bridge painting!



- Takes lots of skill and discipline
- It's a balancing act
- Requires teamwork
- Can always use more resources
- Lots of opinions on how to do it
- Everybody is watching

**Just when you finished, you get to start again!**

# Budget Terminology

- ▶ Appropriation = Expenditure Budget
- ▶ Revenues; Projected or Estimated (don't get appropriated)
- ▶ Budget Amendment/Adjustment
- ▶ Budget Ordinance
- ▶ Original vs Revised/Amended Budget
- ▶ Operating vs Capital Budget

# “My” Budget Philosophy

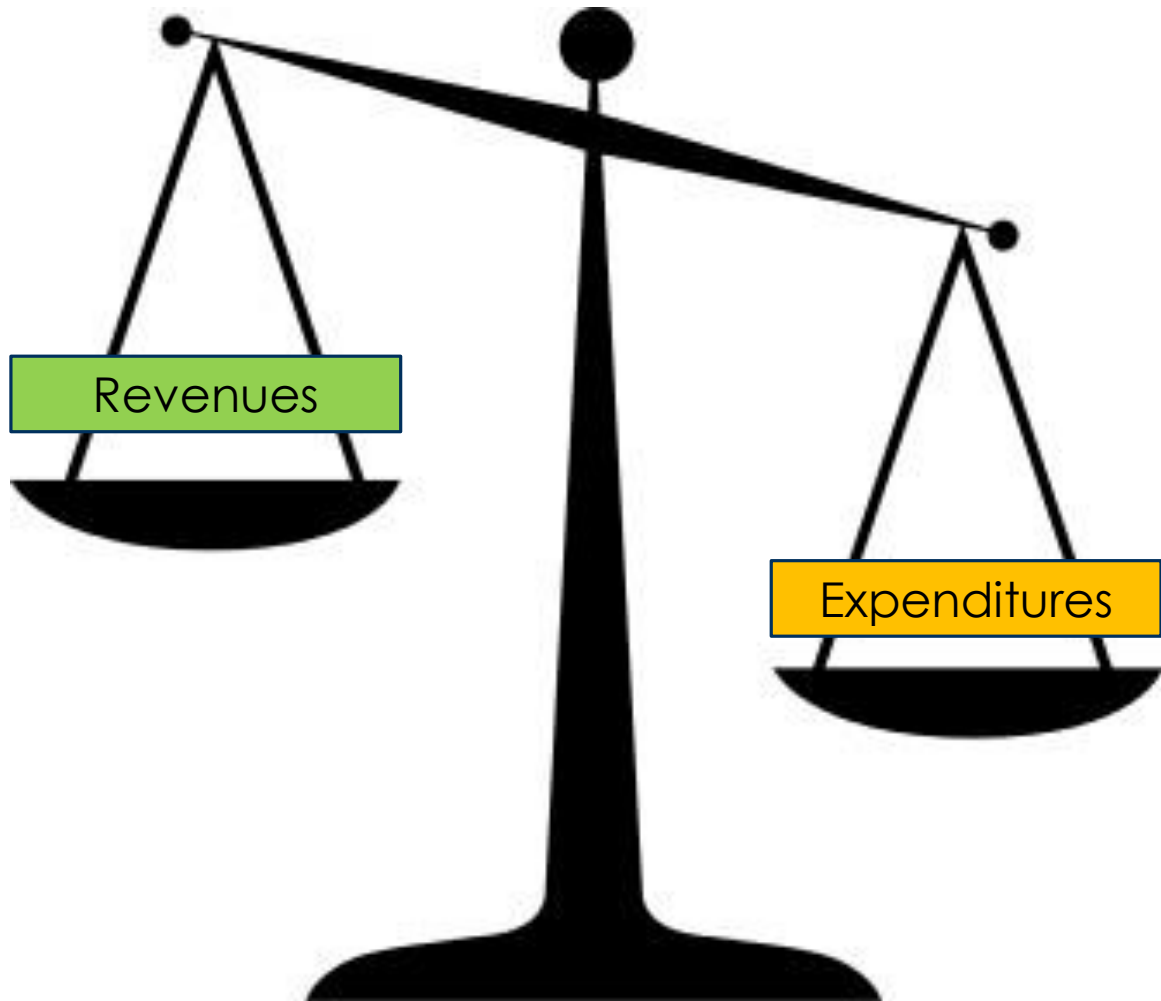
- ▶ Budget – one of most important documents in organization
- ▶ Engage public early in process
- ▶ Believe in honoring budget process
  - ▶ Try not to appropriate outside process unless
    - ▶ Emergency; or
    - ▶ Time sensitive – might lose opportunity

# High Level Budget Rules

- ▶ Compliance with budget required at ordinance level
- ▶ Identify level of organization compliance
  - ▶ Line item level
  - ▶ Program level
  - ▶ Department level
- ▶ Need appropriation authority to spend
- ▶ Budget must be in balance, or . . .



# When Budget Not In Balance – 3 Choices



1. Decrease expenditures
2. Increase revenue
3. Use fund balance

# Budget Process – At Highest Level

1. Receive input from community
2. Identify what services we want to provide to public
3. Estimate associated costs (expenditures)
4. Find funding (revenue) to support those costs
5. Do Revenues = Expenditures? 😊
6. Make adjustments if not in balance

# Other Information to Share

- ▶ Don't assume people know
- ▶ Annual or biennial budget
- ▶ Identify organization's budget type
- ▶ Provide calendar – explain full process
- ▶ Identify which funds get budgeted
- ▶ Use consistent terminology
- ▶ Explain level of ordinance

# Budget Process – Departments' Role

- ▶ Identify expenditures related to proposed services
- ▶ Identify revenues that are program specific
- ▶ “Tell your story”
- ▶ Make adjustments as necessary

# Budget Process – Fiscal Services Role

- ▶ Project “general revenues”
- ▶ Project and post personnel and interfund expenditures/revenues
- ▶ Develop debt service budgets
- ▶ Pull all revenue and expenditure information together
- ▶ Compare proposed expenditures to available resources (revenues and fund balance) and try to balance budget
- ▶ **General Fund gets most attention**
- ▶ **If not in balance, we need to make adjustments!**

**Questions  
so far?**



# Session 4

- ▶ Public Funds/Public Resources
- ▶ CAFR
- ▶ Audits
- ▶ Grants
- ▶ Other Funding Sources
- ▶ Balance Sheets

# Public Resources and Ethics

- ▶ What are they?
- ▶ Types
- ▶ Uses
- ▶ Inappropriate Uses
- ▶ Conflicts of Interest



# Gift of Public Funds Doctrine

- ▶ State Constitution – Article 8, Section 7
- ▶ Prohibits City from gifting or lending money, property or City's credit for non-public use
- ▶ Courts have extended principle to include “forgiving” a debt
- ▶ Exception - for necessary support of “poor or infirm

# Other Items to Share around Public Resources

- ▶ Rules around surplus (more on that later)
- ▶ How to report suspected fraud
  - SAO's Whistleblower policy

# CAFR (or Annual Report)

- ▶ Terminology
- ▶ City's official financial report
- ▶ Required and audited by SAO
- ▶ Prepared in accordance with GAAP
- ▶ Summarized all transactions
- ▶ Used by multitude of stakeholders
- ▶ Necessary for borrowing money or getting grants
- ▶ Gold mine of information!!!

# Audits

- ▶ Terminology – it's back!
- ▶ Required by law - RCW 43.09.260
- ▶ Independent assessment of various practices/reports
- ▶ Provides transparency for public
- ▶ Several types of audit – explain them


# What Audit Is? What Audit Isn't?

- ▶ Focus on specific areas each year
- ▶ What's right; what's wrong; areas for improvements
- ▶ Audits against standards
  - GAAP
  - US Government of Accountability (Yellow Book)
  - OMB Circular
- ▶ Doesn't look at everything each year

# “My” Audit Philosophy

- ▶ Conducted by professionals
- ▶ Auditors are partners of local governments
- ▶ Help to improve quality of reporting and internal controls
- ▶ City can learn from other entities' audits
- ▶ Auditor uses risk-based approach
- ▶ Send out city-wide email explaining the process

# Financial Audit

- ▶ Audits CAFR
- ▶ Assessment of financial statements vs GAAP standards
- ▶ Issues Opinion – 2 types:
  - Qualified
  - *Unqualified – preferred* 
- ▶ Neither Opinion judges entity's financial position

# Accountability Audit

- ▶ Has City followed state laws, regulations and its own policies & procedures?
- ▶ Audits records and management of public resources for:
  - Compliance with laws
  - Proper use of public resources
  - Adequate internal controls
- ▶ Examples:
  - Non-compliance with PRA or OPMA
  - Lack of segregation of duties
  - Misappropriation or misuse of public resources



# Single Audit

- ▶ Required by Federal government
- ▶ Conducted by State Auditor
- ▶ When entity *spends*  $\geq$ \$750K in federal funds
- ▶ Audits for financial and compliance components

# Other Audits

- ▶ SAO Audits
  - Performance Audit (SAO)
  - Other engagement (SAO)
- ▶ Other Audits
  - Department of Revenue
  - Department of Labor & Industries
  - Union - dues
  - Other agencies

# SAO Audit Process

- ▶ Preliminary planning
- ▶ Entrance conference
  - Identifies scope: statewide themes, areas of focus, prior year issues
- ▶ Collection of data
- ▶ Analyze results
- ▶ Issue opinion (financial)
- ▶ Exit conference
- ▶ Audit report issuance

# City's Responsibilities

- ▶ Unrestricted access to people
- ▶ All information requested or relevant
- ▶ Notification if documents are confidential or private (legally)
- ▶ Adequate work space and conditions to perform audit
- ▶ Professional, respectful interaction and communication

# Level of Audit Issues

## ▶ 3 Levels

1. Exit items – verbal, informal discussion at Exit Conference
2. Management Letter – not included in audit report
3. Finding – formally addressed in audit report

## ▶ City - opportunity for response

- included in final Audit Report

# Questions so far?



"Why we can't use US dollars like normal people?"

# Grants

- ▶ Types
- ▶ Agreement to do something, in some manner
- ▶ How Can Fiscal Services Help? – Intake Meetings
- ▶ Engage finance early and often!
- ▶ Don't assume authority to spend without appropriations

# Balance Sheets

- ▶ Balance sheets vs operating statements
- ▶ What are assets? Liabilities? Fund Balance/Equity?
- ▶ Basic Accounting Equation
  - $\text{Assets} = \text{Liabilities} + \text{Fund Balance}$
- ▶ What happens are year-end closing
- ▶ Explain expenditure purchase vs inventory balance sheet transaction
- ▶ GASB 54 fund balance classifications
  - Non-Spendable, Restricted, Committed, Assigned, Unassigned



# Balance Sheet vs Revenue/Expenditure Reports

## Balance Sheet

- Assets #s
- Liability #s
- Fund Balance #s
- Monitors City's LTD financial position
- Accumulative
- Does not close at year-end
- No budget info

## Revenue Report

- Revenue #s
- Includes budget info
- Actuals – YTD
- Compares Revenue *Projections* (Budget) to Actuals
- Closes at year-end
- Starts again next year

## Expenditure Report

- Expenditure #s
- Includes budget info
- Actuals – YTD
- Compares Expenditure *Appropriations* (Budget) to Actuals
- Closes at year-end
- Starts again next year

# Session 5

- Color of Money
- Accounts Payable
- Purchase Orders
- Signature Authority
- Why Can't I Buy This?
- Food, Glorious Food!

# Color of Money

- ▶ Revisit fund types
- ▶ Explain restrictions on funds
- ▶ Give examples: gas tax; grants; lodging tax
- ▶ Special Revenue Funds
- ▶ One fund cannot contribute to another with service provided
- ▶ Requirements for interfund loans

# Accounts Payable

- ▶ Who pays bills?
- ▶ How often?
- ▶ What is process?
- ▶ Who codes invoices?
- ▶ No advanced payments!
- ▶ Documentation is extremely important
- ▶ Pay invoices within 30 days (RCW 39.76.011)
- ▶ Certification (in BARS manual)

# Accounts Payable con't

- ▶ Who can create new vendors?
- ▶ Who can change vendor addresses?
- ▶ A/P process flows in one direction – no loops back
- ▶ Use correct coding!!
- ▶ Code needs to represent what is being paid for, not where available budget may be!!!
- ▶ Use “credit” expenditure transactions only when appropriate

# Accounts Payable con't

- ▶ Take advantage of “Net-10” terms if possible – saves money!
- ▶ Always pay from original invoice
- ▶ NEVER pay from statement! Always from invoice
- ▶ Don't ignore statements – useful information
- ▶ Don't ignore “credit balances” – usually signals an issue

# What is Use Tax?

- Tax charged on retail sale when sales tax not charged?
- Equivalent to City of Olympia sales tax rate – currently 9.4%
- Usually invoice from out of state vendor
- A/P charges to same BARS expenditure # as invoice
- City pays it to State of Washington once a month
- If in-state vendor doesn't charge appropriate tax – research why?
- City is periodically audited by DOR

# Signature Authority

- Authority to purchase is not automatic
- Departments assign authority to purchase and sign for purchases
- (Employees) - don't assume you can purchase something
- Ask supervisor if you have authorization
- A/P must have a signed form for each employee granted authority



# A/P Forms

- ▶ W-9 – Request for taxpayer identification #
  - City requests # from vendors
  - Obtained from vendors whom City pays income during fiscal year
  - Usually related to providing services, not products
- ▶ 1099 – City issues to vendors in January

# Food Glorious Food!

- ▶ Consider
  - City policies
  - State Constitution
    - gift of public funds doctrine
    - No hosting
  - BARS # for “human consumption” of food
  - Documentation
  - Attorney General Memorandum
    - *“Eating and Drinking at Public Expense”* – 1987
    - *“Cookie Rule”*

# Allowable vs Non-Allowable Expenditures

- ▶ Public should receive “products or services”
- ▶ No “gift” of public funds or resources
- ▶ What is “public” benefit?
- ▶ How is use of public funds justified?
- ▶ “Worthy” does not always equal “Allowable”
- ▶ Not always black and white – grey areas
- ▶ May be situational

# Who Determines?

- ▶ “Judged” by
  - City Management
  - State Auditor
  - Funding agencies
  - Public perception
- ▶ Risk
  - Audit finding
  - Funding agency concern
  - Public records’ request
  - Media exposure
  - Public perception

# Spending Considerations

- ▶ Any policies, restrictions, etc
- ▶ Public Perception
- ▶ Expectation to use public funds wisely
- ▶ Earn and keep the public's trust
- ▶ Do the right thing - *"What if it were money in my pocket?"*
- ▶ How to defend actions and who will do that?
- ▶ Front page, above the fold test!
- ▶ Just because we can, doesn't mean we should

# Questions?

□ Single

□ Married

✓ In a relationship with  
Accounting and it's  
complicated.

# Session 6

- ▶ Capital Assets
- ▶ Small & Attractive Assets
- ▶ When People Owe City Money
- ▶ When the “End of Year” Isn’t the End of Year
- ▶ It’s “Accrual” World Out There
- ▶ Allocated Costs
- ▶ Finance Boot Camp Graduation!

# Capital Assets

- ▶ Define capital asset
- ▶ Types of assets
- ▶ Explain capital threshold
- ▶ Different coding for capital purchases
- ▶ Should transactions occur in a capital fund?
- ▶ Tracking requirement (inventory)
- ▶ Valuing assets
  - Original
  - Additions



# Capital Assets

- ▶ Transfers between funds
- ▶ Physical inventories
- ▶ Disposal/Surplus
- ▶ Work in Progress (WIP)
- ▶ Depreciation
- ▶ Discuss with finance

# Small & Attractive Assets

- ▶ Under capital threshold
- ▶ Need to track
- ▶ Define “small & attractive” asset
- ▶ Is there policy?
- ▶ Where do departments find it?
- ▶ Communicate to departments

# Billings

- ▶ When should something be recorded as an amount due?
  - Any time service (for fee) is provided and fee not paid at time of service
- ▶ Need to recorded/track in City's system of record
- ▶ Billings issued
- ▶ If not paid, late fees, interest assessed
- ▶ Fiscal Services is official "biller" of City

# It's “Accrual” World Out There!

- ▶ What is an accrual?
  - Expenditure
  - Revenue
- ▶ How does it work?
- ▶ 2020 invoices should be recorded by end of January
- ▶ Department's role
- ▶ Fiscal Services' role

# Indirect Costs (Allocations)

- ▶ Complex
- ▶ Occurs in the background vs direct A/P approach
- ▶ Define your organization's process
- ▶ Based on one department/fund (indirectly) providing service to another
- ▶ % of cost of services shared by other departments
- ▶ Example of services provided
  - Finance, IT, Facilities, H/R, Legal, Communications

# Internal Controls

- ▶ Simple definition – process we set up to:
  - See that things we want to happen, will happen; ***and***
  - See the things we don't want to happen, won't happen

# Internal Controls Myths and Facts

## MYTH

Internal controls start with a strong set of policies & procedures



## Fact

Internal controls start with a **strong control environment**

## MYTH

Internal controls – that's why we are auditors



## Fact

Auditors play key role in system of control, however **management is the primary owner of internal controls**

## MYTH

Internal controls is a only a finance thing



## Fact

Internal controls is an **integral to every aspect of business**

## MYTH

Internal controls are essentially negatives; a list of thou shall nots



## Fact

Internal controls make the **right things happen the first time**

## MYTH

Internal controls take time away from our core business activities



## Fact

Internal controls **should be built "into," not "onto"** business processes

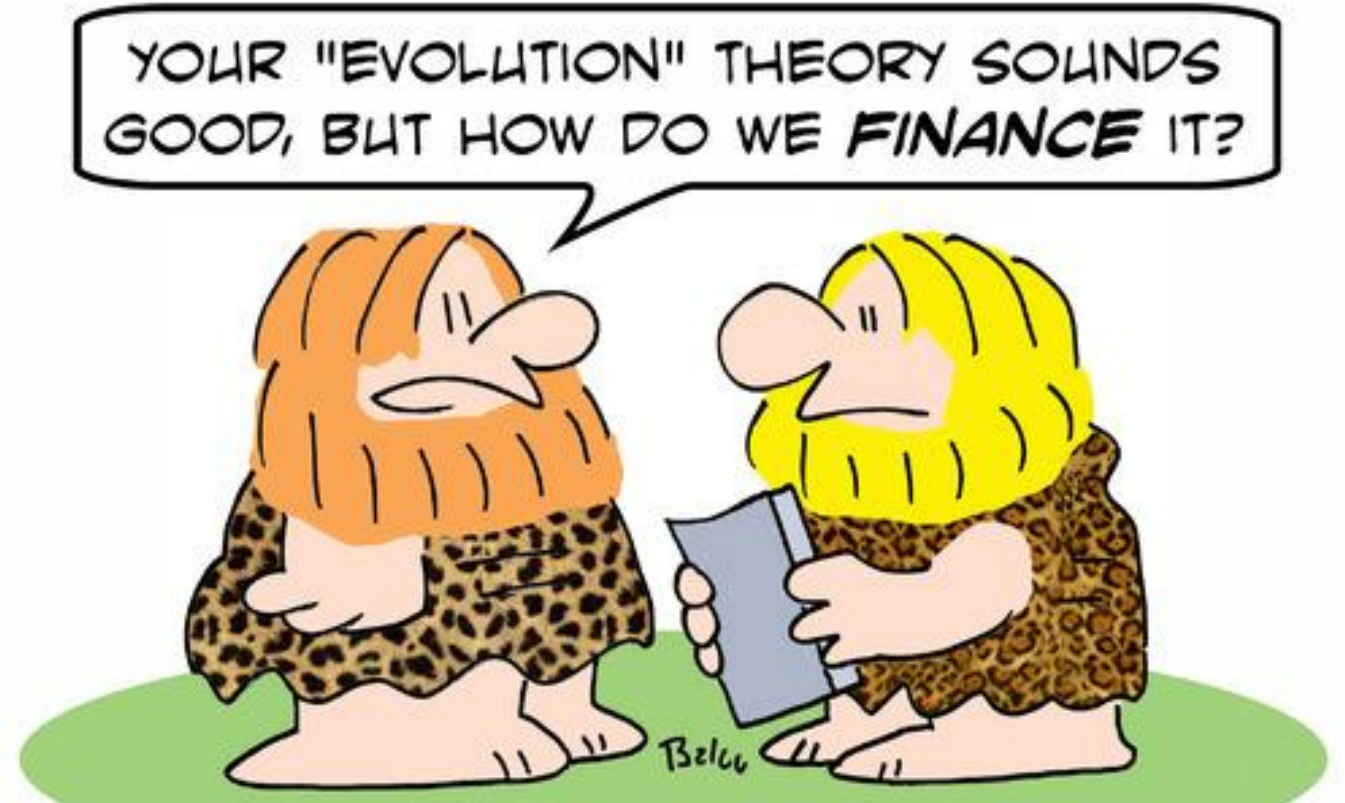
# Finance 2019 Boot Camp Graduation!!!!



- 500 Individual Registrations
- 20 Employees attended all 6 sessions
- Great feedback
- Reaping rewards



# Questions?



# Next Month's PSFOA Meeting – August 12th

- ▶ Join us!
- ▶ August 12th
- ▶ Remote meeting online
- ▶ Speaker - Robert Hamud, Snoqualmie Finance Director
- ▶ Topic - Revenue Forecasting
- ▶ Watch for email invitation toward end of July

# Thank you!



## PSFOA Finance Boot Camp Presentation

Nanci Lien, Fiscal Services Director  
City of Olympia  
[nlien@ci.olympia.wa.us](mailto:nlien@ci.olympia.wa.us)