

Finance Department Annual Report

2003

This has been a very unusual year the County and Finance. The challenges facing the County were enormous. The budget process occupied more staff time than I ever anticipated. I appreciate that our County Administrator is much better versed and involved in the finances of the County than I suspected. Again this year I want to praise my staff. They take seriously the job of protecting the County's interests.

Functions of Finance
Effective and efficient fiscal management of Ozaukee County resources
Ensuring that the financial transactions are executed in accordance with generally accepted accounting principles (GAAP)
Safeguard the County's assets
Financials

Effective and efficient fiscal management of Ozaukee County resources:

During the budget process we print each director's request for the subsequent year's financing showing the year-to-date actual with year-end projected expenditures and the prior year's budget along with any variance from budget to actual. We supply work-papers to calculate some of the projected costs that may be beyond the ability of the director, such as payroll and benefit estimates. We run requested calculations to analyze any differences between competing proposals. We try to identify areas of concern, question expenditures, explore alternatives, and facilitate solutions. We assist the directors, County Administrator, Finance Committee, and Board requests for financial information. After the entire process, we publish the adopted budget to book, compact disk, and internet.

During the year our duties include purchasing goods and services in a manner that assures the residents of Ozaukee County superior quality, at reasonable cost, and suitable to fulfill the intended needs. We seek department input to understand the purpose of the purchase, evaluate different vendors' prices and products, negotiate terms, and communicate back our findings prior to ordering. Accounts Payable then receives the invoice, matches it to the purchase order and remittance advice, applies any discount, and enters a payment date consistent with the terms. The expenditures for each department are monitored not only monthly but by individual purchase to insure commitment to budget. When a problem arises we seek an understanding of the circumstances and communicate it to the County Administrator and the Finance Committee.

The County employs over 400 people on a full time basis and over 300 more either part time or seasonal. The payroll function records hours worked, vacation and sick, overtime, and many other compensated designations. County employees work numerous schedules, have many pay grades, accrue benefits differently, comprise three unions, elected, and non-represented. This constitutes a very complex payroll. In spite of this complexity mistakes are rare. We run numerous exception reports and cross reference data to alert us to errors before we print checks.

We try to seek opportunities, assess and quantify risk, and mitigate County liability with any financing proposal.

Ensuring that the financial transactions are executed in accordance with generally accepted accounting principles (GAAP):

Finance maintains the accounting software, organizes the chart of accounts, runs reports for departments, prepares journal entries, closes the month and year, and submits to a yearly audit. The County currently has 30,000 accounts within its chart of accounts. As part of our software conversion we are taking the opportunity to completely restructure our chart of accounts into a logical hierarchy. The result will reduce accounts by more than half and achieve uniformity throughout the County. It will allow users to access any department cost center by knowing only three numbers versus the six to eleven now required. This is but one example of the many opportunities this upgrade will afford the County.

The Governmental Accounting Standards Board (GASB) issued pronouncement 34 in June 1999. Part of GASB 34 required changes in the format and content all governmental entities use to report financial results. Ozaukee County has been struggling with this mandated change for three years. This year we must and will be compliant. The County had to place a value on all its assets acquired since its inception, including the County's entire roadway and right-of-way network. We accomplished this internally at no cost to the County. Our auditors have approved our estimates. Our year-end financials will now be presented in accordance with GASB 34.

Safeguard the County's assets:

Finance has assumed the responsibility of cataloging and depreciating the County's capital assets. We will begin to conduct internal audits of the departments. Our goal is to seek an understanding of their accounting function, tailor the scope of the audit to identify and address any weakness, and assist with effectiveness, efficiency, and reporting.

Our 2003 Accounts Receivables originate within the departments. Most often they are processed through the accounting software. In the future all will be processed in this fashion. Cash receipts are collected by the Treasurer and deposited daily. The amounts are matched to outstanding receivables or revenues. Finance prepares independent cash statements that are reconciled to the Treasurer's monthly. The bank reconciliation is performed by the Treasurer's office and presented to the Finance Committee. Finance monitors receipts for accuracy and proper accounting.

Internal auditing will become important as we look to begin auditing our departments beginning in 2004. Our internal auditor will propose the scope of work to undertake to ensure that internal controls are in place and working, reporting is consistent with GAAP, and hopefully offer suggestions to increase efficiency.

Last year at this time I outlined our goals for 2003. They were:

- Provide accurate information

- Examine all costs and look for savings
- Implement GASB 34
- Upgrade our accounting software

Goal #1, Accurate information in an understandable format:

- Initiated monthly meetings of the Business Managers to discuss best practices and uniformity,
- Gave Business Managers & Directors greater access to the accounting data and reports,
- Taught users how to migrate data to a spreadsheet format where it could be manipulated,
- Empowered departments and reduced their reliance on TR.

Goal #2, Examine all costs to insure the County is receiving full value,

- Search for efficiencies,
- Identify waste & promote savings,
- Hopefully generate revenue:

Last year I said Finance was going to pay close attention to the manner in which we pay our bills and seek discounts from vendors commensurate with our volume and prompt payment policy. To that end I challenged staff to come up with a benefit to Ozaukee County of \$350,000.

The criteria was:

- It must be done through our efforts,
- It could be from cost savings or enhanced revenues
- It would be measured on an annualized basis, meaning a 12 month benefit,
- And it must be risk free

If you remember the commercial of the young man walking around the corporate office saying, "I saved a nickel", that was very much like our approach. We spent the past year aggressively scrutinizing all our invoices and practices. The following are a few selected examples both large and small:

- \$11,700 credit from SBC Ameritech for previous overpayment plus an additional \$13,000 in savings by renegotiating future service.
- \$12,000 savings by contracting with vendor to barcode mail, saving 3 ½ cents per letter but also shortening delivery time by one full day
- Increasing the discount from 5% to 8.5% for Lasata's drugs saving \$10,000
- Obtaining discounts for payment within 10 days \$600, \$335, \$125, \$275, etc.
- Eliminating duplicate services \$165, \$145, \$525, \$445
- \$35,000 increased revenue for Lasata
- Savings from volume purchases or researching alternate vendors \$5,800, \$13,200, \$1,700, \$8,700

- Delaying payment to service providers until after the service is actually completed, \$3,000 in additional interest revenue
- My favorite, eliminating Typewriter maintenance contract for typewriters no longer in existence \$800

While we didn't reach our goal, the result was still an impressive \$247,000. (Attached graph)
This effort has given our staff the ability to reexamine how we do business.

Goal #3, Implement GASB 34

We became compliant in time for the 2003 year-end deadline. This was a prominent issue for the previous two years for all levels of government and a priority item for my department. We worked very hard at this because the County was so far behind.

An additional outcome is that for the first time ever Ozaukee County is responsible for its own year-end Financial Statements. Every previous year our external auditors authored our financial statements. This was a recurring issue in their management discussion and affected their independence. The practice of auditor control over statement preparation will receive increased scrutiny as a result of the accounting scandals in recent history.

Goal #4, Upgrade our accounting software.

The County's software was 9 years old and very outdated. Many third party software products couldn't interface, obtaining information was laborious, countywide system competency was dangerously low, and far too many tasks continued to be done manually. This past year Peoplesoft acquired our current vendor JD Edwards. There was every indication our version would not be supported beyond 2004 and that JD Edwards itself will be phased out. Thankfully, this Board had already approved our conversion and we are now well under way in that implementation. Our objective is to be functionally on the Great Plains accounting system in time for the 2005 budget process beginning in July 2004.

This past year, while difficult, was very fruitful. Our agenda in 2004 is equally ambitious. The creation of a Department of Administration encourages us. It holds a promise to not only help Ozaukee County become more efficient but more effective meeting the challenges ahead.

Goal 2003

BENEFIT_02 \$350,000

\$350,000



Click to enlarge