



FY 2017 Recommended Budget Budget Question

Board Question #: 100

BUDGET QUESTION: Please provide comparative information on the number of Finance staff employed by the County and the Schools. What is the need for the two added Accountant positions in FY 2017?

RESPONSE: Below is a comparison of Finance Department staffing for the County and Schools and justification for the need for the two Senior Accountant positions requested by the County Finance Department in FY 2017.

County Finance	Schools Finance
Finance Director 1.0	Chief Financial Officer 1.0
Accounting:	Administrative Assistant 1.0
Controller 1.0	Senior Financial Analyst 1.0
Accounting Manager 1.0	Finance:
Senior Accountant (new in FY17) 1.0	Director of Finance 1.0
Junior Accountant 1.0	Purchasing Manager 1.0
Accounting Technician 4.13	Purchasing Assistant/Textbook Coordinator 1.0
Payroll Administrator 1.0	Accounts Payable Technician 4.0
Grants:	Budget & Payroll:
Grants Manager 1.0	Director of Budget & Payroll 1.0
Accounting Technician 1.0	Program Analyst 1.0
Procurement:	Accounting Technician 1.0
Procurement Manager 1.0	Payroll 4.0
Procurement Officer 3.0	
Budget:	
Budget Manager 1.0	
Senior Financial Analyst 1.0	
Budget Analyst 2.0	
Future Internal Audit Function:	
Senior Accountant (new in FY17) 1.0	
Total 21.13	Total 17.0

Staff cautions the use of headcount comparisons between the two offices for analysis of needed FTEs. This comparison represents a good starting point, but neglects to analyze the differing responsibilities and potential financial support available from positions such as bookkeepers and grant personnel located outside of the Schools' Finance Office. Below County Finance provides a high level analysis showing School Board and County transactions, illustrating the demand for service at the Senior Accountant level. We are also providing our justification for the requested Senior Accountant positions.

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High Level Transactional Analysis between the County and School Board:

As of June 30, 2015:

	County	Schools	# variance	% variance
Number of Funds	21	6	15	71.4%
Cash	Managed by County.			
Receivables				
General	\$ 111,218,804	\$ 8,457,830		
Utilities	\$ 8,466,159	\$ -		
	<u>\$ 119,684,963</u>	<u>\$ 8,457,830</u>	\$ 111,227,133	92.9%
Capital Assets				
General	\$ 181,880,965	\$ 522,858,468		
Utilities	\$ 426,644,110	\$ -		
	<u>\$ 608,525,075</u>	<u>\$ 522,858,468</u>	\$ 85,666,607	14.1%
Construction in Progress				
General	\$ 16,592,002	\$ 2,018,824		
Utilities	\$ 9,916,385	\$ -		
	<u>\$ 26,508,387</u>	<u>\$ 2,018,824</u>	\$ 24,489,563	92.4%

Audit related reports:

CAFR	Yes	No
Annual School	No	Yes
Single Audit	Yes	No
APA Transmittal	Yes	No
Landfill Assurance	Yes	No
UST Assurance	Yes	No
Debt Covenant Letter	Yes	No
APA Compliance Sheriff	Yes	No
APA Compliance Treasurer	Yes	No
APA Compliance all other	Yes	No

The County also manages the annual external audit and prepares the annual financial report which includes the activity of the School Board. All information that is included in the annual report from the School Board must be reviewed and adjusted as needed to be in compliance. To add perspective Stafford County and their School Board each have their own audit and CAFR. The audit services are provided by one audit firm. The level of effort was twice as high for Stafford County versus their School Board as reflected in the pricing provided below. We have also provided some Spotsylvania County data at the activity level that supports the level of effort reflected at Stafford County.

	County	School Board		
Stafford Audit Cost	\$ 154,386	\$ 75,812	\$ 78,574	50.9%
Spotsylvania Audit Cost	132,000	-		
Spotsylvania County:				
Audit Request Items	210	104	106	50.5%
Year-end close items	119	42	77	64.7%

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Full-Time Senior Accountant #1 – (Increased workload, new regulations, complex accounting standards)

The complexity of accounting standards, coupled with new regulations and transparency in the public sector, have driven an ever increasing demand on resources. The Accounting Division of the Finance Department has endeavored to manage the significant changes within Spotsylvania County without requesting additional staff. Since prior to 1998 the Accounting Division has not received any new full-time positions and only 2 (.5) FTEs within our accounting technician staff.

However, demands for skilled labor have continued to climb and can no longer be mitigated with creative processing or unpaid overtime at our exempt levels. Accounting is not limited to data entry, issuing bills and checks that can be alleviated with technology and intern level positions. Similar to professionals in the County Attorney's office it is our responsibility to understand and ensure the County follows certain regulatory requirements and provide advice when needed. Our responsibility covers, but is not all inclusive to, the Internal Revenue Code, the Code of Virginia as it relates to financial matters, GAAP (Generally Accepted Accounting Principles), GASB (Governmental Accounting Standards), APA (Auditor of Public Accounts), and Federal Single Audit Act.

Based on this knowledge we are required to draft and maintain County financial policy, and prepare the annual financial report that is audited and provided to investors and bond rating agencies. Over the years, the focus has been on education and public safety; Accounting has understood this need and continued to creatively persevere. Regretfully, this has placed us in the position that we no longer have the resources to compete with the growth and regulatory demands facing the County.

Existing professional exempt staff is now working significant hours as the norm. These hours include late evenings, weekends and even holidays. In the past year staff has taken on two additional projects, the implementation of the NOVAtime electronic timesheet software and the financial system upgrade. The financial system upgrade is a major system implementation which will affect all departments and will represent a material change in internal controls. Due to competing resources we have been unable to focus on these projects which has delayed a satisfactory go live.

Stafford County's accounting division includes 9 full-time positions, in comparison to our 7 full-time positions. Even with additional staff there are variances in the workload for these two localities. For instance, Stafford's Accounting office also does not enter in invoices (they are decentralized), their water and sewer customer billing, that demands 1 FTE in our office, are processed by their Utility Department financial staff, and they do not handle the Schools' CAFR preparation or year-end entries (Stafford School Board issues its own audited report). These are just a few examples of the additional workload we manage at lower staff levels.

At this point we are asking for one new senior Accountant position, but believe additional resources (both technology and personnel) will be needed in the future.

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Full-Time Senior Accountant #2 – Internal Audit

This Senior Accountant position would focus on performing policy compliance, auditing and assisting with the planning and preparation to create a two person Internal Audit (IA) function within the next 3 years.

During the initial period (prior to the official rollout of the IA function) the position's responsibilities would include assisting the Controller with the development of the County's first IA function; high level involvement in the implementation of the County's new financial system – focused on compliance; assist with implementation of other financial technology improvements that have been placed on hold during the recession, and provide policy compliance work as written into current policy.

We believe the County should avoid the temptation of creating internal audit projects or functions without proper planning and risk assessment. We feel strongly that the key to a successful roll out, and citizen acceptance, is to properly plan and resource this initiative. The recession has sparked citizens to demand higher levels of transparency in the use of public funds, and greater efficiency in the delivery of services. To fulfill this need, the County must start planning for the implementation of an effective, competent and professional internal audit team.

The general model for establishing an IA function within the public sector includes the following steps: Educate stakeholders on the role of internal audit; define stakeholder expectations and determine "risk appetite"; conduct a risk assessment (outsourced labor is recommended to assist with this process); based on this information, establish a "charter" or organizational framework to define the purpose, authority, and responsibility of the IA function; develop job descriptions for IA staff; establish a 5 year strategic plan; from the initial risk assessment, develop a draft audit plan; determine audit capacity and estimate the resources (staff and funding) required to execute the draft audit plan; determine peripheral needs like IA software (e.g. data analysis, project management, project ROI and other risk assessment tools; implement needed technology; establish approved communication protocols (frequency and format of communication to various parties such as the public, board, executive management and employees; and determine how IA's effectiveness will be measured/evaluated.

An effective IA staff must possess knowledge of auditing, internal audit standards, ethics and fraud awareness; have already established technical research skills to keep up to date with industry and regulatory changes and professional standards; be able to identify problems and solutions using conceptual and analytical thinking.

If properly implemented, the IA system can be flexible, responsive and have the ability to leverage noncore talent such as outsourced labor, internal outsourced labor (i.e. staffing from other departments that also provides more enterprise awareness), and volunteer assistance for lower level needs.