



Finance Department Update

City Council
Committee on
Organizational
Development

September 3, 2024



Today's Agenda

I. Organizational Structure

II. My Assignment

III. Financial Reporting

IV. Revenue Administration

V. What We Are Finding

VI. Actions I Have Directed

Organizational Structure
Richmond
Is Different

Richmond's Finance Department is different in Virginia.

Most other Virginia cities have an elected officials for Treasury and Commissioner of Revenue Services. Three separate departments.

Richmond's Finance department is all three:

- Finance
- Commissioner of Revenue
- Treasurer

In Richmond, the Department of Finance: "is responsible for the taxation, accounting, disbursement, risk management, as well as debt and investment functions of the City.

The Director of Finance is responsible for the offices of the Treasurer and Commissioner of Revenue."

Functions of the Department of Finance

Finance

Account Reconciliation

Accounts Payable

Accounts Receivable

Administration

Debt

Financial Reporting

Investments

Payroll

Risk Management

Commissioner of Revenue

Admissions, Transient, Occupancy, Meals

Assessments

Audit

Business, Professional, Occupancy license

Business Personal Property

Personal Property

Machinery and Tools

Senior/Disabled Tax Relief

Special Assessments

Treasurer

Account Receivable Reconciliation

Billings

Cash Settlements

Collections

Enforcement

This is what we do.

Our Vision:

A citizen-focused Finance Department that is streamlined, transparent, and serves as a centralized resource for the City's many departments, offices, and partner organizations.

Our Mission:

To manage and safeguard the shared capital of the City of Richmond's citizens, businesses, departments, and partners.

This is where Richmond is going.

These values are the hallmarks of a successful Finance Department.

To understand where Richmond is going...

OUR CORE VALUES:

PROFESSIONAL

We exhibit a courteous, conscientious, and businesslike manner in the workplace.

ACCOUNTABLE

Our work is knowable, doable, and explainable; we answer for it.

COMPETENT

This staff possesses the requisite abilities to get things done correctly and on schedule.

TEAM

Together we are marked by devotion to teamwork rather than individual achievement.



DEPARTMENT OF
FINANCE

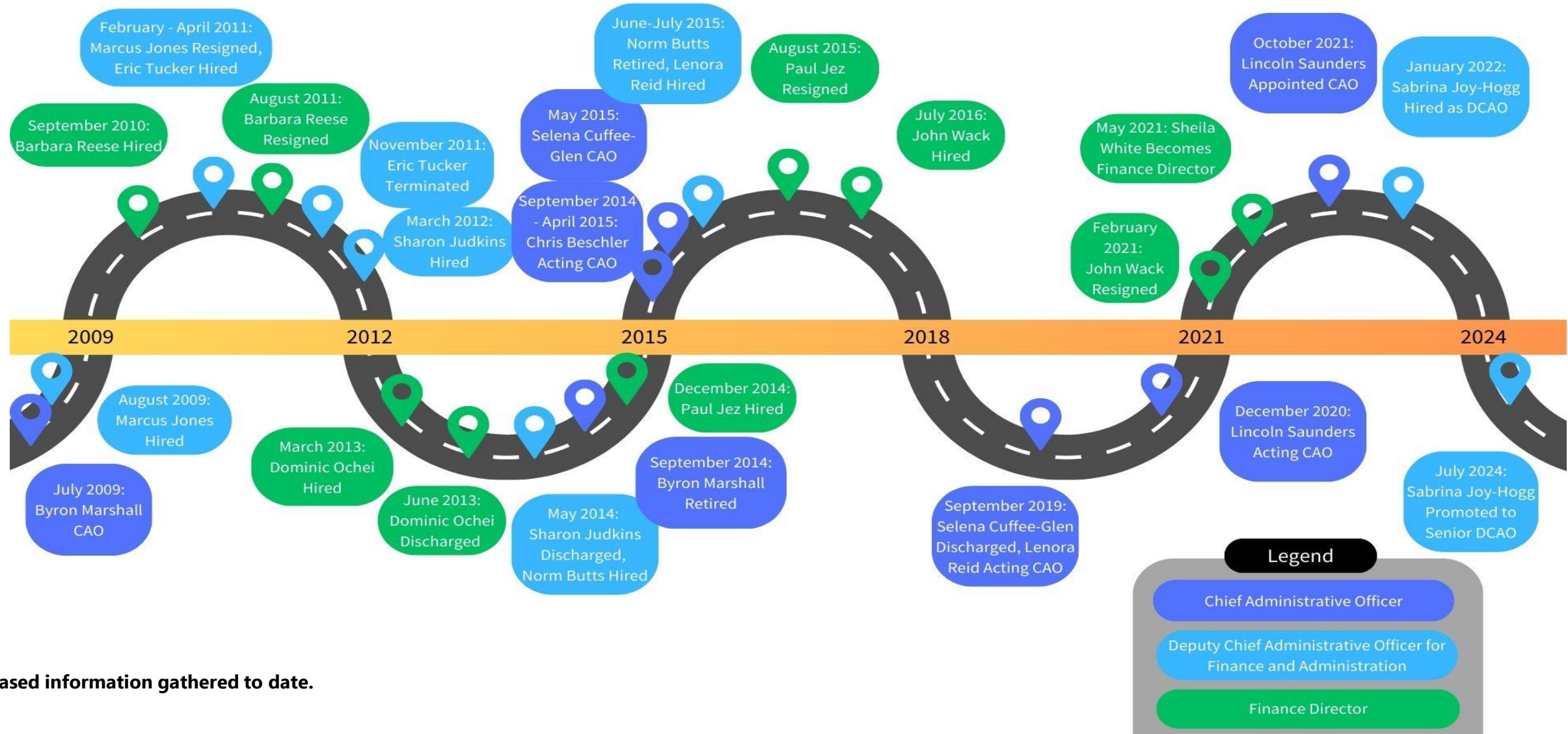


But to get there, we must remember where Richmond has been.

We are rebuilding from a decade of status quo and stagnation.

Year	Issue
FY 2014	RAPIDS launched.
FY 2015	Cherry Bekaert fired Richmond. External audit: Not completed in time.
FY 2016	New external auditor hired. Financial audit: Not completed in time.
FY 2017	CLA hired as external auditor. Audits finally issued for FY 2015, FY 2016, FY 2017 (all a year behind from when they should have been filed). RAPIDS "clean up" begins.
FY 2018	CLA delivered audit on time. Reconciliation comments on timeliness removed. RAPIDS clean up work continues.
FY 2019	CLA delivered audit on time. RAPIDS clean up continues.
FY 2020	CLA delivered clean audit on time. RAPIDS clean up continues.

15 Years of Leadership Turnover (CAOs, DCAOs, and Finance Directors)



Based information gathered to date.

Historical Dysfunction and a Revolving Door

Audit: Reporting errors going back several years resulted in \$12 million miscalculation in Richmond's fund balance

Chris Suarez Dec 15, 2021 15



BREAKING

City finance director resigns, cites challenges 'far greater than I could have imagined'

BY K. BURNELL EVANS Richmond Times-Dispatch Aug 18, 2015 0



Richmond City Hall
JAMES H. WALLACE

BREAKING

Timeline: the revolving door of Richmond finance officials

By GRAHAM MOONAW
Richmond Times-Dispatch Oct 21, 2015 0



Photo: AP

Richmond Times-Dispatch

Richmond plans to hire outside firm to look for fraud, control deficiencies

By K. BURNELL EVANS AND NED OLIVER Richmond Times-Dispatch Oct 24, 2015 0



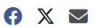
Outside auditor frustrated with City of Richmond dysfunction

By K. BURNELL EVANS Richmond Times-Dispatch Mar 10, 2015 0

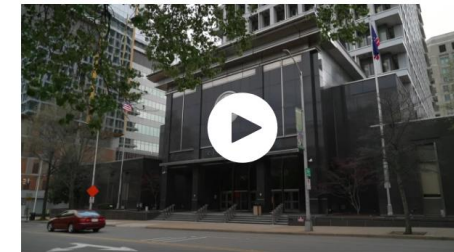


Cherry Bekaert announced it will not continue working with the city of Richmond on its audit reports because of what the firm described as "a high-risk, dysfunctional working environment."
JAMES H. WALLACE

LOCAL NEWS



Though Richmond is taking action now, past audits show city finance woes date back several years



Watch 'The Jennifer Hudson Show' weekdays at 3 p.m. on

My Assignment: June 2020

I joined Finance in June 2020 as the Deputy Finance Director — in the middle of the COVID public health emergency.

Richmond had no permanent Chief Administrative Officer (CAO) or Deputy CAO for Finance and Administration. So, I went to work.

My assignment:

- **Publish the audits on time.**
 - Address recurring Significant Deficiencies (3) and Material Weakness added in 2019.
 - Adopt new GASB guidance in fiscal year 2021, 2022, and 2023.
- **Clean up accounts, for the first time in years**
 - Timeliness of Monthly and Annual Financial Reporting Process was cited as a Material Weakness in October 2016 Internal Control report from Grant Thornton.
 - In 2021, VDOT notified the City of noncompliance with subrecipient award reporting requirements for fiscal years 2015-2019.

I delivered these results, as I will show on the next slides.

Today's Highlight #1:

Financial Reporting

Job 1: Publish the Audits & Reconcile the Accounts

Mission Accomplished

We solved Richmond's two worst financial problems.

Late Audits Impacted Credit Disclosure Requirements:

- Investor confidence and creditworthiness assurance to investors and stakeholders about the financial health and integrity of an organization. Lenders and financial institutions require up-to-date audits to assess the creditworthiness.
- Important to meet regulatory compliance in accordance with laws and regulations.
- Impact to state and federal funding.

Cash Reconciliation:

- Overall, timely cash reconciliation is crucial for maintaining financial integrity, effective management, and public confidence in a city's financial operations.
- Financial Accuracy: Regular and timely reconciliation ensures actual cash position. This helps in Fraud Prevention and Cash Flow Management.

May 2021:

**Then, I became
Finance Director**

Department of Finance: What I Found

What I Found

- Culture of silos, disengaged staff
- An under-staffed Finance Department
- Need for higher qualified and credentialed staff
- Accountability was lacking
- Excessive turnover at all levels
- Outdated, paper-based systems

Department of Finance: What I Found

What I Found

- An under-staffed Finance Department
- Excessive turnover at all levels
- Outdated, paper-based systems

What We've Done, Together

- Grew the staff from 101 to 151 positions – 50% increase

Thank you for this investment.

FINANCE

FISCAL SUMMARY*

Budget Summary	FY 2022 Actual	FY 2023 Actual	FY 2024 Adopted	FY 2025 Adopted
Personnel Services	\$6,968,724	\$8,013,410	\$9,633,518	\$13,263,880
Operating	7,409,344	7,054,907	5,076,553	5,146,576
Total General Fund	\$14,378,068	\$15,068,317	\$14,710,071	\$18,410,456
Special Fund	1,089,914	–	2,875,341	3,461,118
Capital Improvement Plan	–	10,000,000	–	1,700,000
Total Summary	\$15,467,982	\$25,068,317	\$17,585,412	\$23,571,574
Per Capita	\$67.52	\$110.62	\$77.48	\$102.92
General Fund Staffing	113.00	97.00	112.00	147.00
Other Funds Staffing	4.00	4.00	4.00	4.00
*Total Staffing	117.00	101.00	116.00	151.00

Includes frozen positions without funding

True position strength of the department

It's important to understand: 2024 has been a busy year.

PEAK TAX SEASON

January: 1) Business Tax Review

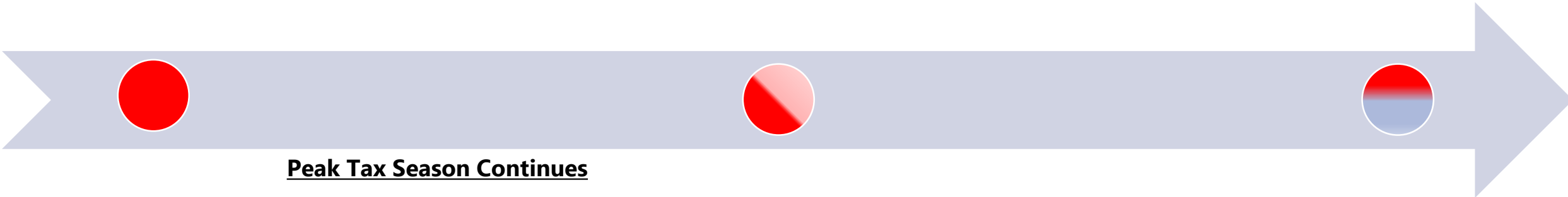
February: 1) Pension Bond Issuance. 2) Business Tax Review Continues.

March: 1) MUNIS and RVA Pay legislative changes 2) Completed single audit; 3) Business Café 4) Business process review begins 5) Business filings due March 1; 6) MUNIS upgrade and RVA implementation.

Audit Season

July: 1) Customer Service training for all front-line staff; 2) Business Tax Review Continues. 3) continue to review processes for efficiency; 4) Year End Audit in full swing; 5) Delinquent Real Estate and Personal Property billing.

August: 1) Director and Deputy Director of Revenue Administration hired; 2) Delinquent Real Estate and Personal Property bills due; 3) close of accrual period; 4) MUNIS upgrade and RVA implementation.



Peak Tax Season Continues

April: 1) First billing completed on RVA Pay for Personal Property; second half Real Estate bills mailed; 2) Credit rating agency meetings; 3) First round of restructuring personnel in Finance; 4) Brown Edwards contracted for Internal Control Assessment using the COSO framework.

May: 1) Business process review continues; 2) streamlined points of entry for customers; begin to address backlog of 311 tickets; 3) Bank Stock filings due; 4) citywide preparation for close of fiscal year.

June: 1) Backlog of tickets eliminated; 2) Completed business account reviews ahead of schedule; 3) Issued Dimond District Bonds.

Internal Control Assessment – Brown Edwards

Managing Enterprise Risk and Strengthening Internal Controls - IMPLEMENTING THE COSO FRAMEWORK IN RICHMOND, VIRGINIA.

The Committee of Sponsoring Organizations of the Treadway Commission (COSO):

Dedicated to improving the quality of financial reporting through business ethics, effective internal controls.



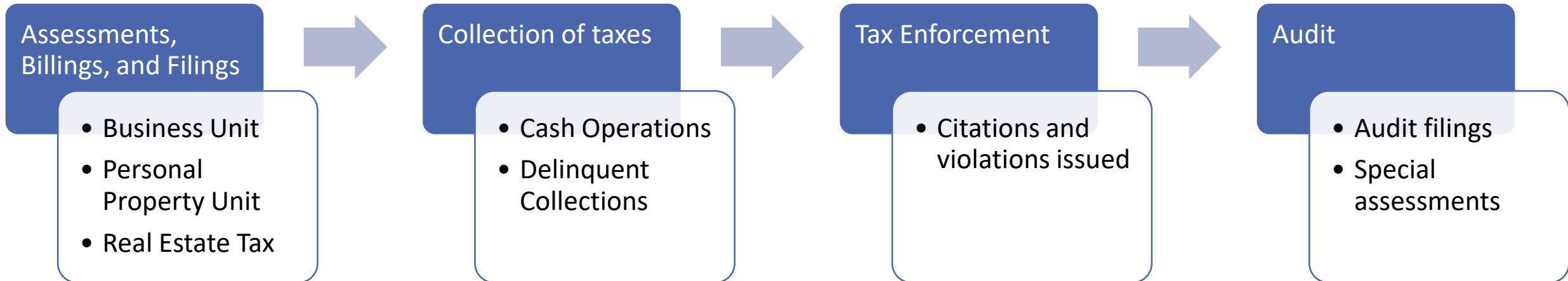
Today's Highlight #2:

Revenue Administration

Building a Well-Rounded Customer-First Environment

FACTS

- **470,000+** filings and bills processed this year
- Average professional experience: **4.6 years**
- **53%** of staff have under 3 years of experience



Progress Made

While I focused on Financial Reporting,
the management team was responsible for daily operations.

Strong results have been delivered **compared to FY 2014 to FY 2023:**

Revenue is UP – 67.0% ↑
Tax relief programs UP – 74.0% ↑

From FY 2014 to FY 2023			
Tax Type	Increase in Revenue	Collection Rate	↑
Business taxes	39.0%	N/A	↑
Personal Property	49.2%	93.5% to 107.8%	↑
Real Estate	85.4%	96.1% to 99.3%	↑

Progress Made

While I focused on Financial Reporting, the management team was responsible for daily operations.

- **Service enhancements:**

- RVAPay implementation (after 10 years of stagnation)
- Software upgrades
- Professional certification for staff

But there are still serious challenges:

- Too much paper
- Outdated software
- Not enough staff
- Lack of credentials
- Cultural issues

I took 3 immediate actions.

1. I directed a review of meals tax accounts.

I said, Get to the bottom of every single account.

2. I focused on raising staff capacity.

3. I directed an external review of all work processes. I

asked, What's broken? How do we fix it?

I directed an external review of all work processes.

Hired management expert – Anne Seward

Professional Virginia local government management leader with expertise in building strong leadership teams to provide excellent public service in various disciplines. Service model is rooted in honoring a strong value system of ethical behavior, good morale character, accountability and respect for self and others.

Seasoned Municipal Government Professional

- County Administrator, Isle of Wight
- Chief Financial Officer, City of Suffolk
- Assistant County Administrator, Isle of Wight
- Audit Senior, Auditor of Public Accounts



Why are customers complaining?

Then, this winter and spring, I heard the same questions you heard.

So, I asked: If my revenue is up and services issues were being addressed, why is there still so much discontent from the customers?

I was told, Customers are complaining because...

COVID disrupted the office.

TRUE

The U.S. Postal system is not functioning like we expect.

TRUE

Virginia Interactive has had errors.

TRUE

There were changes to City Code payment application.

TRUE

We don't have enough staff.

TRUE

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The U.S. Postal system is not functioning like we expect.	TRUE
Virginia Interactive has had errors.	TRUE
There were changes to City Code Payment application.	TRUE
We don't have enough staff.	TRUE

While all of these are true, it ALSO became clear:

We have a cultural problem and transparency was an issue.

- When I asked, Is work complete? **Supervisors and Managers did not provide the complete story.**

Desk Audits – Business Unit

It's clear why customers were complaining.

Desk Audit revealed:

Unsecured, disorganized tax records and small number of checks on desks.

Why is this a problem?

Presents internal control issues and clear violation of financial procedures to protect taxpayer records and timely processing.

You need to see this.



Richmond Finance Director holds meeting after employee firings, tells staff: 'We're not hitting the mark'

A highly guarded management team + Leadership changes → Need for new processes

What We Are Finding

Meals Tax Business Account Review

Status Update	
Total	604
Inactive	125
Review	479
Disqualified	200
Qualified	279
Offer in Comprise (OIC) Sent	279
Completed	132

Outreach/Communication

- Emails
- Dedicated Email Address
- In person meetings
- Mailings
- Phone calls
- Website

Customers are encouraged to talk with Finance staff to resolve business account issues.

Customers are welcome to send questions to Mealstax@RVA.Gov

My Analysis: What's really happening

Richmond is suffering from a over a decade of stagnation, since the Great Recession of 2008.

Financial best practices were not utilized

- Standard Operating Procedures (SOP) missing and inadequate.
- No consistent date stamping for mail received
- No consistent metrics tracking of work volumes or processing delays.
- No workplans directing assignments or establishing priorities.
- No automated form submission processes (highly manual).

Software upgrades to the city's core financial systems - Rapids and MUNIS not performed since 2014.

Key management and staff lacked skills required for duties assigned.

Team has been vastly under resourced and understaffed.

No plan for succession or back filling when positions became vacant.

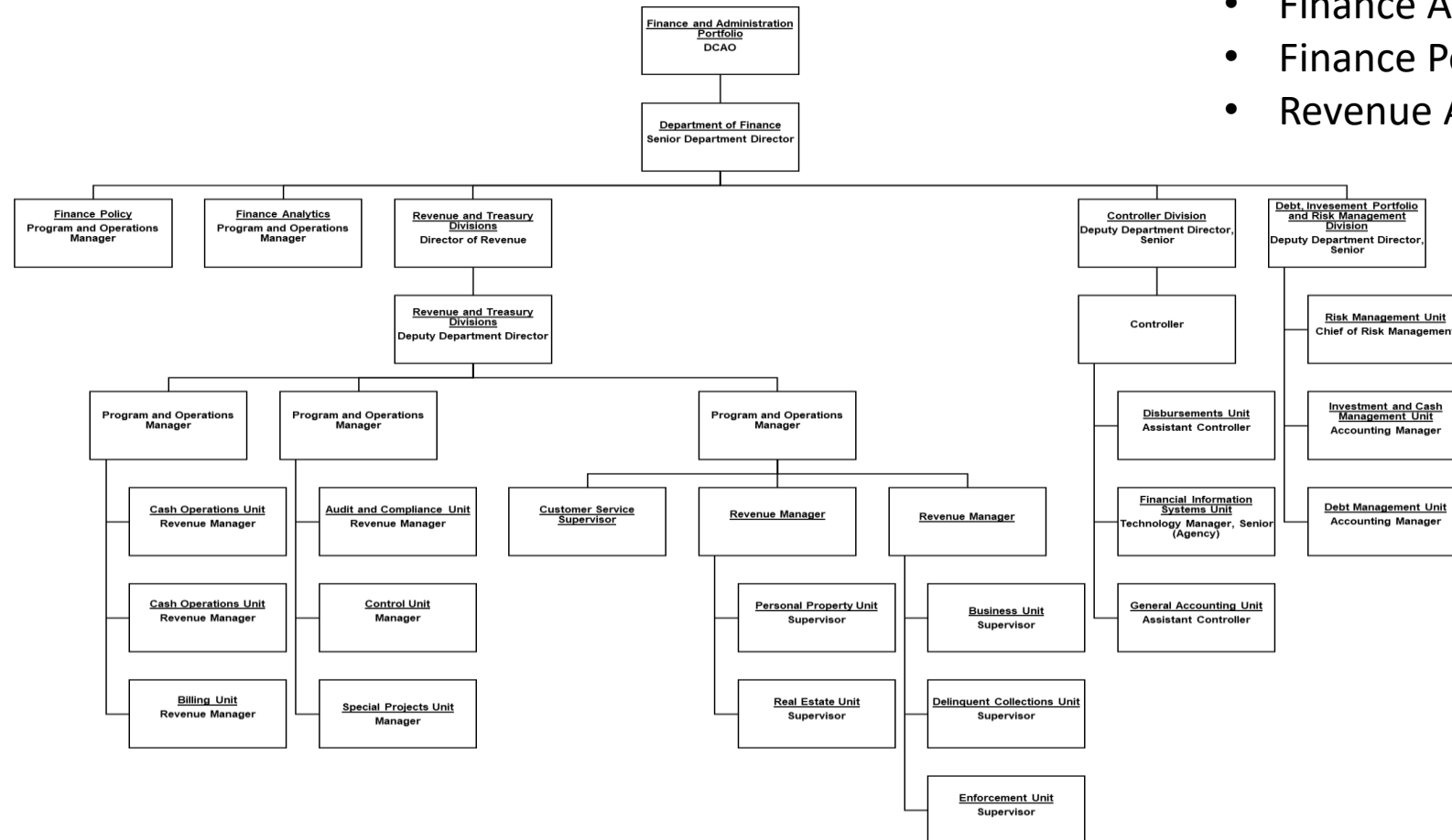
Actions I Have Directed

I Have Directed Seven Actions:

1) Update the Organization Structure

New Finance Leadership Structure includes:

- Debt and Investment Portfolio
- Finance Analytics
- Finance Policy
- Revenue Administration



I Have Directed Seven Actions:

2) Build a Deeper Bench, with Higher Level Skills

We are only as good as those who come after us.

Final approval of hiring **now** rests with the Finance Director not the individual manager or supervisor.

We added these new positions:

- 1 - Director
- 2 - Revenue Managers (management & coordination across all 6 units)
- 1 – Customer Service Supervisor (all units)

We are on-boarding these positions:

- 1 - Director: Starts October 2024
- 1 - Deputy Director: Starts September 2024
- 1 – Supervisor Business Unit: Started August 2024
- 1 – Supervisor Personal Property Unit: Started August 2024
- 1 – Supervisor Delinquent Collections Unit: Started August 2024

We are filling these vacancies:

- 3 – Program & Operations Manager
- 33 – Customer Service Staff – All Units

I Have Directed Seven Actions:

3) Launch a Control Unit

Trust, but verify.

Checks and balances on operational performance

- Standard Operating Procedures (SOP) development with audits for compliance
- 311 Customer service ticket daily metric reporting
- Audit and Compliance of Business accounts
- Data integrity analysis (MUNIS business accounts)
- Special projects assigned

I Have Directed Seven Actions:

4) Step Up Customer Service

Mission and goal is to increase the quality of customer service interactions and response time.

- Addressed the 311 Service Ticket Backlog: 5,000 tickets addressed in eight weeks.
- 311 Ticket Service Improvements: Shortened response times and implemented tracking of call resolution in place.
- Customer Service Supervisor added for SERVICE focus (friendly, timely, and accurate responses).
- Customer Service Counter.

I Have Directed Seven Actions:

5) Improve Processes

Customers live in a digital world. We need to get there.

Automation of Processes:

- 311 Form Submission (trackable line of sight; still a work in process).
- DocuSign for routing & approvals (trackable line of sight).
- Identified Automations to come for:
 - Barcode scanning of records for reference and retention.
 - Tax Relief Program automation (submission & retention).
 - RVAPay implementation for Business & Admissions, Transient, Occupancy, and Meals tax (ATOM), Real Estate.

SOP Development:

- Deadline of August 31.
- 57 new and revised SOPs.

Metric Reporting for Each Unit Daily

Customer Service Training for all

I Have Directed Seven Actions:

6) Focus on the Fix

When it's broke, fix it.

Correcting all Desk Audit Findings:

- Continuous improvement of business processes and tracking of incoming paperwork.
- Retrained all staff to ensure proper processing of taxpayer records and timeliness.

I Have Directed Seven Actions:

7) Focus on the Fix

When it's broke, fix it.

- Daily enforcement of "**clean desk**" SOP.
- **Metric processing** within performance measures and service level agreements (SLA) with the taxpayers.
- **311 ticket** processing within SLA of five business days.
- Enforcement of **SOP's and metric reporting daily.**
- Weekly **progress and performance meetings** for managers and supervisors with Finance Director.
- Staff **competency monitoring.**
- All new hires **require** Finance Director approval.
- **Automation** of work processes and records management.

**Now,
let's talk straight
with each other**