Accounts Receivable Citywide Improvement Initiatives

Joint Budget & Finance –
Audits & Governmental Efficiency

April 18, 2011

Office of Finance

Background

Several recent studies and audits have been conducted on improving Citywide Accounts Receivable (AR) management:

➤ *Audit of Citywide Billing and Collections Practices,* City Controller, 2007

➤ *Feasibility Study: Centralization of Billing and Collection Activities,* Macias Consulting Group, December 2009

➤ *Follow-up Audit of Citywide Billing and Collections Practices,* City Controller, 2010

➤ *Blueprint for Reform of City Collections,* Commission on Revenue Efficiency (CORE), 2010

The recommendations of the City Controller, Macias Study, CORE and City Council are each represented via initiatives Finance is proposing, facilitating, and undertaking.

Major Milestones in City AR Management

➢ Charter establishment of Office of Finance, FY 2000-01
  ✓ Collect tax revenue and issue licenses and permits not issued by other departments
  ✓ Develop and implement revenue policy and guidelines
  ✓ Collects approximately $2.5 billion annually

➢ Transfer of Citywide Collections Unit from City Attorney to Finance, FY 2003-04
  ✓ Collections risen from $7 to $30 million annually

➢ Initiation of major revenue recommendations of Macias Study, FY 2010-11
  ✓ Phase 1: Citywide billing data centralization and reporting
  ✓ Phase 2: Fire EMS billing and collection technology and process enhancements
  ✓ Phase 2: DOT parking citation referral to outside collection agency (RFP pending)

➢ City Council instructions (C.F. 10-0225), Controller's audits and CORE Blueprint, FY 2010-11
  ✓ Ensuing summary of approach to initiatives described in remainder of this document

Document Description

In undertaking a multi-faceted effort in improvement of citywide accounts receivable management, Finance's report strives to:

- Outline the various initiatives

- Provide greater context for the work to be undertaken

- Identify initial steps to move forward

- Facilitate continuing City dialogue

- Set an aggressive agenda that Finance will try to meet with existing resources

The next steps in accounts receivable citywide improvement initiatives and ongoing efforts are iterative and this document does not:

- Propose to answer all of the questions

- Rise to the level of a full work or project plan

- Constitute a guarantee of delivery

- Necessarily reflect City priorities

- Reflect or assume responsibilities, authorities, or resources external to Finance

Finance will continue to report and take input, refine, and evolve from this point and appreciates the support of City Council and CORE in engaging these efforts.

AR Initiatives Index

I.   **Work Plan Organization**

    A.   **<u>AR Centralization</u>**

        1.   Centralized Reporting Initiative

        2.   Centralized Collections Initiative

        3.   Citywide Customer ID Initiative

        4.   Central Payment Portal Initiative

        5.   Citywide Billings Initiative

    B.   **<u>AR Citywide Programs</u>**

        6.   Citywide AR Expertise Initiative

        7.   Departments' Practices Initiative

        8.   Revenue Programs Initiative

        9.   Delinquency Penalties Initiative

        10.   Uncollectibles Initiative

        11.   Administrative Authority Initiative
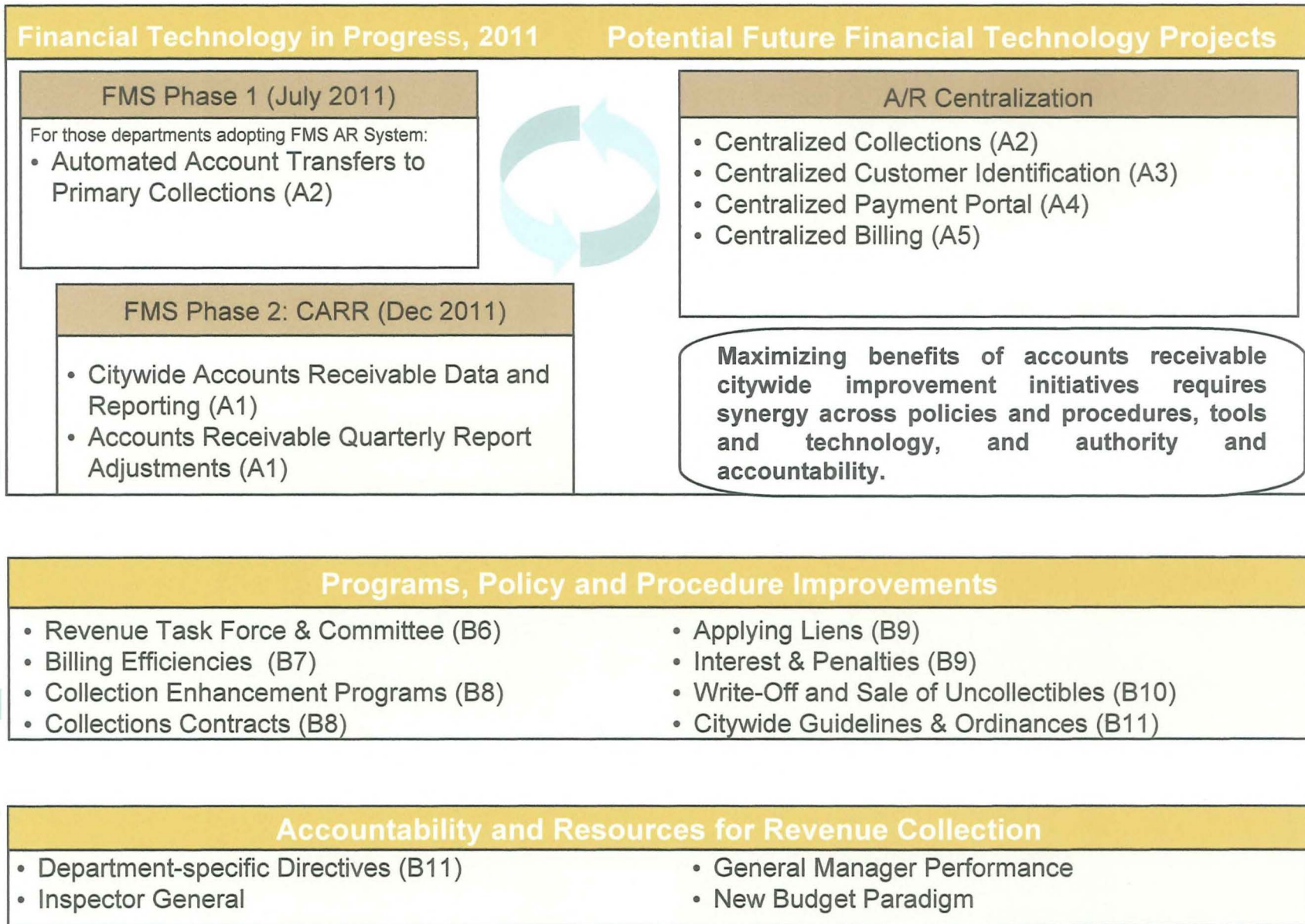
II.   **Functional Approach**

III.   **Current Level Resource Requirements**

IV.   **Critical Success Factors**

V.   **Next Steps**

Work Plan Organization

Financial Technology in Progress, 2011 | Potential Future Financial Technology Projects

FMS Phase 1 (July 2011)

For those departments adopting FMS AR System:
- Automated Account Transfers to Primary Collections (A2)

FMS Phase 2: CARR (Dec 2011)

- Citywide Accounts Receivable Data and Reporting (A1)
- Accounts Receivable Quarterly Report Adjustments (A1)

A/R Centralization

- Centralized Collections (A2)
- Centralized Customer Identification (A3)
- Centralized Payment Portal (A4)
- Centralized Billing (A5)

> Maximizing benefits of accounts receivable citywide improvement initiatives requires synergy across policies and procedures, tools and technology, and authority and accountability.

Programs, Policy and Procedure Improvements

- Revenue Task Force & Committee (B6)
- Billing Efficiencies (B7)
- Collection Enhancement Programs (B8)
- Collections Contracts (B8)
- Applying Liens (B9)
- Interest & Penalties (B9)
- Write-Off and Sale of Uncollectibles (B10)
- Citywide Guidelines & Ordinances (B11)

Accountability and Resources for Revenue Collection

- Department-specific Directives (B11)
- Inspector General
- General Manager Performance
- New Budget Paradigm

(#) corresponds to AR Initiatives Index.

Functional Approach

The overlapping fundamental steps of Finance's outlined approach to accounts receivable citywide improvement initiatives are as follows:

Step 1: Organize and Improve Accounts Receivable Data and Reporting

- Fundamental to guiding, informing, and identifying opportunities and benefits of accounts receivable management improvement initiatives and directives

Step 2: Implement and Improve Citywide Policies and Procedures

- Standardization and implementation of departmental best practices in receivables management is critical to successful centralization efforts

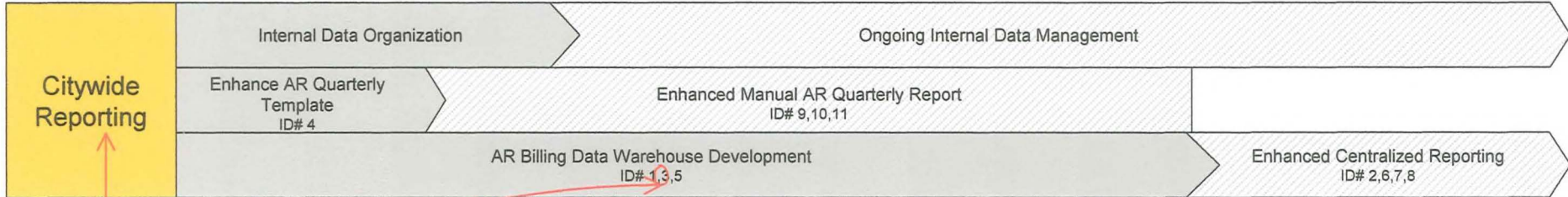## Step 3: Centralize Accounts Receivable Processes and Technology

- Centralization can offer efficiencies and improvements but successful transition is furthered by data quality and process consistency
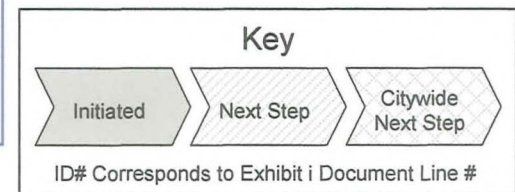
Step 1: Data and Reporting

Step 1: Organize and Improve AR Data and Reporting

Citywide Reporting

Internal Data Organization → Ongoing Internal Data Management

Enhance AR Quarterly Template ID# 4 → Enhanced Manual AR Quarterly Report ID# 9,10,11

AR Billing Data Warehouse Development ID# 1,3,5 → Enhanced Centralized Reporting ID# 2,6,7,8

Finance is the business lead in implementing this currently underway initiative and is progressing on delivery as scheduled.

Milestones

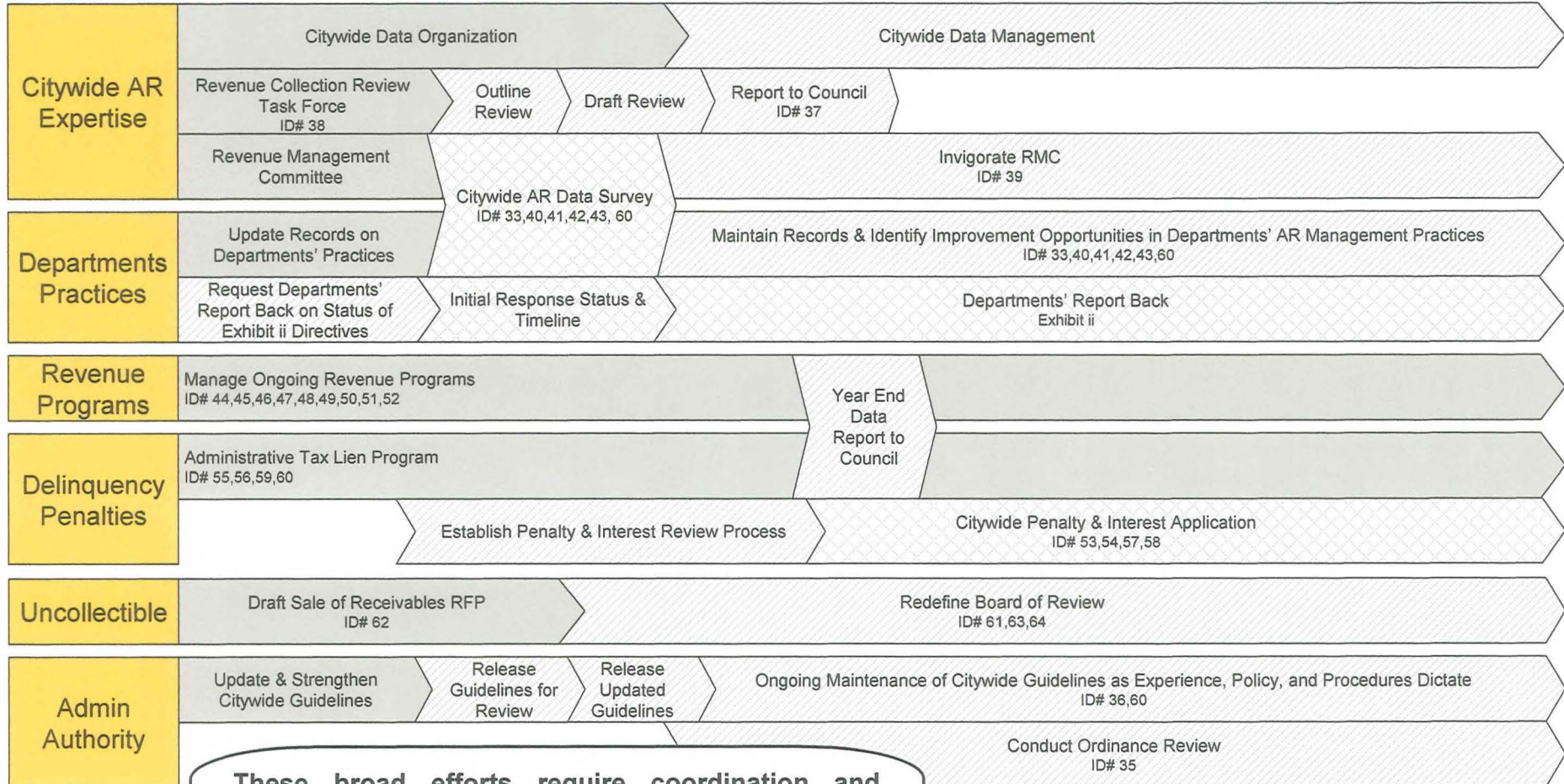| #	Initiative	Source	Directive	Partners	Status (as of last update)	Updated	Status Indicator
1	**Citywide Reporting**	**City Controller**	1)a) In implementing centralized billing and collections, Finance should: Explore the cost effectiveness of having the Information Technology Agency (ITA) build any interfaces and system modifications as part of the Financial Management System (FMS) implementation, as opposed to Macias' proposal to hire a contractor to develop a portal.	ITA	Council has approved FMS Phase 2 project to build a citywide accounts receivable billing data warehouse and reporting tool as recommended.	3/31/2011	Implemented

Excerpt from Finance Directives Checklist (Exhibit i)

Key

Initiated → Next Step → Citywide Next Step

ID# Corresponds to Exhibit i Document Line #

Step 2: Policy and Procedure

Step 2: Improve and Implement Citywide Policies and Procedures

Citywide AR Expertise

Citywide Data Organization → Citywide Data Management

Revenue Collection Review Task Force ID# 38 → Outline Review → Draft Review → Report to Council ID# 37

Revenue Management Committee

Citywide AR Data Survey ID# 33,40,41,42,43, 60

Invigorate RMC ID# 39

Departments Practices

Update Records on Departments' Practices → Maintain Records & Identify Improvement Opportunities in Departments' AR Management Practices ID# 33,40,41,42,43,60

Request Departments' Report Back on Status of Exhibit ii Directives → Initial Response Status & Timeline → Departments' Report Back Exhibit ii

Revenue Programs

Manage Ongoing Revenue Programs ID# 44,45,46,47,48,49,50,51,52

Year End Data Report to Council

Delinquency Penalties

Administrative Tax Lien Program ID# 55,56,59,60

Establish Penalty & Interest Review Process → Citywide Penalty & Interest Application ID# 53,54,57,58

Uncollectible

Draft Sale of Receivables RFP ID# 62 → Redefine Board of Review ID# 61,63,64

Admin Authority

Update & Strengthen Citywide Guidelines → Release Guidelines for Review → Release Updated Guidelines → Ongoing Maintenance of Citywide Guidelines as Experience, Policy, and Procedures Dictate ID# 36,60

Conduct Ordinance Review ID# 35

> These broad efforts require coordination and participation across citywide departments and officials, which Finance will work to facilitate. As experience and resources dictate, Finance will continue to develop plans and evolve approaches.

Milestones

Key

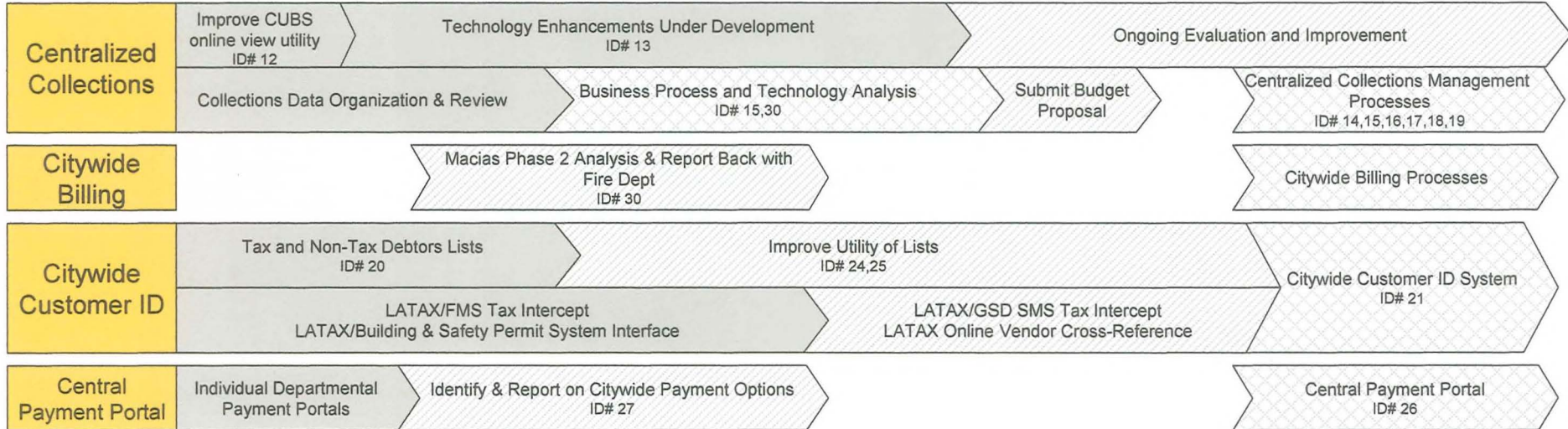Initiated → Next Step → Citywide Next Step

ID# Corresponds to Exhibit i Document Line #

Step 3: Centralization & Technology

Stage	Q3 FY11	Q4 FY11			Q1 FY12	Q2 FY12	Future Implementation
Initiative	Mar	Apr	May	Jun	Jul-Sep	Oct-Dec	

Step 3: Centralize Accounts Receivable Processes and Technology

Centralized Collections
- Improve CUBS online view utility ID# 12
- Technology Enhancements Under Development ID# 13
- Ongoing Evaluation and Improvement
- Collections Data Organization & Review
- Business Process and Technology Analysis ID# 15,30
- Submit Budget Proposal
- Centralized Collections Management Processes ID# 14,15,16,17,18,19

Citywide Billing
- Macias Phase 2 Analysis & Report Back with Fire Dept ID# 30
- Citywide Billing Processes

Citywide Customer ID
- Tax and Non-Tax Debtors Lists ID# 20
- Improve Utility of Lists ID# 24,25
- LATAX/FMS Tax Intercept LATAX/Building & Safety Permit System Interface
- LATAX/GSD SMS Tax Intercept LATAX Online Vendor Cross-Reference
- Citywide Customer ID System ID# 21

Central Payment Portal
- Individual Departmental Payment Portals
- Identify & Report on Citywide Payment Options ID# 27
- Central Payment Portal ID# 26

Finance will advocate for City discussion of future AR-related technical solutions, but centralization is a citywide effort with numerous stakeholders, various priorities, inter-departmental impacts, extended implementation timelines, and upfront development costs beyond the scope of any single department.

Key

| Initiated | Next Step | Citywide Next Step |

ID# Corresponds to Exhibit i Document Line #
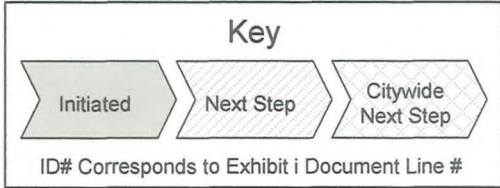
Critical Success Factors

1. **Citywide prioritization**

2. **Citywide departmental direction and participation**

3. **Citywide data and business process analysis**

4. **Mitigation of budgetary impacts on citywide AR management and resources**

5. **Delivery and ongoing support of current citywide AR technology projects underway**

Finance is currently under-resourced in fulfilling its core mission in the collection of approximately $2.5 billion annually:

- Department-wide budget reductions

- Citywide Hiring Freeze

- Staff Furloughs

Finance has requested several department-wide budgetary changes in the proposed FY 12 budget that should be considered:

- Department Revenue Sustainability Fund

- Hiring Freeze Exemption

- Furlough Exemption

Next Steps

1. Quarterly reporting by Finance to Council on initiatives' progress.

2. Coordinated citywide departments' report-back to Council on CORE, Macias, Controller and City Council directives.

3. Furtherance of FMS Strategic Roadmap of future citywide AR centralization business analysis and technology solutions.