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DIRECTOR of FINANCE

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CALIFORNIA

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LOS ANGELES, CA 90012

ANTONIO R. VILLARAIGOSA
MAYOR

February 11, 2010

The Honorable Members of the City Council
City of Los Angeles
City Hall, Room 395
Los Angeles, California 90012

Re: Feasibility Study: Centralization of Billing and Collection Activities (CF-07-1886)

Dear Honorable Council Members:

In accordance with recommendations contained in the June 2007 Controller audit of Citywide Billing and Collection Programs, CF 07-1886 directed the City Administrative Officer, with the assistance of the Office of Finance and the Chief Legislative Analyst to report on centralizing the City's billing functions. Accordingly, Macias Consulting Group (MCG) was retained to assess the feasibility of centralizing billing and collections on a citywide basis, and if determined feasible, to propose an implementation plan for its execution.

MCG completed its study and has provided a report of its findings and various phases of centralization that the City could potentially undertake. The report is now being formally transmitted herewith for your consideration.

Should you have any questions, or require additional information, please contact Pamela Mooney, Assistant Director of Finance at (213) 978-1775.

Sincerely,

Antoinette Christovale
Director of Finance

Attachment

cc: Honorable Wendy Greuel, City Controller
        Matt Szabo, Deputy Chief of Staff, Mayor's Office
        Ben Ceja, Deputy Mayor, Budget and Finance, Mayor's Office
        Steve Ongele, Associate Director, Budget and Finance, Mayor's Office
        Miguel Santana, City Administrative Officer
        Gerry Miller, Chief Legislative Analyst

MACIAS
CONSULTING GROUP

City Los Angeles

Centralized Billing
Implementation Plan

December 11, 2009

Approvals

NAME	ROLE	DATE
TBD		
TBD		
TBD		

This document will be reviewed quarterly and updated as needed, as the project proceeds through each phase of the implementation. Lessons learned as a result of continuing staff management efforts will be captured at the end of each project phase and used to improve project standards.

Table of Contents

1. INTRODUCTION

PURPOSE

This document is the City of Los Angeles (LA) implementation plan for the Centralized Billing project (the project). The purpose of the implementation plan is to capture how Phases 1 and 2 of our report – increased reporting and partial centralization can be administered and managed throughout the project lifecycle. It provides the project stakeholders with an approved working guide for how the project, contractors, and other supporting organizations throughout the life cycle phases to ensure a timely, efficient, and effective implementation.

SCOPE

This document identifies the activities, processes, procedures, and outcomes to be used to manage Phase 1 and 2 of the project. The City will need to determine the appropriate centralization timing for Phase 3 based on (1) when agency's A/R systems need updating or (2) should agency recovery rates decline. For this reason, this implementation plan does not address Phase 3.

Project Description

Centralization among City billing and collections processes is feasible for the following reasons:

- ☐ Fragmented billing processes could be streamlined
- ☐ Accountability for accounts receivable management could be increased
- ☐ Collections could be handled uniformly
- ☐ Performance measures could be consistently applied
- ☐ Centralization has helped other agencies.

While not all of the departments included in our review are ideal candidates for centralization, many types of bills within City departments could benefit from centralization.

There are two phases to this Implementation Phase. Phase I increases centralized reporting and performance management. In Phase 2 the City will centralize of billings and collections for ten bills in two departments. In addition, Phase 2 includes the referral of delinquent (over 15 month) parking citations to City collection agencies. In Table 1.0, on the following page, we list the types of bills that fall under Phase 2.

TABLE 1.0
BILLINGS CENTRALIZED IN PHASE 2

PRIORITY	DEPARTMENT	INVOICE
Tier 1	Fire	Ambulance (EMS) bill monitoring and follow-up
		Ambulance (contract)
		Inspection Restitution
		Fire safety watch
		Film safety
		Brush clearance/ non-compliance
		Other fees
	Police	DUI charges
	Transportation	Parking Citations (delinquent to City collections)
Tier 2	Fire	Annual permits (e.g., CUPA)
	Police	False alarm billings

A Phase 3 is part of the centralization effort by the City. However, go, no/go decisions must be made by City executives on whether to continue with centralization efforts as agency's current financial systems become outdated or agency performance on recovery deteriorates. The 20 types of bills and seven agencies that fall under Phase 3 are presented in Table 2.0, on the following page.

TABLE 2.0
BILLINGS CENTRALIZED IN PHASE 3

DEPARTMENT	INVOICE
Building & Safety	Inspections and code violations
Bureau of Street Lighting	Street lighting repair/ replacement
Bureau of Sanitation	Industrial waste
	Septage waste hauler
Transportation	Vehicle for hire permit
	Other permit fees
	Taxi permits and fees
	Pipeline and franchise fees (non-gas)
	Gas franchise fees
	Temporary traffic signs
Planning	Full Cost Recovery (FCR)
	FCR - expedited permit
Bureau of Engineering	B Permit
	U Permit
	Excavation Permit
	Right of Way rental
	Miscellaneous charges
	Overload Permit
Bureau of Sanitation	Groundwater
	Refuse and recycling services

CRITICAL SUCCESS FACTORS

For a project of this size and magnitude, it is essential to obtain buy-in by all key stakeholders and address areas of resistance early in the process. Table 3.0, below, presents critical success factors and associated strategies:

Table 3.0
Project Critical Success Factors

CRITICAL SUCCESS FACTOR	STRATEGY FOR ACHIEVING SUCCESS
Top management support – Willingness for management to provide necessary resources and authority for implementation success.	• Solicit support from top level management. • Encourage top level management to show visible support for the project through departmental communications.
Clear objectives – The city knows the vision and outcome of the system and maintains strict adherence to the implementation methodology.	• Effectively communicate the benefits and end goals of the system to stakeholders. • Ensure compliance with the scope management plan.
Project team motivation – Desire to develop system to meet the needs of the city.	• Conduct project team building workshops. • Communicate daily goals and long-term strategic goals to the group.
End user support – Willingness to adapt to new changes and acceptance of new business processes.	• Engage end users in the implementation process, creating a sense of ownership in the project. • Communicate the benefits of the project and how they impact the end user. • Develop change management workshops and product training to ease anxieties.

2. PROJECT MANAGEMENT OVERVIEW

The implementation of centralized billing systems and processes presents significant risk to the city. Project management and implementation is a comprehensive and structured approach to minimizing negative effects of significant changes to an organization's working environment.

We recommend that the City obtain a dedicated project manager for implementation, and create a detailed project charter and project plan. The project manager would also be responsible for managing the project's scope, schedule, and budget and escalating any issues impacting these areas. In addition, the following elements are essential to mitigating negative impacts from the implementation:

STAKEHOLDER MANAGEMENT

Stakeholders are individuals and organizations who are actively involved in the project or who may be positively or negatively affected by the outcome of the project. Finance should identify all key stakeholders and their project participation in Table 4.0, below.

Table 4.0
Project Stakeholder Categories

CATEGORY	PROJECT PARTICIPATION
Responsible	Those who lead the work to achieve the task. This person is the lead individual actually performing the task. There is typically one role with a participation type of *Responsible*, although others can be delegated to assist in the work required. Examples are change management leads and business process analysts.
Support	These individuals also work to achieve tasks, and support the Responsible individual. Examples include programmers and accountants.
Accountable	Those who are ultimately accountable for the correct and thorough completion of the deliverable or task, and the one to whom *Responsible* is accountable. An *Accountable* approves work that *Responsible* provides. Each task or deliverable has only one *Accountable* individual. The *Accountable* individual should be a City official with appropriate project authority.
Consulted	Those whose opinions are sought; and with whom there is two-way communication. Examples include members of teams generating requirements for system interfaces.
Informed	Those who are kept up-to-date on progress, often only on completion of the task or deliverable. Examples are managers that have delegated staff to consult on certain tasks.

It is essential that all stakeholders with significant influence understand the goals and be supportive of, or neutral of, the success of the project. Where this is not true, a plan is provided to create or build understanding and support.

COMMUNICATION MANAGEMENT

Effective communications is critical for any project. In order to ensure that the project manager provides timely information about the project to all stakeholders, a communications plan should be developed. Throughout the implementation, the project team will solicit feedback from stakeholders to ensure that needs are met. Lessons learned will be tracked and recorded and used for future phase of the project.

TRAINING MANAGEMENT

Training is vital to the success of this project. Each stakeholder group will have varying training needs. To assist in the implementation efforts, training seminars will be need to be held for the project team and end-users on organizational, process, and system changes.

RISK MANAGEMENT

Implementing a project of this size presents many organizational risks. Among them include organizational resistance to change. This plan includes potential organizational risks and associated mitigation strategies. It also includes a list of critical success factors, aimed at reducing risk. Table 5.0, below, provides sample risks and mitigation strategies.

Table 5.0
Project Risks and Mitigation Strategies

RISK	MITIGATION STRATEGY
1. Significant organizational (departments) resistance to the transition.	Explicitly get senior management endorsement for the effort, effectively communicate benefits of centralization to those affected, involve stakeholders in the transition process, address negative service impacts to departments, and develop formal service level agreements.
2. Individual staff members may be resistant to the transition due to uncertainty or threats to their current roles and responsibilities.	Provide adequate training and time for individuals to adjust, set clear expectations and timed goals and outcomes, conduct skills assessment and repurpose accordingly, clearly define roles and responsibilities, and identify skill gaps.
3. Service levels may fall during transition phase and after completion of the transition.	Communicate impacts on service levels during and after the transition, set realistic expectations, allow time for the enterprise to realize efficiency improvements, consider temporary utilization of resolution positions to augment labor.
4. Finance may not receive adequate funding for a successful transition. Also, the funding model may cause budget inequities to the departments.	Perform due diligence with finance and City Council to ensure adequate funding is dedicated for a successful transition, address inequity problems if they exist.
5. May not be able to redeploy/repurpose present staff into new roles and/or functions.	May need to temporarily supplement with outside staff, repurposing existing staff to other City functions, and train staff in new functions. Over time, may need to eliminate some existing positions.
6. Centralization may not achieve projected cost savings and service benefits. Correspondingly, it may be difficult to prove success if the City is unable or unwilling to measure baseline performance measures.	Dedicate sufficient time for increase in realized efficiency, measure baseline service levels, dedicate sufficient time to realize efficiency gains.

3. PROJECT PLAN

The work break down structure is a decomposition of the work to be executed by the project team to accomplish the project's objectives and create the required deliverables. This plan organizes and defines the total scope of the project and subdivides the project work into smaller and more manageable pieces of work.

> **Project Planning**
>
> **RFP Development Phase 1**
>
> **RFP Development Phase 2**
>
> **Implementation Phase 1**
>
> **Implementation Phase 2**
>
> **Project Closing**
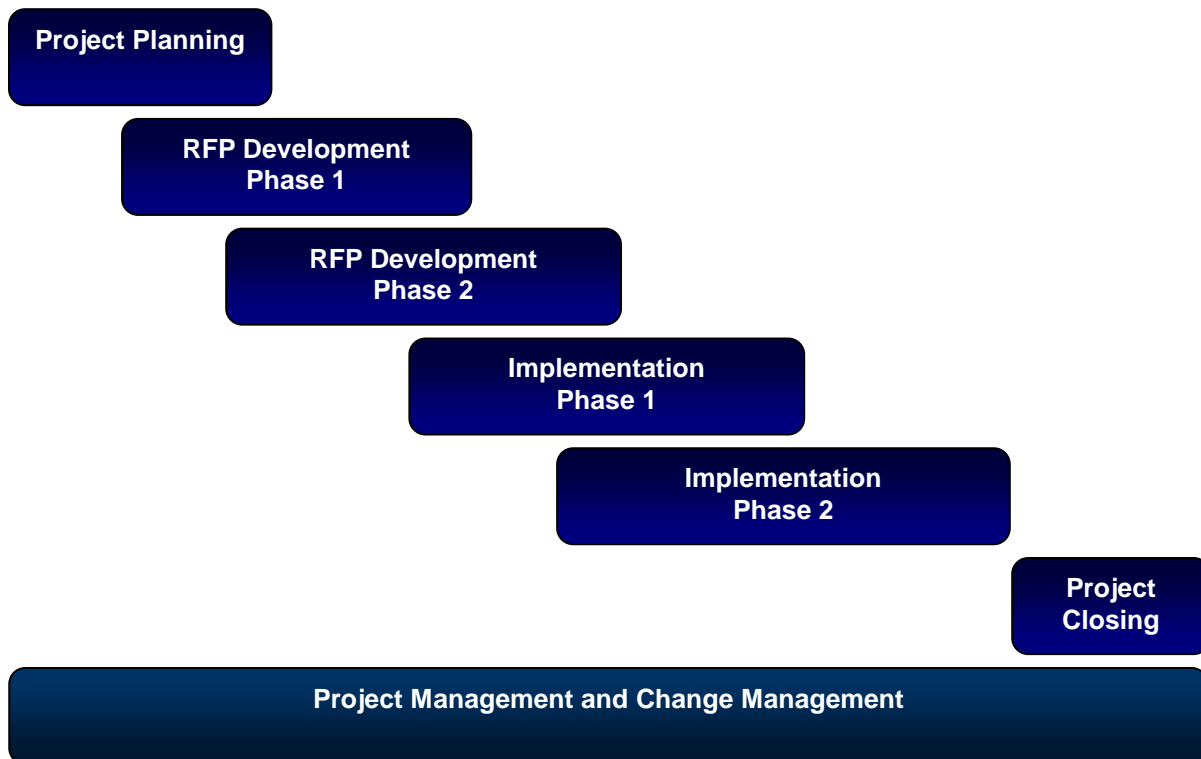>
> **Project Management and Change Management**

Exhibit 1.0, starting on the following page, is a high-level work breakdown structure for key implementation tasks. Although Phase 1 and Phase 2 tasks overlap, we break out Phase 1 and Phase 2 RFP and implementation activities in different sections. We expect these phases to take two to three years to complete. In addition, we provide expected start and finish dates for each tasks and internal[1] (City staff) and external (contracted services) costs for each sub-phase. Section 4, *Detailed Project Tasks*, describes each task in further detail, and provides resource information.

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[1] Includes Cost Allocation Plan (CAP) overhead rates

Exhibit 1.0
High-Level Project Tasks

TASK	START DATE	FINISH DATE
Project Planning		
Internal Costs: $395,925 **External Costs: $180,000**		
1. Develop and obtain approval of project charter	**1/1/2010**	**2/15/2010**
Obtain Project Manager and identify Project Sponsor	1/1/2010	1/15/2010
Identify Finance Management Analyst (or SMA) (full-time on project)	1/1/2010	1/15/2010
Identify Information Technology Lead (full-time on project)	1/1/2010	1/15/2010
Identify Key Project Stakeholders	1/1/2010	1/15/2010
Form Project Steering Committee and Define Roles and Responsibilities	1/15/2010	1/30/2010
Project Manager to Development of Detailed Project Charter Charter Scope Should Include: □ Accounts Receivable and Collections Reporting □ Billing Consolidation, including ARS workflows.	1/15/2010	2/15/2010
Obtain Project Charter Approval from Project Sponsor, Project Manager, Key Stakeholders	2/15/2010	2/15/2010
2. Finalize contract negotiations with ADPI (for EMSS)	**1/1/2010**	**3/31/2010**
Outsourcing of EMS billings		
Performance management		
Aged receivable reporting		
3. Acquire external project resources	**2/16/2010**	**3/15/2010**
Business Process Analyst Process development and transition	2/16/2010	3/15/2010
Change Management Lead Manage impact of organizational change	2/16/2010	3/15/2010
4. Develop detailed plans for Phase 2	**2/16/2010**	**4/15/2010**
Project Plan to be Developed by Project Manager	2/16/2010	4/15/2010
Project Plan Developed	2/16/2010	3/31/2010
Project Plan Approved by Steering Committee	4/1/2010	4/15/2020
Develop the Process Migration/ Convergence Plan (Business Process Analyst)	3/16/2010	4/15/2010
Develop the Change Management Plan (Change Management Lead).	3/16/2010	4/15/2010
Convergence and Change Management Plans Approved by Steering Committee	4/1/2010	4/15/2010
5. Identify and obtain agreement on facility needs	**3/15/2010**	**5/1/2020**
Six Accountant/ Accounting Clerk and Two Management Analyst Spaces Located near existing Finance Receivables Management resources		
RFP Development - Phase 1		
Internal Costs: $94.473 **External Costs: $0**		
6. Develop detailed reporting specifications	**2/16/2010**	**3/15/2010**

TASK	START DATE	FINISH DATE
A/R Reporting	2/16/2010	3/15/2010
Form Focus Group to Determine A/R Reporting Requirements	2/16/2010	3/10/2010
Key Project Stakeholders to Identify and Provide Subject Matter Experts and Report Users		
Identify Key Report and System Requirements ☐ Invoice specific (e.g., creation date, amount) ☐ Month specific (e.g., receivable aging, write-offs)		
Prioritize Requirements for Project Manager		
Project Manager to Document Reporting Requirements for Inclusion in RFP.	3/7/2010	3/15/2010
Collections Reporting	2/16/2010	3/15/2010
Form Focus Group to Determine Collections Reporting Requirements	2/16/2010	3/10/2010
Key Project Stakeholders to Identify and Provide Subject Matter Experts and Report Users		
Identify Key Report and System Requirements ☐ Invoice specific (e.g., creation date, amount) ☐ Month specific (e.g., receivable aging, write-offs)		
Prioritize Requirements for Project Manager		
Project Manager to Document Reporting Requirements for Inclusion in RFP	3/7/2010	3/15/2020
7. Develop RFP for Reporting Development	**3/16/2010**	**4/15/2010**
A/R Reporting (eTIMS, HIMS, ARS, Envision, FSS, CryWolf)	3/16/2010	3/31/2010
Collections Reporting (CUBS, four subcontractor systems)		
Consolidate A/R Reporting Needs		
Consolidate System and Functionality Requirements		
Finalize RFP and Submit for Approval and Processing	4/1/2010	4/15/2010
RFP Development - Phase 2		
Internal Costs: $295,290	**External Costs: $150,000**	
8. Create new parking citation management RFP, including required performance management and collection referral elements	**1/1/2010**	**2/28/2010**
Current contract expires in January 2011		
Key additions are performance management and referral of aged delinquent citations to City collection agencies		
9. Advertise new parking citation management RFP	**3/1/2010**	**5/31/2010**
Publish the RFP through Standard City Channels		
Form a Selection Committee		
Collect and Evaluate Proposals		
Conduct Proposer Interviews		
Select Best Value Contractor		
10. Develop Detailed ARS and Interface Specifications	**4/16/2010**	**6/15/2010**
Identify Subject Matter Experts for Envision and CryWolf	4/16/2010	4/25/2010

TASK	START DATE	FINISH DATE
Form Technical Requirements Group to Determine Desired System Interfacing Architecture and Interface Specifications	4/26/2010	6/15/2010
Address needs of CryWolf and Envision system interfaces to ARS		
A/R interfaces		
Table upload with time stamps		
Billing dispute workflow		
Project Manager to Document the Billing Dispute Workflow and Identify any Additional Interface Requirements		
Project Manager to Document System Interface Requirements for Inclusion in RFP		
11. Develop RFP for Interface Development	**6/15/2010**	**7/31/2010**
System Interface Needs	6/15/2010	7/14/2010
Consolidate System and Functionality Requirements		
Consolidate System Interface Requirements		
Finalize RFP and Submit for Approval and Processing	7/15/2010	7/31/2010
Phase I Implementation		
Internal Costs: $446,280 **External Costs: $400,000**		
12. Work with Departments to determine performance targets	**5/1/2010**	**6/30/2010**
Prioritize departments requiring most improvement in collection efficiency (i.e., Police, Fire, Transportation/Parking)		
Determine key goals for each bill type ☐ Collection efficiency over time ☐ Outstanding receivables ☐ Other		
13. Post RFP & Obtain Contractor for Report Development	**4/16/2010**	**5/31/2010**
A/R Reporting (eTIMS, HIMS, ARS, Envision, FSS, CryWolf)		
Collections Reporting (CUBS, four subcontractor systems)		
Publish the RFP through Standard City Channels		
Form a Selection Committee		
Collect and Evaluate Proposals		
Conduct Proposer Interviews		
Select Best Value Contractor		
14. Develop Accounts Receivable Reports	**6/1/2010**	**9/30/2010**
Develop Interfaces and Screens for Reporting		
A/R Reporting (eTIMS, HIMS, ARS, Envision, FSS, CryWolf)	6/1/2010	8/31/2010
Collections Reporting from City contractors	7/1/2010	9/30/2010
15. Document Accounts Receivable Reports	**9/1/2010**	**10/30/2010**
Generate technical report documentation		
Generate user report documentation		
A/R Reporting (eTIMS, HIMS, ARS, Envision, FSS, CryWolf)	9/1/2010	9/30/2010
Collections Reporting	10/1/2010	10/30/2010
16. Train users and support team on reporting use	**10/1/2010**	**12/31/2010**

TASK	START DATE	FINISH DATE

Provide training courses
    ☐ User
    ☐ Super User
    ☐ Technical Support
    For Department A/R and Collection Agency reporting		

Deliver courses	10/1/2010	11/30/2010
Conduct follow up one-and-one training and mentoring	11/1/2010	12/31/2010
Phase 2 Implementation		
Internal Costs: $3,593,109 **External Costs: $5,180,000**		
17. Identify Fire resources to be transferred to Finance	**5/1/2010**	**5/31/2010**
One Accountant and one Accounting Clerk for EMS receivable monitoring and follow-up		
18. Configure consolidated facility	**5/1/2010**	**6/30/2010**

Install infrastructure for consolidated facility
    ☐ Furniture
    ☐ Network
    ☐ Telephone
    ☐ Worker safety		

19. Perform change management activities with impacted organizations	**5/16/2010**	**12/31/2011**
Conduct activities designed to minimize impact of change on affected organizations		
Stakeholder Management Communications Management Training Management Risk Management		
20. Relocate Fire (EMS) Resources	**7/1/2010**	**7/31/2010**
Relocate one Accountant and one Accounting Clerk for EMS receivable monitoring and follow-up		
Update telephone, e-mail, reporting location , and other reporting information		
21. Develop and document converged billing process, including ARS vs. non-ARS portions and handoffs between entities	**6/16/2010**	**9/15/2010**

Develop and document process flows, handoffs, and roles and responsibilities of each organization
    ☐ Fire
    ☐ Police
    ☐ Office of Finance		

Develop service level agreements for interactions between organizations
    ☐ Fire
    ☐ Police
    ☐ Office of Finance		

22. Finalize reporting details with ADPI (for EMSS)	**5/1/2010**	**6/30/2010**

Finalize Detailed Reporting Requirements, Including Frequency
    ☐ Invoice specific (e.g., creation date, amount)
    ☐ Month specific (e.g., receivable aging, write-offs)		

TASK	START DATE	FINISH DATE
23. Post RFP & Obtain Contractor for System Development	**8/1/2010**	**9/15/2010**
System interfaces with CryWolf and Envision	8/1/2010	9/15/2010
Publish the RFP through Standard City Channels		
Form a Selection Committee		
Collect and Evaluate Proposals		
Conduct Proposer Interviews		
Select Best Value Contractor		
24. Develop and Document EMSS Reports	**8/1/2010**	**11/30/2010**
Develop Interfaces and Screens for Reporting		
Generate technical and user report documentation		
25. Train Users on EMSS Reports	**12/1/2010**	**1/31/2011**
Provide training courses ☐ User ☐ Super User ☐ Technical Support		
Deliver courses		
Conduct follow up one-and-one training and mentoring		
26. Select parking citation management provider and negotiate contract	**6/1/2010**	**12/31/2010**
Collect and Evaluate Proposals		
Conduct Proposer Interviews		
Select Best Value Contractor		
Negotiate final contract terms, including performance management and referrals to City collection agencies.		
27. Develop process for referring aging parking citations to City collection agencies	**12/1/2010**	**1/31/2011**
Develop and document process flows, handoffs, and roles and responsibilities of each organization		
Develop communication expectations between Transportation, Finance, and collection agencies		
28. System development and testing	**9/16/2010**	**6/30/2011**
Finalize Application and Technical Architecture		
Design and Build Modules		
Convert Existing A/R Data		
Conduct System and Performance Testing		
Generate system technical and business process documentation		
Migrate system to production		
Billing dispute workflow	9/16/2010	11/30/2010
CryWolf to ARS interface	10/1/2010	9/30/2011
Envision to ARS interface	10/1/2010	9/30/2011
29. Identify resources to be relocated or replaced (ARS and non-	**8/1/2010**	**8/30/2010**

TASK	START DATE	FINISH DATE
ARS)		
Two accountants/ account clerks from Fire and one from Police		
Management Analyst for billing, collections, and program support		
30. Transition existing ARS-based (Tier 1) billing processes to new processes	**11/1/2010**	**11/30/2010**
Fire (seven Tier 1 bills): ☐ Ambulance (EMS) bill monitoring and follow-up ☐ Ambulance (contract) ☐ Inspection Restitution ☐ Fire safety watch ☐ Film safety ☐ Brush clearance/ non-compliance ☐ Other fees		
Police (DUI billing)		
31. Relocate or Obtain ARS-based (Tier 1) resources	**12/1/2010**	**12/31/2010**
One Accountant each from Fire and Police (will be cross-trained)		
Management Analyst		
Update telephone, e-mail, reporting location , and other reporting information		
32. Transition existing CryWolf-based billing processes to ARS-based processes (including training)	**9/1/2011**	**10/31/2011**
Billing execution processes		
Payment processing processes		
33. Transition existing Envision-based billing processes to ARS-based processes (including training)	**9/1/2011**	**11/31/2011**
Billing execution processes		
Payment processing processes		
34. Transition CryWolf-based billing responsibilities	**11/1/2011**	**11/30/2011**
Transition billing ownership from Police to Finance		
To be picked up by existing relocated Centralized Billing Staff		
35. Relocate Envision-based resources	**12/1/2011**	**12/31/2011**
Transition billing ownership from Fire to Finance		
Additional accountant/ account clerk from Fire		
Update telephone, e-mail, reporting location , and other reporting information		
Close Project		
36. Close project	**12/31/2011**	**1/31/2012**
Conduct project retrospective meeting		
Publish project evaluation report, including lessons learned		
Archive project documents		

4. DETAILED PROJECT TASKS

This section is an integral part of the implementation plan and presents the detailed work breakdown structures, associated task descriptions, suggested task success measures, and estimated resource loading.

PROJECT PLANNING

1. DEVELOP AND OBTAIN APPROVAL OF PROJECT CHARTER
Start Date: 1/1/2010   End Date: 2/15/2010

A project charter is a statement of the scope, objectives, participants and core project information. It provides a preliminary delineation of roles and responsibilities, outlines the project objectives, outlines assumptions, constraints, and risks, identifies the main stakeholders, and defines the key project roles. It serves as a foundational reference during the course of the project.

As part of project charter development, the City will need to identify key roles, including the City Project Sponsor, City Management Analyst (or Senior Management Analyst) project liaison, and Information Technology liaison. In addition, the City will need to identify, likely from externally, a qualified project manager. The Project Manager (PM) is ultimately responsible for approving and directing all phases of the project, including development of the Project Charter. This project requires a PM with the following key qualifications:

- ☐ Understanding of the City's business objectives and their relationship to the project's objectives.
- ☐ Knowledge of accounts receivable business processes that will be directly impacted by the project and all related business process.
- ☐ High-level written and oral communication skills.
- ☐ Formal authority and informal organizational connections required to ensure completions of activities in various organizations.
- ☐ Conflict resolution skills and related experience with stakeholders, vendors, and staff.
- ☐ Experience working with external contracted IT service providers.

The Project Sponsor is the high-level City manager ultimately responsible for the success of the project. The Project Sponsor will:

- ☐ Serve as chairperson of the interdepartmental management team overseeing the project.
- ☐ Approve changes to the scope, cost, quality, and schedule, including any Special Project Reports required by the City.
- ☐ Communicate with major stakeholders.
- ☐ Resolve escalated project-specific issues.
- ☐ Approve key deliverables.

The (Senior) Management Analyst is the key Finance project liaison and serves as an information conduit for the project. He/she will identify City business resources required for project tasks. The Management Analyst will:

- ☐ Serve as primary City business liaison to the project.
- ☐ Review changes to the scope, cost, quality, and schedule, including any Special Project Reports required by the City.
- ☐ Communicate business issues with major stakeholders.
- ☐ Coordinate issues and activities within the Office of Finance.
- ☐ Review key deliverables.

1.	DEVELOP AND OBTAIN APPROVAL OF PROJECT CHARTER

The Information Technology liaison is the key ITA project liaison and serves as an information conduit for the project. He/she will identify City technical resources required for project tasks. The Management Analyst will:

- ☐ Serve as primary City information technology liaison to the project.
- ☐ Review changes to the scope, cost, quality, and schedule, including any Special Project Reports required by the City.
- ☐ Communicate technical issues with major stakeholders.
- ☐ Coordinate issues and activities within ITA.
- ☐ Review key deliverables.

Key Project Stakeholders provide the project requirements and are the recipients of the project deliverables and the associated benefits. Deliverables will directly enhance the stakeholders' business processes and environment. The majority of stakeholders for this project will be department heads, CIO's and project management representatives.

The Project Steering Committee provides assistance in resolving issues that arise beyond the project manager's jurisdiction. The Committee monitors project progress and provides necessary tools and support when milestones are in jeopardy and is comprised of key stakeholders such as department chiefs that are directly impacted by the project.

The Project Charter's scope should include all aspects of the project including:

- ☐ Accounts Receivable Reporting
- ☐ Collections Reporting (including CUBS system and four current subcontractors used for collections)
- ☐ Billing Consolidation (including the ARS workflows)

Task Success Measures:	**Estimated Resource Loading:**
☐ Assigned project manager ☐ Approved project charter ☐ Identified project resources	1 Project Manager, 1 Project Sponsor, Project Steering Committee (5 – 7 stakeholders, including Finance and IT)

2.	FINALIZE CONTRACT NEGOTIATIONS WITH ADPI (FOR EMSS)
Start Date: 1/1/2010	End Date: 3/31/2010

The City will need to negotiate with ADPI as to how ADPI will meet the City's performance management requirements as part of EMS outsourcing. In addition, Fire and Finance must establish clear responsibilities for each party, and clear expectations for information handoffs between parties. This information is critical to both the Fire Department's receivables management effectiveness and the Office of Finance's monitoring of receivables management performance.

Task Success Measures:	**Estimated Resource Loading:**
☐ Agreements reached with ADPI ☐ Documented memo of understanding	1-2 SMEs, 1 Project Manager

3.	ACQUIRE EXTERNAL PROJECT RESOURCES
Start Date: 2/16/2010	End Date: 3/15/2010

This task acquires additional resources for the project. If the city does not have internal resources available to perform the following functions, this task involves hiring or contracting

3.	ACQUIRE EXTERNAL PROJECT RESOURCES

with external vendors.

Business Process Analyst: The business process analyst (BPA) requires a strong understanding of accounts receivable business processes, process documentation, process modeling, and user training. The BPA will create and manage the Process Convergence Plan, as detailed in the next task.

Change Management Lead: The Change Management Lead will develop and implement the Change Management Plan. The Plan outlines the activities used to manage organizational change as a result of the project.

Task Success Measures:	**Estimated Resource Loading:**
☐ Hiring of additional resources ☐ Skill sets meet project requirements	1 Human Resources Analyst/Recruiter, 2 FTEs if internal resources are used

4.	DEVELOP DETAILED PLANS
Start Date: 2/16/2010	End Date: 4/15/2010

Project Plan: The Project Plan is a formal document used to guide project execution, and which provides the basis for project control. At a minimum, it is approved by the same individuals or roles that approved the Project Charter, plus any additional key stakeholders. The Project Plan defines how the project is executed, monitored and controlled, and closed. The Project Plan is essentially a collection of sub-plans detailing:

☐ The level of implementation of each project management process (e.g., communication management, risk management, schedule management).
☐ The descriptions of the tools and techniques to be used for accomplishing those processes.
☐ How the selected processes will be used to manage the specific project, including the dependencies and interactions among those processes, and the process inputs and outputs.
☐ How work will be executed to accomplish the project objectives.
☐ How changes to the project scope, resources, or schedule will be monitored and controlled.
☐ How system configuration management will be performed.
☐ How integrity of the performance measurement baselines will be maintained and used.
☐ Communication frequency and protocol among stakeholders.
☐ The phases of the project.
☐ Key management reviews of accomplishments and timing to facilitate addressing open issues and pending decisions.

Using the Project Charter and this document as a guide, the Project Manager will develop a detailed project plan to include all phases and individual steps and tasks necessary to complete the project. Periodic review and reporting of the project progress will be made to the Steering Committee and the Plan may be updated to accommodate new timelines or changes to the project.

Process Convergence Plan: The Process Convergence Plan will be developed by the BPA and provides the methodology to:

☐ Review existing accounts receivable business processes.
☐ Work with departments having billing to be centralized to determine optimum converged A/R business processes.

4.	DEVELOP DETAILED PLANS

☐ Determine the gap between current A/R business processes and the desired processes.
☐ Develop a strategy to migrate existing processes to the new processes, including how to overcome the gaps.
☐ Document the new A/R processes.
☐ Train individuals on the new A/R processes.

Change Management Plan: The Change Management Plan is developed by the Change Management Lead and is intended to enhance organizational practices. It also fosters the open, ongoing communication and participation between stakeholders that is critical to the success of the project.

For a project of this size and magnitude, it is essential to obtain buy-in by all key stakeholders and address areas of resistance both early and throughout the project. The following table presents critical change management success factors and associated strategies:

Task Success Measures:	**Estimated Resource Loading:**
☐ Developed and approved project plan ☐ Developed and approved process convergence plan ☐ Developed and approved change management plan ☐ Key stakeholder involvement ☐ Senior management buy-in	1 Project Manager, 2-3 SMEs

5.	IDENTIFY AND OBTAIN AGREEMENT ON FACILITY NEEDS
Start Date: 3/15/2010	End Date: 5/1/2010

Determine facility needs, including work space and telecommunications infrastructure, for the centralized billing organization. Determine required budget for facilities configuration, moving individuals to new location, and ongoing facility allocation. Obtain approval for use of space, configuration and moving budget, and long-term space usage budget.

Task Success Measures:	**Estimated Resource Loading:**
☐ Identification and feasibility of facility needs ☐ Agreement with Facilities Management	1 Project Manager, 1 Facilities Manager

RFP DEVELOPMENT – PHASE 1

6.	DEVELOP DETAILED REPORTING SPECIFICATIONS
Start Date: 2/16/2010	End Date: 3/15/2010

This task includes defining specific data elements, report definitions, report generation and execution requirements, required data transformation, data archive requirements, and required reporting access for each of the City's accounts receivable systems.

Developing reporting specifications involves conducting facilitated sessions with key report users (e.g., management analysts) and other performance management experts to determine the specific reporting data needed for effective A/R management. These sessions and requirements gather will be conducted for both Accounts Receivable reporting as well as Collections reporting. Requirements should be specified to a level of detail sufficient to enable

6.   DEVELOP DETAILED REPORTING SPECIFICATIONS

the developer to develop the reports.

Key requirements will then be prioritized and incorporated into a requirements document that will be used for the RFP development. Each requirement documented in the RFP must have a unique identifier for requirements traceability (to ensure that the contractor met the requirement) and should be ranked by importance or priority.

Task Success Measures:	Estimated Resource Loading:
☐ Consensus among report users on importance and priority of requirements ☐ Detailed requirements documented	1 Project Manager, 2 Business Analysts, project steering committee review and approval

7. DEVELOP RFP FOR REPORTING DEVELOPMENT	
Start Date: 3/16/2010	End Date: 4/15/2010

Based upon the reporting requirements for accounts receivables and collections, as well as input from the IT department regarding system requirements, the Project Manager will develop a Request for Proposal (RFP) for a systems integrator vendor contract. The RFP will include provisions for:

☐ Software Licenses and Maintenance (if applicable)
☐ Implementation services for reporting implementation, report development, customization, documentation, and training
☐ System integrator services (e.g., planning, interface development, customization, data conversion, knowledge and skill transfer, documentation, training).
☐ Vendor Project Management
☐ Post-implementation production support

This will be done for both accounts receivable reporting and collection reporting based upon the different system and functionality requirements. Once requirements have been consolidated, the RFPs are to be submitted for approval and processing.

Task Success Measures:	Estimated Resource Loading:
☐ Prioritized list of report specs ☐ Map of requirements to all existing reports	1 SMEs for each A/R system, 1 Business Analyst, 1 Technical IT Systems SME

RFP DEVELOPMENT – PHASE 2

8. CREATE NEW PARKING CITATION MANAGEMENT RFP, INCLUDING REQUIRED PERFORMANCE MANAGEMENT AND COLLECTION REFERRAL ELEMENTS	
Start Date: 1/1/2010	End Date: 2/28/2010

The City will need to determine appropriate RFP and Scope of Work language for the DOT parking citation management RFP. New elements would include (1) performance management of collections, and (2) referral of accounts 15 months delinquent to City collection agencies.

Task Success Measures:	Estimated Resource Loading:
☐ RFP with performance management and collection referral elements	1 Senior Management Analyst

9.	ADVERTISE NEW PARKING CITATION MANAGEMENT RFP
Start Date: 3/1/2010	**End Date: 5/31/2010**

Advertise the new parking solicitation RFP on the City's bid opportunity website, and manage the solicitation process.

Task Success Measures:	**Estimated Resource Loading:**
☐ RFP advertised on portal ☐ Solicitation period tasks completed (e.g., applicable pre-proposal meetings, questions responded) ☐ Proposals received	1 Management Analyst

10.	DEVELOP DETAILED ARS AND INTERFACE SPECIFICATIONS
Start Date: 4/16/2010	**End Date: 6/15/2010**

Determine the desired system interfacing architecture, detailed A/R interface business requirements, technical requirements, and deliverables for interfacing ARS with each A/R system (Envision, CryWolf).

Specifications also include:

☐ Mothballing the A/R functionality in existing systems
☐ Archiving data or converting existing A/R data
☐ Maintaining historical A/R reporting access from existing systems

Determining these specifications will require facilitated sessions with business process and technical experts from each existing A/R system, as well as with ARS business process and technical experts. Requirements should be specified to a level of detail sufficient to enable the developer to develop the interfaces and systems.

Key requirements will then be prioritized and incorporated into a requirements document that will be used for the RFP development. Each requirement documented in the RFP must have a unique identifier for requirements traceability (to ensure that the contractor met the requirement) and should be ranked by importance or priority.

Task Success Measures:	**Estimated Resource Loading:**
☐ Technical interface architecture ☐ Prioritized list of requirements ☐ Stakeholders have input in defining requirements	1-2 SMEs for each A/R system, 1 Business Analyst, 2 Technical IT Systems SMEs

11.	DEVELOP RFP FOR INTERFACE DEVELOPMENT
Start Date: 6/15/2010	**End Date: 7/31/2010**

Based upon the desired interfacing architecture, interface requirements for accounts receivables and collections, as well as input from the IT department regarding system requirements, the Project Manager will develop a Request for Proposal (RFP) for a systems integrator vendor contract. The RFP will include provisions for:

☐ Software Licenses and Maintenance (if applicable)
☐ Existing hardware capabilities of the city and any additional hardware requirements by the vendor
☐ Implementation services for reporting implementation, report development, customization, documentation, and training

11. DEVELOP RFP FOR INTERFACE DEVELOPMENT

☐ System integrator services (e.g., planning, interface development, customization, data conversion, knowledge and skill transfer, documentation, training).
☐ Vendor Project Management
☐ Post-implementation production support

This will be done system integration based upon the different system and functionality requirements. Once requirements have been consolidated, the RFP is to be submitted for approval and processing.

Task Success Measures:	**Estimated Resource Loading:**
☐ Prioritized list of report specs ☐ Map of requirements to all existing reports	1-2 SMEs for each A/R system, 1 Business Analyst, 2 Technical IT Systems SMEs

IMPLEMENTATION – PHASE 1

12. WORK WITH DEPARTMENTS TO DETERMINE PERFORMANCE TARGETS	
Start Date: 5/1/2010	End Date: 6/30/2010

Work with each department to determine, given their current receivables management performance, what their desired targets would be for aging of receivables, collection efficiency, or other A/R metrics.

These will likely increase over time as departments and Finance become knowledgeable of the benefits of enhanced reporting capability.

Task Success Measures:	**Estimated Resource Loading:**
☐ Identification of agreed-upon metrics ☐ Systems in place to track metrics ☐ Communication with stakeholders and periodic progress reports	1 Business Analyst

13. POST RFP AND OBTAIN CONTRACTOR(S) FOR REPORT DEVELOPMENT	
Start Date: 4/16/2010	End Date: 5/31/2010

Using the normal City RFP posting and evaluation processes, post the RFP, obtain proposals, evaluate the proposals, select the desired proposal, and contract with the desired firm for the work. A selection committee should be formed comprised of the Project Manager, IT representative and Key Stakeholders in the project, as well as City Purchasing.

The proposals may require adjustments to the proposed scope of work and require the bidder to submit a best and final offer (BAFO) prior to contract negotiations.

Develop a Request for Proposal (RFP) for system integrator contract, which include business requirements, technical requirements, and required deliverables for:

☐ Software Licenses and Maintenance (if applicable)

☐ Hardware requirements (if applicable), or hosting fees (if applicable)

☐ System integrator services (e.g., planning, report development, customization, knowledge and skill transfer, documentation, training).

Task Success Measures:	Estimated Resource Loading:
☐ Timely issuance of RFP ☐ Minimum of three complete bids ☐ Developed selection criteria ☐ Selection of apparent successful bidder ☐ Signed contract with vendor	3-4 Selection Committee Members, 1 Project Manager, 1 Purchasing Analyst

14. DEVELOP ACCOUNTS RECEIVABLE REPORTS

Start Date: 6/1/2010 | **End Date: 9/30/2010**

Perform the reporting development and testing work as defined in the RFP. Solution must meet the business and technical requirements agreed to by the City and contractor. Perform the required system integration services and post-implementation services.

At the minimum, the development must follow standard software development life cycle protocols, including:

☐ Reviewing and validating system and reporting requirements
☐ Develop reports, interfaces, conversions, enhancements, and forms specifications
☐ Fully develop the reports including interface programs, customizations, and security configuration.
☐ Develop test scripts and user scenarios
☐ Conduct final user acceptance testing

Throughout the implementation, the city should consider a quality assurance analyst and project oversight consultant to provide independent review and oversight of project deliverables.

Task Success Measures:	Estimated Resource Loading:
☐ Benchmark progress to project management plan ☐ Complete project on time and under budget ☐ Successful testing results ☐ User acceptance of reports	To be determined per RFP results. Estimated 2-3 SMEs, 2 FTEs technical resources, 1 QA resource, and vendor resources

15. DOCUMENT ACCOUNTS RECEIVABLE REPORTS

Start Date: 9/1/2010 | **End Date: 10/30/2010**

Document all accounts receivable management reports, including:

☐ Data sources
☐ Source table and field names and definitions
☐ Query designs (including joins)
☐ Interface specification
☐ User-inputted parameters
☐ Application to accounts receivable management.

Solution must provide business and technical documentation of al reports, and meet the business and technical requirements agreed to by the City and contractor.

Task Success Measures:	**Estimated Resource Loading:**
☐ Technical report documentation ☐ Lead or Super User (report developer or modifier) documentation ☐ User report documentation ☐ Customer satisfaction with documentation	To be determined per RFP results. Estimated 1-2 SMEs, 1 FTE technical resources, and vendor resources

16. TRAIN USERS AND SUPPORT TEAM ON REPORTING USE	
Start Date: 10/1/2010	End Date: 12/31/2010

Develop training courses, including reference materials and handouts, for both users and technical support. This should be available in both presentation form and on the web. Provide training to required users and technical support staff. Key training activities include:

☐ Develop training plan, training feedback materials, and training tracking tool
☐ Identify core trainees and potential super users
☐ Schedule one to two large group training presentation/demo
☐ Schedule small group hands-on training sessions
☐ Update training materials from course feedback
☐ Public training materials

Task Success Measures:	**Estimated Resource Loading:**
☐ Completed training courses ☐ End user training feedback scores	1-2 Trainers

IMPLEMENTATION – PHASE 2

17. IDENTIFY FIRE RESOURCES TO BE RELOCATED TO FINANCE	
Start Date: 5/1/2010	End Date: 5/31/2010

Identify the two resources (accountant and accounting clerk) in the Fire Department that will be relocated to the centralized billing entity, as part of EMS billing vendor management.

Each identified resource should have a preliminary skill set assessment and job duty review to ensure a proper match with new role and function. Determine any additional training (functional or technical) needs for the identified resources.

Task Success Measures:	**Estimated Resource Loading:**
☐ Identification of resources ☐ Skill sets matched to requirement	1 Business Analyst, 1 Human Resources Analyst

18. CONFIGURE CONSOLIDATED FACILITY	
Start Date: 5/1/2010	End Date: 6/30/2010

Prepare the consolidated billing facility for use, including furniture, computers and peripherals, telephone and network connections, and any other office equipment and support services required for occupancy. Facility will accommodate eight individuals.

Prior to migrating resources to the new facility, ensure that communication is sent to all stakeholders to properly managed and mitigate any risks associated with moving staff and equipment.

Task Success Measures:	Estimated Resource Loading:
☐ Timely migration of furniture and equipment ☐ Minimal down time ☐ Continued service levels	1 Facilities Manager, transition team (internal or external)

19. PERFORM CHANGE MANAGEMENT ACTIVITIES WITH IMPACTED ORGANIZATIONS

Start Date: 5/16/2010	End Date: 12/31/2011

For each organization and work group impacted by centralization, perform the activities defined in the Change Management Plan. This objective is to obtain buy-in to by all key stakeholders and address areas of resistance.

Organizational change management is a comprehensive and structured approach to minimizing negative effects of significant changes to an organization's working environment. The implementation of centralized billing systems and reports presents significant risk to the city. To address the risk, the plan should address four key change areas: stakeholder management, communications management, training management, and risk management.

To assist in the process, change management courses should be held with the project team and end users, providing the opportunity for team building and to prepare the city's staff for the transition. Finally, the effort includes measurement of performance metrics and development of an organizational scorecard.

Should new issues require adjustments to the Change Management Plan, modify the Plan appropriately.

Task Success Measures:	Estimated Resource Loading:
☐ Change management scorecard ☐ End user satisfaction surveys ☐ Minimal disruption in service levels	1 Change Management Lead, 1 Project Manager, 2-3 Project Champions

20. RELOCATE FIRE (EMS) RESOURCES

Start Date: 7/1/2010	End Date: 7/31/2010

Physically relocate clerical, accounting, management analyst, and other required resources to the centralized facility. Provide any required facility-specific training. Address any issues pertaining to the move.

Periodically review safety protocols in new location and ensure that users are properly connected to needed resources. Address any performance issues due to network connectivity or availability of office equipment as needed.

Task Success Measures:	Estimated Resource Loading:
☐ Transition complete ☐ Facilities and equipment function as required	1 Facilities Manager

21. DEVELOP AND DOCUMENT CONVERGED BILLING PROCESS, INCLUDING ARS VS. NON-ARS PORTIONS AND HANDOFFS BETWEEN ENTITIES

Start Date: 6/16/2010	End Date: 9/15/2010

For each type of bill, as outlined in the Process Convergence Plan, develop and document the billing process to be used by the centralized billing entity. The process documentation should

include, at a minimum:

- ☐ Process maps identifying all key stakeholders
- ☐ Identification of process owner
- ☐ Clear roles and responsibilities for process stakeholders
- ☐ Inventory of all forms, data elements, and communication protocols used

The ARS portion will have all the billing and receivables management tasks done using the ARS system.

The non-ARS portion will have tasks necessary to present the billing information to the ARS system. The handoffs will define exactly how data is formatted and submitted to ARS, including how ARS "time stamps" the receipt and verifies the completeness of the data. The handoffs will also include (1) the roles, responsibilities, and service levels for referring disputed bills back to the original department, and (2) under what conditions, and how, a consolidated billing organization will access historic information from a non-ARS system.

Task Success Measures:	**Estimated Resource Loading:**
☐ Agreed-upon process documentation ☐ Identification of process owners for bill type	1-2 Business Analyst, billing SMEs available for interviews

22. FINALIZE REPORTING DETAILS WITH ADPI (FOR EMSS)	
Start Date: 5/1/2010	End Date: 6/30/2010

Assuming that the contract with ADPI is nearly complete, finalize negotiations with ADPI as to how ADPI will provide the key receivables reporting data described in *Phase 1: Enhanced Financial Reporting.* This task builds upon the contract negotiations performed in Task 2.

Task Success Measures:	**Estimated Resource Loading:**
☐ Completed negotiation ☐ Contract with ADPI signed	1-2 SMEs, 1 Project Manager

23. POST RFP AND OBTAIN CONTRACTOR(S) FOR SYSTEM DEVELOPMENT	
Start Date: 8/1/2010	End Date: 9/15/2010

Using the normal City RFP posting and evaluation processes, post the RFP, obtain proposals, evaluate the proposals, select the desired proposal, and contract with the desired firm for the work. A selection committee should be formed comprised of the Project Manager, IT representative and Key Stakeholders in the project, as well as City Purchasing.

The proposals may require adjustments to the proposed scope of work and require the bidder to submit a best and final offer (BAFO) prior to contract negotiations.

Develop a Request for Proposal (RFP) for system integrator contract, which include business requirements, technical requirements, and required deliverables for:

☐ Software Licenses and Maintenance (if applicable)

☐ Hardware requirements (if applicable), or hosting fees (if applicable)

☐ System integrator services (e.g., planning, interface development, customization, data conversion, knowledge and skill transfer, documentation, training).

Task Success Measures:	Estimated Resource Loading:
☐ Timely issuance of RFP ☐ Minimum of three complete bids ☐ Developed selection criteria ☐ Selection of apparent successful bidder ☐ Signed contract with vendor	3-7 Selection Committee Members, 1 Project Manager, 1 Purchasing Analyst

24. DEVELOP AND DOCUMENT EMSS REPORTS

Start Date: 8/1/2010 | **End Date: 11/30/2010**

Perform the reporting development and testing work as defined in the EMS contract. Solution must meet the business and technical requirements agreed to by the City and contractor. Perform the required system integration services and post-implementation services.

At the minimum, the development must follow standard software development life cycle protocols, including:

☐ Reviewing and validating system and reporting requirements
☐ Develop reports, interfaces, conversions, enhancements, and forms specifications
☐ Fully develop the reports including interface programs, customizations, and security configuration.
☐ Develop test scripts and user scenarios
☐ Conduct final user acceptance testing

Document all EMSS reports, including:

☐ Data sources
☐ Source table and field names and definitions
☐ Query designs (including joins)
☐ Interface specification
☐ User-inputted parameters
☐ Application to accounts receivable management.

Solution must provide business and technical documentation of al reports, and meet the business and technical requirements agreed to by the City and contractor

Task Success Measures:	Estimated Resource Loading:
☐ Benchmark progress to project management plan ☐ Complete project on time and under budget ☐ Successful testing results ☐ Technical report documentation ☐ Lead or Super User (report developer or modifier) documentation ☐ User report documentation ☐ Customer satisfaction with documentation	To be determined per RFP results. Estimated 2-3 SMEs, 2 FTEs technical resources, 1 QA resource, and vendor resources

25. TRAIN USERS AND SUPPORT TEAM ON EMSS REPORTS

Start Date: 12/1/2010 | **End Date: 1/31/2010**

Develop training courses, including reference materials and handouts, for both users and technical support. This should be available in both presentation form and on the web. Provide training to required users and technical support staff. Key training activities include:

☐ Develop training plan, training feedback materials, and training tracking tool

25. TRAIN USERS AND SUPPORT TEAM ON EMSS REPORTS
☐ Identify core trainees and potential super users ☐ Schedule one to two large group training presentation/demo ☐ Schedule small group hands-on training sessions ☐ Update training materials from course feedback ☐ Public training materials

Task Success Measures:	Estimated Resource Loading:
☐ Completed training courses ☐ End user training feedback scores	1-2 Trainers

26. SELECT PARKING CITATION MANAGEMENT PROVIDER AND NEGOTIATE CONTRACT	
Start Date: 6/1/2010	End Date: 12/31/2010
The City will need to negotiate with the proposed parking citation management company as to how they will meet the City's performance management requirements. In addition, DOT and Finance must establish clear responsibilities for each party, and clear expectations for referrals of delinquent citations to City-contracted collection agencies.	

Task Success Measures:	Estimated Resource Loading:
☐ Agreements reached with new contractor ☐ Documented memo of understanding	1-2 SMEs, 1 Project Manager

27. DEVELOP PROCESS FOR REFERRING AGING PARKING CITATIONS TO CITY COLLECTION AGENCIES	
Start Date: 12/1/2010	End Date: 1/31/2010
Develop and document the process to be used by the parking citation collection contractor to refer aged citations to City collection agencies. Include notifications to be provided to Finance and Transportation. The process documentation should include, at a minimum: ☐ Process maps identifying all key stakeholders ☐ Identification of process owner ☐ Clear roles and responsibilities for process stakeholders ☐ Inventory of all forms, data elements, and communication protocols used The process will have tasks necessary to refer and track receivables sent to collection agencies, including how agencies "time stamp" receipt and verify completeness of data. The handoffs will also include the roles, responsibilities, and service levels of all organizations involved in the referral and collection monitoring process. .	

Task Success Measures:	Estimated Resource Loading:
☐ Agreed-upon process documentation ☐ Identification of roles, responsibilities, and service levels.	1-2 Business Analyst, billing SMEs available for interviews

28. SYSTEM DEVELOPMENT AND TESTING	
Start Date: 7/1/2010	End Date: 7/31/2011
Perform the system/interface development, integration, and testing work as defined in the RFP. Solution must meet the business and technical requirements agreed to by the City and contractor. Perform the required system integration services and post-implementation services. At the minimum, the development must follow standard software development life cycle	

28. SYSTEM DEVELOPMENT AND TESTING

protocols, including:

- ☐ Reviewing and validating system and reporting requirements
- ☐ Performing a fit/gap analysis and determining gap resolution
- ☐ Developing a detailed systems development project plan
- ☐ Develop reports, interfaces, conversions, enhancements, and forms specifications
- ☐ Fully develop the application, interfaces, and reports including conversion programs, interface programs, reports, customizations, and security configuration.
- ☐ Develop test scripts and user scenarios
- ☐ Perform unit testing and end-to-end integration testing
- ☐ Document complete system, including configuration
- ☐ Develop cutover plan and implement deployment plan
- ☐ Conduct final user acceptance testing

Throughout the implementation, the city should consider a quality assurance analyst and project oversight consultant to provide independent review and oversight of project deliverables.

Task Success Measures:	**Estimated Resource Loading:**
☐ Benchmark progress to project management plan ☐ Complete project on time and under budget ☐ Successful testing results ☐ User acceptance of the system	To be determined per RFP results. Estimated 5-7 SMEs, 2 FTEs technical resources, 1 QA resource, and vendor resources

29. IDENTIFY ADDITIONAL RESOURCES TO BE RELOCATED OR REPLACED (ARS AND NON-ARS)

Start Date: 8/1/2010	End Date: 8/30/2010

Identify the two accountants/ account clerks (from Fire) and the one accountant/ account clerk (from Police) that will be relocated to the centralized billing entity. Also a management analyst to assist billing, collection, and reporting activity. Determine resources that cannot be relocated (e.g., resource with Envision or CryWolf knowledge that cannot be relocated to an organization using ARS). For resources that cannot be relocated determine a replacement strategy for those resources.

Each identified resource should have a preliminary skill set assessment and job duty review to ensure a proper match with new role and function. Determine any additional training (functional or technical) needs for the identified resources.

Task Success Measures:	**Estimated Resource Loading:**
☐ Identification of resources ☐ Skill sets matched to requirement	1 Business Analyst, 1 Human Resources Analyst

30. TRANSITION EXISTING ARS-BASED (TIER-1) BILLING PROCESSES TO NEW PROCESSES

Start Date: 11/1/2010	End Date: 11/30/2010

Using the strategy detailed in the Process Convergence Plan, transition the ARS-based A/R processes for each bill to be centralized to the converged process. Include the process for transferring billing information from billing amount determination staff to invoicing staff, and the process for referring disputed bills back to the originating departments. Monitor the effectiveness of the process transition and make any necessary process adjustments.

30. TRANSITION EXISTING ARS-BASED (TIER-1) BILLING PROCESSES TO NEW PROCESSES

Identify lessons learned and solicit feedback from users. Document any transition process improvements for future transition tasks.

Task Success Measures:	**Estimated Resource Loading:**
☐ Staff satisfaction ☐ Staff knowledge and understanding of new processes ☐ Continued service levels	1 Change Management lead, 1 Business Analyst, ARS SMEs

31. RELOCATE OR OBTAIN ARS-BASED (TIER-1) RESOURCES

Start Date: 12/1/2010	End Date: 12/31/2010

Physically relocate (or obtain) one Accountant each from Fire and Police (will be cross-trained) to the centralized facility. Provide any required facility-specific training. Address any issues pertaining to the move.

Periodically review safety protocols in new location and ensure that users are properly connected to needed resources. Address any performance issues due to network connectivity or availability of office equipment as needed.

Task Success Measures:	**Estimated Resource Loading:**
☐ Transition complete ☐ Facilities and equipment function as required	1 Facilities Manager

32. TRANSITION EXISTING CRYWOLF-BASED BILLING PROCESSES TO ARS-BASED PROCESSES (INCLUDING TRAINING)

Start Date: 9/1/2011	End Date: 10/31/2011

Using the strategy detailed in the Process Convergence Plan, transition the CryWolf-based A/R processes for each bill to be centralized to the converged process. Include (1) the process for transferring billing information from billing amount determination staff to invoicing staff, (2) the process for referring disputed bills back to the originating departments, and (3) the process for obtaining historic information from the legacy system. Monitor the effectiveness of the process transition and make any necessary process adjustments.

Task Success Measures:	**Estimated Resource Loading:**
☐ Staff satisfaction ☐ Staff knowledge and understanding of new processes ☐ Continued service levels	1 Change Management lead, 1 Business Analyst, CryWolf SMEs

33. TRANSITION EXISTING ENVISION-BASED BILLING PROCESSES TO ARS-BASED PROCESSES (INCLUDING TRAINING)

Start Date: 9/1/2011	End Date: 11/31/2011

Using the strategy detailed in the Process Convergence Plan, transition the Envision-based A/R processes for each bill to be centralized to the converged process. Include (1) the process for transferring billing information from billing amount determination staff to invoicing staff, (2) the process for referring disputed bills back to the originating departments, and (3) the process for obtaining historic information from the legacy system. Monitor the effectiveness of the

33. TRANSITION EXISTING ENVISION-BASED BILLING PROCESSES TO ARS-BASED PROCESSES (INCLUDING TRAINING)
process transition and make any necessary process adjustments.

Task Success Measures:	Estimated Resource Loading:
☐ Staff satisfaction ☐ Staff knowledge and understanding of new processes ☐ Continued service levels	1 Change Management lead, 1 Business Analyst, Envision SMEs

34. RELOCATE CRYWOLF-BASED RESPONSIBILITIES	
Start Date: 11/1/2011	End Date: 11/30/2011

Relocate the CryWolf billing execution and payment processing responsibilities the centralized facility. Workload will be picked up by existing staff. Provide any required facility-specific training. Address any issues pertaining to the move.

Periodically review safety protocols in new location and ensure that users are properly connected to needed resources. Address any performance issues due to network connectivity or availability of office equipment as needed.

Task Success Measures:	Estimated Resource Loading:
☐ Transition complete ☐ Facilities and equipment function as required	1 Facilities Manager

35. RELOCATE ENVISION-BASED RESOURCES	
Start Date: 12/1/2011	End Date:12/31/2011

Physically relocate accountant or account clerk from Fire to the centralized facility. Provide any required facility-specific training. Address any issues pertaining to the move.

Periodically review safety protocols in new location and ensure that users are properly connected to needed resources. Address any performance issues due to network connectivity or availability of office equipment as needed.

Task Success Measures:	Estimated Resource Loading:
☐ Transition complete ☐ Facilities and equipment function as required	1 Facilities Manager

PROJECT CLOSING

36. CLOSE PROJECT	
Start Date: 12/31/2011	End Date: 1/31/2012

After acceptance of all work, gather and archive all project-related documentation. Perform and document a project retrospective to discuss successes and lessons learned that can be applied to similar future projects.

☐ Administrative closure procedure
☐ Contract closure procedure
☐ Final product, service, and result delivery
☐ Organizational processes finalized

Task Success Measures:	**Estimated Resource Loading:**
☐ Project closure procedures complete ☐ Post-implementation review and audit completed to satisfaction ☐ Project documentation archived	1 Project Manager, 2 Business Analysts

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Table of Contents

REVIEW HIGHLIGHTS

Why the Review was Conducted

Prior studies conducted on the City's accounts receivable management have each cited the need to implement better strategies to collect and report on the revenue associated with the bills issued by City departments for payment. In response to prior audit reports, the Office of Finance has implemented several city-wide initiatives focused on the development of city-wide revenue reports and development of more uniform policies for revenue collections.

As part of the City's continued efforts by the Office of Finance to improve accounts receivable management, the Office of Finance requested that Macias Consulting Group (MCG) assess the feasibility of centralizing billing and collections on a city-wide basis, and if feasible, develop an implementation plan for its execution.

To conduct the study, we assessed the billing and collection activities of 17 City departments and met with the City's Information Technology Administration to assess the capability of the City's new core financial management information system currently underway in development and implementation. For each department, we assessed processes, functional requirements, resources, timeliness, and workload volume. The results of this study are described in this report followed by strategies and recommendations for improving the City's accounts receivable management function.

Centralized Billing Feasibility Study

What the Review Found

Our study found that actions such as greater and earlier involvement by the Office of Finance in monitoring and conducting bill generation, issuance, and collection, for many key types of bills issued by City departments, can enhance the City's revenue recovery efforts.

Greater centralization of billings and collections offers other key benefits, such as streamlining operations, integrating information systems, improving managerial decision-making because of better billing and collection reports, and offering the potential to strengthen accountability for performance among fewer entities. In this study, we describe that greater involvement of the Office of Finance can work given the experiences of other governmental entities and the success of the City's own Department of Public Works (Public Works) to centralize key components of accounts receivable management, such as bill generation, receivable posting, and collections and integrating invoice data submitted by its bureaus onto one invoice. Centralization, however, does have its drawbacks for some types of bills issued by the City, such as a high cost of system integration, information handoffs, and the requirement to ensure consistent and uniform implementation of new business processes. The City would have greater likelihood of success in centralization efforts if it were to assume a greater role in billing execution activities and leave departments responsible for compiling and summarizing the data for bill preparation

We recommend that the City take a phased approach to enhancing accounts receivable management. Phase 1 would expand billing and collection reporting and performance management. Phase 2 provides direct bill generation, issuance, and collection, including billing monitoring and oversight to the Office of the Finance for bills with similar processes and/or with high levels of outstanding collections. Eleven bill types among three departments would be directly affected in Phase 2, such as Emergency Medical Services (EMS) billings, Fire brush clearance and permit billings, Police false alarm billings, and parking citation collections. For EMS billing, the City's Office of Finance would have responsibility for the billing and collections process after the bill has been issued for reimbursement and the Fire Department will have responsibility for ensuring that its proposed vendor has all the information it needs to prepare a bill. The City should implement Phase 3 when determining whether to replace key departmental billing systems and/or should collections in departments with high collection efficiency substantially decline. Phase 3 increases the scope of moving accounts receivable management under the Office of Finance, but at a greater cost to the City.

Our analysis estimates that one-time costs for implementing Phase 1 are $817 thousand, and that Phase I will take 18 months to complete. Phase 2 has a one-time cost of $7.5 million and will take three to four years to complete. The potential return on investment could be realized in year two of centralization. The City could expect a net increase in potential revenues of $274 million over six years. Finally, this report provides other department-specific recommendations to strengthen billing and collections among virtually all of the departments included in this review.

BACKGROUND

The City generates revenue from a variety of sources, including fees for services, penalties and fines, and permits. In 2008, the City generated nearly $450 million in revenue from these and other sources. Whenever practical, revenues are collected up-front. When up-front collections are not practical, the account is billed. City policies require departments to bill accounts within five days of providing service. The customer is then given 30 days to make payment. If payment still has not been received within 30 days, the account is considered to be delinquent. Within 45 days of delinquency (nine months for emergency ambulance billings), departments are required to refer accounts under $3,000 to an outside collection agency. Accounts of $3,000 or more should be referred to the Office of Finance's Citywide Collection Unit. As of June 30, 2006, City departments reported over $170 million in accounts receivable (net of a $502 million allowance for uncollectible accounts) related to all funds except proprietary funds. The City reported that the high dollar value of accounts receivable and the potential for additional revenue make it critical for the City to have proper controls in place to maximize collections and manage its receivables.

The Controller's Office reported in June 2007 that City departments were not following several key City billing and collection guidelines and the Office of Finance (Finance) was providing limited oversight to ensure compliance with the guidelines. The Controller also reported there needs to be better coordination amongst departments and explained that many of the problems could potentially be eliminated if the billing and collection process was centralized provided that the City invest in an information system infrastructure.

City management has recognized the importance of accounts receivable management. The City has implemented the majority of recommendations from two accounts receivable analyses (Ernst and Young and Altmayer Consulting) conducted in the 1990s. These recommendations included reporting delinquent accounts to the Mayor's office, establishing a central revenue management and collections unit, developing policies and procedures for management and follow-up of billings and receivables, and contracting with collections agencies to aid delinquent account collection. Another recommendation, moving towards a city-wide accounts receivable management system, is a key part of the current Financial Management System (FMS) implementation project. Finance was created as a new department in 2000. The department's primary responsibilities include developing guidelines for collecting outstanding accounts receivable and making recommendations to the Mayor and Council concerning the efficient organization of the revenue collection functions performed by City offices and departments. These responsibilities are specified in Section 300 of the City Charter.[1]

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[1] The Office of Finance shall have the power and duty to:
(a) develop and implement the City's revenue policy consistent with the Charter and ordinance, and develop guidelines for the collection of outstanding receivables;
(b) collect revenues and issue those licenses, permits and tax registration certificates not issued by the City officers or departments; and
(c) make recommendations to the Mayor and Council concerning the efficient organization of the revenue collection functions performed by City offices and departments.

In 2002, the Mayor's Office instructed departments to comply with the Citywide Guidelines to Maximize Revenue Collections (Guidelines) developed by Finance. On October 20, 2005, the Mayor's Office issued Executive Directive Number 5, which again mandated all departments (except for proprietary departments) to comply with the Guidelines. It also indicated that Finance would monitor referrals and compliance with the Guidelines and advise the Mayor's Office of the progress of departments. The current FMS implementation will address some of the remaining recommendations that were made from prior reviews that examined billing centralization.

In a city audit report dated June 11, 2007, a recommendation was made to the Mayor to direct Finance to consider the feasibility of centralizing billing and collection functions under Finance. The Mayor concurred with the Controller's recommendation and Finance took steps to address the issue of billings and collection centralization.

PROJECT OBJECTIVES

In March 2009, the City of Los Angeles (City) requested Macias Consulting Group to:

- Analyze the feasibility of centralizing the billing and collection functions within the Office of Finance; and,

- Develop an implementation plan for the project. (Under Separate Cover)

SCOPE

Macias Consulting Group examined billing and collection activities among the following 17 departments, offices and bureaus (departments)

1. City Controller
2. City Administrative Officer (CAO)
3. Office of Finance
4. LAFD (Fire Department)
5. Bureau of Street Lighting
6. LAPD (Police Department)
7. Building and Safety
8. Housing
9. Personnel
10. Transportation
11. General Services
12. Bureau of Sanitation
13. Bureau of Engineering

14. Planning
15. Environmental Affairs
16. City Attorney
17. City Clerk

The Information Technology Agency (ITA) was included in the study to determine current efforts underway to enhance billing and collection processes.

The 17 City Departments were responsible for generating various types of revenues, such as.

- Parking Citations
- Emergency Medical Service billings
- Vehicular Damage
- Street Lights, Traffic Signals, other real and personal property
- LAPD Traffic Accident Reports
- Judgments
- DUI cost recovery
- Claims Management
- Court Ordered Restitution
- Employee Salary Overpayments.
- Routine statutory fees billed and collected by departments.
- Accounting, lockbox and revenue receipt processes
- Non-delinquencies/special billings and associated systems

Per our task order, excluded from our review were:

- All proprietary department billings and collections even if some of their accounts receivable include items from non-proprietary departments (e.g. Sewer Service charges, Sanitation Equipment charges, etc.)
- Interdepartmental billing
- Grant billing, and
- LADOT parking meter collections

METHODOLOGY

To address our study objectives, we first met with Finance to confirm our understanding of the scope of the study. We reviewed all prior audit reports related to billings and collection activities and analyzed City-wide billing and collection guidelines. An updated project plan was then prepared that described how our firm would address the project's key objectives. The project

plan that described the approach to the feasibility study was reviewed and agreed upon by Finance staff.

Our approach included an examination of the following components:

- Logistical Issues – organizational structures/reporting alignments

- Systems Requirements

- Personnel Requirements and Employee Relations matters

- Application of Best Practices

- Conformance to Citywide Collection Guidelines

- Local, Federal & State Code mandates.

To begin our study, we developed a web-based department survey to identify the types of billing invoices prepared by City departments and to collect information on the resources and tools utilized to prepare the bills and to collect the revenue. The web-based survey addressed:

- Types of billing performed

- Billing transaction volume

- Department involvement in the preparation of a bill or claim

- Identification of applicable state and federal regulations

- Full-time equivalent positions involved in preparing bills and claims

- Use of information systems and requirements utilized in the preparation of bills and claims.

The results of the survey were used to identify the departments that relied on manual and electronic billing processes and to identify departments that generated multiple bill types. This information was used to begin the identification of City departments that could be possible candidates for billing and/or collections centralization. The data gathered from the survey was verified by Finance.

Using the results of the web-based survey, we gathered additional information from all of the 17 City departments included in our review. Our data gathering focused on billing issues and areas specific to centralization feasibility, such as staff and system utilization, and the volume of billing and collections. We then conducted structured in-person interviews with department representatives to variously collect information on the following areas:

- Billing and collection job processes

- Total annual revenue of claims or services provided

- Invoice volume – annual dollar amount and number of annual invoices created

- Number of employees involved, including their classification, percentage of time, and role (e.g., invoice amount determination, invoice review/ approval, physical invoicing,

payment processing – if in-house), subject matter operations and billing and collection activities

- Invoice determination method (e.g., recurring payment (e.g., loan), fixed fee-for-service (or goods), cost recovery, other)

- Calculation method (e.g., electronic rate table, manual, other)

- Extent to which invoices are contested

- Invoicing system used (e.g., ARS, local accounting application, Excel, Access, other)

- How the invoice is entered into the system, e.g. as a receivable

- Method of payment (e.g., lockbox, electronic, check, cashier)

- Collection vendors used

- Staff dedicated to collection activity

- Departmental advantages and disadvantages of billing and collection centralization

- Status of the City's implementation of its new core financial management information system.

To undertake this study, we had to meet with and interview staff at each department to understand the business and technical requirements related to billing and collection processes. Using Generally Accepted Government Auditing Standards (GAGAS) as our guideline, we discounted many subjective opinions and observations made by City staff. We considered information and observations obtained from the City departments that were relevant to our analysis of centralization feasibility. Prior to and during the meetings at each of the departments, we requested and reviewed multiple documents for this project. The reports and other data that we gathered were used to help assess the feasibility of centralization including validating information reported by City departments. Key documents that we reviewed included:

- Audit of Citywide Billing and Collection Practices, June 11, 2007 by the Los Angeles City Controller

- City of Los Angeles Accounts Receivable Analysis, April 19, 1991 by Ernst and Young

- City of Los Angeles, Accounts Receivable and Collections Implementation Plan, July 18, 1996 by Altmayer Consulting

- Finance Department Report of the Billing and Collections Operation of the Los Angeles Fire Department, 2008

- Finance Department Report of the Billing and Collections Operation of the Los Angeles Police Department's Commission Investigation Division, 2008

- Citywide Guidelines to Maximize Revenue Collection, June 2007, Office of Finance

- Mayoral Directive Number 5, Revenue Billing and Collection, October 20, 2005

- City Administrative Code, sections 5.181 through 5.186

- Los Angeles Municipal Code

- City Organization Chart

- Applicable department billing procedures

- Applicable department financial reports

- Samples of invoices generated

- ITA documents on the City's new core financial management information system implementation – AMS Advantage 3 (FMS) system.

Where departments did not have written billing policies and procedures, we gathered as much information as possible about the current billing and collection procedures administered by the department. No one agency official was relied upon and instead, information on billing and collections activities was gathered from agency managers, supervisors and billing and collections staff.

We obtained information on collection effectiveness from both department interviews that were verified against Finance's quarterly "dashboard" data on aging receivables. Finally, the documents and other information from each department were used to analyze and determine the extent that the departments had similar billing and collection processes and to identify those types of billings that would likely best fit the plans of the City's new accounts receivable module.

During the course of our data collection efforts among the City departments, we determined that multiple City codes and statutes were key drivers of department billing and collection processes. We identified to the best extent possible, with City assistance, the specific codes and regulations governing billing and collection activities. To further examine the feasibility of centralizing billing and collection activities, we conducted a review of other governmental agencies that have experience with centralization efforts. California cities were chosen because all must adhere to California Controller financial reporting requirements and Medicaid reporting requirements related to EMS billing. We specifically added Phoenix and Dallas due to their experience with centralization efforts that occurred during a new system implementation. Including city size as a selection criterion is not useful for this type of study, which was designed to identify lessons learned of entities that underwent centralization for considering strategies for enhancing accounts receivable management. We intentionally excluded several large Midwest or east coast cities because the differences in their governmental structure preclude obtaining useful data for valid comparison with Los Angeles.[2] Our analysis leveraged our experience with over 100 finance and

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[2] In response to a question posed by the Mayor's office on activities for the cities of New York and Chicago, New York City outsources EMS billings to the private sector. The Fire Department of New York manages the contract. The Department of Finance manages parking citation collections, as well as certain other vehicle-related collections such as red light camera-related fines and towed vehicle fees. We were not able to determine if the Department of Finance administers the bill generation process. The information collected from the City had no bearing on the outcomes of this report.

We also note the City of Chicago outsources EMS billings to a private vendor. The Department of Revenue manages the contract, while the Fire Department maintains patient medical record information. The Department of Revenue

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billing reviews. In addition, we leveraged our prior experience with auditing and reviewing EMS billing services providers.

Finally, in the development of our strategy that addresses centralization of billing and collections, we considered the following: (1) extent of changes needed with city codes; (2) the specialized skill set and knowledge required in bill preparation, and (3) the extent of customization required for integration into the City's new billing system. We developed a phased approach for centralization of billings and collections. The phases included (1) enhancing the financial reporting capability of the City; (2) establishing a greater role by Finance in accounts receivable management for 11 bill types; and (3) fully centralizing billing and collection activity for another 20 bill types. For each of the centralization phases, we developed a cost/benefit model to estimate its cost of implementation. The cost/benefit model included the following variables that were analyzed: staff salaries and benefits, hardware purchase, software purchase/licenses, telecommunications, facilities, contract services, (e.g. software customization, project management, business process analyst, change management, other contract services), training, bill preparation staff, payment processing staff, reporting staff, agency facilities, potential revenue increases. The model forecasted cost and cost savings over a five-year time frame. Included in our cost/benefit model was an analysis of the qualitative advantages and disadvantages that centralization of billing and collection activities could provide the City.

In building the cost/benefit model, we obtained and analyzed:

- Full-time equivalent (FTE) positions provided by each department for invoice determination, bill preparation, review, payment processing, and direct IT support

- One-time and continuing project staffing estimates for centralization from prior feasibility study and project planning engagements

- Average salaries of accounting, management analyst, and other billing-related staff in the 2008-09 *Detail of Department Programs – Supplement to the 2008-09 Proposed Budget* (Blue Book)

- 2008-09 Cost Allocation Plan (CAP) rates for each department, provided by Finance

- Information technology interface cost data

We used this information to develop the cost per each general billing type and the required staffing which would need to be transferred to a centralized billing entity. We estimated benefits based on results from our peer review of other governmental entities, department data, and prior studies. We validated our system integration estimates with the City's ITA. Detailed cost estimates for centralization are provided at the end of this report.

Our engagement was conducted in accordance with generally accepted government auditing standards between March, 2009 and October, 2009. Those standards require that we plan and

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also manages parking citation collections. We were not able to determine if the Department of Finance administers the bill generation. The information collected from the City had no bearing on the outcomes of this report.

perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives.

A draft report was provided to the City of Los Angeles and comments were incorporated into this report as appropriate.

SECTION 1: SOME CENTRALIZATION OF BILLING IS FEASIBLE

Reduction of Fragmented Billing Processes Could Occur

We identified at least 88 types of invoices that are prepared among the 17 departments included in our review, as shown in **Table 1.0**. To prepare the invoices for payment by residents, vendors and other governmental entities, the billing processes varied among all of the departments. Officials from each department explained billing processes required multiple components of information for bill preparation, and that for many of the departments, the billing process evolved over many years. With a centralized billing process, more uniformity could occur in bill preparation leading to better and more formal training of new staff.

Table 1.0: Types of Invoices Generated Among City Departments

Department	Type of Invoice
Building and Safety	1. Residential and commercial inspections 2. Elevator inspections and elevator consultations 3. Pressure vessel inspections 4. Pressure vessel-insurance 5. Off-hour inspections 6. Subpoena fees 7. Bad check fees 8. Annual inspection monitoring program (AIM) 9. Non-compliance of building codes 10. Revocation fees 11. Repeat violations 12. Fabricator facility inspections 13. Repair and demolition permits 14. Special event inspections 15. Off-site sign inspections 16. Permits 17. Other miscellaneous billings (example- LA Unified School District developer fees)
Public Works Departments (includes Bureaus of Sanitation, Engineering and Street Lighting)	18. Work orders 19. B-permit 20. Damage claims 21. Miscellaneous charges 22. Excavation permit 23. Compost sales 24. Brush tipping 25. U permit 26. Overload permit

Department	Type of Invoice
	27. CLARTS 28. State highway 29. Street lighting maintenance 30. Right of way rental 31. Contractual agency 32. Industrial waste 33. Septic waste hauling 34. Groundwater 35. Street lighting assessment 36. Refuse and recyclable collections
City Attorney	37. Litigation cost recovery
City Clerk	38. Bus. Improvement Districts – merchants
City Controller	39. Heir finder fees 40. Copying services
EnvironmentLA	41. Solid waste permit/ landfill fees
LAFD	42. Emergency medical services (city) 43. Fire safety officer 44. Emergency inspection 45. High rise inspection fees 46. Kaiser targeted–destination transport fee 47. San Fernando fire services 48. Reimbursement on employee relations 49. Miscellaneous fire services 50. Division 15 construction plan check fees 51. Film safety watch 52. Brush clearance 53. Non-compliance fee 54. Permits 55. Regional fire officer training classes 56. Expedite plan check 57. Certified Unified Program Agency
General Services	58. Lab testing 59. Filming permits 60. Real residential and commercial property rental 61. Lab testing services 62. Lab testing services to two (2) commercial pipe manufacturers.
Housing - Fee Billings	63. Annual rent registration fees 64. Annual systematic code enforcement 65. Substandard fees 66. Rent escrow account administration fees 67. Urgent repair 68. Tenant relocation assistant 69. Inspection fees 70. Legal bills 71. Delinquent bills 72. Other fees
Housing – Real Estate Billings	73. Servicing of secured real estate loans

Department	Type of Invoice
Personnel	74. Flex benefits 75. Commuter program
Planning	76. Full Cost Recovery (FCR) 77. FCR - expedited permit
LAPD	78. False alarm billings 79. DUI charges 80. Board-up billings
Transportation - Parking Citations	81. Parking citations
Transportation – Other	82. Vehicle for hire permit 83. Other permit fees 84. Taxi permits and fees 85. Pipeline and franchise fees (non-gas) 86. Gas franchise fees 87. Filming permits 88. Temporary traffic signs

We provide below a general description of the billing process for each department included in our review to show differences in procedures and resources requirements.

Building and Safety Department

The LA Department of Building and Safety (LADBS) generates several types of bills for different types of inspections, permits, fees and violations related to construction and building safety. The processes used to manage the billings vary depending upon the type of service provided and the systems that are used to support the management of the services. The LADBS generates bills for the following types of services:

- Residential and commercial inspections,

- Vehicle and auto repair inspections,

- Residential and commercial building permits,

- Back check fees,

- Building code violations, and

- Elevator and pressure vessel inspections.

All of these separate bill types are managed within separate systems that administer the work associated with the inspection, collect the billing data, and then electronically transfer the billing information into the department's accounts receivable system, FSS (Financial Services System). FSS generates the bills and also manages delinquent accounts. These separate "feeder systems" that collect and transfer billing information into FSS are:

- Automated Cash Register System (ACS): Used by the cashiers at the five major Building and Safety Construction Service Centers. The system allows electronic recording of financial transactions, validates the payments against the fees due, and facilitates credit card processing. ACS directly interfaces with FSS to close out open receivable items. The CR document is interfaced to FMS via CashWiz.

- Code Enforcement Information System (CEIS): Used by code enforcement to track and report code enforcement cases. The system primarily handles compliance cases and issues "Order to Comply" notices. CEIS also tracks follow up inspections and non-financial information related to the services provided. The data is transferred to FSS.

- Elevator Pressure Vessel System (ELPVS): Automates the processing of elevator inspection data and pressure vessel inspection data. The system stores inspection data, state-reportable data, billing of City inspections, and generates operating permits. The system functionality, however, has been replaced by functions residing directly in FSS.

- Plan Check Inspection System (PCIS) and Plan Check Activity Module System (PCAM): Systems are used for tracking building permit-related fees and data as well as engineer's time and the processing of plan check applications. All accounts receivable information is fed to and managed within FSS.

Billed amounts are calculated in rate tables automatically, but bills involving repairs performed by contractors (repairs, demolitions) are based on the contractor invoice. For these invoices, a 40 percent processing fee is added.

Bureau of Engineering

The Bureau of Engineering invoices customers for fees for project services. As staff implements project orders, employees enter their time worked on projects into the City's payroll system. The payroll system is then used to download and extract billing-related data, such as labor hours and labor rates of staff. Key steps in the billing process include:

- Collection of advance payment prior to commencement of work,
- Generation of work order by General Accounting,
- Stoppage of work order (optional),
- Interface with PAYSR by engineering,
- Download of PAYSR and Merlin labor data into Excel by engineering,
- Preparation of billing detail,
- Review of billing detail,
- Engineering manager approval of the bill,
- Final bill preparation by Public Works General Accounting's Office, and
- Inputting of invoice data into FMS by the General Accounting Office.

Upon downloading labor data from the City's payroll system and the Merlin system, Bureau staff manually enters data into Excel data files to determine the billing amount due. The invoice data is then hand delivered to the Accounting Division of the Public Works Department so that a final

bill can be prepared showing the amount due from Engineering and other bureaus. The Accounting Division of the Department of Public Works submits the bills to customers and manages the accounts receivable for the Engineering Department. The information systems used by the Bureau include the City's payroll system, PAYSR, and the City's project management system, (Merlin). All of the data is downloaded into Excel. Four administrative staff are involved in the billing process: one administrative assistant prepares invoices for street related projects, another administrative assistant prepares invoices for privately financed projects, while another prepares state or MTA invoices. The remaining administrative assistant prepares all federal invoices. Bureau staff explained that different bill types were assigned to specific dedicated staff because each bill type requires different knowledge s to ensure accountability and bill accuracy. These staff perform other non-billing related activities.

Bureau of Sanitation

The Bureau of Sanitation provides industrial waste, septage waste hauling, groundwater, refuse and recyclable collection related services, and uses a variety of methods to calculate invoice amounts. Staff with specialization in each of these respective areas collect and calculate the fee amounts to be invoiced. For some fees, electronic databases including PIMS are used to gather invoice data and calculate the fee amount and in other instances, the determination is a manual process.

To develop and calculate industrial waste and septage waste haulers fees, Bureau staff use electronic rate tables which assist them in calculating the amounts to be billed. Staff performs manual calculations to develop groundwater fees. Staff also transfers data from two consecutive databases (Excel and Access) to an invoice database (Access) to calculate fees for recyclable collection services.

To send invoices to industrial waste and septage waste hauling customers, the Bureau currently uses the services of the Information Technology Agency (ITA) to generate the invoices electronically and the Department of General Services to print and send the invoices. Invoices for groundwater fees are generated by the Public Works Office of Accounting and mailed by the Industrial Waste Management Division (IWMD) Invoice amounts for recyclable collection services are computed by the IWMD and transferred to the Public Works Office of Accounting which creates and mails the invoice. All of the Bureau's invoices are posted to the City's financial system by the Public Works Office of Accounting. In the near future, the Bureau plans to generate and mail invoices for all of its services in-house.

Bureau staff resources dedicated to billing activities includes technical and clerical personnel. Technical l personnel calculate the invoice amounts and clerical personnel carry out remaining billing processes. For recyclable collection services, one staff person prepares the entire invoice which is subsequently reviewed by a supervisor.

Dedicated personnel resources for industrial waste, septage waste hauler and groundwater invoicing includes an Engineering Associate (approximately 18 percent of annual time); Industrial Waste Inspector (approximately 71 percent), Accounting Clerk (approximately three percent) and a Senior Clerk Typist (approximately 100 percent). For refuse and recyclable collection, one full time staff person is devoted to invoicing and related tasks.

Bureau of Street Lighting (BSL)

The Bureau of Street Lighting is responsible for street light maintenance and repair whenever a street light has been damaged, usually by an auto. To determine the cost to repair or replace a street light, Bureau technical staff calculates the cost using an in-house Asset Management System. Damage report information is collected, such as costs for materials, labor and equipment charges to make the necessary repairs. Subsequently, clerical staff generate and send the original invoice to Finance and a copy to the Public Works Office of Accounting. The Office of Accounting creates the receivable on the City's financial system and Finance posts the invoice and mails the original invoice to an insurance company or liable party and is responsible for interacting with them to collect on the invoice.

Bureau resources to perform the calculation of repair and replacement costs involve a variety of technical staff who have input into the calculation. The Bureau also requires the services of two Senior Clerk Typists (approximately 20 percent and 10 percent of their respective time).

City Administrative Officer

The City Administrative Officer (CAO) oversees and troubleshoots billings by City agencies to the three Proprietary Departments (Airports, Harbor and DWP). The office becomes involved when there are significant disagreements that cannot be resolved by the respective City and Proprietary Department. Most billings, approximately $92 million annually, are pursuant to MOUs between the City and the Proprietary Departments. About 99 percent of all billings are collected via an interdepartmental transfer.

The chief administrative analyst spends about five to eight percent of his time on this activity. A staff person reporting to him spends about 40 percent of his time on this activity. Approximately once per year, sometime less, the CAO prepares a one-time invoice. The amount and type can vary. There is no systematic billing process tied to specific services.

City Attorney's Office

The City Attorney recovers litigation costs when the City prevails in a court case. Litigation cost recovery averages 10 to 15 cases per year, with settlement amounts ranging from $500 to $20,000. For each case, a clerk obtains time estimates from attorneys (City attorneys do not normally track time per case) and computes a cost based on hourly rates. The clerk also obtains any case-related expenses from FMIS, using the InfoAdvantage reporting tool. The clerk then forwards the overall cost compilation to the attorney in charge of the case. Staff reported implementing the following key tasks:

- Determine case-specific expenses from FMIS,
- Obtain attorney's hour estimates for case,
- Create a cost memo with amounts,
- Send cost memo to attorney,
- Attorney adjusts costs as part of settlement agreement negotiation and includes in settlement agreement,
- Attorney receives payment,

- Attorney forwards payment to Accounting, and
- Accounting creates cash receipt and credits revenue account.

During the process of negotiating a settlement agreement, each attorney may elect to use the actual City costs, or a different negotiated amount, for cost recovery. Obtaining full or partial cost recovery is up to the discretion of the attorney. The Department reported that one accountant is utilized to support the claim process.

City Clerk's Office

The City Clerk generates a limited number of invoices for local Business Improvement Districts (BIDs). These districts are not under the City's General Fund. The Clerk has documented its billing processes and prepares invoices using the City's ARS system. Because the billings are for a special fund, the City Clerk does not report aging receivables to Finance. The Clerk estimated that they collect about 85 percent of invoices.

City Controller's Office

The City Controller's Office generates fee-for-service invoices for copying, freedom of information requests and heir finder services. Staff prepares invoices upon receiving payments by customers based on the extent of services provided to the public. For example, the city charges for copying on a per page basis. Controller staff explained the volume of transactions generated by the Office is minimal. Additionally, administrative assistants that generate revenue transactions were trained through hands on training and no special knowledge is required. All of the invoicing and receipting is manually performed by staff using general templates.

EnvironmentLA

EnvironmentLA (formerly the Department of Environmental Affairs) invoices customers for cost recovery of solid waste permits and environmental study fees. Most bills are prepared annually, and the department uses less than 20 percent of a full-time-equivalent employee for bill preparation, review, and payment processing.

For invoice determination, an accountant summarizes time charged to work orders that are extracted from FMIS. The accountant also adds consultant charges from purchase orders and other related expense, then enters the data into ARS to create the receivable and invoice once the invoice amount is determined.

ARS is used for accounts receivable management. The department uses a mix of local knowledge and the Controller's User Manual as a guide for billing processes. Customers send payments directly to the department, and the department accountant posts the payment in ARS. Follow-up on aging receivables and collections has been a low priority for the department.

Fire Department

The Fire Department (LAFD) collects information and processes billings for several types of services using multiple systems and involving several separate offices and personnel depending

upon the type of bill produced and service rendered. In general, the LAFD produces the following types of bills:

- Emergency Medical Services: As department ambulance crews respond to incidents and provide medical services and transports, the information is collected and input into the department's EMSS system. A dedicated office of 40 personnel extracts the information needed for billing and generates the invoices to patients and insurance companies. To accomplish these tasks, staff must check eligibility of Medi-Cal and Medicare status for transported patients and complete the appropriate claim forms for reimbursement by the applicable entities. For patients that have been identified as private-pay patients, the department directly submits invoices/claims for reimbursement. When claims are denied for payment by third party insurers, entities have the right to appeal or re-submit a claim provided that it addresses the issue that led to the initial denial. Denied or delinquent billing collections are not currently being accomplished for this type of billing. In November 2008, the Board of Fire Commissioners approved a resolution[3] authorizing the Fire Department to enter into contract negotiations with a billing and collections vendor for outsourcing invoicing of emergency medical services. The vendor specializes in medical service collections, including third party reimbursement. At the time of our review, the Fire Department was finalizing the contract with the vendor with a target of transitioning ambulance billing and collections in early 2010. We concur with the City's action to outsource billings and collections for the Fire Department, but as discussed later in this report, Finance should have a greater role in accounts receivable monitoring and follow-up efforts with the Fire Department and ensuring the vendor has the data it needs to prepare claims for reimbursement.

- Contracted Emergency Medical Services: The LAFD provides ambulance services to other jurisdictions such as San Fernando Fire, Santa Monica, and Bell Canyon (Ventura County): Bills for these services are processed and produced manually based upon information downloaded from the department's dispatch system. The information is then given to the accounting department which bills the other jurisdictions through the ARS system. The fees for these services are based upon an agreement or contract between the agencies.

- Kaiser Target Destination Transport Fee: This is a fee for ambulance service and transport of Kaiser members to a Kaiser facility. The rates are based upon a contract the City has with Kaiser and billing is accomplished within the ARS system.

- Fire Safety Watch: Movie studios or other public events often have a LAFD officer on site to monitor for any fire or safety hazards. A permit is first obtained for the work followed by scheduling of an officer's time. Billings for this service are based upon the officer's time and rates that are stored within the ARS system which generates the invoices.

- Inspections: Safety inspections are performed on high-rise buildings on a yearly basis. The amounts to be billed are first calculated in Excel based upon the square footage of

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[3] Board of Fire Commissioners resolution BFC 08-131, approved November 18, 2008.

the building and the type of building. Billing is then accomplished and managed within the ARS system.

- Underground Storage Tank Permits: Businesses that install an underground storage tank need to obtain a city permit. The rates are pre-determined and billing is accomplished within the ARS system. Yearly inspections of the tanks are managed within the Envision system.

- Division 15 Construction Plan Check Fees: This type of fee is done in conjunction with the City Building and Safety Department and is a fee for review of the construction plans. Applicants usually pay this fee when a building permit is provided. A separate MS Access database is used to reconcile all of the plan check fees with the other fees required by the Building and Safety Department.

- Hazmat, Underground Storage Tank Inspection, Above Ground Storage Tank Inspection, Accidental Release, and Risk Management Plan Fees are all managed within a separate Envision system within the department. This system is used to track permits and fees for the Certified Unified Program Agency (CUPA), which is a set of three participating agencies: the City, County, and State. The system manages the activities of the inspectors and uses electronic rate tables to determine the fees charged.

- Brush Clearance Program: Bills are sent to property owners when the City determines that the property presents a fire hazard and the owner has not properly cleared the hazard vegetation. The Vegetation Management System (VMS) tracks and manages inspection activities. Information used to generate invoices is extracted into an MS Access database and sent to an outside contractor and the Department's accounts receivable unit for processing. Billing information is then sent to Standard Register which prints and mails out the invoices. The Brush Clearance costs are billed on one invoice and a separate one is also sent for non-compliance. All cash receipting and processing is managed within the LAFD.

The majority of billing volume, over 80 percent of all the LAFD's bills, is for emergency medical services. There are currently about 40 full time personnel needed to support EMS billing including the coordination with medical centers and legal work. About 20 of these personnel are involved with the physical bill generation. Invoices are prepared, processed and posted within the LAFD.

General Services Department

The Department of General Services (GSD) bills external customers for special events, laboratory testing and filming. It also manages the leasing of City property. GSD receives payments in advance for special events held on City property, typically three or four per month, with total annual receipts being approximately $2,000 to $3,000. Concrete testing services are provided to the City of Glendale and to two concrete manufacturers, with total annual revenues of approximately $36,000. Annual revenue from the issuance of permits to film on City property is approximately $120,000.

The GSD manages the leasing of City buildings. This involves the negotiation of leases along with the preparation and sending of monthly bills and the collection of rent pursuant to the

leases. Total annual revenue for this activity is approximately $1.9 to $2.2 million. There is no standard lease with the leasing terms developed by negotiation with the tenant.

The GSD's processes for issuing invoices for permits and testing service invoices are manual and managed with a Peachtree Accounting application.

Housing – Fee Billings

The Housing Department bills customers for numerous fees, including code enforcement and rent registration. It uses multiple information systems to collect the information necessary to generate a bill. The department uses the following key systems, in addition to the main system HIMS:

- Building and engineering databases for property verifications,
- Building and safety database for safety information on properties,
- Real Quest – to obtain property information database,
- ZEMAS – parcel information, to find the location of the properties,
- Google maps to help assess what is on the property, and
- California Secretary of State data systems for business identification.

Each type of bill has a different billing process implemented by staff. Generally, invoicing involves a set of complex decision trees that billers use to prepare invoices. For example, rental properties are subject to City ordinances, such as rent stabilization and static code enforcement ordinances. Based on these ordinances, the property could be subject to annual fees based on the number of units on the property. The actual fee amounts are prescribed in the ordinances and charged to the property owner. But to prepare the invoice, billing staff must identify the number of rental units on each property and determine whether the character of the property has changed. Staff explained the character of the property can change just enough, such as a new façade or major renovation, to require a change in the fees charged.

Staff obtains descriptions of the properties through other systems. Staff also uses county information systems to identify the correct address of the property owner for bill issuance, but the addresses are not always updated. While City ordinance prescribes the fees, the ordinance also allows fee exemptions. Each biller must be knowledgeable of the ordinances to address billing questions from property owners. Department staff reported that exemptions prescribed in city ordinances require extensive experience in their proper application.

The amount of time to prepare the annual rental registration bills can take up to one year to complete the entire billing process. For each type of bill generated by the department, a different invoice format is used. To develop the skills necessary to generate invoices, a minimum of six months is needed for new employees. To be able to respond to all of the different inquiries by city residents, another year of training is needed. Billing processes at the department require up to 23 staff with most of their time spent on verifying the accuracy of property address and the number of units on the property. Three full-time equivalents (clerks and a senior analyst) prepare the invoices. Another two information system staff are also utilized. The Department of Housing is in the process of completing a multiyear implementation of a robust financial management

information system. Department officials explained it has been prolonged system implementation requiring substantial resources because of the complexity of billing requirements.

Housing – Real Estate Billings

The Housing Department processes and manages real estate loans. Loan processing and servicing is vastly different from any other department's receivable management activity because it involves the preparation of loan documents and statements for applicants. Initiation of loan payments begins upon receipt of loan application and all supporting documentation, which is then reviewed by a loan processor. Eligibility for a loan is determined with a credit check of the applicant. Key tasks of a 63-point loan process are shown below:

- Loan processer follows up on outstanding issues
- Loan processor waits for data
- Loan processor enters the data into the system, once received
- Decision is made by another loan processor to grant loan
- Management provides approval of the loan
- Any questions are addressed by staff
- Loan documents are prepared
- May to go to City Council if loan amount exceeds threshold
- Loan documents are reviewed
- Loan documents are given to applicants
- If commercial loan, then the documents are generally reviewed by the attorney
- Communication between department and attorney
- Staff finalize loan documents
- Signature of loan documents
- Initial loan payments are made and processed by Accounting division with the Housing department
- Loan staff create loan/mortgage statements that are distributed
- Loan monitoring for default

The department has established robust segregation of duties to prevent fraud or abuse so that no one person handles the entire loan origination and payment process. Up to 12 staff handle about 5,000 loans and each are variously involved with components of the loan process from handling loan initiation activities to entering loan information into the department's financial system.

Personnel Department

The Personnel Department bills employees each month for alternative commute programs (e.g., rideshare) and flex benefits for employees on leave. Bills are manually prepared and captured in Excel, but reports are not prepared that would provide month-to-month comparisons of billing

totals, and a step is needed to ensure the completion of all bills. For charge calculation, vanpool/rideshare billings are based on standard charges and for flex benefit billings, an accountant must look up the cost from the third party administrator and the City-paid amount per the employee's bargaining unit.

The accountant will print and mail the bills to employees. The bills are tracked as receivables on a spreadsheet (not in ARS or another system), and input as cash receipts upon payment. Given that continued benefit coverage is dependent on current payment by employees, Personnel Department billings have extremely high collection efficiency and do not constitute a material part of the City's receivable collection issues. The department does not routinely track revenue activity.

Planning Department

The Planning Department issues invoices for cost recovery on services provided in connection to building projects. Similar to the Engineering Bureau, customers generally pre-pay for services. Project managers determine invoice amounts based on actual work performed by Planning staff, using the ARS, PAYSR, and Merlin reports. Often, the project manager must make adjustments to the billing amount, such as writing off hours charged to a project that were excessive, such as a new employee's on-the-job training. An accountant manually inputs charges into ARS (for normal cost recovery bills) or uploads an Access table of charges into ARS (for expedited cost recovery bills).

For prepaid services, the Planning Department generates informational invoices in ARS showing the amount of draw down from the customer's deposit. Occasionally, service costs exceed the prepaid amount. The department does not document its billing processes, but staff reported that the following key tasks were implemented:

- Accounting runs a payroll (hours charged by case number) report and imports the data into a "Project Expenditure Report" (PER) spreadsheet,
- The accountant checks the charges in the PER for reasonableness,
- The Project Manager reviews the PER and makes adjustments (e.g., time charge to case that should be training time),
- After approval, the accountant inputs the invoice information into FMS,
- The accountant creates the invoice. If the customer's deposit covers any of the invoice amount, the accountant credits the invoice from the deposit, and
- The accountant sends the invoice to the customer, showing either a balance due or an adjustment to the deposit.

Key tasks for preparing expedited (EXP) bills:
- After the 10th of the month (to allow for payroll processing), other departments (Fire, DOT, Engineering) send the Expedited accountant a spreadsheet with labor costs by case number,
- An Accountant runs a Planning payroll report (hours by case number) from FMS,
- An Accountant combines all monthly cost data by case into a single MS Access table,

- The Accounting section manager reviews the cost table for reasonableness and makes adjustments if necessary,
- An accountant uploads the Access billing data into FMS,
- The accountant creates the invoice. If the customer's deposit covers any of the invoice amount, the accountant credits the invoice from the deposit, and
- An accountant sends the invoice to the customer, showing either a balance due or an adjustment to the deposit.

About 30 percent of the accountant's time is involved in billing and payment processing.

Police Department

The Police Department (LAPD) creates and processes invoices for the time and effort of police officers for responding to false alarms and DUI (Driving Under the Influence) incidents. For false alarm billings, information from the police dispatch system, which records and stores all police dispatches including burglar alarm responses, is used and transferred to the department's new CryWolf system.

False alarm responses are flagged in the system, and once per month, a download from the police dispatch system occurs to obtain the false alarm information needed for billing, such as the date and time of the alarm, address, home or business owner, responding officer and other pertinent data. The billed amounts are pre-coded and based upon on whether the business or home owner has an alarm permit and the frequency between offenses.

This information is manually reviewed by two LAPD staff for completeness of the addresses and then forwarded to the General Services Department (GSD) for printing and mailing of the bills. Payments are then received, processed and posted by Finance who manages the accounts receivable. Residents can pay false alarm payments using checks or credit cards.

DUI reimbursement charges are also billed to offenders to help the LAPD recoup personnel costs associated with responding to DUI events. When an officer responds to a DUI event, the responding officer is responsible for completing a time sheet detailing the amount of time spent responding to the incident as well as time spent on the investigation and reporting. The timesheets and supporting documents are then forwarded to a single officer within the LAPD who is responsible for collecting the information, reviewing it for completeness, and then calculating the amount of fees owed based upon the officer's time as well as an hourly rate that is developed and updated yearly by the LAPD Finance Division.

All collection, reporting and billing calculation work is done manually and tracked within MS Access and Excel within the LAPD. Twice per month, the LAPD processes the DUI billing information and delivers it to Finance. Finance then generates an invoice and inputs the billing information into the CUBS system.

Additionally, the LAPD invoices business owners when board-up work on business fronts occur. The LAPD contracts with a vendor to perform the work. When the invoice for the work is received from the vendor, the LAPD Fiscal Operations Division prepares and issues a bill to the

business or property owner. The manual process generates about 20 bills per year, which are not material to the City's receivables.

Transportation Department

The Department of Transportation is responsible for the following billing activities:

- Permits for vehicles for hire, other than taxicabs,

- Pipeline and franchise fees (other than gas),

- Gas franchise fees,

- Taxicabs Franchisees, and

- Parking citations – managing the outsourcing of the billing and collection processes.

Invoicing for these activities is based on fee schedules established by City ordinance. Invoice amounts are manually calculated using information in a database that includes information on the vehicles and the City's fee structure. Pipeline and franchise fee invoices are based on franchise fee rates manually calculated by DOT technical personnel knowledgeable about franchisee operations. Franchises receive invoices annually. For gas franchise fees, the City relies on the franchisee to send the correct payment amount pursuant to a franchise agreement.

The department bills nine taxicab companies on a monthly basis. Monthly billings to the taxicab companies include a franchise fee, a taxicab bandit fee and a penalty point fee based upon the number and types of penalties assessed during the month. Annually, the taxicab companies are charged a vehicle permit fee depending on the number of vehicles in service for the year.

Dedicated resources for billing activities vary, but usually include a combination of technical personnel knowledgeable about the particular operation and clerical staff involved in processing the invoice. Resources involved in invoicing are in **Table 2.0** below.

Table 2.0: Transportation Department Billing Activities and Resources

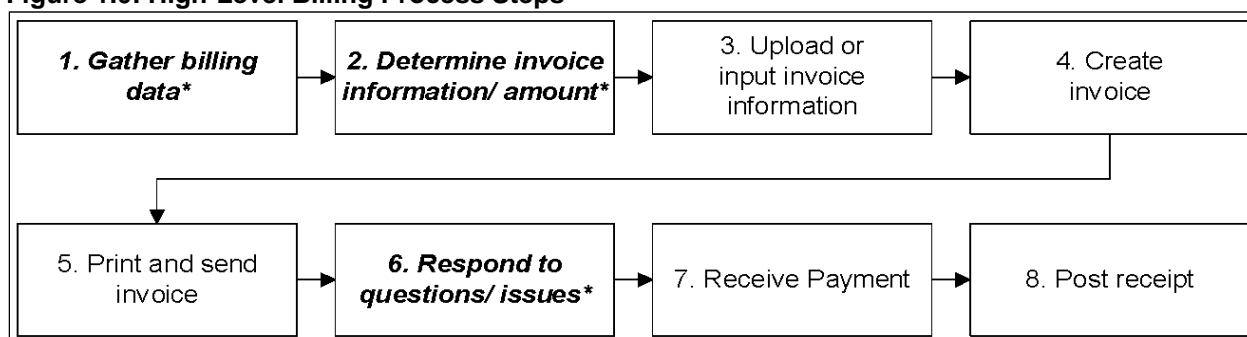| Activity	Resources Used
Permits for vehicles for hire, other than taxicabs	One part-time Senior Transportation Investigator position. Processing takes about 1-2 minutes per invoice (400 – 520 invoices per quarter).
Pipeline and franchise fees (other than gas)	One Management Analyst I will prepare invoices and one Transportation Engineer will reviews invoices. Approximately 10 percent of their time is applied to this activity.
Gas franchise fees	No invoicing performed. Payment is sent by franchisees per the franchise agreement.
Taxicabs franchisees	Approximately one percent to five percent of the time for a Transportation Engineering Associate, a Taxicab Administrator, and two Accounting Clerk IIs.

Parking Citations: Although the collection of parking citations is outsourced, there are approximately eight DOT staff that are involved in researching and resolving contested citations and managing the outsourced vendor. Processing a contested citation requires staff to view the location of the citation including the City's signage describing the relevant parking requirements.

Upon the completion of their review, staff will determine the validity of the parking citation and notify the billing vendor accordingly. The department meets with parking enforcement staff to resolve those areas with unclear or incorrect City signage.

Some Department Billing Process Steps Show Commonality Required for Centralization

Our analysis of departments' billing process show eight high-level process steps. As shown in **Figure 1.0**, the eight steps begin with the collection of billing data and ends with the posting of receipts into either the department's own system or the City's financial management information system. The three steps in bold italics – steps one, two, and six – are heavily dependent on department-specific subject matter expertise. For example, in the Housing Department, knowledge and expertise on loan documents are needed. For the Fire Department, knowledge of Medi-Cal and Medicare claim rules and requirements are required to determine eligibility status and reimbursement rates for services provided to eligible patients. The other five steps are operational steps which require focused discipline in accounts receivable management. The types of invoices that provide the most ideal candidates for centralization are those that are fixed fee-for-services or automatically generated from a rate table.

Figure 1.0: High-Level Billing Process Steps

*1. Gather billing data**	*2. Determine invoice information/ amount**	3. Upload or input invoice information	4. Create invoice
5. Print and send invoice	*6. Respond to questions/ issues**	7. Receive Payment	8. Post receipt

* Requires department-specific subject matter expertise

Revenue Receipt and Posting Can be Automated

The City is heavily dependent on disparate manual processes for revenue receipt and posting, including processing checks, manually inputting credit card numbers, and receiving cash. Some departments use lockboxes for payment processing. Only the Fire Department (for ambulance billings), the Department of Building and Safety, the Housing Department, and the Department of Transportation (parking citations) routinely receive electronic payments. The Department of Public Works and Finance can receive electronic payments for some of their billings. Most departments lack a web payment portal leading to unnecessary inconvenience for bill payers and affects timely revenue collection.

Financial Systems Could be Consolidated

Up to 14 different mechanisms used in the bill preparation process were identified among the departments that we reviewed, as shown in **Table 3.0** below. Many of these mechanisms are

software applications on personal computers, such as Excel, Access and Peachtree, and financial systems run off the City-wide network, such as the BIMS system in the Housing Department. Other departments, such as the Personnel Department, rely on manual data processing to prepare bills. Centralizing bill preparation could offer opportunities for some departments to use the City's new financial management information system to prepare invoices and accept payments via an online web portal.

Table 3.0: Annual Billing by Billing System and Department

Billing System	Department	K$/ year	Pct. of Bill $
EMSS	Fire	$154,119	31.4%
eTIMS (outsourced)	Transportation (Parking Citations)	$120,000	24.4%
HIMS (and predecessor systems)	Housing	$85,320	17.4%
ARS	Various departments	$31,602	6.4%
Paid without invoicing	Transportation	$24,000	4.9%
PIMS	Sanitation	$18,360	3.7%
Access and Excel	Various	$14,949	3.0%
FSS	Building & Safety	$13,500	2.7%
CryWolf	Police	$13,200	2.7%
Envision	Fire	$9,600	2.0%
Local applications	Various departments	$3,600	0.7%
CUBS	Police/Finance	$1,200	0.2%
Standard Register (outsourced)	Fire	$1,158	0.2%
Peachtree	General Services	$156	0.03%
Total		**$491,592**	**100%**

SECTION 2: GREATER CENTRALIZATION OF COLLECTIONS IS FEASIBLE

Further Reduction of Aging Receivables is Needed

The City of Los Angeles realizes over $490 million per year in fee-for-service or associated (e.g., parking citation) revenue. At the end of Fiscal Year 2008, the City set aside over $500 million as an allowance for uncollectable accounts. In April 2009, departments reported over $180 million in receivables over two years past due.

In April 2009, the Mayor projected a $530 million budget deficit for the upcoming 2010 fiscal year. As part of the City's strategy to maintain essential services during a tough economic climate, maximizing revenue collection is an essential element.

The City has taken steps to enhance revenue collection. In May 2002, Finance published a *Citywide Billing and Collection Guidelines* (Guidelines). Finance updated and re-released the Guidelines in June 2007. These citywide guidelines supplement the existing Office of the Controller's *User Department Manual* in providing policy and process guidelines to maximize revenue.

Although City collections are not centralized in a single entity per City code[4], all delinquent receivables over $3,000[5] are handled by Finance's Centralized Collection Unit (CCU). Finance also manages the contracts for the four private collection agencies used by City departments for delinquent receivables of $3,000 or less. CCU, at its discretion, can also refer collections over $3,000 to one of the contracted collection firms. In June 2009, Finance proposed to raise the account threshold for referral to collection agencies from $3,000 to $5,000 for better alignment to best practices and leverage available resources while maximizing revenue recovery by prioritizing collections by the CCU to those high dollar accounts.

In June, 2009 the Fire Department received authorization to refer delinquent EMS billings to collections (either to Finance or to a collection agency contracted by Finance). Collections of delinquent parking citations are handled by the DOT's contractor. Finance does not become involved with delinquent citation payments. The DOT designates delinquent citations as "special collection status". This status provides the contractor with an additional incentive to pursue and collect payment.

Our analysis of the departments included in our review showed that in spite of Finance's efforts to manage the collection process, the departments vary considerably in how well they administer and execute city-wide collection policies. Current city code[6] requires referral of delinquent accounts (with the exception of emergency ambulance billings) to collections (either CCU or a private collections agency) within 45 days. In addition, departments must submit a list of uncollectable accounts to the City Board of Review annually. In practice, however, some departments adhere to City code regarding collection referrals and others do not. For instance,

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[4] Los Angeles Administrative Code Section 5.181. Cited July 21, 2009.
[5] Changed from $1,000 to $3,000 by City Ordinance 179496 on December 17, 2007.
[6] Los Angeles Administrative Code Sections 5.181 and 5.182. Cited July 21, 2009.

some departments initiate collection activities well after city guidelines of 45 days. Many departments have reported waiting until three to six months after issuance of the initial invoice. Additionally, some departments cannot follow City guidelines on collections because other state requirements and regulations have precedent, such as claim processing requirements imposed by third party payers for EMS services. Many management staff across all of the departments explained that collection activities do not necessarily receive a high priority because of their interest in maintaining effective working relationships with payees. Additionally, only a few departments have dedicated staff working collections.

Lower Collection Rates for Some Types of Bills Could Improve

Industry collection success rates vary from 65 to 90 percent depending on the type of bill issued for payment. In our experience among governmental entities, collection rates among different bill types have ranged from as low as 40 percent to as high as 99 percent. In the City of Los Angeles, the average collection rate among 43 bill types that we examined is 87 percent. Using 87 percent as the City's benchmark for comparison purposes, 31 types of bills were above the rate, as shown in **Table 4.0** below. The high performance rate can be attributed to collection vendors hired by the City and the monitoring performed by the City's Collections Department.

Table 4.0: Revenue Collection Rates by Bill Type

Department	Type of Bill	Rate
Building and Safety	Inspections and code violations	79%
Bureau of Engineering	B permit	80%
	U permit	99%
	Excavation permit	99%
	Right of Way rental	99%
	Miscellaneous charges	99%
	Overload permit	99%
Bureau of Sanitation	Industrial waste	97%
	Septage waste hauler	97%
	Groundwater	97%
Bureau of Street Lighting (BSL)	Street lighting repair/ replacement	43%
City Attorney	Litigation Cost Recovery	98%
City Clerk	Bus. Improvement Districts - merchants	85%
Controller	n/a	
EnvironmentLA	Solid waste permit/ landfill fees	90%
Fire	Ambulance (city)	44%
	Ambulance (contract)	90%
	Inspection Restitution	90%
	Fire safety watch	90%
	Film safety	90%
	Brush clearance	70%

Department	Type of Bill	Rate
	Brush non-compliance	70%
	Pre-payment services	99%
	Other fees	90%
	Annual permits (e.g., CUPA)	78%
General Services	Lab testing	99%
	Filming permits	99%
Housing - Fee Billings	Code enforcement	89%
	Rent Registration	80%
	Other fees	99%
Personnel	Flex benefits	100%
	Commuter program	100%
Planning	Full Cost Recovery (FCR)	95%
	FCR – expedited permit	95%
Police	False alarm billings	60%
	DUI charges	30%
Transportation – Parking Citations	Parking Citations	81%
Transportation – Other	Vehicle for hire permit	99%
	Other permit fees	99%
	Taxi permits and fees	100%
	Pipeline and franchise fees (non-gas)	98%
	Gas franchise fees	98%
	Filming permits	100%
	Temporary traffic signs	97%

The remaining 12 bill types had lower collection rates than the City's benchmark, ranging from 81 percent to 40 percent. The types of bills with lower collection rates include:

- Parking citations,

- Annual permits (CUPA),

- Brush clearance fees,

- Brush non-compliance fees,

- Street lighting repair/replacement,

- City ambulance billings,

- False alarms billing,

- Housing rent registration,

- Business improvement charges to city merchants,

- DUI charges, and

- Building and Safety inspection and code violations.

Finance does not track aging receivables for some types of bills, such as:

- Billings for damage claims – Bureau of Street Lighting,

- DUI reimbursement charge billings – Police Department/ Finance,

- Litigation cost recovery – City Attorney, and

- Real estate loan billings – Housing Department.[7]

We examined the reasons for lower collection rates among some bill types and found some services are billed annually, such as brush removal charges generated by the Fire Department, leading to considerable delay in receiving payments in comparison to the initial service date. The Fire Department also prepares claims for reimbursement by third party payers and private pay patients for ambulance transport and EMS services. Medicare and Medi-Cal claims generally require six months or more for payment. Additionally, claims for reimbursement can be routinely denied for payment for multiple reasons, such as incomplete supporting documentation, inability to verify patient eligibility for reimbursement, or services were provided that were not covered under the benefit plan. When denials occur, it is the responsibility of claiming entity to investigate the denial and either appeal the decision or submit another claim addressing the deficiencies. At the time of our review, the Fire Department did not follow up on denied or delinquent billings. Other reasons for lower revenue recovery rates include incorrect address information entered into the current Police system for false alarm billings. The new CryWolf system, which is directly linked to the dispatch system, is expected to alleviate this issue.

Centralization could prove to be effective because it allows the opportunity to collect on receivables more timely and uniformly before they become delinquent for write-off. We describe below the size of the each department's aging receivables, which illustrate an opportunity to enhance revenue recovery if other strategies, including centralization alternatives, were implemented.

Building and Safety Department

Like other departments, delinquent LADBS accounts are forwarded to an outside collection agency if under $3,000, or Citywide collections if over $3,000. The department currently has about $5.9 million in aging receivables that are over 90 days past due. Currently, only 70 percent of bills 61 to 90 days past due have been referred to collections.

As shown in **Figure 2.0**, on the following page, the department has a high level of aging receivables. Collection efforts have not been as effective as they can be because most fees for the

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[7] Should these become delinquent, the aging receivable management process is similar to that for normal real estate loans, including (1) working out acceptable payment terms with the borrower, (2) Notice of Default, and (3) foreclosure.

department are paid by the applicants when permits are provided and other inspection fees are directly associated with the continued operation of the business or enterprise. The high amount of aging receivables suggests the department had not reviewed its aging receivables to determine uncollectable accounts. The department has about $5 million in receivables over six months of age that likely need to be written off.

Figure 2.0: Department of Building and Safety Accounts Receivable and Collections
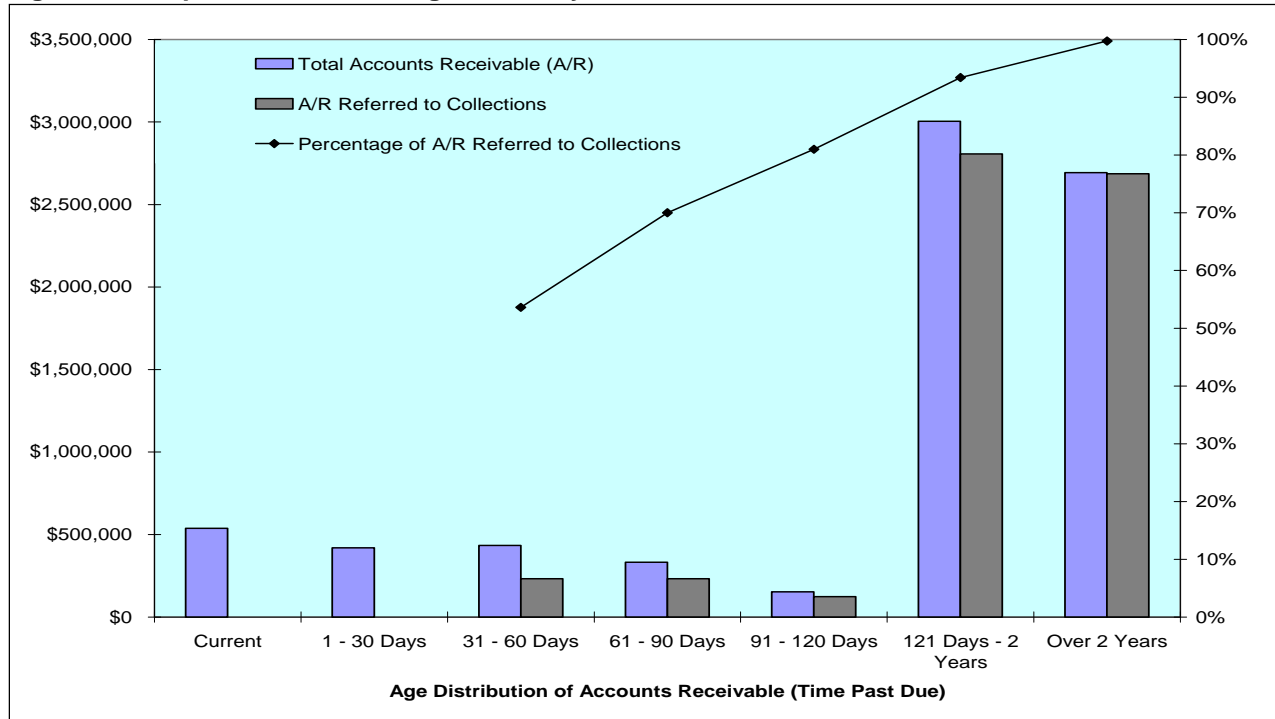
Bureau of Engineering

As shown in **Figure 3.0** on the following page, the timeliness in referring aging receivables to collections could improve. The Bureau of Engineering has almost $3 million in old receivables that likely need to be written off. Collections are handled by the Department of Public Works Accounting Division, which has one staff dedicated to following up on the Bureau's delinquent accounts.

Figure 3.0: Bureau of Engineering Accounts Receivable and Collections
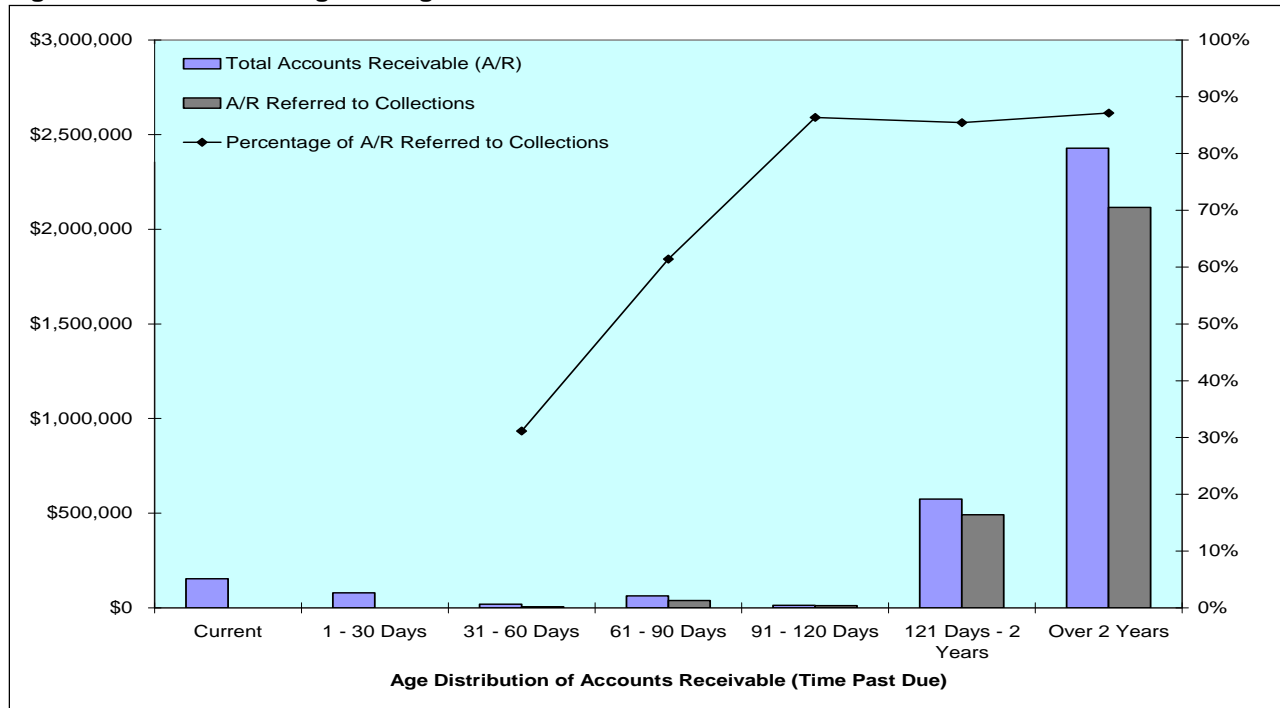
*Includes B-Permit fee receivables

Bureau of Sanitation

Industrial Waste annual billings are approximately $17,500,000; septage waste hauler billings at $950,000; groundwater billing at $380,000; and refuse and recyclable collection services at about $2,000,000. The bureau's volume of aging receivables increases after four months. The various work units of the bureau track their respective receivables using aging reports and send past due notices to customers. As necessary, technical staff becomes involved in resolving any billing questions or issues brought to the bureau by its customers. Should a customer become delinquent, the collection is turned over for handling by Finance or an outside vendor. For the 4th quarter of fiscal year 2009, the bureau referred $163,818 of miscellaneous sanitation billings over two years past due. The bureau reported that it collects on 97 percent or more of its billings.

Bureau of Street Lighting (BSL)

Street lighting billings are approximately $480,000 annually. Finance is responsible for collections and about 43 percent of invoices are paid by the responsible party on a timely basis. Payments are deposited into a City account and credited to an appropriate fund. When the Office of Accounting receives a copy of the check request and check, it prepares the necessary paperwork to transfer the funds to the Street Lighting Maintenance Assessment Fund.

The bureau does not report aging receivables for street light damage to Finance. Nor does Finance gather this information from available internal sources. For the 4th quarter of fiscal year 2009, the bureau reported $13,386 in receivables over two years past due – all from other government entities.

City Attorney's Office

Collections are handled by the City Attorney's Office as stipulated in settlement agreements and handled by each attorney responsible for claim. A file folder is used to track payments made through installments. For payments that the City Attorney's Office is unable to collect, the information is provided to the City's CCU unit. The City Attorney does not submit accounts receivable information to Finance. The total collected amount, approximately $120,000 per year, is not material to the City's total revenue.

City Clerk's Office

The City Clerk does not report aging receivables to Finance because its billings are for a special fund – the Business Improvement District (BID) Fund. The Clerk estimated collecting payments on 85 percent of invoices, but specific data is not maintained on their level of aging receivables.

Decisions on collections and write-offs are under the authority of the BID executive director, who is not a city employee. Essentially, the City Clerk provides these services at the request of City Council. The funds collected from the BIDs are spent at the discretion of the BIDs and are not part of the City's financial reporting.

EnvironmentLA

EnvironmentLA has referred to collections less than 0.2 percent, or $1,774 of its $1.2 million in receivables over 90 days past due. As shown in **Figure 4.0** below, the department has over $1 million in receivables two years old or more needing write-off.

Figure 4.0: EnvironmentLA Accounts Receivable and Collections
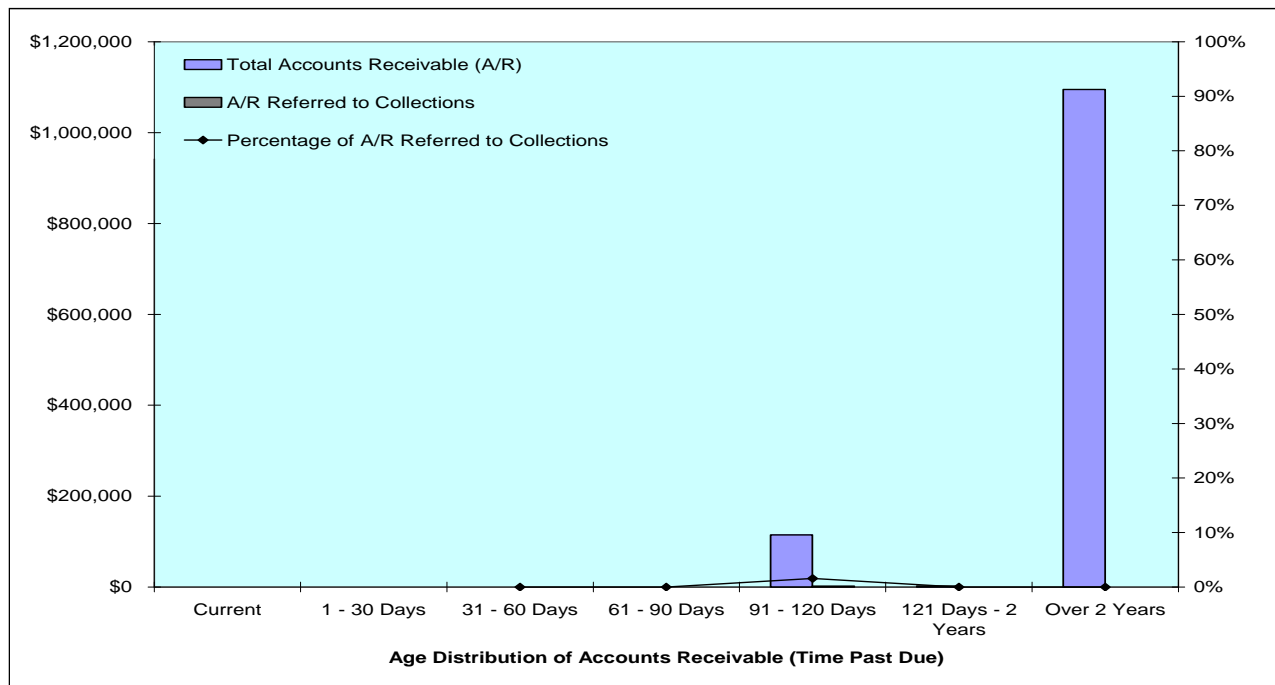
Fire Department– Emergency Medical Services

The Fire Department is responsible for its collection process. As shown in **Figure 5.0** below, the Fire Department has a44 percent collection rate creating high levels of delinquent bills. The Fire Department has over $80 million in aging receivables that likely need write-off. At the time of our review, delinquent EMS invoices were not pursued by the department.

In April 2009, the City Council passed an ordinance[8] authorizing the referral of emergency medical (e.g., ambulance) service billings to collections after nine months of the initial billing date. Previously the Fire Department did not have statutory authority to refer aging ambulance service receivables to collections. This ordinance became effective in June 2009.

Figure 5.0: Fire – Emergency Medical Services Accounts Receivable and Collections
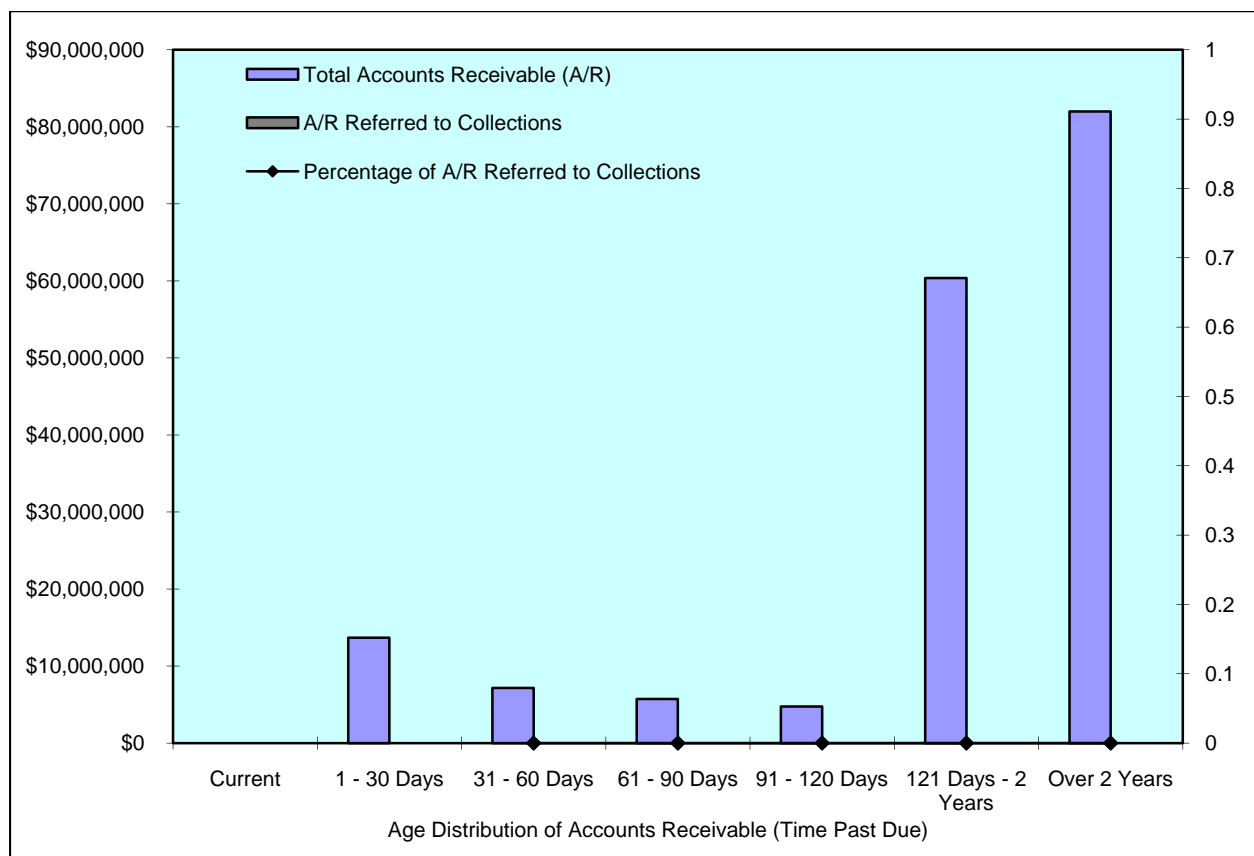
Fire Department – Other Billings

As shown in **Figure 6.0** on the following page, the Fire Department has $9 million in receivables two years old or more likely needing write-off. However, the inaccuracy of the collections referral data raises the question of the adequacy of reporting capability of department's accounts receivable systems. Specifically, the graph shows that accounts between 61 and 120 days past due that have been referred to collections are greater than receivables for those periods.

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[8] City Ordinance 180644, passed on April 15, 2009.

Currently, 90 percent of non-EMS accounts receivable 61 to 90 days past due have been referred to collections.

Figure 6.0: Fire – All Other Services Accounts Receivable and Collections
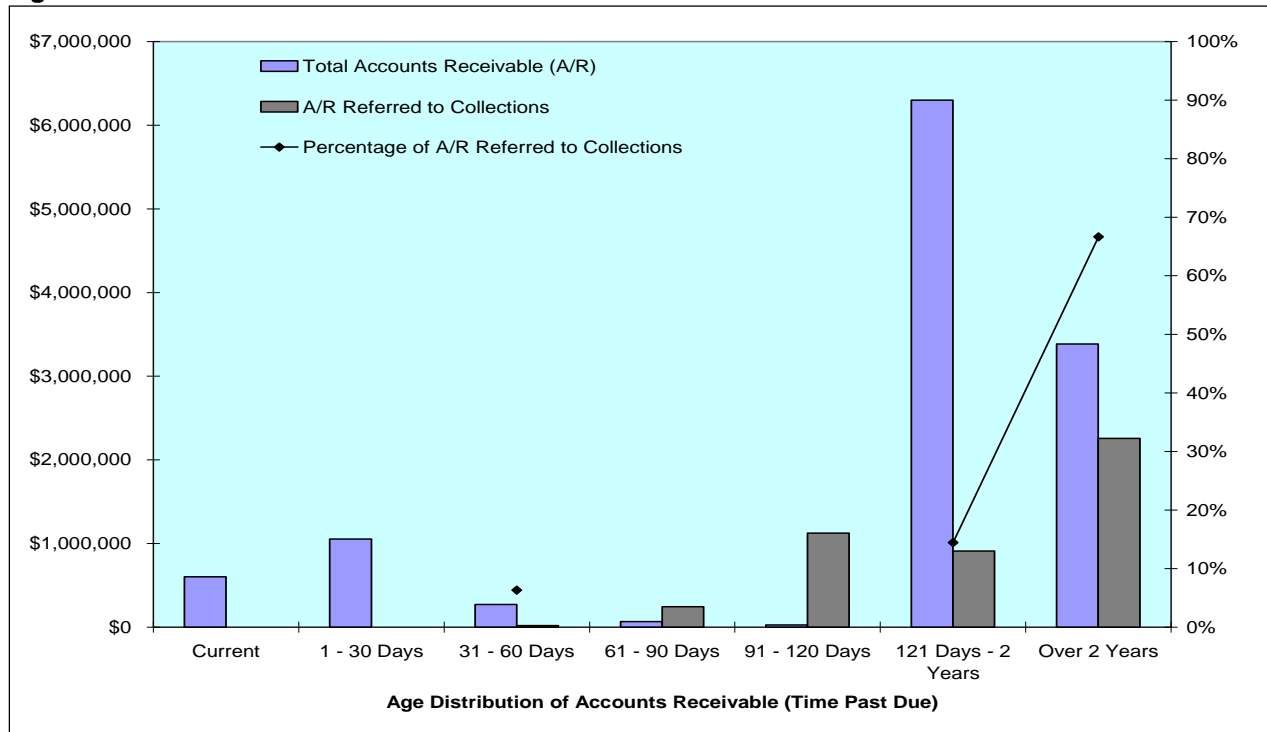
General Services Department

The GSD is responsible for the collection of its permit and laboratory testing fees, as well as rental income, with payments made by check and received by the GSD, and posted to the City's financial system the day received or the following day. Generally, collections have not been a problem for the department except in some instances when eviction occurs. The Department of General Services typically has less than $50,000 of accounts receivable. As of the 4th quarter of fiscal year 2009, $5,342 in receivables was two years or more past due. This is not a material amount for the City.

Housing Department - Fee Billings

The Housing Department refers aging receivables to a City vendor. Prior to sending delinquent accounts to the vendor, the department will send reminder notices to property owners to submit payments. The Department is unaware of the success of its vendors because collection reports are not sent to the Department for review. As shown in **Figure 7.0** on the following page, aging receivables for the department need to be reviewed for uncollectable amounts. Housing has $8 million or more in delinquent receivables likely needing write off.

Figure 7.0: Housing – Fee Billing Accounts Receivable and Collections
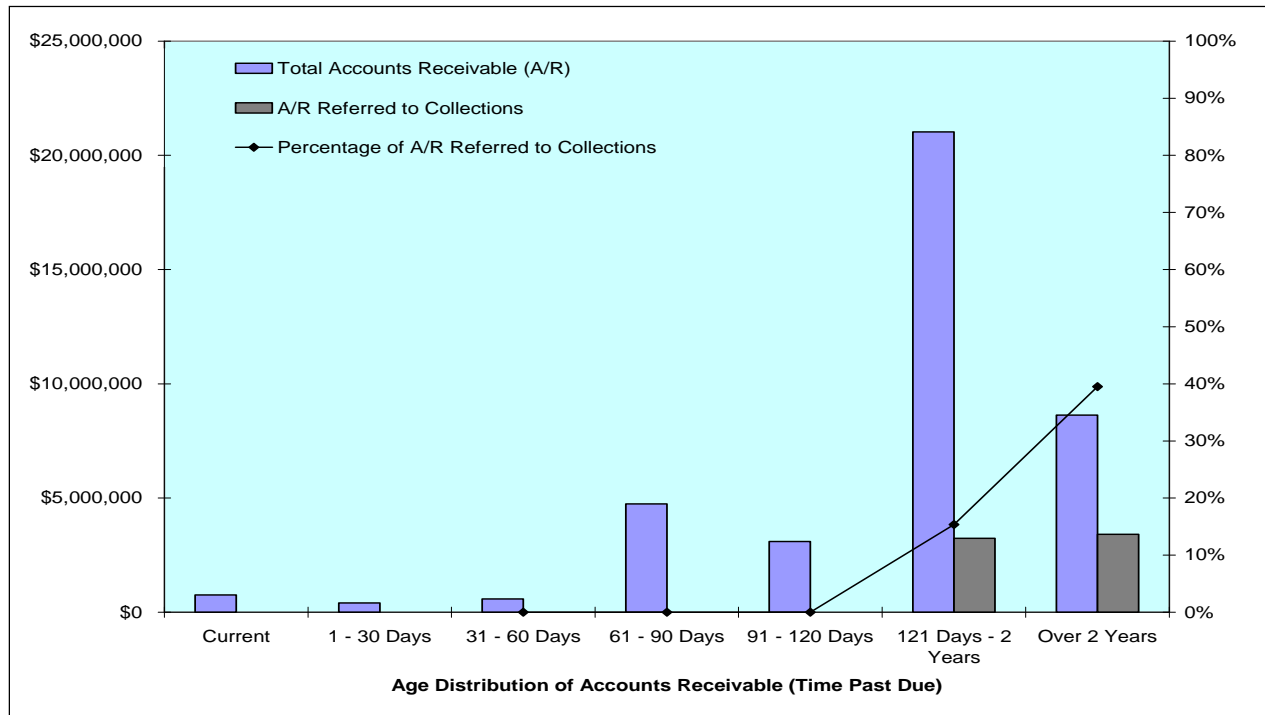
Housing Department - Real Estate Billings

The department reported that it collects on 98 percent of real estate loans. The goal of the department is to prevent foreclosure on loans so the department works aggressively with delinquent borrowers to reschedule payments. While the Housing Department does not report real estate loan accounts receivable information to Finance, it does maintain and monitor robust financial reports on loan activity.

Personnel Department

The Personnel Department does not report accounts receivable information to Finance. These billings are relatively low dollar amount, have high collection efficiency, and do not constitute a material part of the City's receivable collection issues.

Planning Department

The department tracks aging receivables through a report and by case number. ITA designed the report which combines normal and expedited cost recovery receivables. The department will send a Final Notice to customers after 80 days. After that time, the account, if over $3,000, is referred to the City's CCU. For those aging accounts under $3,000, the department sends them to a collection agency, which operates under a Finance contract. The department reported referring about 80 percent of its aging receivables to a collection vendor, who further collects about half of the past due payments.. As shown in **Figure 8.0** on the following page, the Planning Department has about $450,000 receivables over 121 days old.

Figure 8.0: Planning Accounts Receivable and Collections
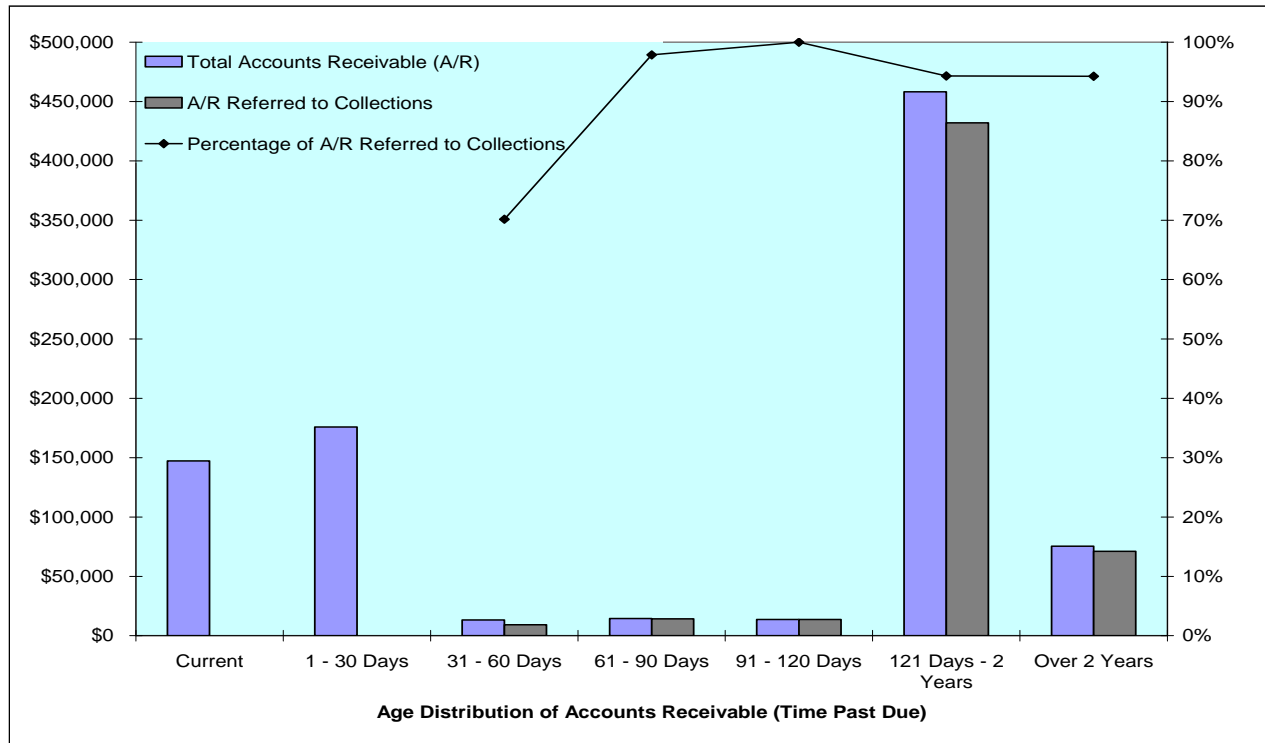
Police Department

The new CryWolf system is expected to increase the department's collection rate given its anticipated configuration to collect more accurate address, property owner and response information from the City's police dispatch operations. The system is configured to send out a delinquent bill 45 days after the original bill is sent. If payment is not received in 10 days, a final notice is issued. After another 10 days without payment the bill is sent to the City's contracted collections agency.

As of Q4, 2009, the department has about $12 million in aging receivables over six months of age. Accounts receivable were not referred to collections until after 120 days past due. Department management reported collections have become more of a priority within the department and the new CryWolf system will address some of the difficulties in obtaining correct addresses and property owners.

Collections for DUI billings are managed within Finance and the status of collections are provided to the LAPD upon request. The DUI billing program has generated about $13.5 million since its inception and about $4.6 million has been collected. As of the second quarter 2009, about 2,300 open cases valued at about $1.4 million need resolution. The department does not report aging DUI billing receivables to Finance. For false alarm billings, the department has nearly a 90 percent delinquent account rate, as shown in **Figure 9.0** on the following page.

Figure 9.0: Police (False Alarm Billing) Accounts Receivable and Collections
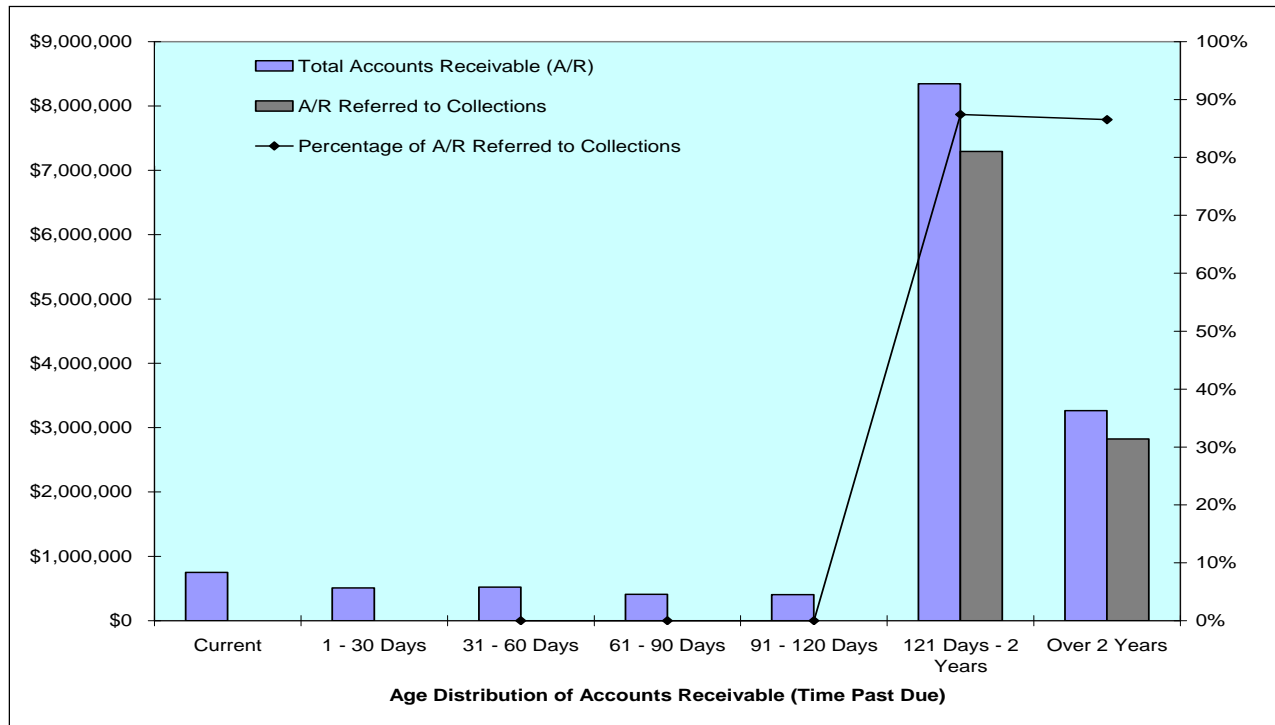
Transportation Department – Parking Citations

The Department of Transportation (DOT) outsources parking citation billing and collections to a private sector vendor that specializes in collections. At DOT, billings currently average $127 million per year. The current collection vendor also conducts abandoned vehicle monitoring, capturing parking regulation outages (e.g., faded paint, broken meter), traffic officer overtime tracking, and vehicle impound facilitation. In addition, the vendor cross-references ticket information with historical Department of Motor Vehicle owner records.

As shown in **Figure 10.0** on the following page, about $160 million is past due by over six months or more. DOT does not write off uncollectable amounts until after five years, which is beyond the two year City requirement attributing to the level of receivables. Parking citations constitute the City's highest account delinquency problem. About 570,000 citations per year are left unpaid.

Recently, the department has classified about 90 percent of its $165 million in delinquent accounts as "special collection status", but about $19 million in accounts delinquent over two years have not been placed on "special collection status" which triggers extra payment to the billing and collections vendor for those accounts because of the time and effort it takes to locate and work with the owner of the parking citation. The City's contract with the vendor precludes the City from finding other outside agencies to support collections. The DOT likely has $100 million in delinquent accounts requiring write-off."

Figure 10.0: Transportation (Parking Citation) Accounts Receivable and Collections*
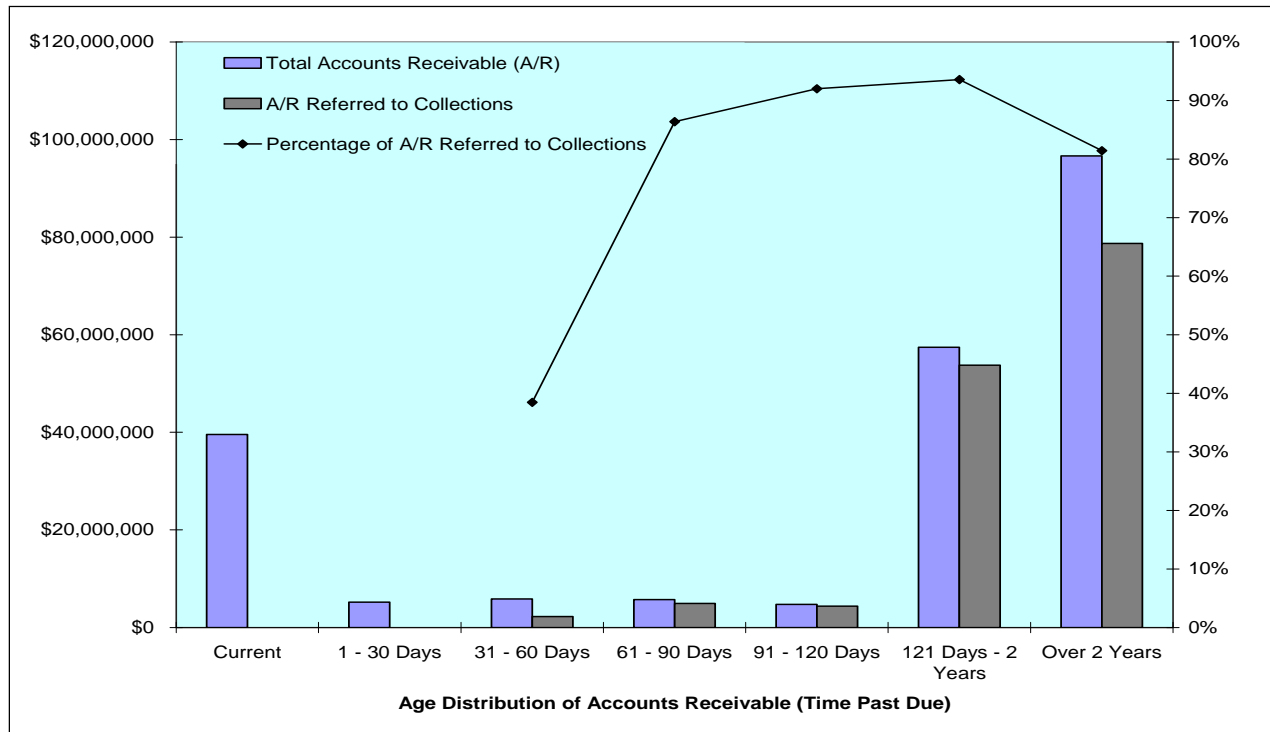
* Collections refer to receivables in "special collection status" at ACS, not referred to a collection agency.

Transportation – Other

The DOT's approximate annual revenue for its various billing and franchise fees are as follows:

- Permits for vehicles for hire, other than taxicabs: $593,265,

- Pipeline and franchise fees (other than gas): $2,000,000,

- Gas franchise fees: $20,000,000 to $30,000,000, and

- Taxicabs franchisees: $4,300,000.

DOT staff monitors aging and collections status reports for the above activities and sends collection notices when payments are untimely. Technical staff is also called upon to review and resolve any technical issues brought to the attention of the DOT by its customers.

As shown in **Figure 11.0** the department aging receivables over six months or more is about $1 million, but it does not refer its aging receivables to collections.

Figure 11.0: Transportation – All Other Services Accounts Receivable and Collections
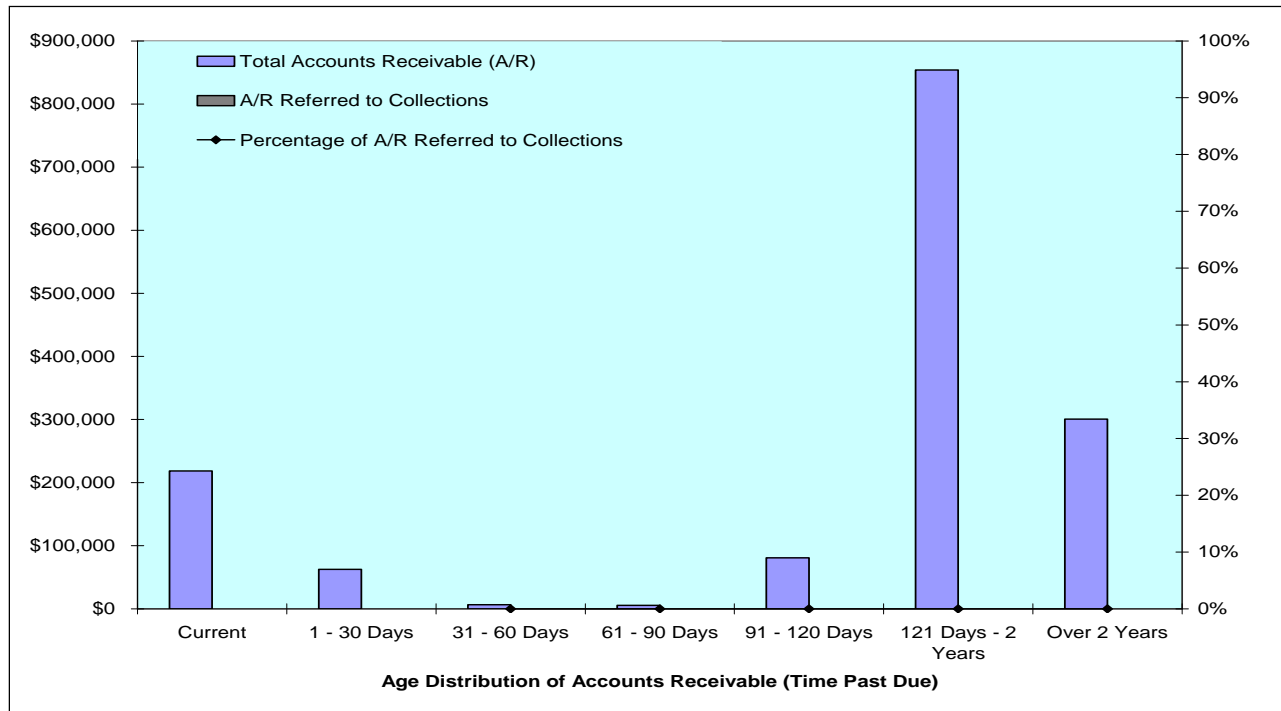
Commonality Found in Collection Process

Our analysis of collection activities by City departments show six high-level steps for the delinquent receivables management and collection process, which are operational in nature and do not require department-specific subject matter expertise. Thus, further centralization of collection activities is possible. As shown in **Figure 12.0**, these six steps begin with monitoring aging receivables and end with writing off uncollectable receivables.

Figure 12.0: High-Level Collection Process Steps
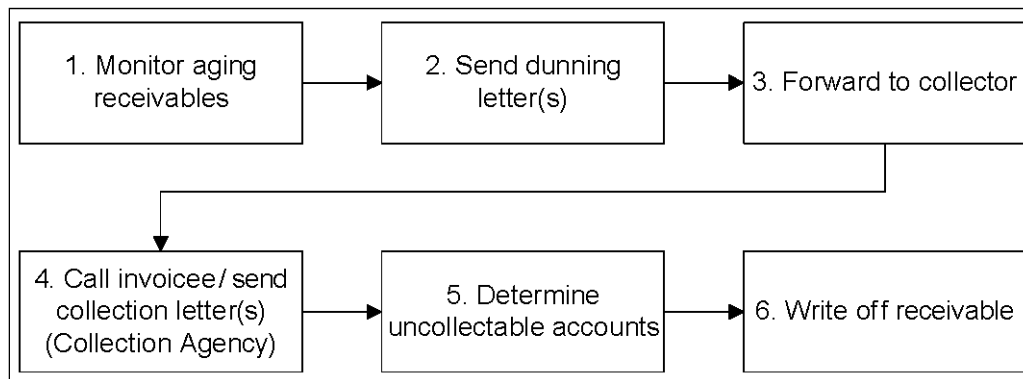
Performance Measures Could be Consistently Applied

The Mayor's Performance Management Unit (PMU) uses Dashboard information for evaluation purposes. The Dashboard is part of an overall citywide data collection process and reporting intended to root out waste in City departments and find efficiency and effectiveness gains. This reporting system analyzes trends and compares City departments to each other and previous financial periods. Metrics are meant to identify both problems and best practices to benchmark results. Currently, reporting covers payroll and hiring strategy; workers' compensation, accounts payable, accounts receivable and liability claims.

Currently, City departments do not use consistent performance measures for monitoring accounts receivable management performance. The quarterly Accounts Receivable Dashboard is a high-level monitoring tool and has limited usefulness for performance management. No departments set and publish performance targets for accounts receivable management.

A centralized authority could use consistent performance measures, including graphical information and targets, for better visibility of key issues impacting decision-making. The City can combine existing data with new data that is available from departments, and identify those with high amounts of aging receivables and receivables "at risk" of aging. Centralization also lends itself to easily setting objective targets for account aging, collection referral efficiency, and appropriate write-off of aging receivables.

At a minimum, centralization allows consistent measurement of receivable aging, collection referrals, and collection efficiency. The vertical bars in **Figure 13.0**, below, show actual data for Housing Department aging receivable and collection referrals. The green line shows sample data for collection efficiency, and the red line shows a collection efficiency target. The data shows the Housing Department is not as timely as it should be in referring aging receivables to collections, and may need to write off some aging receivables.

The sample graphical information below shows that collection efficiency (amount received/ amount invoiced) peaks at around 85 percent. This is substantially less than an ideal target of 99 percent, but within industry benchmarks.

Figure 13.0: Housing Department: All Reported Billings and Collection Efficiency Aging Receivables – 4th Quarter FY 2009-10
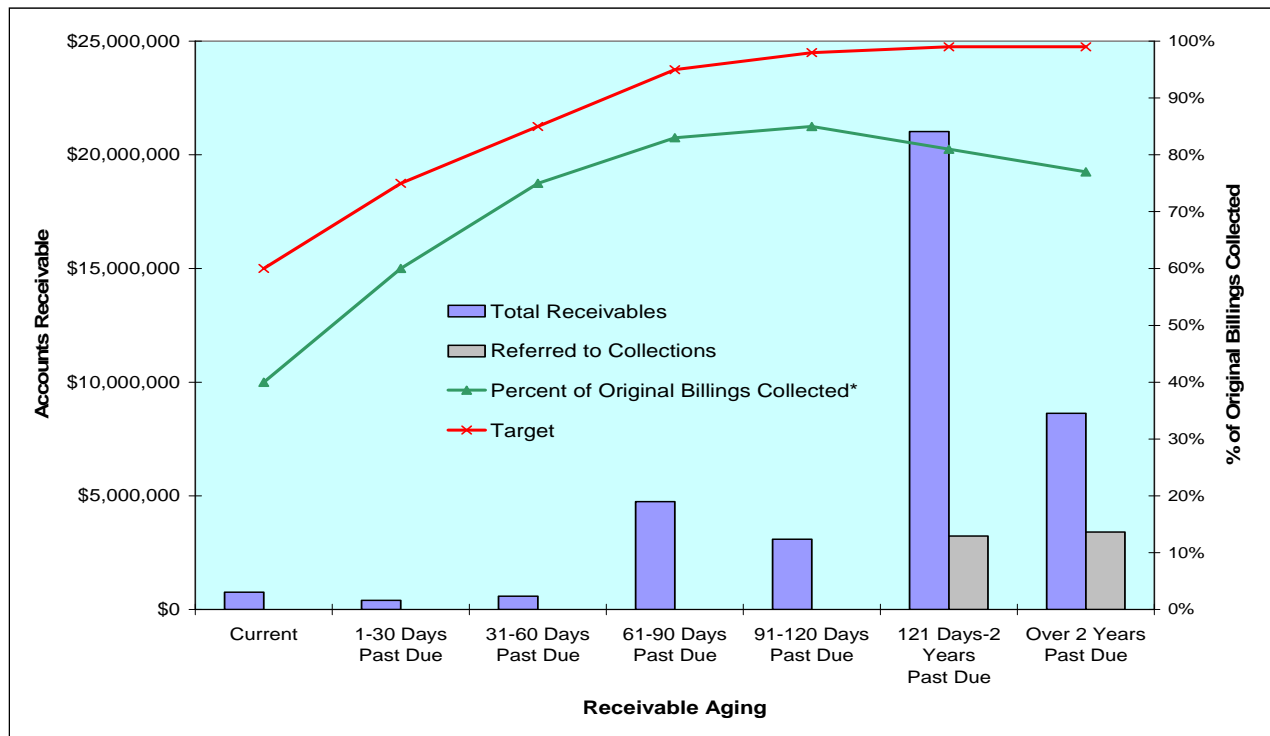
* Sample data – approximates actual data

An effective measure of collection efficiency shows the percentage collected vs. billed relative to the bill's due date. Measuring the effectiveness of collection providers should account for the impact of the time lag before a past due invoice is referred to collections. **Figure 14.0**, on the following page, shows a sample performance measure of collection efficiency relative to months past due at invoice referral. Note how collection efficiency is expected to decrease as referral of delinquent accounts to collections is delayed.

Figure 14.0: Collection Efficiency Relative to Referral Lag
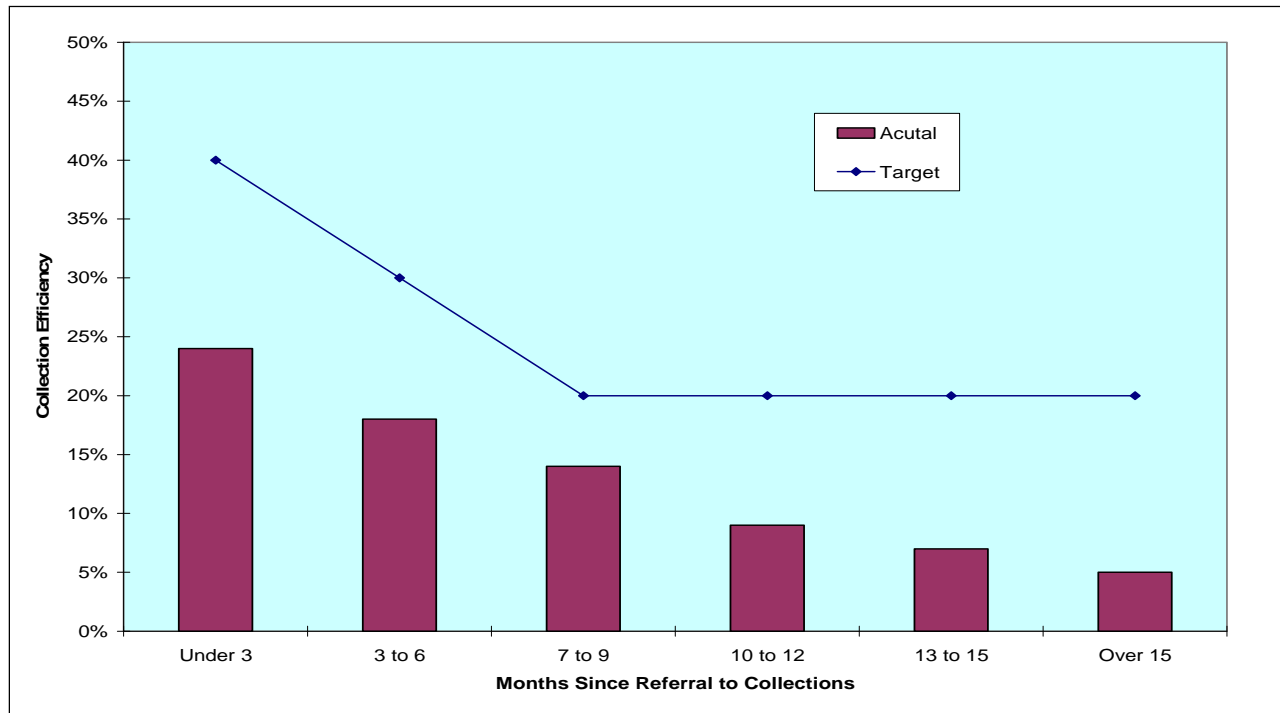
Accountability Would Likely be Enhanced

No single City entity is directly responsible for the operational management of accounts receivable. Currently, 23 City departments, bureaus, or funds manage their individual billing and accounts receivable activities. Some departments, notably Public Works, have centralized portions of billing and accounts receivable management for its bureaus.

The City has taken steps to strengthen accountability of accounts receivable. Per the City code, Finance has primary responsibility for revenue policy, but its authority is limited only to developing city-wide collection guidelines and collecting revenue on licenses, permits and tax registration certificates not issued by other City officers or departments. The Chief Administrative Officer of the Office of Finance can also make recommendations to the City concerning revenue collection functions performed by city department.[9]

On October 20, 2005, the Mayor released Executive Directive No. 5, directing all General Managers to comply with Finance's *Citywide Billing and Collection Guidelines*. In addition, the Mayor instructed Finance to monitor adherence to the Guidelines and report on department compliance. Per the Mayor's directive, departments self-report accounts receivable, including aging and collection referrals, to Finance on a quarterly basis. Finance incorporates this information into a quarterly Accounts Receivable Dashboard (Dashboard). Finance uses the Dashboard to monitor departments' accounts receivable and collection efforts, and submits an annual "report card" to the Mayor on departmental compliance with the Guidelines.

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[9] Los Angeles City Administrative Code, Section 300. Cited July 9, 2009.

In spite of the efforts taken by the City, accountability issues remain. Currently, 23 City entities report aging accounts receivable to Finance each quarter. Nine of these entities are within the Department of Public Works, and the remaining 14 are standalone entities. Each entity has differing degrees of success in receivables collection efficiency, as addressed in this report. For many departments, billing activities were one of multiple duties performed by their staff and among the Bureau of Engineering, Sanitation, General Services, Personnel, Housing and Planning, billing activities were performed by non-accountant personnel.

Having one organization (Office of Finance), or fewer organizations, focused on accounts receivable management would increase accountability over performance and likely enhance revenue generation and collection.

SECTION 3: REVIEW OF OTHER ENTITIES SUGGESTS THAT CENTRALIZATION CAN WORK

Experiences from seven government entities [10] that considered and implemented centralization efforts related to billing and collections provide useful insights for the City of Los Angeles. Each Finance Department among these entities, to varying degrees, assumed responsibility for either centralized billings and/or collections, but none of them were fully implementing all account receivable activities. Four of seven agencies included in this review have centralized a portion of billing and seven entities had centralized delinquent collections to various degrees. **Table 5.0** below summarizes the status of centralization among the entities.

Table 5.0: Other Agencies – Extent of Centralization

Municipality	Type of billing centralized	Type of collections centralized
City of Dallas	Water utility	Special collections unit for delinquent accounts that collects for 19 revenue sources, including sanitation, the courts, libraries, and water utility. (Outsources EMS (by Business Development and Procurement Services) and parking citation (by Public Works & Transportation) billing)
City of Phoenix	All services, except for water, tax, ambulance and court billings	Delinquent accounts collections for all services, but court collections. (Outsources (by Fire Department) EMS billings.
City of San Jose	Centralized billing for water, storm water, and sanitary water and recycling programs.	Delinquent accounts collections for most services.
City and County of San Francisco	Not centralized	Centralized delinquent accounts collection for approximately 70-80% of delinquent accounts, except for child support, the port (includes the airport), human services department and parking citations (outsourced). (Also outsources (by Fire Department) EMS billings).
County of Monterey	Not centralized	Court ordered debt and delinquent accounts.
County of San Diego	Not centralized	A delinquent account collections unit is responsible for collections on a variety of services, excluding delinquent property taxes, library fines and child support.
County of Santa Clara	Public defender, hospital	Delinquent account collections for most services, except for social services, property taxes, family support, court probation accounts, court traffic fines.

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[10] City and County of San Francisco, Cities of San Jose, Phoenix and Dallas, Counties of San Diego, Santa Clara and Monterey

A Clear Mandate for Centralization, Accompanied by Documented Policies and Procedures, is Essential. Among the entities that we reviewed**,** a key component to successful centralization is a clear mandate from agency leaders – city council, board of supervisors, top management – for centralization. For three entities, mandates and documented policies and procedures for billing and collections procedures were needed to counter the natural resistance to change within most organizations, which can include relinquishing departmental control over financial and staff resources and organizational independence.

Additionally, the mandate needs to be supported by documented policies and procedures so that it can be enforced by management of the newly centralized function and followed by those organizational entities that have a cooperative role. We found having documented billing policies and procedures substantially strengthens the mandate to centralize by providing documentation that it is important, establishes respective responsibilities and roles for participating organizational units, and describes how activities are to be achieved.

Establishing Independent Authority for Centralized Billing or Collections Process Is Important. When adopting centralized billing and collections processes, one entity indicated that an independent centralized authority over the entire process should be established and clearly stated. An independent authority, versus a unit within one of the business units that supports the process, reduces the appearance of favoritism. For example, an independent authority can resolve any interdepartmental disagreements and effectively represent the process to elected officials and stakeholders.

Replacing Aging Information Systems Increases the Feasibility for Centralization, With Some Challenges. Of the entities that recently attempted centralization, several of them capitalized on the implementation of new information systems to initiate billing process centralization. They quickly saw that an improved information system could support improved billing efficiencies especially under a centralized process.

Other entities found the acquisition and implementation of the new information system subsequently competed with efforts to establish the centralized billing process. One city found that some of the problems in a new centralized billing process could not be fixed until after implementation of the information system was completed, resulting in frustration for staff and customers. In another instance, the need to develop a separate implementation plan for billing centralization delayed the implementation of the comprehensive information system.

These two entities have limited centralization of billing to those accounts within a utility billing information system because this was the information system in need of replacement. The cities were able to buy systems that could serve as platforms for expanded centralized billing because the utility departments had the ongoing revenue to jointly support investment in a more flexible information system. Also, the utility systems served as a good first step for centralization because the utility departments serve almost all the residents of the cities. The implementation of the new system would create accounts for most customers that interact with the cities' other billing systems, saving time in the future when other departments join the utility department's information system.

One entity purchased and implemented a new ERP system in 2004. The new ERP system contains an accounts receivable module that each department could use to support its billing

processes. However, the county only required departments to use the module for financial reporting purposes; thus some departments have continued to use their own billing systems because the new module does not match their current billing processes. The county does not plan to force departments to use the new module because it is unwilling to pay to customize the module to meet the preferences of each department. One of the cities did choose to customize their new billing system to meet the individual department needs, but now faces the extra cost to upgrade the system in the future.

Standardize Billing Processes Prior To Centralization. Two entities – the cities of Dallas and San Jose – did not standardize their billing and collections processes prior to implementing the information system that would support centralization. As a result, implementing the new information system went slowly due to the need to standardize the billing processes in each department to make them work with the new information system.

The failure to standardize the billing process prior to implementation of the information system also resulted in one municipality changing its billing process after implementation of the new information system was complete. This required the retraining of staff and resulted in frustration for customers. The manager said, "When we centralized all billing operations for these departments, the flaws in the business processes that weren't noticeable suddenly became very high profile." An approach that does not carefully consider how existing billing processes will change and be affected by the change will take more time and money to implement than one that has.

If they had to do it again, the managers we interviewed said that they would have standardized the billing processes first prior to implementation of their information systems. One of them also stated this would be true for centralization even without implementing a new information system. Another stated, "First and foremost decide how to improve the business processes, get buy-in from the major stakeholders, and then get the information systems that facilitate the new business process."

To support the future expansion of their centralized billing system, one of the entities is trying to update and standardize its current policies and procedures for centralized billing and collections. An official said this is relatively inexpensive to do prior to implementation, but much more costly to do during or after implementation.

Reduction in Staff May Not Occur and New Skills May Be Required. The local governments we contacted did not experience a reduction in staff levels resulting from centralization. Managers gave two reasons for this. First, existing staff may have slightly different roles under a centralized process and thus may need to employ their skills in new ways. They will require orientation in how their new role is valued in a centralized process and what skills are needed. Second, once centralized, there could be more data to analyze and incorporate into the business process than before. Analytical skills would be needed, and existing staff – trained in accounting, collection techniques or administration – might not have these skills. New staff with these skills might be needed in order to make the centralized process more efficient.

Clearly State the Reasons For Centralization and Its Objectives. Staff, managers, and department heads all have the capability to stall or reverse centralization efforts. Several

managers we interviewed said everyone needs to embrace the new centralized business process to ensure that centralization actually occurs.

In one entity, staff resisted centralization because its benefits were not clearly stated prior to implementation. This misstep reinforced the opinion of many at the staff level that the billing practices were not broken and did not need to be fixed and it was the new information system that needed to address current processes. Consequently, it customized the system more than it originally had intended to overcome staff resistance, increasing the cost of implementation and future upgrades. Also, the city is still trying to automate some billing practices to maximize the benefits of the new information system, and some staff continues to resist changes in their work procedures.

Make Sure that Participants in the New Process Understand Their Role. In one entity, there was no unified team to accept a newly centralized billing process. Prior to centralization, staff had their own role within their respective departments and did not need have a broader sense of the accounts receivable business cycle. The entity's implementation team did not realize this was an issue until after delays in implementation took place. The entity reported continuing resistance as department staff did not shift their working perspective and continued to believe that centralization would be less efficient than current processes.

There is a Cost and Time Factor in Preparing Data for a Centralized Process Conversion. Another implementation obstacle encountered by some municipalities was the cost and time to convert data from one system to another. The process to initially extract and standardize basic data from multiple systems can be time intensive and expensive. Not all of the data could be automatically converted to the new system resulting in the manual conversion for some accounts.

One entity found it made more sense to centralize billing processes prior to collection centralization because efficiencies could be gained from first standardizing account data for billings.

Incremental Implementation May Be the Best Approach. Of the agencies we contacted, all have pursued an incremental approach to centralization rather than the consolidation all processes at once. An incremental approach was considered less risky and less costly (and thus more feasible).

While all of the entities have centralized collections for at least some of their delinquent accounts, only three have centralized a portion of their billing systems. One entity reported centralizing billing for about 27 percent of the City's whole billing and collections activity.

After the Initial Implementation, It's Important to Monitor and Improve the Process. With any new process, not all contingencies may be initially addressed in documented policies and procedures. In two of the agencies we contacted, the managers of operating units took back certain processes apparently due to a lack of clarity regarding operating policies. Consequently, it is important to quickly resolve problems that may occur and also clarify vague or misunderstood policies and procedures. Otherwise, there is the possibility that the process will disintegrate and create dissenting operating units.

Additionally, particularly during the initial stages of implementation, all stakeholders and participating departments should be informed of its status and success. If problems arise, they should be quickly informed of how the problem will be corrected.

Impacts of Having a Greater Role in Accounts Receivable Management.

Industry guidance on system implementation suggests the development of metrics to monitor the impact that new systems will have on business processes and outcomes. The entities we interviewed did not have data that could point to quantifiable improvements in efficiency and effectiveness. Some entities had not tracked this data and for others centralization had occurred some time ago and there was no current available information. Nonetheless, some entities have reported positive impacts from centralization, such as reduced duplication of processes resulting from centralization and improvements in current work procedures, such as fewer work steps or better technology system support.

Public Works Department Provides Case Study of Success

The Office of Accounting (Public Works Accounting) consolidates and processes bills for several City entities. These include invoices for the Department of General Services, Department of Transportation, Bureau of Sanitation, Bureau of Street Lighting, Bureau of Contract Administration, Bureau of Street Services, and the Board of Public Works.

While the Office of Accounting has a greater role in many of its bureaus accounts receivable management, accounts receivable management is not fully centralized within the office. Each bureau determines the billing information and amounts and the office consolidates this information, inputs them into the City's Advanced Receivable System (ARS), invoices customers, and pursues collection. Collection efficiencies for invoices handled via Public Works Accounting are consistently in the high 90th percentile.

SECTION 4: BENEFITS, COSTS AND OTHER FACTORS OF CENTRALIZATION

Benefits of Centralization

Greater revenue recovery of charges is the primary benefit of centralizing the City's accounts receivable management. A total of $288 million in additional revenue could be realized over six years from centralization to varying degrees, including outsourcing of EMS billings with Finance responsibility for collections oversight. The net revenue gain, after factoring the $14 million in program costs, would be $274 million. Specifically,

- Increasing the effectiveness of billing and collection performance reporting, including effective use of quality metrics, would bring in an additional $16 million in net revenue over a six year period.

- Partially centralized billing and collections could result in an additional $7 million in net revenue over a six year period.

- A $251 million additional net revenue increase could be gained from outsourcing EMS billings, bringing the total net benefit to $274 million.

Another key benefit of centralization of accounts receivable management is the greater ability to provide stronger revenue management.

- The management of the centralized operation could be more effective at accepting accountability and managing to performance measures in contrast to the City's current decentralized model. The City could provide adequate and knowledgeable accounting personnel the centralized operation rather than primarily relying on operational staff to support accounting functions among the decentralized departments.

- The management of the centralized operation and the management of departments providing information to the centralized operation could have more clearly defined information handoffs between entities.

- An individual (or role) can accept responsibility for measuring and monitoring overall system (end-to-end process) performance. For billing and accounts receivable management, the "end-to-end process" would be from actual service or goods delivery date to the date of closing or write-off of the account receivable.

- An individual (or role) can accept responsibility, and has the authority, to facilitate discussion among entities on how to improve overall receivables management performance (system performance) across City organizations. This includes the ability/ authority to adjust entity-specific roles, objectives, or metrics to improve system performance. For billing, this may include items such as the maximum time between service date and providing invoice information to the billing entity, or how quickly the billing entity responds to invoice adjustments provided by individual departments.

Finally, a key benefit of centralization is greater control and accountability of follow-up and monitoring of collections. Generally, centralization offers a means to respond more timely to

aging receivables provided that collection is the primary role of the agency administering this role. Finance, whose primarily responsibility is to collect revenues, outstanding delinquencies, and claims on behalf of other City departments, clearly meets this criterion.

Costs of Centralization

The greatest financial cost in centralizing accounts receivable management is in system development and implementation, including interfacing department-specific accounts receivable systems with the ARS system. We estimate the costs of these interfaces alone at $2 million to $4 million each. We describe cost assumptions and challenges to centralization.

- Converging billing processes among applicable bill types. This involves determining a new integrated process, documenting the process, and training individuals on the converged process.

- Interfacing department-specific accounts receivable applications with a central billing application – specifically the ARS module within the FMS system. This includes disabling the receivables management functionality of the department-specific systems. Only one system-of-record (ARS) would be used for accounts receivable management.

- Determining specific information requirements and developing uploads for data from local invoice-amount determination applications to ARS. Typically, this is uploading flat files, Excel tables, or Access tables.

- Determining and implementing desired performance measures for the centralized billing entity, the entities providing information to centralized billing, and the end-to-end billing process (i.e., system metrics).

- Moving resources from departments to centralized billing, including facilities preparation.

- Recruiting, replacing, and training individuals to replace resources that don't move to the centralized location.

- Having to manage the various portions of the centralization project.

Cost-Benefit Matrix Shows Candidates for Centralization

In the development of our cost/benefit model, our scope focused on bill types with generally high revenue generation[11] and considered the following factors to further identify bill types as candidates for centralization:
- Requirements for department-specific subject matter expertise,
- Degree of specialization for some bill types,
- Billing amount determination and/or billing execution centralization,
- Bill types that have a high percentage of lost revenue, and
- Degree that federal, state, and city code requirements impact billing process.

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[11] We excluded low revenue generation bills (e.g., Business Improvement Districts) as the cost of centralization far exceeds the real return on investment.

Table 6.0 illustrates the relative relationship between cost and benefit of centralizing different high revenue volume City billings. The primary drivers of high costs are the amount of required system integration and specialized invoicing processes. The primary driver of high benefits is the amount of annual uncollectable revenue.

Table 6.0: Centralization Cost/ Benefit of Billing Types

Billing Centralization		Benefit	
		High	**Low**
Cost	**Low**	• Fire: Services other than CUPA permits • Fire: EMS billings (collection only) • Police: DUI charges	• Bureau of Engineering: Permits and Fees • Bureau of Sanitation: Groundwater fees, refuse and recycling services • Bureau of Street Lighting: Street lighting repair/ replacement • EnvironmentLA: Solid waste permit/ landfill fees • Planning: Full cost recovery fees • Transportation: Services other than parking citation collections
	High	• Building & Safety: Inspections and code violations • Fire: CUPA permits • Fire: EMS billing generation • Housing: Fee billings and Loans • Police: False alarm billings • Transportation (parking citations)	• Bureau of Sanitation: Industrial waste and septage hauling • City Attorney: Litigation cost recovery • City Clerk: Business Improvement District fees • General Services: All billings • Personnel: All billings • Controller's Office

Department-Specific Subject Matter Expertise Critical to Billing

Multiple issues need to be considered in assessing the feasibility of billing and collection centralization. Two of the billing-related activities (determine invoice information/amount and respond to questions/issues) usually require department-specific subject matter expertise. Individuals normally perform these duties in addition to other non billing-related duties, such as engineering, project management, or cost accounting. This unique expertise, and consequent unique billing processes, is more difficult to centralize than common or convergent processes.

Determining a billing amount, particularly for cost recovery bills, can be an accounting, engineering, or project management task. This process typically involves determining the specific services delivered, cross-referencing time records with billing tables, calculating other direct expenses, and providing some professional judgment as to what are and are not billable costs. Consequently, centralization is seldom feasible for billing amount determination, but can be feasible for billing execution.

Once a department has determined a billing amount, the processes for inputting, invoicing, payment processing, receivable monitoring, and referral to collections becomes a standard accounts receivable management series of tasks. Some departments, notably Public Works, have

recognized this delineation and have segmented the billing amount determination and billing execution duties accordingly. The City would have greater likelihood of success in centralization efforts if it were to centralize the billing execution activities and leave the departments responsible for compiling and summarizing the data for bill preparation.

Should such individuals transition to conducting billing execution in a centralized function, they would retain their department-specific knowledge and connections for a short period. Department-specific systems, technical capabilities, processes, roles, responsibilities, and mandates, however, often change. Individuals' relevant subject matter expertise would decay over time if they are physically and organizationally isolated from the rest of their department that would ultimately affect the accuracy and completeness of the bill generated for payment. In economics, this concept of expertise decay is referred to as the "half-life of knowledge", or the amount of time that elapses before half of the knowledge in a particular area is superseded or shown to be untrue.[12] **Figure 15.0** shows how relevant subject matter expertise, in the absence of a continuous connection with the original department, would diminish over time. Over time, as the relevant subject matter expertise of individuals in a centralized billing unit diminishes, billing costs and billing error rates would increase. An increase in billing errors, in turn, would likely have a negative impact on City revenue.

Figure 15.0: Subject Matter Expertise Diminishment over Time
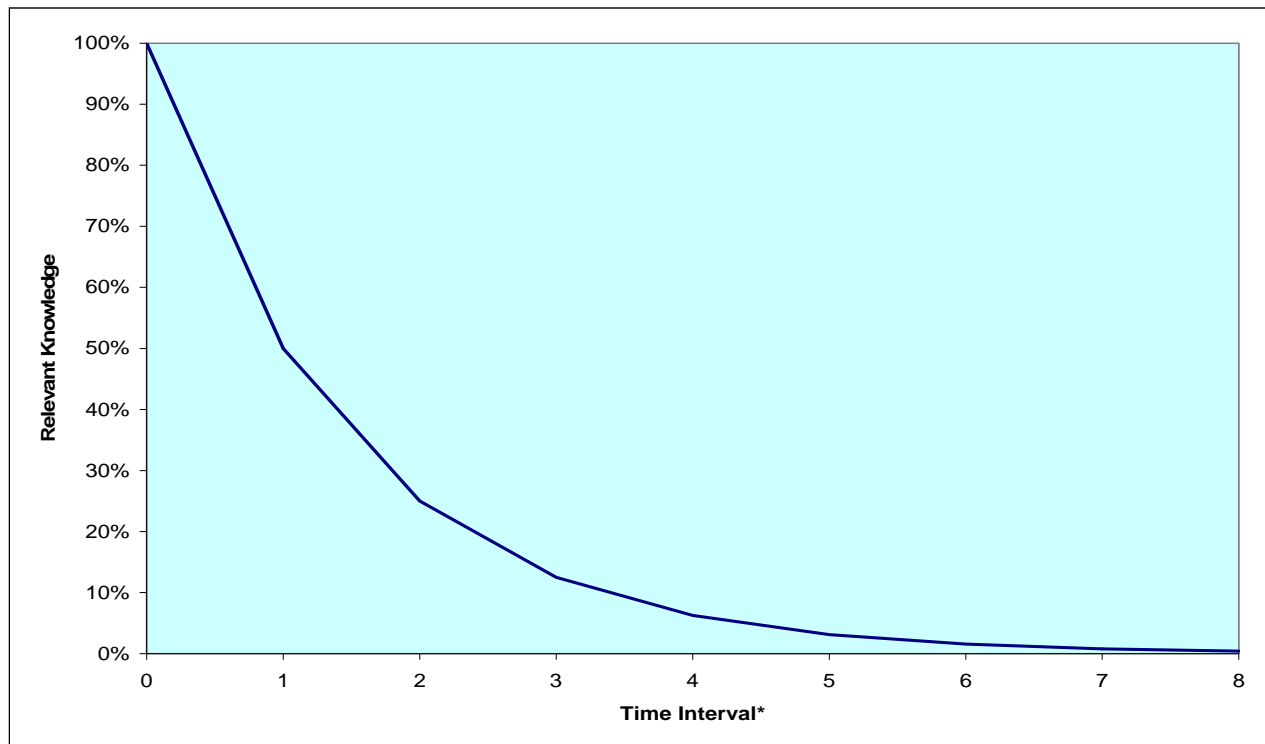
* Varies depending on specific subject matter expertise

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[12] Commonly attributed to Fritz Machlup, *Knowledge production and distribution in the United States.* Princeton, NJ: Princeton University Press, 1962.

Bill Types that have a High Percentage of Lost Revenue

High levels of aging receivables among bill types need to be considered in determining feasibility and strategies for centralization. Almost 90 percent of the annual revenue shortfall is attributable to two invoice types – City ambulance billing and parking citations. These two bills account for 82% of $132K, as shown in **Table 7.0** below, in annual uncollected revenue based on our survey and analysis data.

Table 7.0: Average Annual Uncollected Revenue – Major Contributors by Invoice Type

Invoice	Department	Lost Annual Revenue (K$)	Percentage of Total
Ambulance (city)	Fire	$86,307	65%
Parking Citations	Transportation	$22,800	17%
False alarm billings	Police	$7,920	6%
Inspections and code enforcement	Housing	$2,904	2%
Inspections and code violations	Building & Safety	$2,835	2%
Rent Registration	Housing	$2,160	2%
Annual permits (e.g., CUPA)	Fire	$2,112	2%
All other billings		$5,277	4%
Total		**$132,315**	100%

These two types of bills also have high levels of accounts receivables over two years old as shown in Table 8.0 below. Having a different strategy for these major revenue loss contributors could allow the City to maximize its revenue increase with the least resource expenditures.

Table 8.0: Aging Receivables over Two Years – Major Contributors by Invoice Type (Q4 FY 2009)

Invoice	Department	Delinquent 2 or More Years (K$)	Percentage of Total
Parking Citations	Transportation	$96,653	46%
Ambulance (City)	Fire	$81,996	39%
Inspections and Code Enforcement	Housing	$6,655	3%
Other Permits and Fees	Fire	$3,385	2%
False Alarm Billings	Police	$3,266	2%
Inspections and code enforcement	Building & Safety	$2,693	1%
Rent Registration	Housing	$1,942	1%
B Permit Deposits	Engineering	$1,932	1%
All Other Billings		$9,396	5%
Total		**$207,918**	**100%**

Degree that Federal, State, and City Code Requirements Impact Billing Process

Another consideration in assessing the feasibility of centralization is the multiple federal, state and city code that impact departmental billing processes. Some of the requirements are complex

in nature and require extensive data collection and decision-making by department management. For example, the Housing Department has reported codes governing annual rent registration require up to one year to fully and accurately generate bills because of the nuances involved in applying city requirements. **Table 9.0** below provides a representative list of requirements that departments reported impact billing processes as defined among current governmental statutes and City codes. None of the government mandates will require change at this time considering the strategy we are recommending for centralizing accounts receivable management in the next section.

Table 9.0: Billing Requirements Defined in Governmental Statutes

Department	Applicable Requirement	Summary
All City Departments	Administrative Code Section 5.181	45 days after delinquency, if account is in excess of $3,000 and not for emergency ambulance service, it will be referred to the Director of Finance for collection efforts. 45 days after delinquency, if account is $3,000 or less and not for emergency ambulance service, it will be referred to the Director of Finance or to a collections agency selected by the City Council. In the case of emergency ambulance service accounts, referral as set forth in this Section shall occur at the time reasonable collection efforts have failed but not later than 9 months from the date of initial billing. **Impact on centralization:** None anticipated.
Office of the City Administrative Officer	PL 100-707 Stafford Act 44 CFR Part 206 implements Stafford Act	Provides assistance to States and local governments for disaster preparation and response. The State sometimes acts the intermediary for money or technical assistance. Sets specific limits on the use of the funds. E.g. For pre-disaster mitigation assistance, "A State or local government may use not more than 10 percent of the financial assistance received by the State or local government under this section for a fiscal year to fund activities to disseminate information regarding cost-effective mitigation technologies." Also sets rules for determining amount of federal assistance for disaster preparation and response. Permits President to provide up to $5 million loan to local governments if disaster reduces revenues below operating budget. **Impact on centralization**: None anticipated. Provides inter-government billing policies for disaster grants management
	California Disaster Assistance Act	Provides money from state agencies to local governments for disaster recovery; local agencies are to bill the Controller. **Impact on centralization**: None anticipated. Provides inter-government policies for bill preparation of disaster recovery funds
Los Angeles	Section 14 and 15	Selected requirements: CHAPTER XV RENT

Department	Applicable Requirement	Summary
Housing Department-Fee Billings	of the City of LA administrative and civil code, contained in the city Charter, has all the regulatory requirements.	STABILIZATION ORDINANCE ▪ Civil Code Section 1940.1 permits municipalities, among other things, to create remedies by local ordinance for violations of Civil Code Section 1940.1(a) ▪ SEC. 151.21. HURRICANE KATRINA AND HURRICANE RITA TEMPORARY RELIEF PROGRAM. (landlords may rent below market value – no fees to collect) ▪ SEC. 151.22. ELLIS ACT PROVISIONS: California Government Code Sections 7060, et seq. (the "Ellis Act") permits the City, among other things, to require landlords to provide all tenants with 120 days notice, or one year if the tenants lived in the accommodations for at least one year and are more than 62 years of age or disabled, when rental units subject to the Rent Stabilization Ordinance are to be withdrawn from the rental market. o SEC. 151.25. ELLIS ACT PROVISIONS - CIVIL PENALTIES FOR OFFERING UNITS FOR RENT WITHIN TWO YEARS OF WITHDRAWAL. (city may sue landlord) ▪ State law, including the Mobile Home Residency Law at California Civil Code Section 798, et seq., governs many aspects of agreements to rent mobile homes. This section supplements the provisions of the State Mobile Home Residency Law. CHAPTER XVI HOUSING REGULATIONS ▪ Section 161 -- HOUSING INSPECTION FEES (not state/federal requirement) ▪ California Health and Safety Code Section 50651, et seq.: Where the landlord fails, neglects, or refuses to comply with an order to pay relocation benefits, the City, acting through the General Manager of the Enforcement Agency, may advance relocation benefits to displaced tenants and recover the advanced amount, penalties and costs from the landlord. ▪ Amount of relocation benefit to be paid by landlord determined by federal code: Department of Housing and Urban Development pursuant to Section 1437(f) of Title 42 of the United States Code, whichever amount is greater (SEC. 163.05. AMOUNT OF RELOCATION BENEFITS) **Impact on centralization**: None at this time, but in the future the codes should be changed to accommodate potential convergent billing processes. Complexity of codes adds unnecessary time to the billing processes, and increases the learning required should billings be centralized. These codes will need to be revised should the City consider centralizing

Department	Applicable Requirement	Summary
		housing charges in the future.
Los Angeles Housing Department	California Civil Code	California Civil Code, Division 2 Property, regulates the transfer (sale) of real and personal property. The Housing Department annually collects rent registration fees from landlords to ensure rents are raised within the annual limit and properties are safe and inhabitable. From the City Housing Department's 2008 Annual Bill Instructions: "Unless specifically exempted from RSO Registration, an owner cannot legally collect rent from a tenant unless the owner has paid the annual rent registration fee and served a copy of a valid registration or annual registration renewal statement on the tenant of the rental unit. Tenants can raise the non-payment of RSO Registration and/or SCEP fees by the owner as an affirmative defense against eviction of the tenant. Please note that failure to pay the amount due may result in additional collection efforts, including referral to a private collection agency that reports to credit bureaus and/or the filing of a legal action against you by the City." **Impact on centralization**: None at this time, but in the future, the City will need to possibly eliminate exemptions to promote convergent billing processes.
Bureau of Engineering	62.109, 12.37.L1 LAMC 62.119. LAMC 62.05.62.02.62.03 LAMC 62.41 LAMC SO 09-0282 62.02(a)-(c) LAMC 64.15(a) 12.37 L1 LAMC 64.18 LAMC 64.15(b) LAMC 64.20 LAMC 62.118.2. 12.37 L1 LAMC 64.10 12.37(f)LAMC 12.37L.1 7.44LAAC 62.106.1(a) 19.02.B3 62.106.1(a) 1B LAMC 19.02.A2 18.09 7.41.1 LAAC	Establishes basis for fees and charges **Impact on centralization**: None at this time.

Department	Applicable Requirement	Summary
	7.3 LAAC 7.4 LAAC 22.356 LAAC Council File 95.2283 61.10 LAMC Ordinance 178873 Ordinance 178880 LAMC 62.06 Ordinance 178881	
Office of Finance	DUI Cost Recovery is controlled by sections 53150 through 53158 of the California Government Code.	State laws states that an individual under the influence "is liable for the expense of an emergency response by a public agency to the incident." The law says that this expense is a debt against a person, not covered by insurance, and the maximum liability per event is $12,000. The law defines "Expense of an emergency response" as "reasonable costs incurred by a public agency in reasonably making an appropriate emergency response to the incident, but shall only include those costs directly arising because of the response to the particular incident. Reasonable costs shall include the costs of providing police, firefighting, rescue, and emergency medical services at the scene of the incident, as well as the salaries of the personnel responding to the incident." (Government code section 53156) **Impact on centralization:** None anticipated. The law defines whom and what can be billed by a public agency for an emergency response. The law does not describe specific billing procedures.
Fire	Certified Unified Program Agency established by the Secretary of the California Environmental Protection Agency pursuant to Health and Safety Code Section 25404.5	Law provides the authority for the City to bill and collect payments from business owner on behalf of the State, County of Los Angeles and the City. **Impact on centralization:** None anticipated. Revenue must be deposited according to law
Transportation - Parking Citation Collections ONLY	Article 3 of the California Vehicle Code CA Vehicle Code, Division 17, Chapter 1. Offenses, Article 3. Procedure on Parking Violations	Prescribes the rules for enforcement of civil penalties (including financials) for parking violations; says who may receives the revenues for issuing and processing **Impact on centralization**: Set special procedures for notifying and collecting the penalty from the owner; e.g. within 15 days of issuance of the parking ticket, the billing entity has to send a copy of the notice to the registered owner.

Department	Applicable Requirement	Summary
Transportation	CA Public Utility Code: 5351 et seq. Charter party carriers of passengers (e.g. taxicabs)	Prescribes penalties Including financial) for unauthorized operations of a taxicab; State retains the revenue it can recover. **Impact on centralization**: None anticipated. Prescribes the billing amounts and procedures for collections of penalties.

EMS, Housing, and Parking Citation Bill Types Require Careful Consideration

EMS billing, housing billing citation bill types were carefully considered in our feasibility analysis.

Administering billing for EMS services requires understanding of third-party payer (medical insurer) processes, as well as the management of information privacy as required by the Health Insurance Portability and Accountability Act of 1996 (HIPAA). The City recognized this uniqueness in specifying that delinquent ambulance billing accounts be referred to collections within nine months of billing date[13], as opposed to 45 days for other delinquent accounts. The Fire Department is negotiating with a vendor to assume billing responsibility. Other cities that have outsourced EMS billings accomplish very high revenue recovery rates, ranging from 87 to 95 percent of charges billed. These high rates are accomplished because of the expertise and refined processes established by the billing vendors. Fully centralizing billing will not likely match the performance of the vendors for some time because of the health-related billing requirements, staffing specialization, and infrastructure needed. Even if the City fully centralized EMS collection and brought over the current Fire Department staff that performs the billing, the City could expect accomplishing about the same level performance, which is about 45 percent revenue recovery. Outsourcing EMS billings to vendors that specialize in this type of bill has a very high likelihood of enhancing revenue for the City up to $78 million per year, reducing the current billing cycle, improving efficiency in the accounts receivable process, increasing operational efficiency, and providing an improved audit trail.[14] We later discuss in this report that Finance should have a greater role in monitoring and following on bills upon their issuance by the third party vendor.

The Housing Department uses a custom application for real estate loan billing, and manages several processes unique to real estate loan management. These include pre-Notice of Default payment negotiation, foreclosures, payoff requests, annual IRS 1099 form generation, mandated U.S. Department of Housing and Urban Development reporting, and interest recalculations. Activities involved in managing real estate loan payments, including addressing delinquent payments, differ considerably from standard accounts receivable management activities. As a result, real estate billings should not be a part of the City's centralization efforts.

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[13] Los Angeles Administrative Code Section 5.181. Cited July 21, 2009.
[14] Report to Board of Fire Commissioners from Douglas L. Barry, Fire Chief. Board of Fire Commissioners File Number 08-131, dated September 2, 2008.

The Housing Department is currently in the process of a multi-year effort to customize a new information system to support other housing billings related to annual rent registration fees, rent escrow accounts, and code enforcement. Additionally, preparing the bills require the manual collection from information from too many multiple systems in use at other departments and frequent case by case decision-making analysis to determine whether exemptions and waivers are warranted, as specified in the City code. The business protocols needed and the research required on properties necessary to calculate the charges are beyond the role of a billing unit within Finance when it should be focused solely on transaction processing. Should the Housing Department require a new information system in the future, the City, at that time can consider whether it can redesign information systems and business processes to centralize housing billing and collection activities. Other governmental entities have used this phased-in approach for their departments that had new information systems, and prevented the wasting of financial sources investing in another customization effort to their core financial system.

Managing parking citation collections requires high volume invoice processing, and systems that integrate with existing handheld ticket writer technology. The current collection vendor also provides specialized services such as abandoned vehicle monitoring, capturing parking regulation outages (e.g., faded paint, broken meter), traffic officer overtime tracking, and vehicle impound facilitation. In addition, the collecting party must have access to out-of-state vehicle registration records, and provide expertise in cross-referencing ticket information with historical Department of Motor Vehicle owner records. A partial centralization opportunity exists for referral of delinquent collections to city collection agencies, which is later discussed in this report.

SECTION 5: STRATEGY FOR ENHANCED ACCOUNTS RECEIVABLE MANAGEMENT

We recommend a strategy below to strengthen accounts receivable management. The strategy includes three phases as follows:

1. Greater centralization of report development and enhanced revenue metrics,

2. Greater centralization of accounts receivable management activities of high delinquency billings to Finance

3. Centralization of non-specialized billings when systems need updating or billing/collection performance declines among bill types.

We describe each of the three phases below.

Phase 1: Greater Centralization of Report Development and Enhanced Revenue Metrics

The foundation for effective receivables management is centralized reporting and related performance management. Without reporting, monitoring cannot be performed on the efficiency and effectiveness of other billing and collection activity. Also, Finance cannot establish accountability among owners of the billing and collection functions. The first phase for the City to consider is enhancing the centralization of reporting to improve the effectiveness of billing and collections. Cost-effective gains can be achieved by enhancing centralized reporting and performance management. Currently, City departments do not use consistent performance measures for monitoring accounts receivable management performance. Finance currently monitors basic metrics, such as total revenue collection, amount outstanding, and statistics on receivables by age. The quarterly Accounts Receivable Dashboard is a high-level monitoring tool, and has limited usefulness for performance management. No departments set and publish performance targets for accounts receivable management.

We recommend the City develop a reporting capability that allows the City to monitor and report, through a central portal, all City receivables. This portal would allow departments and City officials to have access to real-time reports for better monitoring accounts receivable in existing systems. Currently, revenue reports are disseminated by Finance on a quarterly basis and prepared by consolidating revenue reports submitted by individual City departments. We propose the use of additional reports that assess billing and collection efficiency by showing outcomes for four key metrics:

- Aging receivables by month by department and for major bill types (e.g. bills generated by Public Works, Housing, Fire, Police)

- Ratio of total receivables to total revenue

  a) Ratio of receivable past due to prior 12 month total of revenue charges

  b) Ratio of receivables 120 days due to 12 month total of revenue charges

    c) Ratio of receivables one year past due to 12 month total of revenue charges

- Turnaround time – days between the bills' due date and referral to collections
- Payment timeliness – average days from service date of the charge to payment

Enhanced reporting would allow the City to use consistent performance measures, including graphical information and targets, for better visibility of key issues impacting decision-making. The City can combine existing data along with new data available from departments to focus on departments with high levels of aging receivables and receivables "at risk" of aging. Enhanced reporting also lends itself to easily setting objective targets for account aging, collection referral efficiency, and appropriate write-off of aging receivables. For example, showing payment timeliness metrics gives visibility of month-to-month improvement of collection efficiency, as shown in **Figure 16.0** below.

Figure 16.0: Collection Efficiency Over Age and Time
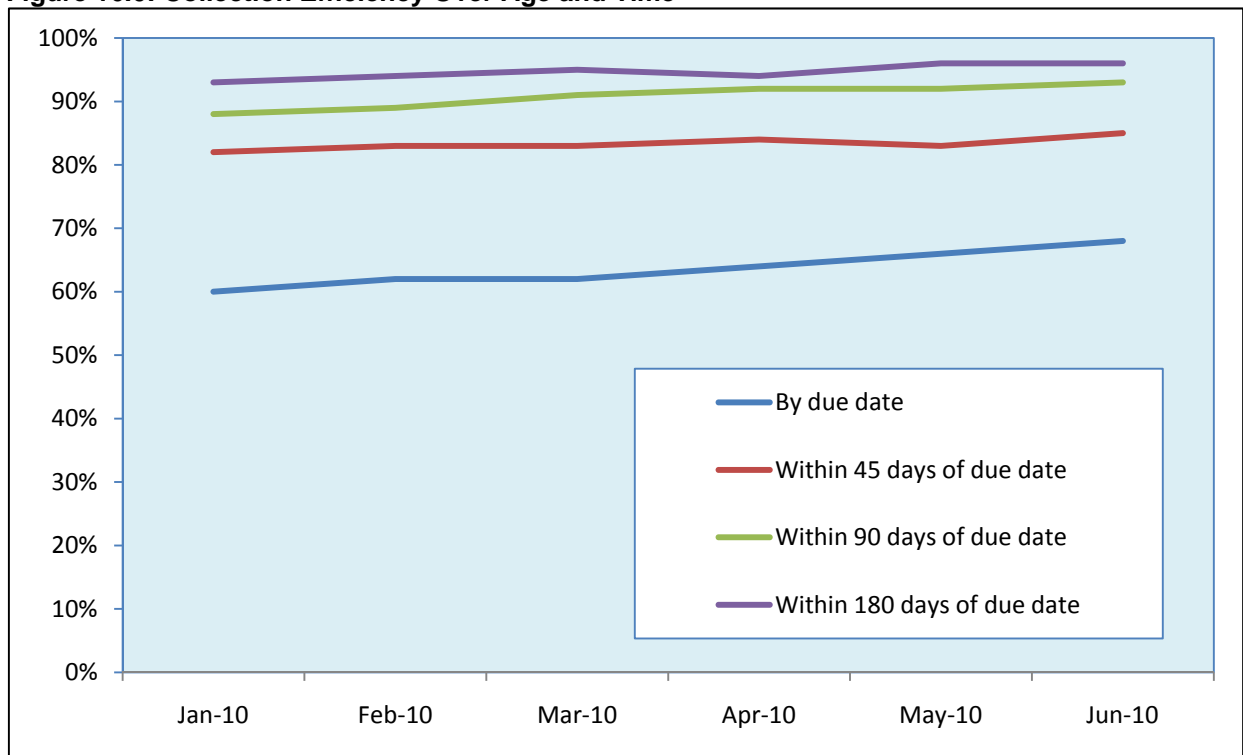
We propose that the revenue reports be available to both Finance and each respective department. For high-receivable departments, such as Fire, Police, Public Works, and Housing, Finance should monitor receivable trends monthly[15].

In addition, departments with high receivables should be required to submit cause analyses similar to the one shown in **Figure 17.0.** The use of effective and more frequent monitoring of

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[15] This frequency was initially proposed in the 1991 *City of Los Angeles Accounts Receivable Analysis* (Ernst & Young)

performance data can aid DOT in determining when to either increase contractor collection incentives for parking citations or refer specific accounts to City collections especially for those drivers currently residing at a known address outside of California. This will enable Finance to quickly determine any degradation in accounts receivable management performance, as well as assist departments in developing action plans to address the highest-impact issues affecting receivables. Collection reports measuring the effectiveness of the City's Collection Unit (CCU) and the four subcontracted collection agencies should also be made available to respective departments.

Figure 17.0: Cause Analysis of Parking Citation Receivables (Sample Data)
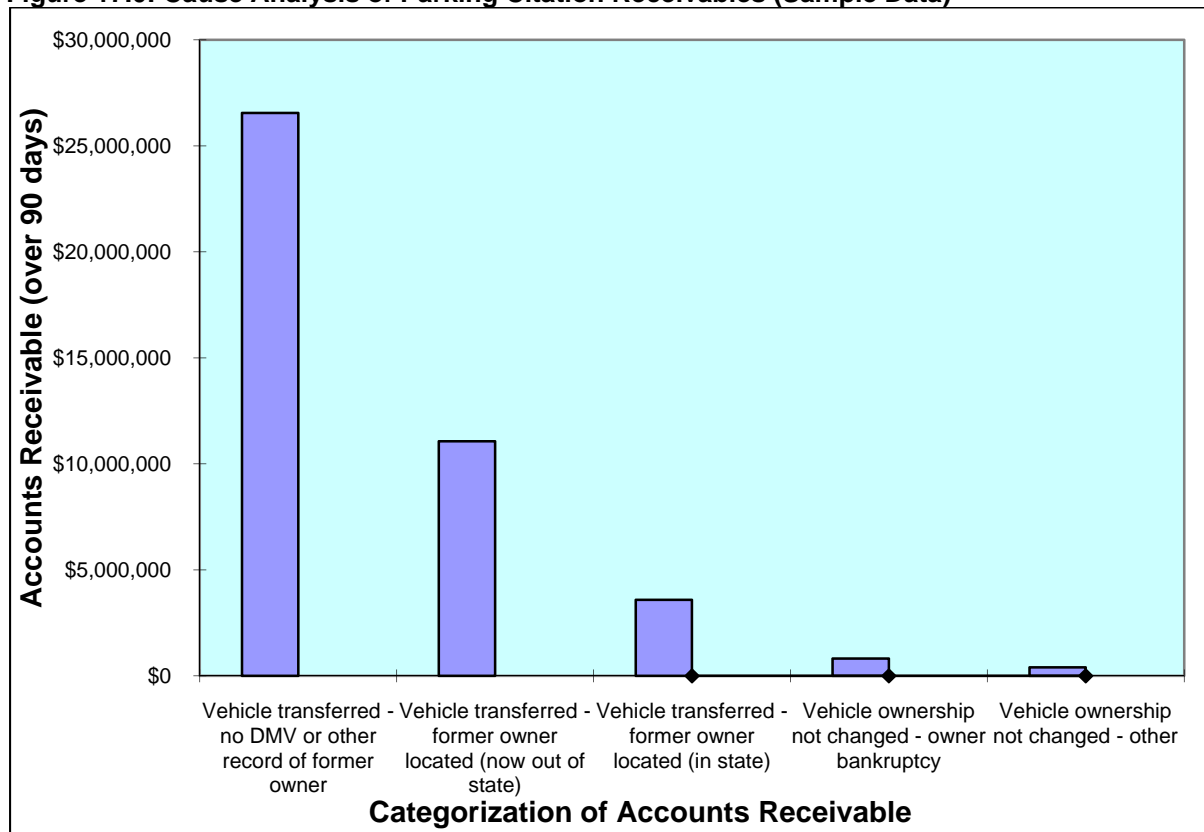
Enhancing the centralization of reporting was included as a separate phase to show, at a minimum, the revenue gains that could be made.

Interfaces Required for Greater Centralization in Report Development

Prior to the development of new revenue and collection reports, information from seven systems maintained among the large revenue generating departments would have to be electronically transferred to a central portal for viewing, downloading, and reporting. For reporting, full system integration is not required. On the next two pages, however, we specify additional reporting data elements beyond those planned with the current FMS implementation.

For Fire Department ambulance billings and CUPA permit billings, reporting interfaces would have to be developed from EMSS and from Envision. For Transportation parking citation billings, reporting interfaces would have to be developed from eTIMS. (We concur with the

March 17, 2009 *Fit Gap Analysis* in that each interface, including eTIMS, will be for inbound accounts receivable information only. This information will be used for reporting on the additional metrics we are proposing to aid Finance in overseeing collection effectiveness). For Housing billings, reporting interfaces would have to be developed from HIMS. For Building and Safety billings, reporting interfaces would have to be developed from the Financial Services System (FSS). For Police false alarm billings, reporting interfaces would have to be developed from CryWolf. For Sanitation billings, reporting interfaces would have to be developed from PIMS.

For departments using ARS, Finance would need on-demand viewing, downloading, and reporting capability of each department's A/R data to measure accounts receivable performance. For departments that do not currently enter data into one of these systems or utilize manual bill preparation, their receivables amounts are low enough that the existing quarterly report templates provide adequate reporting information. **Table 10.0** below identifies the system needing a viewing, downloading, and reporting query interface.[16] These interfaces would be for inbound accounts receivable information only.

Table 10.0: Billing Systems Requiring a Reporting Interface to the City's new FMS system

System	Department
EMSS Envision	Fire
eTIMS (outsourced)	Transportation (Parking Citations)
HIMS	Housing
FSS	Building and Safety
CryWolf	Police
PIMS	Sanitation

Data Elements Needed for Revenue and Collection Reports

Twenty-four different data elements are needed to create more effective reports. In **Table 11.0**, on the following page, we list the data elements that we recommend that Finance be able to query from each existing receivable system. This information would allow Finance to create reports which monitor the effectiveness of each department's accounts receivable management activities.

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[16] This is similar to the reporting-only interfaces defined in the ARS Fit-Gap Analysis, but with more data fields. These systems do not require a two-way accounts receivable interface.

Table 11.0: Recommended Accounts Receivable Reporting Elements

Category	Data Element
Invoice-Specific	Invoice identifier*
	Invoice type
	Date(s) of service
	Invoice upload date (for imported invoice information – new field)
	Invoice creation date
	Invoice amount
	Invoice due date
	Status change date(s) (e.g., protest investigation)
	Adjustment date
	Adjustment amount
	Payment amount
	Payment date
	Dunning letter(s) date(s)
	Collection referral date
	Write-off date
Month-Specific (per invoice type)	Amount billed
	Number of invoices
	Amount received sorted by original invoice month
	Number received sorted by original invoice month
	Amount referred to collections sorted by original invoice month
	Number of invoices referred to collections sorted by original invoice month
	Receivable aging
	Receivables submitted for write-off
	Receivable write-offs

* Non customer-specific information

Monitoring the effectiveness of external collection providers, particularly metrics on the number of days between the bill due date for payment and the collection referral date, requires additional reporting data. We recommend the City, when it renews contracts with existing collection vendors or enter into new agreements, require all collection providers to supply detailed information on their invoices and collections. **Table 12.0** on the following page, shows the 13 data elements we recommend CCU and each of the four subcontracted collection agencies provide to Finance. This data could then augment our suggested new reports.

Table 12.0: Recommended Collections Reporting Elements

Category	Data Type
Invoice-Specific	Invoice identifier*
	Invoice type
	Invoice creation date
	Invoice amount
	Invoice due date
	Collection referral date
	Collection amount
	Collection date
Month-Specific (per invoice type)	Amount referred to collections sorted by original invoice month
	Number of invoices referred to collections sorted by original invoice month
	Amount collected sorted by original invoice month and referral month
	Number collected sorted by original invoice month and referral month
	Collection aging

For ambulance billings, the City needs to archive information from the EMSS system that will not be converted to the new vendor's billing and collection system, as well as archive information from the ARS and Envision systems.

Timeline and Resources for Phase 1

We recommend that Finance have responsibility for both implementing and managing Phase 1. We estimate that the City can implement Phase 1 within 18 months. In **Table 13.0** below, we provide a high-level synopsis of activities, staffing requirements, and other project expenses for each year of implementation.

Table 13.0: Phase1: Activities, Staffing, and Expenditure Requirements

Fiscal Year	2009-10	2010-11	2011-12, etc.
High-Level Activities	• Determine reporting requirements • Develop reporting interfaces • Develop reports • Begin training and implementation	• Develop EMSS reporting interfaces • Complete training and implementation • System and reporting support	• System and reporting support
Staffing Requirements			
Asst. Director	0.1	0.1	0
Management Analyst	0.6	1.0	0.4
Senior Accountant	0	0.1	0
IT Systems Analyst	0.3	0.4	0.2
Total City Staff	**1.0**	**1.6**	**0.6**
Other Project Expenses	$187,500	$212,500	–

Estimate of Costs and Net Revenue Benefit for Phase 1

This will provide Finance, the Mayor's office, and department staff real-time access to accounts receivable reports.

Table 14.0, on the following page, provides a six-year summary of the expected costs and benefits from the implementation of Phase 1. The one-time project costs directly associated with the actual implementation are $816,940 with continuing project costs (primarily staff resources for reporting and system support) of $935,857. We provide additional detail of the costs and benefits of implementing Phase 1 in the economic analysis worksheets in Appendix II.

Over a six-year period of implementing Phase 1, the City could realize about an additional $18.3 million in revenue. The increased reporting and metrics could recover 10 percent of the $45.8 million (Citywide excluding EMS and housing loan billings) unrecoverable billings per year, or $4.6 million per year. The net benefit of Phase 1 (revenue less costs) is $16.5 million over a six year period.

This phase provides significant benefit relative to the costs incurred, with positive benefits starting in year two. This phase does not, however, address the City's desire for focused accountability for revenue management. The accountability for billing follow-up and collection referrals dispersed throughout City departments. In addition, City customers must still deal with a myriad of payment processes, including a limited amount of web portal payment options.

Table 14.0: Summary Cost and Benefits for Phase 1 – Detailed Accounts Receivable and Collections Reporting

	FY 2009/10		FY 2010/11		FY 2011/12		FY 2012/13		FY 2013/14		FY 2014/15		SUBTOTAL	
	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts
Phase #1					**Detailed AR and Collections Reporting**									
Total One-Time Project Costs	0.7	$381,707	0.9	$435,233	0.0	$0	0.0	$0	0.0	$0	0.0	$0	1.6	$816,940
Total Continuing Project Costs	0.3	82,642	0.6	170,643	0.6	170,643	0.6	170,643	0.6	170,643	0.6	170,643	3.3	935,857
Total Continuing Existing Costs	80.7	9,134,567	80.7	9,322,067	80.7	9,134,567	80.7	9,134,567	80.7	9,134,567	80.7	9,134,567	483.9	54,994,904
Total Alternative Costs	81.7	9,598,916	82.2	9,927,943	81.3	9,305,210	81.3	9,305,210	81.3	9,305,210	81.3	9,305,210	488.8	56,747,701
COST SAVINGS/ AVOIDANCES	(1.0)	(464,348)	(1.5)	(793,376)	(0.6)	(170,643)	(0.6)	(170,643)	(0.6)	(170,643)	(0.6)	(170,643)	(4.9)	(1,940,297)
Increased Revenues - EMS Outsourcing		0		0		0		0		0		0		0
Increased Revenues - Other Improvements		458,208		1,374,623		3,207,455		4,123,870		4,582,078		4,582,078		18,328,312
Net (Cost) or Benefit	(1.0)	(6,141)	(1.5)	581,247	(0.6)	3,036,812	(0.6)	3,953,227	(0.6)	4,411,435	(0.6)	4,411,435	(4.9)	$16,388,015
Cumulative Net (Cost) or Benefit	(1.0)	($6,141)	(2.5)	$575,107	(3.1)	$3,611,918	(3.7)	$7,565,145	(4.3)	$11,976,580	(4.9)	$16,388,015		

Table Notes:

Total One-Time Project Costs: One-time costs associated with the project implementation. The City will no longer incur these costs once the implementation is complete.

Total Continuing Project Costs: Ongoing costs associated with the project implementation. The City will continue to incur these costs once the implementation is complete:

Total Continuing Existing Costs: Costs associated with existing billing infrastructure. These may be reduced if resources are redirected or replaced as a result of the project implementation.

Cost Savings/ Avoidances: Total cost savings (cost increase) as a result of the project implementation

Increased Revenues: City revenue increase from project implementation

Net (Cost) or Benefit: Increased revenues plus cost savings

Cumulative Net (Cost) or Benefit: Year-to-year summation of the (Cost)/Benefits and Increased Revenues associated with the implementation

Phase 2: Greater Centralization of Accounts Receivable Management Activities to the Office of Finance

In this phase, we are recommending Finance have greater responsibility over bill generation, including overseeing bill generation by third party vendors, and earlier or more involvement in collection activities for 11 bill types. 2. Because many City departments currently do not effectively manage accounts receivable performance, enhance centralized reporting is a critical foundation for any further billing and collections centralization efforts.

The affected departments, however, would maintain responsibility for capturing and aggregating data required for generating an invoice, and Finance would assume responsibility for generating their invoices and managing accounts receivable. We exclude other departments from Phase 2 because invoices could be better managed by a combination of outsourcing and city collection agencies, or because the cost of customization to the City's new FMS system would exceed the return on investment.

We propose as candidates for initial centralization 10 types of bills that comprise about 39 percent, or about $191 million of the City's total $492 million revenue generated each year. These invoices are candidates for bill generation by Finance as current invoice processes can be converged and each of them has relatively low collection efficiency. The CCU will be responsible for handling the receivables upon completion of bill generation.

The largest problem with parking citations is not with bill generation, but that many delinquent bills remain uncollected even after being placed special collection status. To address this problem, we suggest Finance become involved in the collection process by addressing parking citations after 15 months[17] of age.[18] At that time, the City can assign the uncollected parking citations to contracted collection agencies, and that the special collection fees paid to the collection agency can be increased if necessary. Fees and penalties for these citations are generally under the $300 threshold for assignment to outside collection agencies. The volume of 180,000 additional delinquent parking citations per year and the large IT infrastructure, staffing, and processes needed to handle the volume is too cost prohibitive to handle internally. The City should not create a large infrastructure, including IT systems, to handle these internally.

The current third party citation processing contract expires in January 2011. The next contract can contain a provision for assigning delinquent accounts to City collection agencies. We estimate that such action could increase collections by two percentage points, or $2.4 million per year.

The Fire Department is proposing outsourcing EMS billing to a vendor. In other governmental entities that provide EMS services, EMS and ambulance transport claim preparation are outsourced to private vendors. In our experience evaluating the efficiency and effectiveness of private companies, some vendors can accomplish an initial revenue recovery rate from 87 to 95 percent. This is over double the current recovery rate realized by the Fire Department. Private

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[17] After 15 months the collection rate levels off, such that a negligible amount is collected by the citation processing vendor after this time.

[18] With the exception of those on registration hold or open un-noticed.

companies generally emphasize the accurate processing of the initial claim rather than spending most of its resources on secondary claim processing on denied claims or delinquent billings. However, these firms have considerable experience with Health Insurance Portability and Accountability Act (HIPAA) regulations that apply to medical billing processes.

The department is currently negotiating with a potential vendor to outsource billing and collections. We strongly recommend that the department follow through with this different method of account receivable management, but we further discuss later in this report a greater monitoring, follow up and collections role is needed by Finance. Additionally, in our experience reviewing ambulance billing services contracts, it is critical that the contracts, at a minimum, include the following key components to have some assurance of improving revenue recovery for the City:

- Performance outcomes on timeliness of submitting claims for reimbursement, and following up on denied or pended claims,

- Performance outcomes on revenue recovery,

- Clear delineation of vendor and Fire Department responsibilities in the billing and collection process, including verification of third party eligibility, address information, and insurance information,

- Clear policies and procedures for following up on pended and denied claims, including submitting secondary claims as applicable,

- Clear guidelines on the resolution of information sharing issues between the vendor and the EMS personnel, and

- Establishment of criteria that would deem claims as delinquent (six months), which differs from the City's current policy but consistent with industry practices in healthcare claims processing.

However, given the absence of key requirements in the proposed vendor contract and past history by the department to follow up on aging receivables, there are two strategies for the City to consider regarding EMS billing and collection. These strategies are:

(1) share responsibility between Fire and Finance, or

(2) Finance should assume responsibility for all of EMS billing and collection activity, including managing the vendor contract.

In **Table 15.0**, on the following page, we show the benefits and risks of each strategy:

Table 15.0: Comparison of EMS Contract Management Strategies

EMS Billing Contract Management	Strategy 1 for EMS Billing Vendor Management Fire and Finance – Shared	Strategy 2 for EMS Billing Vendor Management Finance Only
Benefits	• Leverages technical expertise of Fire and vendor management expertise of Finance • Increased revenue due to focus on vendor performance management • Revenue accountability within Finance aligns with Finance's charter • Fire-specific communication (patient-related information) remains with Fire	• Single point of accountability • Revenue accountability within Finance aligns with Finance's charter • Increased revenue due to focus on vendor performance management
Risks	• Potential vendor management confusion if clear responsibilities aren't established between Fire and Finance	• Fire-specific expertise in Finance will diminish over time • Fire resources may be unwilling to report or work for another department • Finance must manage Fire-specific communication at the EMS personnel level to obtain needed patient-related information. • Finance lack of experience with HIPAA compliance may compromise information confidentiality • Increased security and cost of managing HIPAA-compliant IT linkages within Finance • Finance must provide continuous staff training on Medicaid and MediCare rules.

In our analysis, the Fire Department and Finance should share responsibility for the vendor contract (strategy 1). The Fire Department should own communicating sufficient information to the vendor to ensure accurate claim preparation. To have Finance assume responsibility for transmitting EMS information to the vendor would add another layer of communication in the bill preparation process and would diminish timely preparation of claims by the vendor. The Fire Department would also have the responsibility of responding to requests for additional data to address refused claims, and working with the City to mitigate the reasons for rejected claims.

Finance should have responsibility for monitoring and follow-up activity on accounts once the claim has been submitted by the vendor for payment. For this to occur, the vendor will need to routinely provide bill information to Finance should an electronic interface to the City's FMS system not be feasible. In managing these receivables, Finance must understand and conform to HIPAA regulations.

The delineated roles between Finance, the Fire Department and the vendor could provide the structure necessary to enhance the revenue recovery rate of EMS billings. We factored in the cost and revenue benefits of shared responsibility of EMS billing into Phase 2. The City would prefer, however, that a shared structure for Finance and Fire managing EMS billing not be used. City officials assert it is neither feasible nor accomplishes enhanced accountability. We believe, however, the Fire Department's current plan to outsource EMS billings, given department's need for improvement in collections and our experience in auditing and evaluating EMS billing vendors will accomplish more immediate revenue recovery because of their strong technical capability to achieve more immediate revenue recovery from submitting initial claims for reimbursement. LAFD must be involved in providing the data for bill preparation because it must handle the technical equipment for patient data capture. The weakness in the EMS billing

industry is following up with pended or denied claims. To mitigate this potential weakness, Finance must become involved in monitoring the claims upon their issuance and providing follow up on claim activities to ensure delinquent claims are not neglected.

Close coordination between the contractor and the Fire Department is required for effective and timely bill generation and HIPAA-compliant information flow. Placing another layer between the Fire Department and the contractor could, based on our client experience, impede the flow of information and affect the efficiency of billing. If any patient information is available to a centralized entity, the information and communications systems will have to be secured. Enhancing account receivable management among the 11 types of bill can occur in two tiers. Tier 1 invoices, as shown in **Table 16.0** below, do not require systems interfaces. Tier 2 invoices require interfacing between the departments' billing calculation and management systems and ARS. For the Fire Department, CUPA permit billings, interfaces would be developed between Envision and ARS. For Police false alarm billings, interfaces would be developed between CryWolf and ARS.

Table 16.0: Centralized Billing and Collection Candidates

Priority	Department	Invoice	Revenue per Year (in thousands)
Tier 1	Fire	Ambulance (EMS) bill monitoring and follow-up	$154,119
		Ambulance (contract)	4,000
		Inspection Restitution	3,042
		Fire safety watch	1,268
		Film safety	2,071
		Brush clearance/ non-compliance	1,522
		Other fees	996
	Police	DUI charges	1,200
	Transportation	Parking Citations (delinquent to City collections)	120,000
Tier 2	Fire	Annual permits (e.g., CUPA)	9,600
	Police	False alarm billings	13,200
		Total	**$311,018**

Technical Platform

The foundation for a centralized system would be the City's ARS module and FMS (with the exception of outsourced EMS billings). ARS would function as the receivables system-of-record for any centralized receivable management activity. Having a single system-of-record would (1) eliminate errors inherent in reconciling multiple systems-of-record, (2) provide for easier user training, as users would only learn a single A/R system, and (3) increase resource flexibility, as users could perform billing activities for multiple departments without extensive cross-training.

Timeline and Resources for Phase 2

We recommend Finance have responsibility for both implementing and managing Phase 2. While the City expressed interest in establishing another department, no business case exists to research adding a new department and duplicating the charter of Finance. Adding an additional centralized revenue and collection department would create redundant and unnecessary administration and overhead costs.

ITA needs to work closely with Finance to perform the technical system integration necessary for integration. This aligns with Finance's current responsibility for several areas of collections, including the CCU. Finance also has responsibility for revenue management, per Section 300 of the City Charter.[19]

We estimate that the City can implement Phase 2 within 30 months. In **Table 17.0** below, we provide a high-level synopsis of activities, staffing requirements, and other project expenses for each year of implementation.

Table 17.0: Phase 2 Activities, Staffing, and Expenditure Requirements

Fiscal Year	2009-10	2010-11	2011-12	2012-13, etc.
High-Level Activities	• Finalize EMS billing contract • Determine parking RFQ and contract modifications • Determine system interface requirements • Begin consolidation development	• Complete EMS outsourcing • Transition to new parking contract • Transition Tier 1 billing resources • Develop Envision and CryWolf interfaces	• System support • Transition Tier 2 billing resources	• System support, receivables management[20]
Staffing Requirements				
Asst. Director	0.0	0.0	0.1	0.0
Management Analyst	1.2	1.9	2.0	1.5
Senior Accountant	0.0	0.1	0.2	0.0
Billing Analyst	1.0	3.4	5.2	5.0
IT Systems Analyst	0.3	2.2	1.6	1.1
Total City Staff	**2.5**	**7.6**	**9.1**	**7.6**
Other Project Expenses	$545,000	$4,705,000	$260,000	$0

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[19] The chief administrative officer of the Office of Finance shall be the Director of Finance, who shall be appointed and removed as provided in Section 508. The Office of Finance shall have the power and duty to:

(a) develop and implement the City's revenue policy consistent with the Charter and ordinance, and develop guidelines for the collection of outstanding receivables;

(b) collect revenues and issue those licenses, permits and tax registration certificates not issued by the City officers or departments; and

(c) make recommendations to the Mayor and Council concerning the efficient organization of the revenue collection functions performed by City offices and departments.

[20] Starting in fiscal year 2012-13, costs are for ongoing support only (no project-specific expenses).

City of Los Angeles – Centralized Billing Feasibility

<u>Estimate of Costs and Net Revenue Benefit for Phase 2</u>

Phase 2 balances the City's need for revenue enhancement with its desire for more focused accountability. While Phase 2 has considerable system integration costs, it addresses the departments with past accounts receivables issues that most impact the City.

Table 18.0, on the following page, provides a six-year summary of the expected costs and benefits from the implementation of Option 2. The one-time project costs (primarily system development) directly associated with the actual implementation are $7.5 million with continuing project costs (primarily relocated billing staff and staff resources for EMS vendor management, reporting, and system support) are $6.1 million. We provide additional detail of the costs and benefits of implementing Phase 2 in the economic analysis worksheets in Appendix II. Over a six year period of implementing Phase 2, the City could realize an additional $270 million in revenue. Increasing the EMS collection rate from 44 to 85 percent (of $159 million per year) would raise revenue by $63 million per year. Partial centralization of billing could recover 30 percent of the $12.4 million annual uncollectable revenue of these departments, or $3.7 million per year. Referring delinquent parking citations to CCU could raise revenue by $2.4 million per year.

The net benefit of Phase 2 (revenue less costs) is $258 million over a six year period.

Given the past performance of the Fire Department in billing and collection, we included Strategy 2 –Finance assuming full responsibility for EMS bill vendor management – in our analysis under Phase 3 presented below.

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Table 18.0: Summary Cost and Benefits for Phase 2 – Limited ARS and CryWolf/Envision Centralization

	FY 2009/10		FY 2010/11		FY 2011/12		FY 2012/13		FY 2013/14		FY 2014/15		SUBTOTAL	
	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts
Phase #2	Limited ARS and CryWolf/Envision Centralization, EMS Billing Outsourcing (Shared)													
Total One-Time Project Costs	1.3	$882,136	2.9	$5,925,681	1.5	$708,045	0.0	$0	0.0	$0	0.0	$0	5.7	$7,515,862
Total Continuing Project Costs	1.2	128,344	4.7	692,029	7.6	1,328,618	7.6	1,328,618	7.6	1,328,618	7.6	1,328,618	36.1	6,134,843
Total Continuing Existing Costs	80.7	9,134,567	79.5	9,023,569	77.7	8,849,640	77.7	8,849,640	77.7	8,849,640	77.7	8,849,640	470.9	53,556,695
Total Alternative Costs	83.2	10,145,047	87.0	15,641,279	86.8	10,886,302	85.3	10,178,257	85.3	10,178,257	85.3	10,178,257	512.7	67,207,400
COST SAVINGS/ AVOIDANCES	(2.5)	(1,010,480)	(6.3)	(6,506,711)	(6.1)	(1,751,735)	(4.6)	(1,043,690)	(4.6)	(1,043,690)	(4.6)	(1,043,690)	(28.8)	(12,399,996)
Increased Revenues - EMS Outsourcing		0		21,062,930		42,125,860		63,188,790		63,188,790		63,188,790		252,755,160
Increased Revenues - Other Improvements		0		673,029		1,720,047		3,814,083		5,163,981		5,838,930		17,210,070
Net (Cost) or Benefit	(2.5)	(1,010,480)	(6.3)	15,229,248	(6.1)	42,094,172	(4.6)	65,959,183	(4.6)	67,309,081	(4.6)	67,984,030	(28.8)	$257,565,234
Cumulative Net (Cost) or Benefit	(2.5)	($1,010,480)	(8.8)	$14,218,768	(15.0)	$56,312,940	(19.6)	$122,272,123	(24.2)	$189,581,204	(28.8)	$257,565,234		

Table Notes:

Total One-Time Project Costs: One-time costs associated with the project implementation. The City will no longer incur these costs once the implementation is complete.

Total Continuing Project Costs: Ongoing costs associated with the project implementation. The City will continue to incur these costs once the implementation is complete:

Total Continuing Existing Costs: Costs associated with existing billing infrastructure. These may be reduced if resources are redirected or replaced as a result of the project implementation.

Cost Savings/ Avoidances: Total cost savings (cost increase) as a result of the project implementation

Increased Revenues: City revenue increase from project implementation

Net (Cost) or Benefit: Increased revenues plus cost savings

Cumulative Net (Cost) or Benefit: Year-to-year summation of the (Cost)/Benefits and Increased Revenues associated with the implementation

Phase 3: Centralization of Non-Specialized Billings

For this phase, we propose as candidates for centralization another 20 non-specialized billings, which we refer to as Tier 3 and Tier 4 bills in Table 19.0, below. We exclude all housing billing activities and those of minimal dollar value from departments, such as the Controller's Office, Personnel Department, General Services Department, City Clerk's Office, City Attorney's Office, and EnvironmentLA. Centralizing billings from these departments would be too cost/benefit ineffective. The cost of system configuration and other interfaces that would need to be developed will not exceed the likely benefit of accomplishing greater revenue recovery. We break out these billings into two tiers, or phases, as shown in **Table 19.0**, below.

Tier 3 billings require interfacing of department-specific systems with ARS, but currently have higher collection efficiency than Tiers 1 and 2. Thus, the gain from centralization is less than from centralizing Tier 1 and 2 billings. Tier 4 billings have relatively high collection efficiency and the gains from centralization are therefore relatively small.

Table 19.0: Phase 3 Centralization Billing Candidates

Priority	Department	Invoice	Revenue (in thousands)
Tier 3	Building & Safety	Inspections and code violations	13,500
	Bureau of Street Lighting	Street lighting repair/ replacement	600
	Bureau of Sanitation	Industrial waste	17,400
		Septage waste hauler	960
Tier 4	Transportation – Other	Vehicle for hire permit	588
		Other permit fees	588
		Taxi permits and fees	5,160
		Pipeline and franchise fees (non-gas)	2,880
		Gas franchise fees	24,000
		Temporary traffic signs	228
	Planning	Full Cost Recovery (FCR)	384
		FCR - expedited permit	1,200
	Bureau of Engineering	B Permit	1,200
		U Permit	13,200
		Excavation Permit	120
		Right of Way rental	48
		Miscellaneous charges	480
		Overload Permit	240
	Bureau of Sanitation	Groundwater	480
		Refuse and recycling services	2,004
		Total	**$85,260**

Centralization of these billings can occur after the implementation of FMS. In **Table 20.0** below, we show the uncollected revenue per year in each of the four tiers of billing. The invoices in Tiers 1 and 2 have proportionately high annual uncollected revenue relative to total non-specialized billings.

Table 20.0: Annual Uncollected Revenue per Phase 3 Centralization Tier

Centralization Tier	Annual Uncollected Revenue
3	$3,728,000
4	791,000
Total	**$4,519,000**

For this phase, ARS would continue to serve as the technical platform and accounts receivable system-of-record. The City would need to develop interfaces between the following systems and ARS:

- Financial Services System (Building and Safety)

- Pretreatment Information Management Systems (Sanitation).

Integration of these systems with ARS would take at least five years. Should the City replace or upgrade these systems during that time, it should consider replacing it with ARS.

Timeline and Resources for Phase 3

We estimate the City can implement Phase 3 within five years. In **Table 21.0** below, we provide a high-level synopsis of activities, staffing requirements, and other project expenses for each year of implementation.

Table 21.0: Phase 3 Activities, Staffing, and Expenditure Requirements

Fiscal Year	2010-11	2011-12	2012-13	2013-14
High-Level Activities	• Determine business and technical requirements for FSS and PIMS interfaces	• Develop FSS and PIMS interfaces • System and reporting support	• Transition Tier 3 billing resources • System and reporting support	• Transition Tier 4 billing resources • System and reporting support
Staffing Requirements Asst. Director Management Analyst Senior Accountant Billing Analyst IT Systems Analyst	 0.1 0.2 0.0 0.0 0.5	 0.2 0.3 0.0 0.0 2.9	 0.3 0.8 0.3 2.9 3.0	 0.3 1.3 0.3 5.4 2.5
Total City Staff	**0.8**	**3.4**	**7.2**	**9.8**
Other Project Expenses	$25,000	$3,275,000	$1,540,000	$370,000

Estimate of Net Revenue Benefit for Phase 3

Phase 3 provides the most focused accountability for receivables management. It centralizes Building and Safety, Fire, Planning, Police, Public Works, and Transportation billings, with the exception of specialized billings such as parking citations (billing outsourced) and housing bills.

Many of these departments included in Phase 3, such as Building and Safety, Public Works, and Transportation (other than parking citations), have annual uncollectable revenue that is a minor percentage of the City's service revenue. For example, the seventeen Tier 4 bills (e.g., those collected by Public Works Accounting) have annual uncollectable revenue of $791 thousand per year, or 0.2 percent of the City's $492 million annual service revenue. Thus, the financial benefits (i.e., revenue enhancement) of centralizing billing from these additional departments are low. As additional systems (FSS and PIMS) would need to be interfaced with FMS, the cost is considerably higher and the project timeline is at least five years.

Table 22.0, on the following page, provides a summary of the expected costs and benefits from the implementation of Phase 3. The one-time project costs (primarily system development) directly associated with the actual implementation are $9.9 million with continuing project costs of $3.3 million. We provide additional detail of the costs and benefits of implementing Phase 3 in the economic analysis worksheets in Appendix II.

The incremental revenue gain over six years is $261 thousand over the gain from Phase 2. The net benefit of Phase 3 (revenue less costs) is minus $12 million over a six year period.

Table 22.0: Summary Cost and Benefits for Phase 3 – Full ARS Centralization and FSS/PIMS

	FY 2009/10		FY 2010/11		FY 2011/12		FY 2012/13		FY 2013/14		FY 2014/15		SUBTOTAL	
	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts
Phase #3	**Full ARS centralization and FSS/PIMS, EMS Billing Outsourcing (under Finance)**													
Total One-Time Project Costs	0.0	$0	0.8	$369,106	3.0	$4,899,119	3.7	$3,012,627	3.7	$1,587,456	0.0	$0	7.5	$9,868,309
Total Continuing Project Costs	0.0	0	0.0	0	0.4	237,901	3.5	829,997	6.1	1,099,561	6.1	1,099,561	16.0	3,267,019
Total Continuing Existing Costs	80.7	9,134,567	80.7	9,134,567	80.7	9,134,567	78.2	8,899,324	78.2	9,134,567	78.2	8,899,324	476.6	54,336,917
Total Alternative Costs	80.7	9,134,567	81.5	9,503,674	84.1	14,271,588	85.4	12,741,948	88.0	11,821,584	84.3	9,998,884	503.7	67,472,245
COST SAVINGS/ AVOIDANCES	0.0	0	(0.8)	(369,106)	(3.4)	(5,137,020)	(4.7)	(3,607,380)	(7.3)	(2,687,017)	(3.6)	(864,317)	(19.8)	(12,664,841)
Increased Revenues - EMS Outsourcing		0		0		0		0		0		0		0
Increased Revenues - Other Improvements		0		0		0		23,720		71,161		166,043		260,924
Net (Cost) or Benefit	0.0	0	(0.8)	(369,106)	(3.4)	(5,137,020)	(4.7)	(3,583,660)	(7.3)	(2,615,856)	(3.6)	(698,274)	(19.8)	($12,403,916)
Cumulative Net (Cost) or Benefit	0.0	$0	(0.8)	($369,106)	(4.2)	($5,506,127)	(8.9)	($9,089,787)	(16.2)	($11,705,642)	(19.8)	($12,403,916)		

Table Notes:

Total One-Time Project Costs: One-time costs associated with the project implementation. The City will no longer incur these costs once the implementation is complete.

Total Continuing Project Costs: Ongoing costs associated with the project implementation. The City will continue to incur these costs once the implementation is complete:

Total Continuing Existing Costs: Costs associated with existing billing infrastructure. These may be reduced if resources are redirected or replaced as a result of the project implementation.

Cost Savings/ Avoidances: Total cost savings (cost increase) as a result of the project implementation

Increased Revenues: City revenue increase from project implementation

Net (Cost) or Benefit: Increased revenues plus cost savings

Cumulative Net (Cost) or Benefit: Year-to-year summation of the (Cost)/Benefits and Increased Revenues associated with the implementation

Additional Considerations

<u>Change Management Efforts Need to be Undertaken</u>

Many of the city departments handling large volumes of billings transactions voiced reluctance to centralize billings because of the knowledge required to prepare the invoices and more importantly, its billing process are integrated with other departmental operations. Each of the departments explained billing was handled by staff that performed many other operational functions of the departments and raised concern about the potential impact to operations upon dedicating staff to one control department.

Based on estimates provided by the City departments, we identified at least 77 employees city-wide, as shown in **Table 23.0**, that perform billings and collections and that would be impacted by either Phase 2 or Phase 3. These estimates are based on the present billing environment for each department.

These employees would be involved in change management activities geared towards either Phase 2 or Phase 3 implementation. change management activities would assist these individuals in the transformation to a centralized billing function, a modified role in their department, or other. Change management activities would not only address organizational issues raised by various departments, but develop new job processes that would allow strategic assignment and placement of the City's billing and collection staff.

Table 23.0: Estimated Positions Involved in Billing and Collections Activities

Centralization Phase	Department Reporting Data	Estimated Positions	Comments
2	Fire	36	25 full time employees for Emergency Medical Services; 8 for CUPA doing research before billing and 3 for other LAFD billings.
2	Office of Finance	9	DUI Cost Recovery is approximately 8 percent of the workload of each of 10 Investigators (0.8 FTE) and approximately 10 percent of the workload of one Clerk Typist (0.1FTE).
2	Police	Up to 5	
2	Transportation - Parking Citation Collections ONLY	1	For parking citations, all billing functions are performed by the contractor. One individual manages contract adherence.
3	Building and Safety	2 – 3	FTE -2.375 - Assumes no errors in billing and collections. This will include prepare, send invoices, receive and process payments.
3	Bureau of Engineering	< 1	Across the Bureau, a number of positions may provide a fraction of support to the overall billing process. Less than 1 FTE is believed to be directly involved in the billing process/function.
3	Bureau of Sanitation	3	Both Refuse &Recycling and Industrial Waste Management Division
3	Bureau of Street Lighting (BSL)	1	
3	Planning	4	
3	Public Works	9	Public Works Accounting
3	Transportation	5	Various sections in the Bureau of Accounting and Franchise Division are doing the billings in this report.
	Total	**77**	

CONCLUSIONS

One of the expected outcomes of the study was to enhance revenue recovery within the City. Addressing how each key activity of the accounts receivable process could be administered in the most effective manner should be the goal of enhancing accounts receivable management As a result, centralization of bill types should not always be considered synonymous with success given the City's prior experience with departmental centralization of billings and subsequent lower revenue recovery rates. A successful case study of centralization is the Department of Public Works because it has a greater role in the billing and collections function of its bureaus although it does not actually administer the entire process. Moreover, the results of our review of other governmental entities show many of their Finance departments assumed various centralizing responsibility, though not all responsibility, for accounts receivable management.

Our study showed it is feasible to have the City's Office of Finance assume a greater role in enhancing accounts receivable management because fragmented billing processes could be streamlined, accountability for accounts receivable management could be increased, collections could be handled uniformly, and performance measures could be consistently applied. Finance should assume full responsibility of bill generation activities for 11 bill types, overseeing outsourcing of billing for one other bill type, and earlier and/or greater involvement – in following up and collecting on delinquent bills. Greater involvement by Finance would help eliminate the currently low collection rates among the various types of bills. Other components of the accounts receivable management – invoice amount determination and responding to questions or issues – require department-specific expertise and should remain within City departments.

While our report describes three phases for strengthening accounts receivable management, we recommend completing Phases 1 and 2 – greater centralization of reporting and greater centralization of account receivable management because it offers the most chance for success and the greater likelihood for a substantial return on investment if the implementation is managed effectively. Specifically, the 11 selected bill types that fall under Phase 2 were targeted because of the following factors:

- most potential to accomplishing enhanced revenue capture by centralizing billings from departments with low collection ratios and outsourcing EMS billings,
- strengthening accountability for department financial performance because of improved metrics and receipt of more timely reports. These metrics and reports will give both departments and Finance more timely information with which to respond to receivables performance issues, and
- provides the most cost-effective means for the City to address issues of both accountability and revenue enhancement.

Phases 1 and 2 incurs a substantial implementation cost in the initial years, but, along with EMS billing outsourcing, realizes net revenue benefits of $258 million.

While the return on investment is significantly lower for centralization of other bill types under Phase 3, the City can implement Phase 3, involving 20 other bill types, when (1) the systems

handling Tier 3 billing is ready for a significant upgrade or needs to be replaced, or (2) invoices in Tier 4 show substantial declines in collection efficiency. When these events occur, the City can then take steps to centralize those eligible bill types because (1) centralization can be incorporated into the required system replacement, or (2) higher collection efficiency will justify the investment in centralization.

Our strategy to enhance revenue recovery will allow greater influence of Finance to ensure timely bill generation, issuance and collections. Nonetheless, ensuring successful city-wide outcomes for accounts receivable management will be largely depend on the extent that the Mayor holds City departments accountable for performance.

Exceptions to having greater involvement of Finance for receivables management are two billing areas –mortgages and housing fees and charges (Housing). Each have unique business requirements that would require lengthy customizations of the City's new core financial management system, and/or require very specialized subject matter expertise for invoice preparation that would hamper the success of efforts to enhance revenue recovery, as described in Section 1. The Housing Department is also nearing completion of a financial system that was heavily customized. The volume and technical requirements for parking citations (Transportation) make it difficult for Finance to assume total responsibility of billing, but Finance should be involved earlier in the processing of collecting delinquent billings.

We describe in a separate document specific action steps the City needs to execute to implement partial centralization of billings and collection. The City can accomplish Phase 1 in 18 months, at a one-time cost of $817 thousand. Phase 2 will require between three and four years to accomplish, and a one-time cost of about $7.5 million.

RECOMMENDATIONS

1. **The City should centralize of report development and develop enhanced revenue metrics, as described in Phase 1, and centralize billing and collections for the following invoices, as described in Phase 2:**

- Ambulance (EMS) billing
- Ambulance (contract)
- Inspection Restitution (Fire)
- Fire safety watch
- Film safety (Fire)
- Brush clearance/ non-compliance (Fire)
- Other Fire Department fees
- DUI charges (Police)
- Annual permits (e.g., CUPA) (Fire)
- False alarm billings (Police)
- Parking citations (delinquent collections only).

As part of this report development, Finance should develop query access for each existing receivable system

- Envision
- eTIMS (outsourced)
- HIMS
- FSS
- CryWolf
- PIMS

2. **The City Office of Finance should ensure that 14 Departments Establish Uniform Billing Procedures**

Fourteen of the 17 City departments included in our review rely on informal, locally-developed processes and institutional knowledge, rather than consistent, documented processes for billing. The remaining departments, such as the Police, Fire and Transportation departments have more detailed guidance governing billing and collection processes. For those departments without standard operating procedures, standard tools such as ARS (FMS) and Finance's *Citywide Billing and Collection Guidelines* provide a foundation for uniform billing procedures, but do not document detailed billing processes.

3. **The City Should Increase Accounts Receivable Reporting Frequency and Content for the Fire, Housing, Police and Transportation Departments from quarterly to monthly for four departments with high billing rates and receivables.**

These departments are Fire, Housing (fee billings), Police, and Transportation (parking citations) because these billing areas account for 71 percent of City's $492 million annual service revenue. These areas also account for 96 percent of the City's $132 million annual uncollectable revenue.

Over the current three month reporting period, receivables management performance can change significantly. Monthly updates would provide the City with up-to-date information regarding receivables in these departments, as well as collection efficiency.

   a) The content of the account receivable reporting should report the historic amount billed and amount collected-to-date, per month, from those billings. **Table 24.0**, below, provides sample content of historic billing and collection data departments should provide for each bill type:

Table 24.0: Billing and Collection Data (Thousands of Dollars)

Month	Amount Billed	Amount Collected to Date	Amount Referred to Collections
Jun-09	12,323	13,222	0
May-09	13,322	7,987	0
Apr-09	10,451	8,230	64
Mar-09	14,566	10,955	845
Feb-09	13,322	12,002	2,345
Jan-09	11,322	9,239	1,911
(Continue each month)			

   b) These departments should determine the causes for late (over 90 days), and report a breakdown of receivable dollars by categorized cause, and Finance should graphically report these metrics to the Mayor's office and to Department management. This information will help both Finance and the Mayor's office oversee the effectiveness of these four departments in maximizing revenue.

4. **Departments should include currently missing information to their quarterly A/R reports to the Office of Finance.**

   a) the Police Department should add DUI billings to their accounts receivable reporting.

   b) the Public Works Bureau of Sanitation should add billings for industrial waste, septage waste hauling, groundwater, and refuse and recycling services in the quarterly accounts receivable and collections report provided to Finance.

   c) the Bureau of Street Lighting should include billings for street light repairs.

5. **Building and Safety Department should:**

   a) increase the timeliness in referring delinquent billings to collections.

   b) develop a comprehensive set of desktop manuals that clearly define the steps that staff should take to process the different types of bills produced within the Department. Similarly, procedure manuals should be developed for the collections process.

   c) develop a set of metrics to measure billing and collection process performance. This should include: cycle time to complete various types of billings, average labor hours and cost to produce a bill, and initial payment collection rate by bill type.

   d) review its substantial aging receivables to determine what amount should be written off.

   e) conduct a feasibility study into possible on-line customer access for scheduling and payments of inspections.

6. **Bureau of Engineering should:**

   a) work with the Public Works General Accounting Office and Finance to receive billing reports for performance monitoring purposes.

   b) examine the feasibility of automating B permit bill data generation.

   c) configure the Merlin system to allow for electronic data extraction into Excel which would help reduce errors that occur now because of manual data entry.

   d) code grant formulas onto the Excel spreadsheets to allow staff to easily compute matching requirements and reduce manual activities.

7. **Bureau of Sanitation should:**

   a) develop processes and procedures for refuse and recyclables collection, septage waste hauling, and groundwater fee billings

   b) include refuse and recycling collection, industrial waste billing, septage waste hauling, and groundwater fee receivables in quarterly report to Finance

8. **Bureau of Street Lighting (BSL) should:**

   a) include billings for street light repairs in the quarterly accounts receivable and collections report provided to Finance

9. **City Attorney's Office should:**

   a) document litigation cost recovery billing processes within the department.

   b) provide quarterly litigation cost recovery receivables report to Finance.

10. **City Clerk's Office should:**

   a) in providing billing and collection related services for Business Improvement Districts (BIDs), discuss with the respective BIDs strategies for increasing the collection rate from merchant based BIDs, after the initial invoice and after subsequent notices.

b) improve efficiencies in the generation and review of the approximately 2,000 manual based invoices to merchants should also be investigated.

11. City Controller's Office should:

a) due to their low volume, transfer fee–for-services billings (i.e. copying and heir finder services) to Finance or the General Services Department.

12. EnvironmentLA should:

a) document solid waste permit billing processes within the department.

b) configure ARS to refer delinquent accounts to collections after 45 days past due.

c) refer existing delinquent accounts to collections.

d) review substantial aging receivables to determine what amount should be written off.

13. Fire Department – Emergency Medical Services should:

a) refer delinquent EMS accounts to collections. In June 2009, Fire received statutory authority from the City to start referring delinquent accounts to collections.

b) review its substantial aging receivables to determine what amount should be written off.

14. Fire Department – Other Billings should:

a) bill for brush clearance removal at time of occurrence, rather than annually.

b) review its substantial aging receivables to determine what amount should be written off until Finance assumes responsibility for accounts receivable management, the department should review current billing procedures to ensure that all non-EAS accounts receivable are referred to collections 45 days after delinquency as required by Finance.

15. General Services Department should:

a) evaluate for their compatibility with other division responsibilities and activities the Accounting division's responsibilities for a) special events deposits, b) laboratory testing billing for only three accounts, c) film permit deposits for use of city buildings and d) lease management of city owned buildings. Another location within the General Services Department or in another City department may yield improved efficiencies and effectiveness.

b) review the controls over the Peachtree accounting system that is used for Accounting Division billing activities to ensure that they are effective and adequate

c) evaluate the processes and controls used for transferring data from the Peachtree system to the City's financial system for efficiency and effectiveness.

d) review the deposit requirements for leasing City owned buildings to ensure that the City is sufficiently protected should tenants depart without paying rental amounts due.

16. Housing Department - Fee Billings

a) conduct an independent post implementation review of the Departments new HIMS system upon completion of its implementation to ensure the accuracy and integrity of the financial data.

b) develop cycle time metrics to complete its various types of billings and re engineer processes to reduce the time necessary to complete and issue bills.

c) develop a web-based portal so that property owners can update contact and parcel description information to reduce the time required by staff to update property ownership information.

d) allow property owners to pay annual rent registration on-line.

e) conduct a feasibility study of streamlining the city codes and statutes on code and housing fee exemptions that could be applied to property owners.

f) increase fee billing A/R reporting frequency from quarterly to monthly and continue to distribute the reports to all applicable parties. These reports should include data on total billings and revenue receipts to date.

g) dedicate two of its existing staff to monitor and follow up on aging receivables, and thus improve the timeliness of referring delinquent billings to collections.

h) review the current aging receivables to determine delinquent billings eligible for write-off.

i) Prepare detailed step by step billing, payment and collection procedures for staff to follow.

j) develop reporting interfaces for the Housing's Housing Information Management System (HIMS).

17. Housing Department - Real Estate Billings should:

a) include real estate loan billings in the quarterly accounts receivable and collections report provided to Finance.

b) assess the accuracy and reliability of real estate loan billing transactions as processed by the HIMS system.

c) develop a manual that describes and maps the billing processes throughout the Department. The loan generation procedures currently available should be formalized in this central document.

18. Personnel Department should:

a) establish internal controls in the following areas:

    a. Provide supervisory review of bills prepared by staff and check to verify that the universe of bills were prepared and issued.

    b. Prepare monthly memos to the Unit Director on the total revenue billed so that month-to-month comparisons could be made to help ensure billing accuracy.

    c. The Unit Director should conduct spot checks to validate that all van pool participates are appropriately charged.

19. Planning Department should:

a) document cost recovery and expedited cost recovery billing processes within the department.

b) document cost recovery exceptions, such as new project manager training, and provide non-chargeable time codes for these exceptions. This will reduce supervisors' manual adjustments to cost recovery bills.

c) review substantial aging receivables to determine what amount should be written off.

20. Police Department should:

a) develop a comprehensive set of desktop manuals that clearly define the steps that staff should take to process false alarm bills within the CryWolf system. Likewise, the procedures for the other types of bills, DUI and Board Ups, should also be developed.

b) refer delinquent accounts to collections. Review its substantial aging receivables to determine what amount should be written off.

c) develop a set of metrics to measure billing and collection performance. This should include: cycle time to complete a bill (primarily false alarm), average labor hours and cost to produce a bill, and initial payment collection rate by bill type.

d) investigate the feasibility of implementing an on-line payment system for false alarm bills that would allow property owners to view the details of false alarm bills, make on-line payments, and file protests.

21. Public Works Department – General Accounting Office

a) centralized billing procedures should be fully developed by the Office that address all the bill types generated by its various bureaus and agencies.

b) establish interfaces that Bureaus to submit billing data electronically rather than manual drop off of information.

c) until Finance centralizes more billing and collections activities, dedicate more time of other billers to monitor and follow up on aging receivables.

d) review aging receivables to determine what amount should be written off.

22. Transportation Department - Parking Citations

a) expand focus from vendor contract management to include vendor collection performance management. This includes working with the collections vendor to set performance goals, identifying barriers to achieving these goals (e.g., using Pareto analysis tools to track and address key receivables causes), and assisting in removing

these barriers. The collection vendor currently provides some collection performance information to the DOT to initiate this added focus.

b) adjust 2011 contract to refer delinquent citations to city collection agencies.

23. Transportation – Other

(We do not provide any specific recommendations for Transportation Department-specific billing and collections. Billing processes are well-documented and bills have extremely high collection efficiency.)

APPENDIX

Appendix I: Accounts Receivable Dashboard

| FMIS No. | Department Name | COLLECTIONS / TARGET | | OUTSTANDING RECEIVABLES | | | | | | | |
| | | Total Collections YTD | Department Annual Revenue Target | TOTAL A/R | Amount of Total A/R Referred to Collections | % Total A/R Referred to Collections | Aging of Accounts Receivables | | | | |
							% Current	% 60 Days or Less Past Due	% 61-120 Days Past Due	% 121 Days-2 Years Past Due	% Over 2 Years Past Due
8	Building & Safety	$5,800,531		$7,328,390	$5,581,631	76.2%	13.7%	6.3%	7.5%	38.7%	34.0%
32	ITA	$23,854		$9,705	$-	0.0%	94.3%	5.7%	0.0%	0.0%	0.0%
33	El Pueblo	$700,538		$15,998	$-	0.0%	0.0%	36.3%	7.7%	56.0%	0.0%
37	Environmental Affairs	$410,297		$1,298,038	$1,774	0.1%	0.6%	15.1%	0.0%	0.3%	84.0%
38	Fire Department	$64,176,770		$188,274,237	$3,485,664	1.9%	0.0%	9.2%	9.9%	30.7%	50.1%
39	Office Of Finance	$294,739		$384,954	$193,767	50.3%	0.0%	41.8%	2.6%	46.4%	9.2%
40	General Services	$1,004,961		$19,595	$4,422	22.6%	0.0%	77.4%	0.0%	20.9%	1.6%
43	Housing Department	$35,101,031		$34,114,467	$7,343,799	21.5%	1.1%	2.3%	17.9%	58.4%	20.3%
48	Convention Center	$9,884,241		$880,161	$176,790	20.1%	17.2%	46.0%	0.3%	21.4%	15.1%
68	City Planning	$1,993,569		$728,797	$493,011	67.6%	11.6%	13.3%	9.1%	57.2%	8.8%
70	Police Dept.	$6,850,797		$18,555,350	$3,314,877	17.9%	4.5%	6.7%	5.6%	41.6%	41.5%
40	PW-(Dept 40)	$-		$13,937	$6,898	49.5%	0.0%	0.0%	0.0%	0.0%	100.0%
50	PW-(Non Dept Appr Spec Fund)	$8,230,556		$7,208,749	$3,531,934	49.0%	15.8%	5.9%	3.6%	7.7%	67.0%
74	PW-Board of Public Works	$37,081		$27,409	$11,782	43.0%	13.1%	3.5%	0.5%	7.9%	75.1%
76	PW-Bureau/Contract Admin.	$926,841		$936,942	$781,602	83.4%	10.5%	0.9%	0.2%	3.4%	85.0%
78	PW-Bureau/Engineering	$959,002		$633,715	$287,338	45.3%	17.0%	2.5%	0.2%	2.1%	78.3%
82	PW-Bureau/Sanitation	$13,829,082		$6,505,102	$2,223,160	34.2%	64.1%	0.4%	3.0%	9.0%	23.5%
84	PW-Bureau/Street Lighting	$-		$13,386	$12,726	95.1%	0.0%	0.0%	0.0%	0.0%	100.0%
86	PW-Bureau/Street Services	$743,615		$4,360,760	$3,011,536	69.1%	2.9%	6.1%	4.8%	41.2%	45.0%
94	PW-(Dept 94)	$1,064,119		$715	$5	0.7%	90.2%	7.7%	2.1%	0.0%	0.0%
87	Zoo	$151,751		$5,945	$-	0.0%	67.5%	31.9%	0.6%	0.0%	0.0%
88	Recreation & Parks	$60,219		$5,190	$-	0.0%	61.3%	38.7%	0.0%	0.0%	0.0%
94	Transportation	$100,858,079		$210,889,937	$-	72.9%	18.4%	5.2%	4.6%	28.4%	43.4%
	CITYWIDE	$253,101,673		$482,211,479	$30,462,716	6.3%	21.9%	15.8%	3.5%	20.5%	38.3%

Appendix II: Centralization Economic Analysis Worksheets

EXISTING SYSTEM/BASELINE COST WORKSHEET

City of Los Angeles - Office of Finance

All costs to be shown in whole (unrounded) dollars.

Date Prepared: 9/2/2009

Project : Billing Consolidation Project

	FY 2009/10		FY 2010/11		FY 2011/12		FY 2012/13		FY 2013/14		FY 2014/15		SUBTOTAL	
	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts
Continuing Billing														
Costs														
invoice determination	33.9	$4,639,287	33.9	$4,639,287	33.9	$4,639,287	33.9	$4,639,287	33.9	$4,639,287	33.9	$4,639,287	169.6	$23,196,434
physcial bill preparation	27.5	$2,615,807	27.5	$2,615,807	27.5	$2,615,807	27.5	$2,615,807	27.5	$2,615,807	27.5	$2,615,807	137.7	$13,079,035
review	2.8	$458,106	2.8	$458,106	2.8	$458,106	2.8	$458,106	2.8	$458,106	2.8	$458,106	13.9	$2,290,531
payment processing	16.4	$1,421,367	16.4	$1,421,367	16.4	$1,421,367	16.4	$1,421,367	16.4	$1,421,367	16.4	$1,421,367	82.2	$7,106,837
Other		0		0		0		0		0		0	0.0	$0
Total Billing Costs	**80.7**	**9,134,567**	**80.7**	**9,134,567**	**80.7**	**9,134,567**	**80.7**	**9,134,567**	**80.7**	**9,134,567**	**80.7**	**9,134,567**	**403.3**	**45,672,837**
Continuing Program Costs:														
Staff	0.0	$0	0.0	$0	0.0	$0	0.0	$0	0.0	$0	0.0	$0	0.0	$0
Other		$0		$0		$0		$0		$0		$0		$0
Total Program Costs	**0.0**	**0**	**0.0**	**0**	**0.0**	**0**	**0.0**	**0**	**0.0**	**0**	**0.0**	**0**	**0.0**	**0**
TOTAL EXISTING SYSTEM COSTS	**80.7**	**$9,134,567**	**80.7**	**$9,134,567**	**80.7**	**$9,134,567**	**80.7**	**$9,134,567**	**80.7**	**$9,134,567**	**80.7**	**$9,134,567**	**403.3**	**$45,672,837**

Phase 1: Detailed AR and Collections Reporting

Date Prepared: 11/5/2009

City of Los Angeles - Office of Finance

All Costs Should be shown in whole (unrounded) dollars.

Project: Billing Consolidation Project

	FY 2009/10		FY 2010/11		FY 2011/12		FY 2012/13		FY 2013/14		FY 2014/15		SUBTOTAL	
	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts
One-Time Project Costs														
Staff (Salaries & Benefits)	0.7	$194,207	0.9	222,733	0.0	0	0.0	0	0.0	0	0.0	0	1.6	416,940
Hardware Purchase		0		0		0		0		0		0		0
Software Purchase/License		0		0		0		0		0		0		0
Telecommunications/ Facilities		0		0		0		0		0		0		
Contract Services														
Software Customization		187,500		212,500		0		0		0		0		400,000
Project Management		0		0		0		0		0		0		0
Business Process Analyst - Process Reengineering		0		0		0		0		0		0		0
Change Management		0		0		0		0		0		0		0
Other Contract Services		0		0		0		0		0		0		0
TOTAL Contract Services		187,500		212,500		0		0		0		0		400,000
City Code Additions and Modifications	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
Training	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
Other	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
Total One-time Costs	0.7	381,707	0.9	435,233	0.0	0	0.0	0	0.0	0	0.0	0	1.6	816,940
Continuing Project Costs														
Bill Preparation Staff (Relocated)	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
Payment Processing Staff (Relocated)	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
Reporting Staff	0.2	23,166	0.4	51,692	0.4	51,692	0.4	51,692	0.4	51,692	0.4	51,692	2.2	281,629
Telecommunications	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
System Support	0.1	59,475	0.2	118,951	0.2	118,951	0.2	118,951	0.2	118,951	0.2	118,951	1.1	654,228
EMS Vendor Performance Management		0		0		0		0		0		0	0.0	0
Other	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
Total Continuing Costs	0.3	82,642	0.6	170,643	0.6	170,643	0.6	170,643	0.6	170,643	0.6	170,643	3.3	935,857
Total Project Costs	1.0	464,348	1.5	605,876	0.6	170,643	0.6	170,643	0.6	170,643	0.6	170,643	4.9	1,752,797
Continuing Existing Costs														
Billing Staff	80.7	9,134,567	80.7	9,134,567	80.7	9,134,567	80.7	9,134,567	80.7	9,134,567	80.7	9,134,567	483.9	54,807,404
Other Costs		0		0										0
Total Continuing Existing Costs	80.7	9,134,567	80.7	9,134,567	80.7	9,134,567	80.7	9,134,567	80.7	9,134,567	80.7	9,134,567	483.9	54,807,404
Program Staff	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0		
Other Program Costs														
Total Continuing Existing Program Costs	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
Total Continuing Existing Costs	80.7	9,134,567	80.7	9,134,567	80.7	9,134,567	80.7	9,134,567	80.7	9,134,567	80.7	9,134,567	483.9	54,807,404
TOTAL ALTERNATIVE COSTS	81.7	9,598,916	82.2	9,740,443	81.3	9,305,210	81.3	9,305,210	81.3	9,305,210	81.3	9,305,210	488.8	56,560,201
BENEFITS														
Increased Revenues - EMS Outsourcing		0		0		0		0		0		0		0
Increased Revenues - Other Improvements		458,208		1,374,623		3,207,455		4,123,870		4,582,078		4,582,078		18,328,312
Reduced Billing Staffing	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
TOTAL BENEFITS	0.0	$458,208	0.0	$1,374,623	0.0	$3,207,455	0.0	$4,123,870	0.0	$4,582,078	0.0	$4,582,078	0.0	$18,328,312

FY 2009/10: eTIMS, HIMS, ARS, Envision, FSS reporting only

FY 2011/12: EMSS reporting

Phase 2: Limited ARS and CryWolf/Envision Centralization, EMS Billing Outsourcing (Shared)

Date Prepared: 11/5/2009

City of Los Angeles - Office of Finance

All Costs Should be shown in whole (unrounded) dollars.

Project: Billing Consolidation Project

	FY 2009/10		FY 2010/11		FY 2011/12		FY 2012/13		FY 2012/13		FY 2014/15		SUBTOTAL	
	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts
One-Time Project Costs														
Staff (Salaries & Benefits)	1.3	$337,136	2.6	$1,195,380	1.1	$389,576	0.0	0	0.0	0	0.0	0	5.0	1,922,092
Hardware Purchase		0		0		0		0		0		0		0
Software Purchase/License		0		0		0		0		0		0		0
Telecommunications/ Facilities		20,000		30,000		10,000		0		0		0		
Contract Services														
Software Customization		225,000		4,225,000		0		0		0		0		4,450,000
Project Management		125,000		250,000		125,000		0		0		0		500,000
Business Process Analyst - Process Reengineering		100,000		125,000		75,000		0		0		0		300,000
Change Management		75,000		75,000		50,000		0		0		0		200,000
Other Contract Services		0		0		0		0		0		0		0
TOTAL Contract Services		525,000		4,675,000		250,000		0		0		0		5,450,000
City Code Additions and Modifications	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
Training	0.0	0	0.3	25,301	0.4	58,469	0.0	0	0.0	0	0.0	0	0.7	83,771
Other	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
Total One-time Costs	**1.3**	**882,136**	**2.9**	**5,925,681**	**1.5**	**708,045**	**0.0**	**0**	**0.0**	**0**	**0.0**	**0**	**5.7**	**7,515,862**
Continuing Project Costs														
Bill Preparation Staff (Relocated)	0.0	0	0.5	47,229	1.7	165,321	1.7	165,321	1.7	165,321	1.7	165,321	7.1	708,514
Payment Processing Staff (Relocated)	0.0	0	0.7	63,770	1.3	119,607	1.3	119,607	1.3	119,607	1.3	119,607	5.9	542,196
Reporting Staff	0.0	0	0.6	69,499	1.0	115,832	1.0	115,832	1.0	115,832	1.0	115,832	4.6	532,825
Telecommunications	0.0	0	0.1	59,475	0.3	178,426	0.3	178,426	0.3	178,426	0.3	178,426	1.3	773,179
System Support	0.0	0	0.3	178,426	0.8	475,802	0.8	475,802	0.8	475,802	0.8	475,802	3.5	2,081,635
EMS Vendor Management	1.2	128,344	2.5	273,630	2.5	273,630	2.5	273,630	2.5	273,630	2.5	273,630	13.7	1,496,494
Other	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
Total Continuing Costs	**1.2**	**128,344**	**4.7**	**692,029**	**7.6**	**1,328,618**	**7.6**	**1,328,618**	**7.6**	**1,328,618**	**7.6**	**1,328,618**	**36.1**	**6,134,843**
Total Project Costs	**2.5**	**1,010,480**	**7.6**	**6,617,710**	**9.1**	**2,036,663**	**7.6**	**1,328,618**	**7.6**	**1,328,618**	**7.6**	**1,328,618**	**41.8**	**13,650,705**
Continuing Existing Costs														
Billing Staff	80.7	9,134,567	79.5	9,023,569	77.7	8,849,640	77.7	8,849,640	77.7	8,849,640	77.7	8,849,640	470.9	53,556,695
Other Costs		0		0										0
Total Continuing Existing Costs	**80.7**	**9,134,567**	**79.5**	**9,023,569**	**77.7**	**8,849,640**	**77.7**	**8,849,640**	**77.7**	**8,849,640**	**77.7**	**8,849,640**	**470.9**	**53,556,695**
Program Staff														
Other Program Costs														
Total Continuing Existing Program Costs	**0.0**	**0**	**0.0**	**0**	**0.0**	**0**	**0.0**	**0**	**0.0**	**0**	**0.0**	**0**	**0.0**	**0**
Total Continuing Existing Costs	**80.7**	**9,134,567**	**79.5**	**9,023,569**	**77.7**	**8,849,640**	**77.7**	**8,849,640**	**77.7**	**8,849,640**	**77.7**	**8,849,640**	**470.9**	**53,556,695**
TOTAL ALTERNATIVE COSTS	**83.2**	**10,145,047**	**87.0**	**15,641,279**	**86.8**	**10,886,302**	**85.3**	**10,178,257**	**85.3**	**10,178,257**	**85.3**	**10,178,257**	**512.7**	**67,207,400**
BENEFITS														
Increased Revenues - EMS Outsourcing		0		21,062,930		42,125,860		63,188,790		63,188,790		63,188,790		252,755,160
Increased Revenues - Other Improvements		0		673,029		1,720,047		3,814,083		5,163,981		5,838,930		17,210,070
Reduced Billing Staffing	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
TOTAL BENEFITS	**0.0**	**$0**	**0.0**	**$21,735,959**	**0.0**	**$43,845,907**	**0.0**	**$67,002,873**	**0.0**	**$68,352,771**	**0.0**	**$69,027,720**	**0.0**	**$269,965,230**

FY 2010/11: Fire (excluding Ambulance and CUPA), Police DUI

FY 2011/12: Fire (CUPA), Police (False Alarms)

Phase 3: **Full ARS centralization and FSS/PIMS, EMS Billing Outsourcing (under Finance)**

Date Prepared: 11/5/2009

City of Los Angeles - Office of Finance

All Costs Should be shown in whole (unrounded) dollars.

Project: Billing Consolidation Project

	FY 2009/10		FY 2010/11		FY 2011/12		FY 2012/13		FY 2013/14		FY 2014/15		SUBTOTAL	
	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts
One-Time Project Costs														
Staff (Salaries & Benefits)	0.0	$0	0.8	$344,106	3.0	$1,574,119	3.1	$1,368,942	3.1	$1,129,481		$0	10.0	4,416,649
Hardware Purchase		0		0		0		0		0		0		0
Software Purchase/License		0		0		0		0		0		0		0
Telecommunications/ Facilities		0		0		50,000		40,000		20,000		0		
Contract Services														
Software Customization		0		0		3,000,000		1,125,000		100,000		0		4,225,000
Project Management		0		0		125,000		250,000		125,000		0		500,000
Business Process Analyst - Process Reengineering		0		0		75,000		50,000		75,000		0		200,000
Change Management		0		25,000		25,000		75,000		50,000		0		175,000
Other Contract Services		0		0		50,000		40,000		20,000		0		110,000
TOTAL Contract Services		0		25,000		3,275,000		1,540,000		370,000		0		4,840,000
City Code Additions and Modifications	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
Training	0.0	0	0.0	0	0.0	0	0.6	63,685	0.6	67,975	0.0	0	0.6	131,661
Other	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
Total One-time Costs	**0.0**	**0**	**0.8**	**369,106**	**3.0**	**4,899,119**	**3.7**	**3,012,627**	**3.7**	**1,587,456**	**0.0**	**0**	**7.5**	**9,868,309**
Continuing Project Costs														
Bill Preparation Staff (Relocated)	0.0	0	0.0	0	0.0	0	1.3	108,824	3.2	308,136	3.2	308,136	7.6	725,095
Payment Processing Staff (Relocated)	0.0	0	0.0	0	0.0	0	1.2	126,420	1.9	196,672	1.9	196,672	5.0	519,764
Reporting Staff	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
Telecommunications	0.0	0	0.0	0	0.1	59,475	0.1	59,475	0.1	59,475	0.1	59,475	0.4	237,901
System Support	0.0	0	0.0	0	0.3	178,426	0.9	535,278	0.9	535,278	0.9	535,278	3.0	1,784,259
EMS Vendor Management	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
Other	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
Total Continuing Costs	**0.0**	**0**	**0.0**	**0**	**0.4**	**237,901**	**3.5**	**829,997**	**6.1**	**1,099,561**	**6.1**	**1,099,561**	**16.0**	**3,267,019**
Total Project Costs	**0.0**	**0**	**0.8**	**369,106**	**3.4**	**5,137,020**	**7.2**	**3,842,624**	**9.8**	**2,687,017**	**6.1**	**1,099,561**	**27.2**	**13,135,328**
Continuing Existing Costs														
Billing Staff	80.7	9,134,567	80.7	9,134,567	80.7	9,134,567	78.2	8,899,324	78.2	9,134,567	78.2	8,899,324	476.6	54,336,917
Other Costs		0		0										0
Total Continuing Existing Costs	**80.7**	**9,134,567**	**80.7**	**9,134,567**	**80.7**	**9,134,567**	**78.2**	**8,899,324**	**78.2**	**9,134,567**	**78.2**	**8,899,324**	**476.6**	**54,336,917**
Program Staff	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0		
Other Program Costs														
Total Continuing Existing Program Costs	**0.0**	**0**	**0.0**	**0**	**0.0**	**0**	**0.0**	**0**	**0.0**	**0**	**0.0**	**0**	**0.0**	**0**
Total Continuing Existing Costs	**80.7**	**9,134,567**	**80.7**	**9,134,567**	**80.7**	**9,134,567**	**78.2**	**8,899,324**	**78.2**	**9,134,567**	**78.2**	**8,899,324**	**476.6**	**54,336,917**
TOTAL ALTERNATIVE COSTS	**80.7**	**9,134,567**	**81.5**	**9,503,674**	**84.1**	**14,271,588**	**85.4**	**12,741,948**	**88.0**	**11,821,584**	**84.3**	**9,998,884**	**503.7**	**67,472,245**
BENEFITS														
Increased Revenues - EMS Outsourcing		0		0		0		0		0		0		0
Increased Revenues - Other Improvements		0		0		0		23,720		71,161		166,043		260,924
Reduced Billing Staffing	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
TOTAL BENEFITS	**0.0**	**$0**	**0.0**	**$0**	**0.0**	**$0**	**0.0**	**$23,720**	**0.0**	**$71,161**	**0.0**	**$166,043**	**0.0**	**$260,924**

FY 2012/13: Building and Safety (Inspections and code violations), Sanitation (PIMS billings)

FY 2013/14: All other ARS billings