February 7, 2020

Operational and organizational assessment

CITY OF SHEBOYGAN –
FINANCE & HUMAN RESOURCES DEPARTMENTS

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February 7, 2020

Mr. Marty Halverson
Finance Director
City of Sheboygan, Wisconsin
828 Center Avenue
Sheboygan, WI 53081

Dear Marty,

On behalf of CliftonLarsonAllen LLP ("CLA") and the members of our client service team, we are pleased to present our report on the Organizational and Operational Assessment performed for the City of Sheboygan, Finance and Human Resources Departments.   We have captured observations and developed recommendations that we feel will enhance the organizational structure as well as improve operational effectiveness and efficiency of the departments, including control enhancements, resource optimization, and role modifications/enhancements to ensure appropriate reporting of financial information.

We appreciate this opportunity to serve you. Per CLA leading practices, this report is a draft and will not be considered final until you have had the opportunity to review and provide feedback. Subsequent to your review, we welcome the opportunity for a collaborative discussion in working to a final report.

Sincerely,

Bill Judd

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Project Background and Scope

CLA performed an Operational and Organizational Assessment for the City of Sheboygan Finance and Human Resources Departments.

The scope of services encompassed performing an Operational and Organizational Assessment. Specific assessment activities included:

- Review and assess the organization structure and operational practices.
- Review and assess the efficiency of department operations in relation to staffing.
- Review and assess process workflow and process information flow within and outside the Finance and Human Resources Departments.
- Evaluate key processes to determine overall effectiveness and identify risks/controls including Segregation of Duties and Delegation of Authority.
- Review and assess Process Documentation and Policies and Procedures.
- Develop recommendations that will enhance the organizational structure and operations.

In conjunction with the review, interview discussions were held with personnel within Finance, Human Resources and other key stakeholders within the city who interact with those departments.

Substantive testing and detail review procedures were not performed as part of this review. The items identified are based solely on discussions with key stakeholders.

Description of Work Performed

Interviews were conducted with the below indicated personnel. The individuals represented from the Finance, Human Resources Departments and other key stakeholders within the city, which included:

1. Darrell Hofland — City Administrator
2. Marty Halverson — Finance Director
3. Bernard Rammer — Purchasing Agent
4. Sandy Diener — Accounts Payable Clerk
5. Doris Ramminger — Accountant
6. Tou Lee — Accountant – Finance and Human Resources
7. Stacey Strittmater — Senior Accountant
8. Laurie Suhrke — Analyst/Auditor
9. Dawn Repinski — Cashier/ Administrative Assistant
10. Sandy Rohrick — Human Resources Director
11. Jenny Lawrence — Benefits Administrator
12. Sandy Halvorsen — Payroll Administrator
13. Eric Bushman — Information Technology Director
14. Bob Bluske — Information Technology Business Analyst
15. Melissa Ness — Human Resources Generalist
16. Carrie Arenz — Assistant to the City Administrator

Interview Responses

Discussions were open and candid with the Interviewees. We felt that the interviewee responses were forthright and that responses were neither guarded nor circumspect during the discussions. The goal was to identify trends and themes verses capturing specific statements from individuals.

The interview discussions covered many topics, functions, areas as it concerned or related to the Finance and Human Resources Departments and/or their interactions with such, along with input regarding overall City of Sheboygan observations.

Summary of Observations

CLA identified the following, based on the interview response information obtained and client data supplied. The observations and related opportunities for improvement relate to people, process, and policy. The observations are listed by similar area or type and not in an order of perceived priority and risk.

No substantive testing or independent validation was performed regarding the observations indicated.

Observations - Organizational Assessment:

The organizational assessment included reviewing and assessing the Finance and Human Resources departments' organizational structure and practices in relation to the departments' strategic plans, roles and responsibilities, services provided, staffing levels, and workload. The review and analysis included items such as training, cross-training, succession planning, resource utilization and alignment and role modifications or enhancements.

In general, our assessment brought to light items that exist within the City organizations that may not be optimal but which are not unable to be "fixed/corrected". Some of the observations are systemic of underlying practices that have carried forward for what appears to be a number of years. Addressing the underlying issues along with establishing a plan to work forward on the items addressed within the Finance and Human Resources Departments will help to establish a sustainable, efficient, and growing departmental culture into the future.

Overall:

There appears to be a lack of accountability to the Finance and Human Resources Departments at the city. Departments do not process items timely including approval of employee time for processing by payroll, properly informing Human Resources and payroll of date/time of terminations of employees, dragging their feet on budget preparations, and having a habit of bringing all things "numbers" to the finance department to have it done for them. Employees are not being held responsible for the "numbers" parts of their jobs. The executive management of the City is also not holding the departments accountable for their finances by not requiring a monthly close process and monthly financial generation with accountability of budget to actual. Ultimately, the Common Council is not holding the city employees accountable throughout the year for the financial operations (revenue and expenses) of the city, and an underlying duty of stewarding the tax dollars of the entire community.

Recommendation:
Common Council and executive management need to hold the city employees accountable specifically as it relates to finances. Managers/ supervisors that are getting paid to be the supervisor need to be held responsible for the required duty of approving their employee hours by the processing deadline date. Time and expenses are wasted trying to track down supervisors for approvals creating inefficient and stressed payroll processing which can result in errors. Budgets need to be created timely within the budgeting process. Review and analysis of budget to actual expenses needs to be performed on a systematic basis starting with the distribution/availability of monthly financial reports. Finally, the executive management needs to push for the migration to and use of the integrated MUNIS system from the AS400 system that is still in use after 10 years of the MUNIS system being in place. The desire of the executive management to set the example to the entire organization of a "new decade approach" regarding the fiscally responsible and accountable leadership and management style would be able to be cascaded throughout the City's departments and will result in a much more cohesive and responsive management team and style.

Another planning and management tool that should be more fully utilized is the Strategic Plan for the overall city. The first and current strategic plan is for 2017-2021 and has been updated for 2019-20 goals. Ideally this plan would act as a guide and roadmap to reach the goals that the city establishes. All departments should develop a departmental strategic plan with the roadmap of how their department will work to achieve their goals which allows the city to reach its strategic plans. It was noted that numerous statistical data goals are being established each year and progress/ achievement reported. The development of a strategic plan and the related department strategic plan goals will give the Common Council, management, and employees a resource to look to for guidance in daily operations as well as toward long term goals and achievements. Ongoing reference to and use of the departmental strategic plans will help the City to properly use the strategic plan as the roadmap that it is designed to be to accomplish the overall goals of the City.

Finance Department:

Culture. The culture within the Finance Department reflects the type of leadership and level of direction and accountability that it had experienced for numerous years under previous management.

The previous Finance Director controlled just about every detail and aspect of the city. She prepared and posted all journal entries (with little or no supporting documents), handled all the cash and investment reconciliations, a vast majority of the budgeting process, and typically overtook tasks of her employees versus delegating tasks out to the staff. Many departments looked to the Finance Director to take care of anything and everything, which she did. This created a dependency and lack of ownership within the department itself and the city as a whole. It appears that little or nothing was pushed down or delegated to any of the Finance Department team to process or handle. This micro-managing, controlling management style has resulted in little or no Segregation of Duties, very few written Policies & Procedures, and minimal Delegation of Authority on the ERP system (MUNIS). Additionally, this management style led to accepting the status quo on the tasks that the other Finance Department employees were responsible for and creating an attitude of "someone else will do it, it's not my responsibility" and no drive to go "above and beyond" for any issue.

While new management has been in place for over a year now, the attitude and style of the old management still can be felt in the daily operations of the department. The department lacks a sense of purpose, ability to or willingness to collaborate, a willingness to "step out of the box" and try a new idea, to "take the bull by the horns" and attack a new way of doing something or overcoming an existing issue. The employees appear to like and want changes but they do not know what to do with the opportunities to make changes when given them. They appear to be receptive to certain changes and actually want them but they do not know how to react when given the change due to the years of micro-management and lack of ability to ask questions and receive guidance on those questions. The results are task oriented, specific duty focused employees that work with each other when necessary, but not collaboratively. This is evident in the lack of integrated processes, incomplete technology utilization and collegial integration across the team. References to tasks not being "my job" exist while there is an overriding belief that they are not overwhelmed with daily tasks. Due to this laid back attitude it is hard to determine if there is a true lack of staffing or a lack of staff willing to step up and take on more responsibility and streamline existing work and tasks. Individually, the team appears competent and capable of doing their structured current daily tasks but it is unclear as to if they will be able to step up to move forward to meet the future needs of the city. The new management had success in the hiring of a Senior Accountant, who unfortunately has moved on, but showed that there is a need to have both new and existing employees have a desire to pick up new tasks along with their daily tasks in order for the Finance Department to accomplish its identified "Tasks to Accomplish List". Currently, the tenured management employees have not been pro-active in taking on new tasks "on top of" their existing tasks. While they may be willing to work on a task, it appears that they let their normal tasks slide until the new task is complete. This appears to be more of a mis-prioritization of time and necessary duties than a lack of available time. New management hires have been very pro-active in stepping up to address needs on the task list. Current management may need to attach performance plan goals to the tasks on the task list and stress the "consequences" of not meeting goals. It appears that an incentive for employees to step-up to new expected department strategic plans may need to be put in place to encourage the desired behavior. That incentive for a desired behavior may be that non-achieving of the tasks and goals is not acceptable on a long term basis. Finance management will need to have the executive management team backing and in agreement with any hard line action taken to encourage all employees to actively strive to continuously work towards making the department stronger.

At the present time, there is a clear lack of cohesiveness between the teams, both within the individual departments and the interdepartments of Finance and Human Resources. It appears that some of the divisiveness is perceptions of co-workers not having equal workloads to accomplish and being at different pay grades due to length of time with the organization, not necessarily type of position or job performance. There also appears to be personality conflicts that then result. Perhaps some ways to help to mitigate these conflicts is to do a couple of fun team building activities (a community project like adopt a family or child for a holiday, a white elephant gift exchange for the holiday, a sports team themed day, or a themed food day), offering options for training / cross-training (give options for things that interest them to cross-train in as long as there is not a Segregation of Duties issue and offer general excel and word class training), work with Human Resources to aggressively attack the item noted within this report regarding standardizing job descriptions and pay rate-salary levels analysis working towards less emotionally charged titles and pay ranges. We received the following quote during interviews, "We could be a really good team...we could...but too much animosity."

Ultimately, the Finance Department will need to be structured with people capable and willing to advance forward with learning new technologies and methods of accomplishing the work that needs to be done. Six full time employees within this area along with the part-time purchasing officer should be able to operate the city's Finance Department in an efficient and non-overburdened manner if all the employees are carrying fairly equal work loads. For those employees that do not want to address and embrace the needed changes, they may need to simply be terminated or offered early retirement, if eligible.

Recommendation:
The finance team needs to be incentivized to step-up to the new expectations of the department and its "Tasks to Accomplish List" and departmental strategic goals. Management may need to attach specific goals and due dates to employee performance review plans. The consequences and outcome of not achieving the goals should be clearly defined and stressed. Management will need to have the backing of executive management with any hard line action that may have to be taken in an effort to strengthen the overall department.

The finance team would be stronger if they worked together as a cohesive group toward their department goals. While each person has specific job responsibilities and duties, the group appears to function in silos and not as a collaborative group. Management should strive to build stronger relationships by scheduling periodic department events that require the individuals to get to know each other in roles outside of the job position duties they perform. External team building exercises/activities, a group activity to help a specific community cause, or a "department food day theme" are ways to promote the learning of the employee as a whole and creates bonding that may not be able to be established during a routine work day environment. When employees get to know each other in a non-work environment, a more cohesive and collaborative work relationship can begin to grow and positively affect the daily office atmosphere.

Human Resources Department:

Culture. The culture within the Human Resources Department reflects the level of leadership and direction and accountability it has received. The team lacks the alignment of purpose and collaboration that it appears capable of receiving. The result is professional silos that work with each other when necessary, but not collaboratively. This is evident in the lack of integrated processes, incomplete technology utilization and collegial integration across the team. References to tasks not being "my job" exist while there is an overriding belief that they are overwhelmed with tasks and lack adequate staffing resources. Individually, the team appears competent and capable of meeting the needs of the city – yet lack the leadership to galvanize it as a resource. Several processes are in development, yet there does not appear to be an overriding urgency to their development and as a result, they evolve as time allows. The current large cubicle area of the department does not allow for any level of privacy or noise reduction. This is leading to unnecessary distractions and inefficiencies.

Recommendation:

The team needs sound, present, ongoing leadership. Individuals need clarity around where and how they should focus their efforts with the expectation that regular intra- and inter-departmental collaboration is a non-negotiable.

The team needs to be challenged to "raise their game" and take the initiative that aligns with their collective and individual experience. Individual meetings should be used to engage incumbents on the near-term priorities and mid-term focus areas that will contribute to the success of both themselves personally and others relying on them.

The physical layout of the room should include the use of some form of room dividers or slightly higher cubicle divider walls to help eliminate the noise distractions.

Operational Assessment:

The operational assessment included reviewing and assessing efficiency of the Finance and Human Resources Departments' operations in relation to staffing, staff competencies, training needs, schedules and productivity. Department process documentation, policies and procedures, key system capabilities, efficiency of flow and analysis, and cross-departmental collaboration are activities that were considered, reviewed, and analyzed during the assessment.

During the assessment, it was noted that the City has had some recent operational "wins" including:

- 2019 marked the first year using the budgeting system with MUNIS. It worked great despite the first year learning curve issues that were encountered. Management is optimistic that the process should be better for the 2020 budget process.
- Budgeting Position Control was implemented during the 2019 budgeting process and it was reported to have "helped a lot".
- Employees are allowed and have been attending training and conferences related to their areas of work with proper request documentation and available budget funds.
- There has been collaboration with other municipalities that use the same software programs. The Human Resources Department has been working with Sheboygan County on NEOGOV software. The Finance and Human Resources Departments have been contacting and working with other municipalities that use the same MUNIS software and collaborating with current and former employees of other municipalities that have experience with the software for troubleshooting and general operational improvements or sharing of ideas.
- The City of Sheboygan and Sheboygan County have collaborated and share the Purchasing Agent employee. This allows both entities to have cost savings and work collaboratively on pricing strategies and discounts/rebates/gross purchase sales deals offered by vendors. Only one other county sharing of a purchasing agent in Wisconsin is known.
- Use of the State of Wisconsin "used good disposal" site for the disposal of the City's fixed assets. The on-line auction site, which removes the tax reporting and other obstacles of disposing of assets, makes more money on the surplus or disposal of items than has ever been received before.

The existence of the operational "wins" in the recent past will help the City to embrace the following items which may not be operating as effectively or efficiently as would be beneficial for the City. These observations are not in a specific priority, rather they are grouped by similar topic to aid in looking at an entire area and addressing the needs found.

Information Technology and Systems

ITS-1. ERP (MUNIS) System:

The current ERP system, MUNIS, is not meeting all the current needs of the city. The system was implemented ten years ago however, not all of the modules that were purchased with the system have been brought on board and used on an on-going basis. Some modules were initially implemented and tested but never actually used. Certain processes are still being run on the old AS400 system which is still in use and maintained. The continued operation of two systems by the city is inefficient from both a time and expense viewpoint.

> **Recommendation:**
> The City needs to perform a detailed analysis of what needs to be done to migrate the remaining AS400 systems off that platform and onto MUNIS or a separate integrated software. It appears that as few as 5 -10 processes are on still on the AS400. The migration plan should be strategized in order to be off the old system in less than 3 years, preferably 1-2 years. Processes that can migrate directly onto MUNIS modules that are currently owned should be addressed first. Processes for which MUNIS has a system which may not have been purchased should be reviewed for pricing and functionality. If outside software needs to be obtained to cover shortfalls in the MUNIS functionality, third party vendors should be discussed in order to maximize use of a vendor software to its fullest capacity and covering as many system needs of the City as possible. The City should strive to maintain a low amount of external software integrations into the MUNIS system to create on-going efficiencies related to system upgrades and integration changes. Leading practices would be to create a cross-organizational project "AS400 Sunset" team that can work collaboratively to determine and meet the needs of the users and the City. This project team would be responsible for the analysis, timelines, prioritization and overall assessment of the progress of the various integrations off and sunset of the AS400.
>
> Additionally, the impending retirement of the current Information Technology personnel that know both AS400 and MUNIS creates an urgency that needs to be considered in the migration process. The ability to find capable AS400 programmers is becoming harder as those programmers are no longer in the work force.

ITS-2. MUNIS System for Human Resources:

The MUNIS system has the capabilities to flow Human Resources data to the payroll area when the systems are properly interfaced and the data is properly entered into Human Resources module. Currently, the information does not flow smoothly between the different working module areas of the software.

It was also noted that while certain parts of the Human Resources module within MUNIS is being used, there are many more "modules/facets" which could be used which would move items from paper to electronic formats creating efficiencies.

> **Recommendation:**
> It is suggested that the Human Resources department, Information Technology Department and MUNIS work to properly interface data so that it flows to all the proper areas where it needs to reside. Proper implementation and routing of system data to other modules saves time, creates efficiencies, and reduces manual re-keying errors. The full HR MUNIS offering should be discussed during this process in order to evaluate additional "facets" of the system that the City has and owns but which has not yet been brought on-line. Continued implementation of other modules creates further savings and robust use of items that exist in the system to help the user obtain an integrated efficient system and work environment.

ITS-3. MUNIS Customer Service:

MUNIS is reported to have a good Customer Support Center that is available to all city MUNIS users as part of the City's contract.

> **Recommendation:**
> The MUNIS customer support contact information should be shared with employees and available on any internal portal or help desk. Employees should be encouraged to call the MUNIS help desk at the start of a problem as the first step versus immediately involving the Information Technology department. In many cases the MUNIS customer support can handle the issue. When customer support is contacted and able to quickly assess and mitigate issues that occur, the user is more efficient in their activities and the Information Technology personnel are not interrupted which creates more efficient performance of their duties since not involved in the minor issues.

ITS-4. Information Technology Department:

It was noted that in many instances, the Information Technology Department is not being brought into discussions involving system process changes or issues at the beginning of discussions. Not including the Information Technology Department in system related issues can be inefficient from a cost/expense and time management viewpoint.

> **Recommendation:**
> Integrated systems require on-going collaboration and inclusion of all vested parties in order to create optimal process improvement. The Information Technology Department should be one of the first departments contacted in almost all instances where processes or change with any system is involved. It is recommended to improve the planning process to insure that all key stakeholders are invited early into planning processes. Perhaps a MUNIS team leaders group, which includes key "super-user" representatives of the various systems could be put in place to be the first step in system or process change discussions.

ITS-5. MUNIS Workflows:

The Finance and Human Resources Departments should work with the Information Technology Department to create as much system workflow as can be allowed both intra-and inter- departmental

within the system. These workflows should not be allowed to be circumvented due to lack of accountability or poor planning by those within the workflow. Workflows that have been put in place are frequently circumvented or simply not used even after training on how to use the workflow has occurred. This blatant disregard for job duties should not be tolerated since it creates numerous inefficiencies and subsequently frustration, wasted time, and resentment within those having to incur extra work as the result.

Recommendation:
City executive management need to be made aware of instances where system processes and procedures were blatantly disregarded and the consequences that ensued for other workers as a result of the in-process procedural controls. If the same individuals are circumventing the controls, the City executive management needs to have a discussion with the individual(s) stressing the importance of all employees performing and being held accountable to the work required within their job. It should be stressed that continued disregard for processes and procedures in place will result in termination. If this is the case, there may come a time when the unpleasant task may need to take place and the example set for the expectation to follow the processes that have been developed.

Accounts Payable

AP-1. Purchase Order (PO) Process/Spend Approval:

There is a policy in place that requires a purchase order for items over $850. It was noted by various employees that the purchase orders are not being properly created and approved prior to the actual purchase of the goods/service. It was noted that most purchase orders are created after the actual invoice has been received.

Without pre-approval for purchases, employees may commit City funds inappropriately which may not be in line with the budget, strategic plan, or mission of the City. In the event of unauthorized spend the City may have limited recourse as the approval occurs after the funds have been committed and goods or services received.

In addition, the monetary limits for approval requirements are not all in written format but reside with the Accounts Payable (AP) clerk's expert knowledge. The risk is that if the accounts payable clerk was not available, the knowledge would not be retained by the Organization and the approval requirements not enforced. The risk is that City funds could be spent inappropriately and not easily detected.

Recommendation:
Approval
A monetary authorization policy/matrix should be created and stored on a central repository that all employees have access to. This policy would define who must approve certain types of expenses and dollar amounts of spend. It would also define delegation procedures in the event the approver was unavailable or out of the office.

Use of Purchase Orders (PO's)
The City should implement/enforce the use of a purchase order system for creating front-end approval, which takes place prior to committing the City's funds. A policy should be created to

outline when the use of a purchase order is required versus a back-end invoice approval. If the invoice matches the purchase order and delivery confirmation (2 or 3-way match) then no further approval at the invoice level would be necessary. Acceptable tolerances on price and quantity variances will need to be defined and when a 2-way or 3-way match is required prior to payment.

AP-2. Accounts Payable Approvals:

The Senior Accountant position has a large majority of the final payment approval of the Accounts Payable check payments. While this process is not inherently incorrect, stronger controls and best practices would require large dollar items to have upper management approval prior to release of funds.

Recommendation:
The processing of payments to vendors needs to have various approvals in place for internal control and fraud prevention. Invoices should be signed off by the respective department and level or approver as authorized in a "Payment Approval Policy". Once approved, the invoice can be entered into the system (or entered into the system and routed via an established approval workflow) to the accounts payable payment area. The accounts payable payment process should include a pre-cursor review that all required data is included and accurate. Once complete, the actual payment may be generated. The payment should be approved by a Finance Department personnel prior to release of the payment. For control purposes, large dollar threshold items (determine a limit, perhaps $10,000) should include a second approval by either the Director of Finance or the City Administrator. Inclusion of various approvers in the process creates better internal controls, increases fraud prevention, and proper delegation of authority within the organization.

AP-3. Accounts Payable Decentralization:

In 2019, the City moved from a Finance Department centralized accounts payable methodology to a decentralized methodology where invoices are entered into the system by each city department. While the decentralized methodology may result in less data entry in the finance accounts payable area, the decentralized methodology should be reviewed to determine if the desired results of less errors and fewer "rush" payments have resulted.

Recommendation:
The processing of invoices within an accounts payable system have been moving to a centralized accounts payable process for payments and a decentralized process relating to department purchase orders, PO approvals, and invoice approvals. A decentralized payment process of invoices results in a largely increased number of "payment process experts" in the system. With the increase of "input" employees, more time may be spent in the final review within the finance area related to account string and department approval. The decentralized nature requires more training time for more employees and a higher amount of re-training as employees in the departments change. A review of the decentralized methodology is recommended and if not creating efficiencies and fewer "rush" payments, the continuation of the decentralized should be discussed and potentially reversed back to a centralized processing.

AP-4. Accounts Payable – Pro-rating of Invoice charges:

It was noted that delays and confusion result from the pro-rating of charges on an invoice prior to final receipt of all items ordered.

Recommendation:
Invoices from vendors should be properly verified for actual receipt of the goods and services order via a shipping/receiving receipt. Any shortages and backorders of items should be properly documented on the receiving receipt. If invoices have orders from numerous departments, care should be made when entering and assigning the purchases to the account string in the system. If a large quantity of a product is entered and then allocated out to numerous other departments, leading practices would have the entire receipt and payment of the product into a single department. A subsequent allocation of the pro-rated amount to other departments can occur as the goods are physically allocated via a journal entry. Post receipt allocation of items aids in more efficient processing of the invoices and less confusion and timelier processing of individual invoice line items, specifically if a backorder of the original purchase occurs.

AP-5. Accounts Payable Vendor Approval:

While some procedures occur when it comes to new vendors in the accounts payable area, it appears that they may not always be fully followed or carried out on every new vendor. It is also not known if the new vendors are reviewed on a consistent basis by the appropriate level of management.

Recommendation:
There should be a formal written procedure regarding the steps to accept and enter a new vendor into the system. This procedure should include as a final step, a documented approval of new vendors by the Finance Director on a regular basis, either with each check run, weekly, or monthly. The approved new vendor list with name and Employer Identification Number (EIN #) should be maintained by the approver for use in the audit and per the document retention schedule in place.

AP-6. Accounts Payable Vendor and Group Consortium Lists:

The City has various discount and group purchase agreements available to them. These lists do not really exist outside of the Finance area and the ability to take full advantage of the offerings is not always known by employees.

Recommendation:
The Purchasing and Accounts Payable Department personnel should work together to create a list of all vendors used in the last 12-18 months which have a discount for municipalities or are in the municipality's group consortium pricing lists. This list should then be shared with all departments and existing managers and kept in a shared policy and procedures area. The Human Resources Department could include this list as part of the on-boarding of new employee process, especially to new managers.

AP-7. Vendor Open Accounts charge details:

The City has open charge accounts at a few local businesses where employees can charge purchases and the vendor bills the City on a regular basis (i.e. weekly, monthly). While this arrangement may be a time

savings for the City employee on the front end, time is wasted each billing cycle when accounts payable tries to match up charges to the departments. It is also unclear whether the original receipts of the purchases are properly submitted for attachment to the original vendor invoice.

Recommendation:
The City could reduce accounts payable processing time by closing the "open accounts" at stores such as Menards and Home Depot and require the purchases to be made on the already issued department P-cards. This would reduce the time spent trying to allocate the monthly "open account" charges to the appropriate department, time spent during the cycle on the original receipt collection, and the potential of employee fraud on purchases that may not be for City purposes.

AP-8. Fleet Gas Card with Kwik Trip:

The City's fleet gas card with Kwik Trip allows for quick and efficient gas purchases for city vehicles as well as a streamlined billing process. The City is given an invoice (an electronic invoice is available) to streamline the process. The City requires the original purchase receipts to be submitted for all purchases prior to payment. This requirement may delay payment and has the potential to create ill-will with the employees when an original receipt is unavailable.

Recommendation:
The fleet gas card process that Kwik Trip has instituted allows for efficient streamlining of invoicing and payment for both Kwik Trip and the City. The gas card is only allowed to purchase gas for the city vehicles and lists the details of each purchase by card number, date, and amount. The City's requirement of submission of all the original receipts may be excessive and an inefficient use of employee time. It would be suggested to verify if there appears to be any abuse of the gas card occurring. If no abuse has been noted, it would be suggested to still require the original receipts to be collected and turned in but grant the occasional "missing receipt" unless a pattern develops. It would be recommended to put a "monthly spot check" in place and rotate this among the cards used. The cost/benefit of time to track down the original receipts when the system appears to work correctly and efficiently without abuse most of the time creates an inefficient process around an efficient streamlined method put in place by the vendor.

AP-9. Utility Billings and Payments:

The City currently receives numerous monthly utility invoices in paper form from its vendors (Alliant Energy ~260, AT&T, and others). The receipt of the quantity of paper invoices creates an inefficient use of the cashier's time to open, record, and process into the system. Additionally, each approval of the monthly bills occurs as well as the physical payment (note – all the month's invoices can be included on one check, but the matching and attaching of the physical invoices to the payment is also time consuming.

Recommendation:
The City should contact the vendors, specifically Alliant Energy, and work to out a way to receive the monthly invoices via an electronic format that can be uploaded into the MUNIS system. An electronic file, which lists all ~ 260 invoices, could then be easily viewed, approved, and loaded in the system for processing, and finally attached to the check payment. Numerous hours of

manual work could be eliminated and result in savings for both Alliant Energy (no printing and mailing of ~260 monthly invoices) and handling and processing at the City. A simple excel file of the data extracted from their system could be manipulated to the proper format for uploading into MUNIS. This electronic process would takes minutes once the initial files are properly formatted, tested, and approved saving numerous hours of clerical work on a monthly basis.

Update since Initial Assessment:
The City had been working with Aliant Energy to find a more efficient method to the ~ 260 invoices it was receiving monthly. The vendor was not able to send an electronic file so the City worked with the vendor to consolidate the numerous invoices into "Summary Billing". This step was done on Aliant's end and it took them several months to get this accomplished, but as of December the City has begun to receive "Summary Billing" from Aliant Energy with the invoices grouped by department, or cost center, so as to minimize the time spent by City staff coding and data entering the individual billings.

AP-10. Purchasing Credit Card (PCARD):

The City has a P-card program with / through a local bank. It was noted that the State of WI has a P-card program that is used by many governmental bodies. It is unclear if the P-card programs have been compared to verify which vendor has the best card processing capabilities, file uploads, billing, on-line processing detail allocating, and rebates on volume purchases.

Recommendation:
The current P-card contract should be reviewed and analyzed. This analysis should be compared to the options available under the State of WI P-card program. All aspects of the program should be reviewed including on-line access and volume rebate offerings, and the City's ability to optimize restrictions of use. The City can then make an informed decision as to which program would be more advantageous when the next contract renewal opportunity arrives.

Cash and Bank Accounts

CBA-1. Cash Handling:

The City does have cash handling transactions that occur, mainly at the cashier counter/desk within the Finance area. This counter area is open to the public during normal business hours. The cash is received at the counter and not in a lockbox. The cash drawer in the cashier's desk is not locked. The new open counter concept for the cashier provides little security of the funds. Without proper safeguards around cash, misappropriation, theft, and fraud is difficult to detect.

Recommendation:
Implement appropriate cash handling controls to deter misappropriation of cash and instances of theft or fraud. These controls would include making sure that a detailed receipt of the cash transaction is created when the cash is received. The cash should then be put in a locked drawer and the key should remain on the cashier person, not left in the lock, on a key chain on the desk, or in a drawer. A bank deposit should be created for all the cash received each day

and put in the sealed bank deposit bag and deposited daily (this will help with the bank reconciliations). All of the cash that remains at the end of a day should be properly stored in the vault and access to the vault and cash storage area of the vault should be limited to specific employees.

CBA-2. Bank Reconciliations:

It was noted that the main cash account had not yet been reconciled since the fiscal year end audit. Bank reconciliations are prepared manually and are time consuming to prepare due to the current system limitations and the structure of the cash accounts and general ledger. While portions of the account were being monitored and reconciled on a daily and weekly basis, the entire cash account reconciliation is extremely cumbersome and had not yet been completed for almost nine months. Bank reconciliations can be streamlined and efficiencies gained by automating the matching of bank transactions in reconciliations. Bank reconciliations are time sensitive and should be performed prior to month-end close to ensure that cash is reported accurately. This can be challenging if the bank reconciliation is a time consuming manual process. Unreconciled cash accounts can result in fraud being undetected for a long period of time.

Recommendation:
Research and implement a tool to automate the bank reconciliation process. There are several third party programs that facilitate the reconciliation process and include automated matching, workflow and electronic approvals. If an additional system is not feasible, weekly on-going reconciling activities can be performed (such as deposits, wires, and ACH activity – it was noted that some of this is already occurring) so that not all the reconciling needs to be done after the end of the month. Electronic features that are available in the MUNIS system and within current bank processes including paying via ACH files and using the bank positive pay features related to physical checks may help streamline the payments side of the reconciliation. If timely bank account reconciliations are not performed, the city is financially responsible for any fraudulent presentment of checks for payment. Positive Pay eliminates fraudulent checks being presented on the bank by an outside party.

It was also noted that numerous types of transactions are all run through the same bank operating account. It would be suggested that the City review the different unique types of cash and investment activities and work with the bank to establish separate accounts and move funds accordingly based on "purpose" or other restrictions. Some of the accounts might be best established as "zero balance" accounts where the funds pull to the accounts from the main account each day to pay the activity that hit the account. Separate accounts for specific types of cash would help to relieve the cumbersome reconciliation of the main bank account.

CBA-3. Electronic Access to Cash Accounts:

It was noted that on-line cash movement at the bank can occur with only one employee approval. Lack of dual approval for on-line cash activity can result in fraudulent activity.

Recommendation:
Leading practices regarding the movement of cash is to have dual approvers to electronically move any cash for fraud and internal control purposes. The City should talk with their bank to upgrade the electronic processes from single to dual approvers.

CBA-4. Electronic Automated Clearing House (ACH) Payments:

Automated Clearing House (ACH) payments are not used as a standard feature of the check processing functions within the Accounts Payable Department at the City. The MUNIS system is capable of paying vendors via ACH versus manual checks. ACH payments are made on occasion via the features on the bank on-line banking site instead of the more expensive wire transfer when available. ACH payments can streamline the payable process, reduce expenses, and create efficiencies and enhanced controls over payments.

Recommendation:
Discuss with the City's bank the file format to initiate ACH Electronic payments to vendors where appropriate. Collaborate between MUNIS, the bank, and the City's Information Technology Department personnel to establish the required file formatting and procedures for paying vendors via ACH. Create a Vendor ACH Data Inquiry form and mail it to vendors and requesting they return it with the required information to establish the ACH process directly to their account. Proper use of ACH payments along with consistently using a standard payment timeframe such as "net 30", would allow the city to take advantage of short-term cash investment opportunities and improved cash flow overall. The use of ACH payments also reduces expense of check stock, MICR toner, wear and tear on printer, time to stuff envelopes, envelope cost, postage, and handling by mailroom personnel.

CBA-5. Bank Cash Protection Processes:

It appears that the City may not be using available bank processes that help to protect accounts from fraud including Positive Pay, ACH electronic payments, Remote Deposit, and Cash Lockbox.

Recommendation:
Cash and cash equivalents are an easy target for fraud and improper activity to occur. Most banks now offer a variety of "protection" features on accounts to help to mitigate improper activity. The use of the ACH payments and Positive Pay of vendor payments is available and helps to prevent fraudulent submissions of checks for payment. It appears that MUNIS is capable of creating the files necessary to use these features. Additionally, use of a cash lockbox would better protect cash received and an on-site remote deposit terminal would reduce the trips to the bank with physical checks while achieving a faster cash flow of the payment.

GENERAL ACCOUNTING AND TAX BILLINGS

GA-1. Monthly Financials / Month End Close:

The City Finance Department currently does not perform any standard month end close process nor report the actual financial status to executive management or the Common Council on a monthly or quarterly basis. The annual audit is performed and the financial status is shared via the Comprehensive Annual Financial Report (CAFR) after completed but no updates on actual expenses to budget are performed or discussed throughout the fiscal year.

Recommendation:
Periodic financials (monthly/quarterly) allow management and the Common Council to assess how the City is performing against their budget and allows management to make decisions to

bring spending back in line with the budget if it is going astray. Periodic financials would also allow for strategic adjustments to be made to the on-going operations of the City in order to make or surpass and achieve budget goals.

Periodic financials also require management to identify standard entries required to accrue for obligations on an on-going basis. If this is only performed annually, it increases the potential for those manual entries to be overlooked and missed resulting in financial statements that may be misstated. The Finance Department should begin to prepare financial statements at least quarterly and preferably monthly. These reports should be shared with department managers and the managers should be held accountable as to where the department is in relationship to their budget. Analysis should also be done on a monthly and year-to-date view to account for the various cyclical nature of aspects of the city's operations (i.e. receipt of property tax dollars). The Common Council should develop a plan that includes the financial data accountability to be included within the monthly strategic statistical goals that are already being measured. Having the Common Council stress the importance of the financial status of the organization will create a means of accountability that can be used to more efficiently operate all aspects of the organization.

GA-2. Chart of Accounts ("COA"):

The current chart of accounts contains some repetition and omissions that have created inefficiencies when coding expenditures. If you encompass "Funds" under the chart of accounts category for the general ledger structure, additional complexities and efficiencies exist in the redundant use of funds. Overall the chart of accounts general ledger structure is in need of review and potential modifications to create better clarity and operational efficiency.

It appears that new accounts are set-up within the general ledger chart of accounts typically by one person. An individual designee is not an issue; however, there appears to not be any review or approval of new accounts by any other employee.

Recommendation:
The chart of accounts is an integral part of an efficient accounting system. The nature of fund accounting adds complexity to a chart of accounts however, a dynamic chart of accounts within an ERP system can help to streamline daily processes and reporting requirements for the City. It is recommended to review the existing chart of accounts and add/inactivate the funds and accounts as needed in order to improve efficiencies.

Leading practice would have any new account within the ledger reviewed and approved by someone other than the initiator, and preferably a member of the finance management team. This will help to insure that all new accounts are necessary, are not duplicative of existing accounts, and are properly routed for reporting. The review procedure also helps to mitigate potential improper fraudulent activity that could be routed through improper accounts.

GA-3. Account Reconciliations:

There does not appear to be clear accountability as to who is responsible for preparing and approving the Statement of Financial Positions account reconciliations and by what due date. Furthermore, there is no defined process over preparation of the account reconciliations. Account reconciliations are a key

control to ensure accurate financial reporting and without a consistent and timely process to reconcile the accounts, the accuracy of financial reporting may be impaired.

Recommendation:
Define a policy with clear ownership of who is responsible to prepare and review the account reconciliations and the dates they are due. A consistent format and process should be applied when preparing the reconciliations and the timing of the reconciliations should be determined based on risk and materiality of accounts. At a minimum, they should be performed quarterly.

GA-4. Journal Entry Approval:

All journal entries should be reviewed and approved prior to the entry of the journal into the system. It appears that an approval system was in place for the journal entries of the Senior Accountant and those positions below the Senior Accountant. It was unclear as to if the journal entries of the Finance Director were approved.

Recommendation:
The entry and approval of journal entries in the system should not be done by the same person for proper internal control. If entries are not reviewed/approved by a second person, improper movement of funds and fraudulent activities could be occurring. If the issue exists only on the Director of Finance entries, then establish a procedure that the Senior Accountant or Deputy Assistant to the Finance Director or the City Administrator are required to approve the journal entries of the Director of Finance.

GA-5. Segregation of Duties Review:

Segregation of Duties analysis is not performed on a regular basis to ensure there are no responsibility or system conflicts of interest where an employee has ability to record, monitor, and safeguard assets of the City. When a segregation of duties conflict exists, there is a greater risk that City assets could be misappropriated without timely detection due to lack of oversight and employees having too much control over an area.

Recommendation:
The City should periodically, at least annually, verify that a proper segregation of duties exists and limit system rights to duties necessary to perform job functions. If proper segregation of duties cannot be achieved due to limited personnel, then appropriate monitoring and mitigating controls including requiring managers to periodically review financial information should be put in place to ensure timely detection of any inappropriate action.

GA-6. Policies and Procedures:

The City does not have documented formalized policies in a consistent format for all critical functions and stored in a central repository that is easy to access by all employees. This may allow key functions to be improperly performed, unintentionally overlooked, or ineffective, since personnel may be relying upon informal procedural information that is passed down from one employee to another and may be out-of-date or incorrect. Not having written policies that are easily accessible to employees may impact the ability to properly train employees and employee's ability to properly execute critical functions of the City.

Policies within Finance and Human Resources were virtually non-existent prior to June 2019. Procedures existed for various employee activities but are not consistently prepared for every function, are not always kept up to date, and reviews are inconsistently performed. Furthermore, there is no central repository that contains all policies and procedures that is easily accessible by all employees.

Recommendation:
Existing policies and procedures should be reviewed to ensure they are still current. If not, then the policies and procedures need to be brought current and they need to be reviewed on a cycle basis - annually or as needed. The policies should contain a "Last Reviewed / Revised Date" and "Supersedes" within its formatting. Written policies should be created for all key functions of the City, Finance and Human Resources Departments where they are deficient. Search on-line for policies and procedures and use these as templates to change and update to fit the specific steps and tasks of the City. The use of established templates reduces the overwhelming nature of the project. Contact other Wisconsin municipalities that use the same systems to request a copy of their policies and procedures. Task each employee with documenting all aspects of their specific jobs (as part of goals and with a due date). Every position within the departments should have clearly defined responsibilities and procedures.

The policies should be stored in a central repository that is easily accessible and communicated to all employees. Policies that are defined by the City must be followed on a consistent basis to comply with federal grant guidelines.

In addition to the policies and procedures being stored in a central repository, all City Ordinances should also be housed within a section of the centralized repository. Every department affected by an Ordinance should be made aware of the Ordinance when passed through formal communication channels.

GA-7. Grant Funding - Accounting and Reporting:

The City receives various federal and state grant dollars. These funding sources require a need for structure of who is responsible for the grant dollars and reporting and proper policies and procedures around both the grant funding as well as general operations of the organization. It was noted that a grant check was received in the name of an employee and not with the "City of Sheboygan" as the payee.

Recommendation:
All grants, federal and state, should be coordinated and grant requests should be approved by the Finance Director or his designee. Establishing a specific grant coordinator will help to insure that grants are made to appropriate legal entities, that the grant terms are being followed, and reporting requirements are being met. Misappropriation of grant funding can result in the revocation of grant funds in the future as well as penalties and fines related to the misappropriation being levied.

GA-8. Cell Phone Expenses:

The City supplies cell phones via a City plan and also has a Bring Your Own Device (BYOD) policy regarding cell phones. Perhaps the supplying of cell phones should be reviewed for relevancy and, if possible, reduce the amount of City supplied phones to a bare minimum and require BYOD as much as possible.

Recommendation:

Many organizations are no longer supplying cell phones to employees or supplying a very limited number. It is recommended that the City review their policy and perhaps survey other peer municipalities, to determine the common practice for number of phones and positions which have a supplied cell phone. Generally, cell phones should only be issued, or reimbursed, for those employees who are required to respond after work hours.

GA-9. Special Tax Assessments Reviews:

The Finance Department is responsible for the processing of all City Special Assessments that have been approved. It appears that no assessments are entered into the AS400 system without proper approval. However, it appears that no one is reviewing the special assessment tax bills prior to the bills being released which could result in incorrect assessments being mailed creating re-work, additional unexpected expenses, and loss of community trust of the city's ability to competently process and run the organization.

Recommendation:

Special Assessments should be reviewed for accuracy by the Finance Director or his designate prior to the Special Assessment bills being released. They should document their review and approval.

GA-10. Delinquent Tax Bills:

Currently, little to no follow-up is being performed and no specific forwarding of delinquent Special Assessment tax bills to the property tax rolls or into any third party collection mechanism. Lack of follow-up on delinquent payments results in a loss of revenue to the City and ultimately may create budget shortfalls.

It was also noted that Delinquent Tax Bills have not been written off the books due to not filing specifically with the state because of a mismatch between the AS400 system that houses the Special Assessment software and the MUNIS system.

Recommendation:

Follow-up on receivables needs to occur for proper stewarding of patrons' tax money. The person responsible for billing the special assessments should be noting receipt of payment and following-up with calls to those who have not paid their assessment. Continued delinquency may result in the special assessment being included on property tax rolls or being forwarded to a third party collections company. Perhaps involve the Office of City Clerk or the Office of City Attorney to research the legal special assessment collection methods and help to implement those allowed methods via written legal letters to the delinquent parties.

The mis-match between the AS400 and MUNIS systems is yet another example of the need to fully sunset the AS400 system and run all City processes within the integrated MUNIS system. See "ITS-1 – ERP (MUNIS) System" above.

Employee / Employment

EE-1. Employee Training:

Training of employees, both internal training and external training, has been neglected for many years. While some system specific training has been received by some of the Finance and Human Resources Department employees, there has been a lack in overall training in general workplace electronic systems and Finance Department specific systems. As a result, the current employees, especially those that have a longer tenure at the City, are not up-to-date on the numerous changes within the standard suites of office products generally used. This results in employees who are inadequately trained or equipped with the system knowledge needed to do their job efficiently leading to unproductive time spent and employee morale issues.

Recommendation:
Training of employees is an effective way to demonstrate appreciation to employees as well as increase their productivity, efficiency, and morale. It symbolizes that you value the employee, their contribution, and continued growth in abilities. The City should make an effort to budget for external training for employees especially as it relates to use of software systems necessary to execute the employee's job. Also, a search for low cost options such as on-line classes or local community or technical school continuing education classes for general office system products (such as Microsoft excel and word classes) would be advantageous. There may be opportunity to bring an outside professional on-site to train a group of City employees at a low cost. This may also be discussed with the local school system to see if they would host a class within their classroom on a day or evening when school is not in session.

If not currently in place, Human Resources should also implement formal employee on-boarding training to ensure new employees are equipped to do their jobs effectively. The training should be initiated by the Human Resources Department related to general Employee Handbook and benefit issues/topics. Additionally, the on-boarding should include discussions and processes within key areas of the city including information technology, finance, payroll, key management personnel, organizational charts of the executive level and the employee's department, and the mission and vision of the city. Exposure to these areas will help to engage the new employee into the day-to-day ongoing operations at a faster pace resulting in higher productivity and results.

EE-2. Employee Competency and Skills:

It appears that the city may have employees who are lacking in the skills and competency to perform beyond their current level. This lack may result in not being able to take on additional duties as assigned or being able to perform their current duties in a more efficient and effective manner. Lack of ability to expand duties and roles may result in low employee productivity and general lowering of department morale as other employees continue to accept more responsibilities creating the perception of inequity and disgruntled actions between co-workers.

Recommendation:
The City and Human Resources Department may want to look into a skills assessment tool or on-line analysis program that could be given to the employees. Results from an assessment tool could be used in employee goal planning or personnel improvement plan. Additionally, the

results could provide insight on the general training needed by the employees in common office systems such as excel and word. Typically, an on-site training could be done and offered at both a "beginner" and "intermediate" level to address the employees varying skill levels. Perhaps look into local or on-line offerings of training classes or refresher or continuing education courses by local groups or UW system campuses or area high schools. See "EE-1 - Employee Training" section within this report.

EE-3. Performance Monitoring and Development Plans:

Performance reviews were conducted, however performance improvement plans were not always developed for employees under past management. It was also noted that increases in pay had been given despite the lack of a performance evaluation. The lack of regular performance setting and review can lead to employee morale issues and sub-performing employees. The giving of raises without documented performance results can lead to apathy within job positions and an attitude of "why go the extra mile" if I receive the increased pay without having to go above and beyond.

Recommendation:
Performance evaluations are helpful and essential to both the employee and the employer. They establish expected job performance and result in a way to measure if the employee is performing at the level needed or desired. Performance evaluations should be used as documentation behind pay increases or as evidence and grounds for termination for lack of performance. Pay increases given out of cycle or without a performance evaluation may be re-enforcing less than acceptable job duty performance and may put the employer into a legal issue if they want to terminate an employee without proper documentation within the employee's file.

The Human Resources Director should plan and facilitate annual performance reviews for all City personnel. Results should be monitored and compliance should be reported to the City Administrator. Following the annual performance review, conclusions need to be documented identifying talent pool and personnel performing under expectations. Performance improvement plans should be drafted for underperforming employees, developed, implemented, and monitored by direct supervisors and discussed with employee.

EE-4. Succession Planning:

There is no consistent, formalized succession planning done at the City of Sheboygan. Without proper succession planning, key positions may be vacant for prolonged periods of time in the event of a key employee departure. This could result in the operations of the City being adversely affected.

Recommendation:
Human Resources should mandate that all departments be required to prepare a succession plan annually. Human Resources should monitor this process and review all Department's succession plan submissions. The details would be retained within the Departments and the results would be communicated to leaders of Human Resources, Finance and the City Administrator.

EE-5. Standardized Method of Employee Communication:

Based on discussions with employees, it seems that the standard method of communication of City employee news and information is electronic via email. This is an acceptable methodology and allows easy dissemination of the same information in a short amount of time. The problem arises in that not all of the City employees (transit, crossing guards, etc.) are issued email addresses and as such do not receive the information in this manner or not at all. It is incumbent on these employees' supervisors to print the email and post on a general posting board. This method still does not guarantee that all of the employees will see the posting.

Recommendation:
If the City is going to use an electronic format for its dissemination of critical data, they should look at methods of electronic information receipt by those employees that currently do not have City email addresses. Perhaps change the policy so that all employees receive an email address as part of their on-boarding process. At least try to obtain a personal e-mail address if not giving them a city address and communicating critical information via that address.

Additionally, it was noted that not all hourly employees are given system access in order to log in and record their hours worked in the time reporting system (i.e. crossing guards). These employees prepare manual paper timesheets that must be accumulated, reviewed and approved, submitted to payroll, and manually keyed into the system. Assigning these employees with electronic access to the email and time reporting systems would create efficient and informational improvements for everyone involved in the manual processes.

In both examples, the employees may not have City issued computers. It would be suggested to set up a kiosk that could house a terminal for accessing emails and the time recording modules.

EE-6. Terminated Employee Off-Boarding:

Notifications of terminating employees are not always communicated timely to the Human Resources Department by other city departments. Lack of communication can result in terminated employees continuing to be paid, inappropriate calculation of on-going and accrued benefits, and employee related insurance expenses being paid past the required date. Additionally, non-timely communication of terminations creates processing "fire-storms" for various departments and results in a lack of trust on the process and employees especially when payroll amounts are involved.

Recommendation:
A formalized off-boarding policy and procedures should be created to ensure all employee terminations are approved and properly processed in a timely manner. The new process should include a consistent form to document the required information and include the sign-off by the supervisor of the employee. Only Human Resources should be allowed to enter changes in the system and they should review both the form and the system change reports for correctness and completeness to ensure all aspects of the off-boarding is accurate.

EE-7. Cross Training:

In many cases, there is minimal cross-training of employees within the department to perform on-going operations, especially critical daily functions. In the event that an employee is absent, critical functions

may not be carried out properly or timely resulting in possible errors in processing, misreported information, and missed deadlines.

Recommendation:
There is a need to identify critical processes that require a need to be performed daily or weekly, designate qualified individuals to be the designated back-up, and ensure that there is adequate cross-training performed. The policies and procedures related to the critical functions are a necessity and should be reviewed and updated on a consistent basis. Set a goal for getting department personnel cross-trained by specific dates. Ask the current employees what areas they may have an interest in being cross-trained for and try to meet these aspirations as long as it does not interfere with required Segregation of Duties policies. This helps build ownership and personal growth. The designated back-up personnel should train/review/perform the duties on a consistent basis (at least annually) to ensure knowledge of procedures and processes is maintained and any system changes from the prior training is experienced.

EE-8. Regulatory Compliance:

It appears that perhaps not all regulatory compliance filings or reporting are being completed by the City and properly filed timely with the related governmental agency (i.e. Occupational Safety and Health Administration [OSHA], Workers' Compensation Insurance [WC], etc.).

Recommendation:
Lack of compliance to regulatory filings can result in penalties, fines, and the inability to receive federal and/or state funding. Every department should create a list of all required compliance filings by date. This list should be reviewed with the department at least annually, updated as appropriate, and finally stored in a shared document repository on the system.

EE-9. Roles and Responsibilities:

There are not clearly defined roles and responsibilities for all positions at the City Finance Department. This can lead to employee confusion, employee morale issues, and sub-optimal division of responsibilities.

Recommendation:
An assessment of the Finance Department position roles and responsibilities should be conducted to ensure optimal division of responsibilities. A listing of critical processes and duties that need to be performed within the Finance Department should be drafted and as inclusive as possible. All position roles and responsibilities should be documented making sure that the critical processes and duties are accounted for and assigned. This may be a method by which a clearer picture of each positions workload may be established. It may also aid in the distribution of the Finance Department "Tasks to Complete List". Having clearly defined roles and responsibilities will assist with cross-training, new employee on-boarding and training, and reduce employee confusion.

EE-10. Payroll Approvals:

The complete and accurate processing of a payroll is critical for the reputation of the people and department responsible for the timely and accurate paying of employees. This is especially important

when the Payroll Department is tasked with processing numerous payrolls each month under various contract terms. Significant time is spent by the Payroll Department trying to get the department managers who are responsible for approving the employees' hours, to do so on a timely basis.

> **Recommendation:**
> Mandate that all employees use on-line time entry. Establish a written policy that requires managers to approve all time by Monday noon (or 10am). Meet with key stakeholders, including department managers to communicate the policy and hold approvers accountable. Create and deliver a weekly compliance report to the City Administrator by Monday at 2pm (or noon) so he can reach out to those department heads who are non-compliant.

EE-11. Employee Benefits and Vendors:

Employee benefits are a large expense to most organizations. The benefits offered to employees and their price is typically reviewed every couple of years in order to keep the best products at the most affordable level for the employees. It was noted that the City was changing benefit vendors for a high dollar item benefit without performing an RFP to any other vendor/company.

> **Recommendation:**
> The leading practice for any large purchase (or overall outlay of cash) is to do an RFP process of 2-3 vendors for proper price comparison and stewarding of the City's tax roll. Additionally, city ordinance may already require more than one quote for new contracts.

EE-12. Employee Benefits – Employee Requests/Concerns:

The perception of employees is that there is no long-term strategy for employee benefits. What is now being offered (through the new vendor) is a duplicate of other benefits that are offered. Employees have requested additional life insurance purchase options for the past couple of years but this has not yet been negotiated with a vendor and offered to the employees. There is an established "health and wellness committee" which does receive comments and issues from employees. These items are summarized and shared with management and the committee feels that management is "listening to" the comments, however, nothing happens and no actions are taken on the comments submitted. The lack of action on items gives the committee and employees the impression that "decisions" had already been "set" and that they do not want to change from what is currently being done or budgeted for. The committee and employees feel "dismissed" by the management team.

> **Recommendation:**
> Inclusion of the right people in discussions, especially when it relates to changes, is critical to the management of the business. If the people that deal with processes on a daily basis are not at least consulted about the current environment and what a change to that environment could mean or entail, decisions could be made that cannot be handled within the current system or which may be a duplicate of something already in place, thus a waste of funds of the city.
>
> While adhering to overall budget amounts is important, the route taken to achieve the budget can be made up of different dollar expenses than originally thought in the budget. A thorough look at employee suggestions while potentially differing from initial thoughts used to create the budget may actually be more beneficial to/for the overall organization. The ideas and suggestions from the employees and the acknowledgement that management has heard and is

considering the suggestion has the potential to save money and boost employee morale. When employees feel that they matter and can be an agent for change, productivity increases which helps the employee and employer.

EE-13. Standardized Job Descriptions:

It appears that the job position descriptions around the city are very individualized. This has occurred over time and as the result of different methodologies for employees (union versus non-union). Continued advancements in technology and streamlining of processes creates efficiencies and "non-over-bearing" workloads that leave opportunity to expand job duties and performance expectations of the employees and positions. Ownership appears to be lacking for items not originally/specifically in the existing job descriptions. Unfortunately, this creates ill-will, discontentment, and resentment between employees.

Recommendation:
It may be beneficial for the City to move towards standardized job description titles such as Accountant I, Accountant II, Accountant III, Clerk I, Clerk II, Clerk III, etc. These standardized job titles would allow the city to identify similar tasks across departments and classify them in similar titles. Existing positions should be analyzed for tasks and duties currently being performed and additional duties added as necessary. All position descriptions should include the "Any other duty as assigned" verbiage to protect the city and increase efficiency and responsibility within employees. In addition to standardizing the job titles/descriptions, Human Resources should begin work on standard job classifications that match with the appropriate Pay Rate-Salary Band schedule for MUNIS. Building these at the same time would allow the city to have like job titles/duties listed for each standard pay rate classification (i.e. Clerk I salary range $30,000 – $40,000, Clerk II salary range $35,000 – $45,000, etc.).

EE-14. Pay Rate - Salary Bands:

The City has Pay Rate - Salary Bands that have been established for union and non-union employees. The current rate schedules should be systematically re-assessed and defined based on roles and responsibilities that are encompassed within that pay rate. When job title descriptions are standardized, they can assign to the pay rate schedule to assess the reasonableness of the salary levels. This can result in more equitable pay for positions that are doing similar jobs but in different departments of the city. Pay inequities make it hard to budget for positions and can also lead to employee morale issues if the inequity becomes known or is perceived by employees.

Recommendation:
The City should consider pay rate-salary bands with defined pay ranges that encompasses all of the jobs and positions with the city. Similar job duties should be within the same salary band regardless of who the position reports to on an organizational chart. The salary bands should have a low, medium, high range and if an employee maximizes their salary level, they are not given an automatic raise but are encouraged to explore ways to change levels.

EE-15. Union Contracts:

The negotiations on union contract renewals should be started and completed timely in order to allow for any system or benefit changes that could result. Since the union contracts typically cover a period of years, the negotiation process should not be assumed to be a quick process and discussions should be

started months in advance in order to complete the negotiations and properly update the systems and data in a timely and efficient manner allowing for proper reviewing of all contract changes implemented.

> **Recommendation:**
> The city has three union contracts that need to be renewed within specified time frames. These negotiations should be started early enough in the final year to properly negotiate expectations and changes while completing in a time frame that leaves enough time to properly adjust the financial processes that any changes may have caused/now require. All changes should be implemented and reviewed prior to their "go live" date in order to verify accuracy and efficiency within the processes.

Conclusion

We appreciate the opportunity to conduct this assessment of the Finance and Human Resources Departments of the City of Sheboygan. During our observation process, we noted positive changes that have recently been put in place. These changes show a desire and commitment to effective change within the organization. We have captured observations and developed recommendations that we feel will enhance the organizational structure as well as improve operational effectiveness and efficiency of the Finance and Human Resources Departments, as well as some overall city operations. Our report includes control enhancements, resource optimization, and role modifications/enhancements to ensure appropriate reporting of financial information and required regulatory items.

Although there are many findings to remediate, we feel that the City is well positioned to address and remediate the findings identified due to recent leadership and management changes. The Finance and Human Resources Department management along with the City Administrator should review and prioritize the findings. There are items that can be a quick fix, items that provide greatly increased efficiencies, items that help to protect the city from fraudulent activities, items that will help to increase employee morale and items that are simply leading practices for the departments. A prioritized list with achievable goals over a period of time will help to not become overwhelmed with the prospect and create a roadmap to future success and efficiency within the departments.

The leadership and management are seeking to enhance the culture as well as the operations and organization at the City and we believe that this assessment provides an excellent road map to drive positive change.