



Leadership, Partnership, Stewardship

Wake County Business Plans *FY 2007 - 2009*

Finance Department

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INTRODUCTION

Mission:

The Wake County Finance Department is committed to providing professional fiscal support through service excellence to the Wake County Board of Commissioners, the County Manager, and staff as they endeavor to make Wake County a great place for its citizens to live, work, learn, and play.

Goals of Finance Department:

The Finance Department of Wake County strives to improve business-processes countywide, provide timely accurate financial information to departments and citizens, and enhance fiscal accountability. The Board of County Commissioners, the citizens of Wake County, and County employees expect county government to operate in a cost-efficient manner in order to conserve tax dollars and promote savings. The Finance Department leadership appreciates this stewardship responsibility and believes that proper management of debt and investments portfolios, as well as the continued internal review of business processes and documentation of internal controls, provides a vehicle for the County to meet the expectation for the responsible manner in which we are to manage public funds.

Historically, our focus on efficiencies and cost savings has centered on processes that occur within the Finance Department. However, the amount of resources used to conduct financial business in Wake County, and the risk associated with processes external to Finance, represents a significant investment for the County. It is evident that greater efficiencies and cost savings can be gained by examining the business processes at their origins within the County departments through the end processing that is completed within the Finance Department. The Finance Leadership Team believes that eliminating manual, unnecessary, and duplicative processes, regardless of where they occur within Wake County, will preserve scarce resources and utilize them more appropriately.

General Desired Outcomes / Performance Measures

- Maintain the County's Triple-A bond rating, a key factor in keeping interest costs low on the County's outstanding general obligation debt.
- Review the County's major business processes and document the internal control system to minimize weaknesses and provide assurance to management and taxpayers.
- Obtain an unqualified opinion on annual independent audit.
- Minimize adverse effects of accidental losses or unplanned events on the continuing operations of the County.
- Provide oversight of facilities and workforce for safety and compliance with the Occupational Health and Safety Administration (OSHA).
- Obtain the Certificate of Achievement for Excellence in Financial Reporting award from the Government Finance Officers Association (GFOA).

- Provide disclosure of information to bondholders and citizens through the timely production of the comprehensive annual financial reports and the Security and Exchange Commission disclosures required on the County's outstanding debt.

Fiscal Year 2006 Accomplishments

- Wake County issued \$41 million in general obligation bonds in fiscal year 2006 at a net interest cost of 4.23%.
- Also during the fiscal year ended June 30, 2006, the County began a general obligation commercial paper program in an amount up to \$309 million. Of the \$309 million program, \$225 million is for public school capital, \$40 million is for Wake Technical Community College, \$26 million is for open space, and \$18 million is for libraries. The County issues commercial paper as expenditures for these purposes are incurred. During the fiscal year, the County issued a total of \$58.25 million of commercial paper under this program with interest rates between 3.19 and 3.7%.
- The County has maintained an "Aaa" bond rating from Moody's Investors Service since 1973, an "AAA" rating from Standard & Poor's Corporation since 1983, and an "AAA" rating from Fitch for the seventh year in a row. This bond rating is a clear indication of the sound financial condition of The County. The County is one of the few counties in the country that maintains the highest financial rating from all three major rating agencies. This achievement is a key factor in keeping interest costs low on the County's outstanding general obligation debt. These ratings were reaffirmed in October 2005.
- Finance staff and management continue to provide critical leadership in a countywide project to replace the existing financial, budgeting, and human resource systems for integrated financial and human resource system on a web based platform.
- The Finance Department has assisted other departments with studies of business processes, assessments of internal controls, audits of account balances, and special studies.
- During fiscal year 2006, worked with Budget and Management to develop a monthly reporting and analysis process that will provide the County with the tools necessary to effectively monitor the fiscal status of County's self-insurance program for employee and retiree healthcare. On an ongoing basis, we continue to fine-tune this monthly reporting structure.
- The Finance Department and its staff continue to excel and be recognized at a national level for this excellence. The Government Finance Officers Association (GFOA) awarded the County the Certificate of Achievement in Financial Reporting for the fiscal year ended June 30, 2005. This is the 22nd consecutive year that the County has received this recognition. In addition, the Carolina Association of Governmental Purchasing

(CAPG) presents an annual award to units of government that have demonstrated high standards in the purchasing profession. This year, Wake County Procurement Services was one of thirteen governmental units throughout the Carolinas to receive this award. A formal presentation of the award was made to the Procurement Services staff in February 2006 at the CAPG Spring Conference in Durham, North Carolina.

PLANS FOR FISCAL YEAR 2007

Replacement of Finance/Human Resources/Budget Systems

Finance staff is currently finishing up the envisioning stage of replacing the County's existing financial system with CGI Advantage. Numerous Finance staff have been involved for approximately six months in a project that we expect to last for approximately two years. We plan to implement the financial accounting system, including procurement, general ledger and reporting in late fall of 2007. This system implementation continues to seriously impact Finance staff and additional backfill staff has been hired in key areas to assist with the daily workloads. We anticipate that this project will continue to impact the work plans of the Finance staff, as well as those of Human Resources, Budget, and numerous other County Departments, for the fiscal years 2007, 2008, and 2009 to a lesser extent. Some of the desired outcomes we are targeting for the new financial system are as follows:

Desired Outcomes / Performance Measures

1. Updated programming languages with new CGI Advantage system and web-based/relational database architecture.
2. Integrated financial, budget and human resource systems.
3. Eliminate as many separately run subsystems as possible, incorporating them into the core system.
4. System will provide flexibility for enhanced financial reporting capabilities and user access to financial data.
5. Solve major business process issues such as: electronic timekeeping, grant position tracking, electronic document routing, approval and storage of documents, and timely retrieval of information.
6. Replacement of Financial/Human Resource/Budget system on time and within budget.

The known resources needed are significant staff time from Budget, Finance, Human Resources, Information Services as well as user departments.

The replacement of the County's financial system has a major impact on the following areas that will ultimately impact all county departments:

- Require systems training for all departmental users, including the development and implementation of a certification program for key internal control areas such as cash receipts, procurement, and disbursements;
- Revise and document all business processes related to the financial system;
- Review and documentation of internal controls associated with business processes, including the development of internal control documentation and a memorandum of understanding between the Finance Director and each Department Director;
- Develop and provide system documentation of all policies, procedures, and business processes for system help manual and training;
- Develop an new process to provide a help desk for functional questions during initial phase of implementation;
- Implement new reporting tools and processes to enhance internal and external reporting;
- Provide a solution to document attachments in an effort to reduce paper usage and storage costs associated with retainage requirements; and
- Reorganize the Finance Department to best accommodate new business processes and financial system functionality.

Enhancement of Internal Audit and Internal Control Functions

Currently, the County's Quality Assurance Manager fulfills the internal audit function. The County and our independent auditors concur that the County is of a sufficient size and complexity to require additional internal audit resources. Based on their recommendations in their 2006 audit reports and in the management letter provide to the governing board, we have considered the costs and benefits of enhancing the internal audit function and performing annual risk assessments. We believe that an enhanced internal audit function is the correct step for the County to take at this time and we have submitted an expansion item requesting two additional professional level staff for the fiscal year 2008 budget.

Also, Finance management strongly believes that improved documentation of our business processes and sound internal controls are critical if we are to fulfill our stewardship responsibility over public assets. Additionally, we concerned that, over time, increased automation of business processes has shifted significant internal control risk from the Finance department into the departments of the County. Therefore, beginning in fiscal year 2007, we plan to perform systematic reviews of major business processes and document the internal control systems associated with those processes.

Tentatively, we also plan to work with each Department to develop a written Memorandum of Understanding (MOU) document outlining the internal controls that are unique to its own business processes. Once both Finance and the department is satisfied that the MOU is accurate, the department director and the Finance Director will both sign off on the document. Annually, the document will be reviewed for continuing accuracy and modified as needed, with both parties approving revisions. We are unsure how long it will take to develop this document for all departments, but it will be our second priority behind the implementation of our new financial systems. We anticipate that all of these changes associated with the restructuring of additional

internal audit and internal control functions will occur over a number of fiscal years, primarily fiscal years 2007 and 2008.

Replacement of Solid Waste Management System

Background:

The County is just beginning the process of building a new landfill at the South Wake landfill site in the southern area of the County. This landfill is scheduled to open in November 2007, in time for the old North Wake landfill to close in January 2008. The existing software is unable to meet the County's reporting needs associated with the new landfill. As a result, a team consisting of members from Solid Waste, Finance, and Information Services collaboratively issued a request for proposal (RFP) for a new Solid Waste Management System. Vendor RFPs were returned the week of November 15, 2006. A vendor selection decision is expected around February 2007, with an October 2007 implementation. Despite the pending financial system implementation, Finance staff and management concur that moving forward on this system is critical for Environmental Services. We anticipate that this project will involve Finance staff throughout fiscal years 2007 and 2008.

Desired Outcomes/Performance Measures:

The objectives of this project are to acquire a system for Solid Waste Management that will have the following capabilities:

- Improve customer service by processing customers more efficiently at the landfill(s) and increasing timely, accurate account information access.
- Collect and store secure data in centralized, real-time, environment that enhances reporting.
- Install at all current and future landfill and transfer stations

Resource Requirements

- Finance, including Financial Accounting and Reporting and Quality Assurance staff time
- Information Services and Environmental Services staff time
- Hardware / software
- Approval of project by Applied Technologies Office and Senior management

Construction Management Support

For the City of Raleigh, the County's Risk Manager will provide continuing support and monitoring of the owner controlled insurance program (OCIP) to the City through the completion of the convention center, underground parking deck and various hotel projects scheduled for completion in September 2008. This support involves attending weekly meetings,

responding to questions on coverage and liability, safety inspections, contract review, claims monitoring, and complying with insurer notification requirements of policies.

Further, Risk Management will work with Facilities, Design & Construction Department to determine feasibility of implementing an OCIP for the construction of the planned County Criminal Justice Center and for the next phase of Hammond Road building program for the Wake County Sheriff's Department where possible. The staff also plans to evaluate the benefits of a Project Specific Professional Liability policy for these projects. The bulk of these projects will occur in fiscal year 2009 and beyond.

Risk Management Policy Development

Various risk management policies and procedures need to be formalized, expanded, or updated and reflected in an updated safety manual or finance manual. The policies and procedures that the Risk Management anticipates reviewing over fiscal years 2007 and 2008 are as follows:

Automatic External Defibrillators Policy
Immunizations
Ergonomics
Lead/Medical Surveillance
Non-ionizing radiation Medical Surveillance
Drug Policy
Workplace Violence
Return to Work
Filing Claims
Hazardous Materials
Accommodations under American Disabilities Act
Fleet Safety
Risk Mgmt record retention policy

Training will be required on all the policies once the above changes are finalized. We plan to include safety training for new employees and ongoing training for supervisors (i.e., "train the trainer"). We plan to use "train the trainer" for Respirators, Personal Protective Equipment (PPE), Ergonomics, and Emergency Action Plans. We also plan to develop safety committees and consider emergency response teams as a part of this plan.

Various Healthcare Projects

- During fiscal year 2007, continuing using and fine-tuning the monthly reporting and analysis process that will provide County management with tools needed to effectively

monitor fiscal status of County's self-insurance program for employee and retiree healthcare.

- Participate in Core Health Insurance Team to develop plan design, wellness programs, and employee education for the self-funded group health program.
- Throughout fiscal years 2007 and 2008, provide information and advice to County Management as they address Other Post Employment Benefits (OPEB).
- In fiscal years 2007 and 2008, explore integrating employee health and wellness programs by applying workers compensation disability management strategies to group health and disease management to effectively reduce group health costs.

Risk Management Business Continuity Plan Development

Since December 2003, the County has had a committee in place to study hazards and risks facing the County and its citizens. The committee will review and assess emergency response plans and formalize disaster plans from each department into a coordinated countywide Business Continuity Plan (BCP). In FY 2007, we anticipate hiring a consultant to help departments develop these plans and we are working to issue a request for proposal (RFP) in January 2007. The pandemic flu planning that is being completed by County staff will be incorporated into the BCP. The general business continuity planning process that we expect to use is outlined below. We expect to be completed in fiscal year 2007 and will then be updated annually thereafter.

- Identify & evaluate risks
- Conduct interviews with departments
- Create action plan: prioritize services to be recovered
- Complete the first draft by June 2007
- Periodically review and test plan

Risk Management Automation Project

The items below are outside the scope of the replacement of the financial system and are currently being dealt with in a separate software solution that we expect to implement during fiscal year 2007:

- **Database to track employee training/employee immunizations**

The County is required by the Occupational Safety and Health Administration (OSHA) to maintain information concerning employee training on equipment that has been purchased through the Homeland Security, assessments prepared for Wake County staff, and blood borne pathogens. We plan to develop a database that can pull this information together from all Wake County departments.

- **Automated site inspection system**

We intend to develop or purchase an application that will automate the compliance audit process including environmental, health and safety, facility, and insurance. With this application, we can standardize work processes, establish consistent reporting, and track recommendations to better manage risk control and cost of risk.

- **Reduce reliance on hard files and begin storing claims files in electronic format**

With the purchase of a scanner dedicated to the Risk Management Section within Finance, we are ready to begin moving all claim documentation and records to an electronic format.

Risk Management Reporting

In the fiscal year 2008, the County will begin to report its risk management activities primarily in the General Fund. In preparation for this change in reporting, the County's staff will be working to develop an allocation process for general risk management expenditures that includes claims, premiums, and administration so that the cost of risk will be reported within the departments of the County. Finance will report at least quarterly to the Senior Management Team on the nature of department charges made, safety, and healthcare.

PLANS FOR FISCAL YEARS 2008 and 2009

Establish an Accounts Receivable System

Wake County has numerous stand-alone accounts receivable systems that are used for very different revenue streams, such as property tax collections, public and mental health fees, landfill tipping fees, housing services, and emergency medical services. Because of the diverse business processes and the complexity of dealing with such different receivables within one system, Finance anticipates that the accounts receivable portion of the replacement financial system will be a later phase to the financial system project, most likely taking place in late fiscal year 2008 or fiscal year 2009. It is expected that Finance Department Accounting and Reporting staff will primarily work with the system implementation team to complete this phase of the project.

Desired Outcomes / Performance Measures

- To reduce the resources required and the costs associated with administering routine financial functions for Wake County, such as billing, collections, and general ledger maintenance across several different systems.
- To increase the timeliness, availability, and completeness of receivable information

- To develop interfaces with the accounting system to speed transaction processing and eliminate numerous duplicative procedures and reconciliation issues.
- To provide for more accurate, complete financial reporting

Resource Requirements

- Finance, including Project Management, Financial Accounting and Reporting and Quality Assurance staff time
- Information Services staff time
- Hardware / software
- Approval of project by Applied Technologies Office and Senior management
- Collaboration with other departments, including staff time and availability