The Auditor of the City and County of Denver is independently elected by the citizens of Denver. He is responsible for examining and evaluating the operations of City agencies for the purpose of ensuring the proper and efficient use of City resources and providing other audit services and information to City Council, the Mayor and the public to improve all aspects of Denver’s government. He also chairs the City’s Audit Committee.

The Audit Committee is chaired by the Auditor and consists of seven members. The Audit Committee assists the Auditor in his oversight responsibilities of the integrity of the City’s finances and operations, including the integrity of the City’s financial statements. The Audit Committee is structured in a manner that ensures the independent oversight of City operations, thereby enhancing citizen confidence and avoiding any appearance of a conflict of interest.

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Report number: A2015-015
March 17, 2016

AUDITOR'S REPORT

We have completed an audit of Accounting Services, which is within the Financial Services Division of the Controller's Office. The purpose of the audit was to determine whether Accounting Services provides effective and efficient services to client agencies and departments.

As described in the attached report, our audit revealed that while clients are satisfied with its services, Accounting Services needs to strengthen its communications and management strategy as it continues to grow. In doing so, Accounting Services will be able to support its clients in a more comprehensive manner. Our report lists several related recommendations, which we offer in the spirit of making Accounting Services even more responsive to the unit's existing and future clients.

This performance audit is authorized pursuant to the City and County of Denver Charter, Article V, Part 2, Section 1, General Powers and Duties of Auditor, and was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We extend appreciation to Beth Machann, City Controller, who requested this audit, and the personnel of Accounting Services who assisted and cooperated with us during the audit.

Denver Auditor's Office

Timothy M. O'Brien, CPA
Auditor
Highlights
The audit found that while City and County of Denver (City) client agencies are satisfied with services provided by Accounting Services, the unit could strengthen some aspects of its communications and management strategy. In doing so, Accounting Services will be better prepared to serve more City agencies as it continues to expand in the coming years.

Several components of Accounting Services’ communications and management strategy could be strengthened, including a formalized approach to succession planning, more consistent on-boarding and ongoing support of the client relationship, and a formal performance measurement strategy that includes customer service metrics.

In order to determine client satisfaction with Accounting Services, the audit team conducted a customer satisfaction survey. While clients of Accounting Services are satisfied with the level of customer service provided, survey respondents mentioned some dissatisfaction with the amount of turnover within the unit. Proper succession planning within Accounting Services will allow the unit to prepare for and minimize turnover in the future.

Additionally, the process of becoming an Accounting Services client is not consistently applied, nor is the ongoing maintenance of the client relationship through each agency’s service level agreement. In fact, four agencies operate without a service level agreement in place. Accounting Services will be better able to support its clients once these processes are consistently executed over the life of the client relationship.

Finally, Accounting Services measures some aspects of its performance. However, comprehensive measurement and reporting of performance indicators, including customer satisfaction metrics, will enable Accounting Services to demonstrate how it is increasing Citywide efficiency while gaining a better understanding of its’ client needs.

For a complete copy of this report, visit www.denvergov.org/auditor
Or contact the Auditor’s Office at 720.913.5000
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INTRODUCTION & BACKGROUND

Many private-sector businesses and government organizations modify their internal business structures to support more efficient execution of internal processes. One such structure, the shared services model, aims to achieve these goals through the consolidation of a variety of functions, such as financial management services, into one core function that is responsible for serving the entire organization. Within the City and County of Denver (City), a variation of the shared services model is utilized by the Controller’s Office’s Accounting Services unit. Accounting Services provides a variety of client-focused financial management services to seventeen City agencies. Clients of Accounting Services rely on the unit for financial and accounting services and support, ranging from procurement guidance to budget monitoring and projections. Accounting Services is one example of a shared services initiative, and many government organizations, including federal executive departments, are experimenting with this model.

Government Shared Services

In 2013, the U.S. Office of Management and Budget (OMB) announced that the federal government would begin transitioning the financial management components of executive departments and agencies to a shared services model.1 A memo from OMB announcing the move to department heads characterized shared services in the following manner:

The cost, quality, and performance of Federal financial systems can be improved by focusing government resources on fewer, more standardized solutions that are implemented and operated by more experienced staff. This can be achieved through the Federal Government making wider use of shared services for common system and transaction processing needs.

In 2014, the U.S. Departments of Agriculture, Treasury, Interior, and Transportation were identified as the agencies that would be serving as the shared services providers, consolidating all financial management services for all other federal departments into one of these four departments. Full implementation of this shared services initiative is likely to take several years. As the transition continues, it is OMB’s intention that the federal government will begin to benefit from achieving economies of scale and standardizing technology and financial processes within the four providers. Additionally, the departments that are transitioning relevant responsibilities to one of the shared services providers will be able to focus more time and resources on achieving their respective programmatic missions. Common pitfalls of shared services that the federal government will try to avoid include lack of responsiveness to client needs, lack of capacity or experience, and difficulty integrating processes and systems.

Government shared services initiatives at the local level tend to take place across a wider variety of business functions. Local governments are also able to provide shared services both internally and for other nearby jurisdictions. For example, a county could provide human resources, fleet

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management, and procurement functions to nearby cities. Shared services can even extend outside of city and county governments by serving hospitals, fire districts, special water districts, school districts, and higher education.

Denver’s Accounting Services as a Shared Services Model

The structure of the City’s Accounting Services unit is unique in comparison to many other large U.S. municipalities. Rather than performing financial management services for all City agencies, Accounting Services serves a subset of agencies upon request. Most other large municipalities that use a form of shared services for financial management provide services for the entire organization or for an entire division of an organization. Similar to the federal shared services initiative, Accounting Services strives to provide expert financial management while adhering to all mandated financial processes and procedures. This allows its client agencies to focus more time and resources on their respective programmatic missions.

Accounting Services began in 2009. By the end of 2010, the unit was ready to begin serving two client departments—Finance and General Services—with a staff of five. Today, Accounting Services is organized into teams, and each team is assigned between one and five agency clients. As seen in Figure 1, six teams serve seventeen clients, which are assigned to a specific team based on a variety of factors, including volume of transactions and complexity of budget and organizational structure.

**Figure 1. Accounting Services Teams**

<table>
<thead>
<tr>
<th>Team 1</th>
<th>Team 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Rights and Community Partnerships</td>
<td>Department of Environmental Health</td>
</tr>
<tr>
<td>Office of Children’s Affairs</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Team 3</th>
<th>Team 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Adjustment for Zoning Appeals</td>
<td>Board of Ethics</td>
</tr>
<tr>
<td>Department of Finance</td>
<td>City Council</td>
</tr>
<tr>
<td>Mayor’s Office</td>
<td>Department of General Services</td>
</tr>
<tr>
<td>North Denver Cornerstone Collaborative</td>
<td>Office of the Municipal Public Defender</td>
</tr>
<tr>
<td>Office of the Independent Monitor</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Team 5</th>
<th>Team 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Attorney’s Office</td>
<td>Technology Services</td>
</tr>
<tr>
<td>Department of Excise and Licenses</td>
<td></td>
</tr>
<tr>
<td>Office of Special Events</td>
<td></td>
</tr>
<tr>
<td>Office of Human Resources</td>
<td></td>
</tr>
</tbody>
</table>

*Source: City and County of Denver Controller’s Office.*
Accounting Services employs eighteen individuals with a range of job titles including accounting technician, staff accountant, associate accountant, senior accountant, and fiscal administrator.\(^2\) Staff are assigned to teams based on skill set and interpersonal team dynamics, and each team has one team lead and one to three support staff. A financial manager leads the Accounting Services group and reports to the director of the Financial Services Division within the Controller’s Office. These two individuals serve as management of Accounting Services. Accounting Services provides financial management services that fall into three broad categories: Procure-to-Pay (P2P), accounting, and budgeting. Table 1 shows the list of service offerings within these categories.

### TABLE 1. Accounting Services’ Service Offerings

<table>
<thead>
<tr>
<th>P2P</th>
<th>Accounting</th>
<th>Budgeting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract initiation</td>
<td>Accounts receivable</td>
<td>Budget and Management Office liaison</td>
</tr>
<tr>
<td>P-card support</td>
<td>Grant accounting</td>
<td>Budget development</td>
</tr>
<tr>
<td>Petty cash</td>
<td>Inventory</td>
<td>Budget monitoring and reporting</td>
</tr>
<tr>
<td>Procurement guidance</td>
<td>Journals</td>
<td>Financial analysis</td>
</tr>
<tr>
<td>Purchasing and Accounts</td>
<td>Reconciliations</td>
<td></td>
</tr>
<tr>
<td>Payable liaison</td>
<td>Year-end close and reporting</td>
<td></td>
</tr>
<tr>
<td>Receiving</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Requisition entry</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** City and County of Denver Controller’s Office.

**Becoming an Accounting Services Client**

When an agency expresses interest in becoming a client of Accounting Services, management from Accounting Services begins the process by interviewing staff within the prospective client agency. Management evaluates the agency’s processes, internal controls, and roles to determine how Accounting Services can provide financial management services.

Once the initial evaluation is complete, Accounting Services develops findings and recommendations for the prospective client agency. This document diagnoses the current state of P2P, accounting, and budgeting services within the agency and then explains how Accounting Services can either take over specific duties or assist the agency in the execution of a task. The document also recommends a staffing arrangement that will support the prospective client’s transition to Accounting Services. This may include a transfer of all or a portion of the client’s accounting staff to Accounting Services.

Once recommendations are presented, the prospective agency then determines whether or not to partner with Accounting Services. If an agency decides to utilize Accounting Services, new clients work with Accounting Services management to draft a service level agreement, which establishes the terms of the relationship, including:

- Terms of the Agreement

\(^2\) Current count as of January 2016.
- Financial Management Process
- Periodic Quality Reviews
- Service Level Agreement Maintenance
- Issue Resolution
- Performance Metrics
- Compliance, Internal Controls and Audits
- Signature Approval

Growth of Accounting Services

Since its inception in 2011, Accounting Services staff and budget have grown nearly every year as the unit adds new clients. The growth of clients and Accounting Services employees is depicted in Figure 2.

**FIGURE 2. Accounting Services Growth from 2011-2016**

![Graph showing Accounting Services Growth from 2011-2016]

*Source: City and County of Denver Controller's Office.*

Accounting Services receives its operating budget through the broader Financial Services Division budget within the Controller's Office, which is supported by the General Fund. The General Fund also supports the majority of Accounting Services' clients. Therefore, when an employee transfers from a client agency to Accounting Services, it does not have an impact on the overall General Fund balance. The 2016 recommended budget for Financial Services increased by 26 percent to $2,549,144, due primarily to staffing transfers from a new client, Technology Services, and the creation of a financial manager position.³

Accounting Services management would like to continue to grow its client base within the City because they believe that the model is successful in providing consistent accounting and financial management services. While management does not wish to expand to all City agencies, they hope to provide consultation and training to all agencies for financial management services in order to ensure greater accuracy within the City's financial statements.

SCOPE

The audit sought to assess whether Accounting Services provides effective and efficient services to client agencies and departments.

OBJECTIVE

The objectives of the audit were to determine whether Accounting Services is:

- Structured in the best way to meet the needs of its clients;
- Increasing efficiency across the City and County of Denver; and
- Providing satisfactory services to client agencies.

During our interviews with leaders of shared services initiatives in comparable cities, we found that the structure of Accounting Services was unique, which hindered our ability to determine whether Accounting Services is structured in the best way to meet the needs of its clients.

METHODOLOGY

We applied various audit methodologies during the audit process to gather and analyze information pertinent to the audit scope and to assist with developing and testing the audit objectives. The methodologies included the following:

- Surveying clients of Accounting Services in order to determine satisfaction with services and employees;
- Surveying employees of Accounting Services to determine level of engagement and resources available to complete job duties;
- Interviewing leaders within the cities of Portland, Oregon, and Charlotte, North Carolina, in order to learn about related shared services initiatives;
- Interviewing Accounting Services employees to learn about roles and responsibilities associated with various Accounting Services positions;
- Conducting an analysis of prompt payment penalties to determine whether Accounting Services has decreased payments for its clients;
- Conducting an analysis of the Comprehensive Annual Financial Report management letter to determine whether Accounting Services has decreased audit findings for its clients;
- Conducting an analysis of the Financial Services Division’s budget and number of full-time employees to measure the rate of growth of Accounting Services;
- Conducting an analysis of staff turnover within Accounting Services to understand the rate of turnover and its impact on service delivery;
- Executing testing of provisions listed within clients’ service-level agreements (SLAs) to determine whether Accounting Services is working in accordance with SLA provisions;
- Reviewing select federal, state, and local shared services initiatives in order to understand the structure, history, and utilization of the model across the United States; and

- Reviewing best practices for shared services regarding performance metrics, SLAs, and strategic planning.
FINDING

While Clients Are Satisfied with Services, Opportunities Exist for Accounting Services To Strengthen Its Communications and Management Strategy

Accounting Services is a shared services initiative within the Controller’s Office that provides financial management services to a growing number of City agencies. Survey data indicate that these clients are generally pleased with the customer service provided by Accounting Services staff and consider the unit’s services valuable. However, Accounting Services could strengthen its communications and management strategy in three areas. First, Accounting Services should develop a succession plan to address high turnover. Additionally, Accounting Services should support its client relationships by more consistently on-boarding new clients and properly maintaining service level agreements. Finally, Accounting Services should develop a performance measurement strategy to demonstrate its impact on its clients and the City. By strengthening these areas, Accounting Services will be better positioned to manage future organizational growth.

Clients Are Satisfied with Accounting Services

To better understand client satisfaction with Accounting Services, the audit team sent a survey to seventeen client agencies. The survey was designed to solicit feedback regarding the degree to which clients are satisfied with Accounting Services’ employees and its service offerings. Results were positive in nature.

Clients Are Satisfied with Accounting Services Employees

The audit team asked survey respondents to rate Accounting Services employees on nine attributes that measure customer service. These attributes measured whether clients deem Accounting Services staff to be timely, professional, courteous, friendly, knowledgeable, responsive, and effective. Respondents rated their agreement with the nine attributes for both team leads and support staff on a scale of one through five, with one signifying strong disagreement and five signifying strong agreement. Auditors tabulated the responses into an average score for team leads and support staff for all nine attributes, as found in Figure 3.

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4 Eighty-four client representatives received the customer satisfaction survey and forty responded. The response rate was 48 percent.
For the various attributes rated, both team leads and support staff averaged a score greater than four, signifying that respondents most frequently agreed or strongly agreed with all attributes. The attributes with the highest average score were “Conduct themselves in a professional manner” and “Are courteous/friendly.” The lowest average scores were 3.89 and 3.94 for the questions regarding whether team leads and support staff, respectively, “Are well supervised.” Overall, the survey data indicate that clients are satisfied with the customer service they receive from Accounting Services employees.

Clients Are Satisfied with Service Offerings

To understand satisfaction with the suite of services offered by Accounting Services, the audit team asked survey respondents to rate the degree to which they value the Procure-2-Pay, accounting, and budgeting services they receive. Respondents ranked a list of sixteen services using a five-point scale from “not at all valuable” to “extremely valuable.” The audit team then combined the percentage of respondents who stated either “very valuable” or “extremely valuable” to determine which services received the highest rating. Table 2 shows the sixteen services offered as ranked by perceived client value.

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5 Respondents could have selected “I do not receive this service” or “I am not sure or do not know.” In order to determine the truest statement of value for each service, individuals who responded with either “I do not receive this service” or “I am not sure or do not know,” were removed from the analysis.
TABLE 2. Accounting Services’ Service Offerings by Perceived Client Value

<table>
<thead>
<tr>
<th>Service Offering</th>
<th>Percentage*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget monitoring and reporting</td>
<td>82.35%</td>
</tr>
<tr>
<td>Year-end close and reporting</td>
<td>79.41%</td>
</tr>
<tr>
<td>Purchasing and Accounts Payable liaison</td>
<td>75.00%</td>
</tr>
<tr>
<td>Financial analysis</td>
<td>72.73%</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>70.37%</td>
</tr>
<tr>
<td>Journals</td>
<td>68.75%</td>
</tr>
<tr>
<td>Grant accounting</td>
<td>66.67%</td>
</tr>
<tr>
<td>Procurement guidance</td>
<td>65.63%</td>
</tr>
<tr>
<td>Reconciliations</td>
<td>65.63%</td>
</tr>
<tr>
<td>P-card support</td>
<td>64.52%</td>
</tr>
<tr>
<td>BMO liaison</td>
<td>64.52%</td>
</tr>
<tr>
<td>Budget development</td>
<td>64.52%</td>
</tr>
<tr>
<td>Receiving</td>
<td>64.00%</td>
</tr>
<tr>
<td>Contract initiation</td>
<td>61.54%</td>
</tr>
<tr>
<td>Petty cash</td>
<td>57.14%</td>
</tr>
<tr>
<td>Inventory</td>
<td>38.46%</td>
</tr>
</tbody>
</table>

Source: Audit analysis of survey results.
Note: *Percentage was calculated using the combined percentage of respondents who stated that the service was either “very valuable” or “extremely valuable.” Respondents could have also selected, “I do not receive this service” or “I am not sure or do not know,” and these responses were excluded from the percentage calculation.

As Table 2 shows, clients of Accounting Services find its service suite valuable. Specifically, the five most valuable services yielded over 70 percent of individuals responding with either “very valuable” or “extremely valuable.” The most-valued services included budget monitoring and reporting, year-end close and reporting, purchasing and Accounts Payable liaison, financial analysis, and accounts receivable. Conversely, clients ranked inventory as their least-valued service.

Accounting Services Can Strengthen its Communications and Management Strategy

Although Accounting Services employees received high customer satisfaction ratings, we identified several areas concerning its communications and management strategy that can be strengthened. First, the unit does not have a formal plan in place to mitigate the negative impact on clients associated with staff movements or reassignments. Second, Accounting Services does not consistently execute its on-boarding process for new clients nor do they maintain existing relationships through regular review of service expectations. Finally, Accounting Services does not have a process by which to aggregate and report on its performance to its clients or the City. By strengthening these components, Accounting Services can provide better support to its clients, especially as Accounting Services continues to grow its client base.
Employee Job Transitions within Accounting Services Could Negatively Impact Client Relationships

In recent years, the staff within Accounting Services have experienced many job transitions, and clients have expressed its negative impact on service delivery. Through proper succession planning, Accounting Services can minimize potential service disruptions for its client agencies.

Staff Turnover Is Causing Dissatisfaction among Clients—Although the quantitative data from our survey indicate a high level of satisfaction with Accounting Services employees, qualitative data from our open-ended questions identified some dissatisfaction with Accounting Services high turnover. Nearly a quarter of survey respondents mentioned turnover, with comments ranging from, “The staff work well with client staff. The only challenge for us has been turnover over 1-2 years and the need to bring new people up to speed,” to, “Dislike how many times we have been assigned new lead/staff. Not in the best interest of our department.”

We conducted a staffing analysis to determine the perceived issue of turnover as reflected by the survey. We found that there is a significant amount of turnover within the unit, which is exacerbated by additional staff movement in the form of team rotations. Turnover is characterized as a variety of career movements, including job transfers, promotions, demotions, hiring new staff, resignations, and retirements. Auditors analyzed Accounting Services’ turnover from 2011 to 2015 and found that the unit has experienced higher levels in more recent years. In 2014, there were twelve career movements within Accounting Services’ thirteen-person staff. In 2015, there were nineteen career movements among the staff of eighteen.

In addition, Accounting Services management frequently rotate teams within the unit. Accounting Services management explained that they rotate their employees among clients with the intent of growing their respective skill sets and experience within different agencies. As a result, clients are frequently assigned a new point of contact within the unit. Survey results indicated dissatisfaction with the frequency of rotations and turnover.

Succession Planning Eases the Impact of Employee Transitions—The U.S. Government Accountability Office’s (GAO’s) Standards for Internal Control in the Federal Government specify that management should have a succession plan to cover for sudden and unexpected changes in the organization, including staff departures. The Government Finance Officers Association (GFOA) also addresses the challenge of ensuring continuity of service during periods of high turnover by developing several strategies for governments. Organizations that develop a more integrated—rather than just-in-time—approach to succession management experience higher retention rates, increased employee morale, and an environment that stimulates innovation. Workforce planning, succession planning, recruitment, and retention practices are all important elements of an integrated succession management approach.

We identified two cities with shared services initiatives that have strategies in place to mitigate the impact of turnover on their client agencies.

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Management within the City of Portland’s Business Operations Division tries to isolate any changes to an employee’s portfolio of clients to the beginning of the year. If an employee leaves for another position within the city, he or she continues to serve as primary contact while work is completed by other staff. The new contact will then shadow the original contact until the new employee is fully prepared for the transition. The City of Charlotte’s Administrative Management Division employs a similar approach. Management encourages open communication with any employee who is considering a new position. Once the employee gives notice, the Division tries to over-hire the position, allowing the original employee to remain in the position and train the new employee for usually no more than two weeks. While frequent employee transitions do not appear to be negatively impacting client perception of service quality, it could erode customer satisfaction and confidence over time. To minimize the potential impact of turnover on client agencies, Accounting Services should develop a formal succession plan with strategies related to workforce planning, recruitment, and retention.

**Accounting Services Does Not Adhere to a Consistent Client Relationship Strategy**

Accounting Services has established a standard on-boarding process for prospective clients and codifies key elements of the relationship using service level agreements (SLAs). Collectively, these processes serve to formalize the client relationship and establish ongoing expectations for roles and responsibilities and service provision. However, these elements are not consistently applied.

**Inconsistent On-boarding of New Clients**—Accounting Services’ on-boarding process includes an assessment of the current state within a prospective agency, followed by service findings and recommendations for consideration by the agency. For example, Accounting Services will assess an agency’s current financial management processes, any unique business needs such as grant management, and gather additional information from agency management regarding their expectations of the support services in order to recommend a customized suite of services. However, we found that of the seventeen client agencies currently utilizing Accounting Services, the unit has followed its on-boarding process in its entirety only six times. Other clients only received a portion of the on-boarding process, demonstrating a lack of consistency. In five instances, agencies only received a SLA, as Accounting Services did not conduct an assessment or provide recommendations for service provision. Additionally, four of the seventeen agencies entered into a working relationship with Accounting Services without establishing a SLA. Accounting Services management stated that process is not always followed in its entirety for a variety of reasons. For example, a new agency would have no financial procedures in place, therefore there would be nothing to assess. Additionally, a smaller agency would also have no financial staff to assess. However, an initial assessment of an agency’s financial needs should be completed and documented regardless of agency age and size.

When implementing a shared services initiative, several sources caution against informality at the outset of a client relationship. The New York State Comptroller articulated wariness when there is a lack of detailed documentation and formal actions. Instead, proper procedural steps should be taken to show commitment to the program. The Association of Government Accountants polled federal-level shared services providers and their clients and found that various management planning activities helped both the provider and client when moving towards a shared services model. These management planning activities covered governance, project integration, and communication strategies.

By not completing the on-boarding process in its entirety, Accounting Services does not know whether a client agency is a good fit for their service offerings. Additionally, a client may not fully
understand their role and continued responsibilities. Therefore, Accounting Services should consistently follow all steps of its on-boarding process for all new client agencies, and complete all SLAs for its current client agencies.

**SLAs Are Not Maintained**—Of the SLAs that are in place to formalize the relationship between Accounting Services and its client agencies, provisions are not being regularly revisited and updated to ensure that Accounting Services is meeting the needs of its clients. The SLA template includes several key standard provisions, such as terms, roles and responsibilities, review, and issue resolution. There are three provisions within the standard Accounting Services SLA that call for, at the very least, an annual review of the agreement, but Accounting Services has never followed a process to update or revise any of their client SLAs. The audit team found that two cities with similar shared services initiatives update their guiding client documentation annually. In Charlotte, key performance indicators in their client agreements are reviewed annually, a process which helps manage customer expectations and set goals for the coming year. In Portland, service levels are discussed with all clients and are updated annually to ensure transparency of service expectations.

Reviewing SLAs annually would provide Accounting Services’ clients the opportunity to discuss various aspects of the relationship, whether it be the quality or level of service or the effectiveness of communications. SLAs should be seen as a way to clarify the relationship through clear lines of responsibility and accountability. The IBM Center for the Business of Government has provided the following counsel: “Officials who want to develop a strong foundation for shared services will give just as much attention to maintaining relationships as they do to the technical details of service delivery.” Accordingly, Accounting Services should formalize a structure for the annual review and maintenance of SLAs, which should include updating all service expectations, communication expectations, performance measurements, and issue resolution mechanisms.

**Accounting Services Has Not Established a Formal Performance Measurement Strategy**

While Accounting Services has collected some customer feedback through a survey tool and has established and tracked some performance metrics, the unit does not have a formal performance measurement strategy in place. Therefore, Accounting Services cannot demonstrate client satisfaction or increased efficiency, which are primary goals of Accounting Services.

**Accounting Services Could Improve Its Customer Service Survey**—Accounting Services administered a customer service survey in 2014 to understand client satisfaction with the unit’s performance. Clients can access the ongoing survey through a hyperlink embedded within the email signature of Accounting Services’ employees’ correspondence. However, the survey yielded minimal data and a low number of responses. Over a fifteen-month period, the survey only garnered twenty-three responses from its sixteen client agencies, which collectively have more than eighty employees who are in contact with Accounting Services staff, some almost daily. This low number of responses suggests that Accounting Services may not be getting sufficient data to draw meaningful conclusions about its customer service. Additionally, the lack of frequent and systematic analyses hinders Accounting Services’ ability to know how their performance changes overtime.

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Customer feedback surveys are a valuable tool for governments, but research indicates that they could be used more widely and systematically.\textsuperscript{10} Government agencies that do effectively seek and use customer feedback have demonstrated improvement in performance, based directly on survey data.\textsuperscript{11} Auditors contacted other local government agencies that provide shared services and found that the City of Charlotte’s Administrative Management Division utilizes a variety of surveying techniques to track key performance indicators with specific scoring goals in mind.\textsuperscript{12} For example, the division surveys customers through a tool provided with every client interaction, and also through service-specific surveys that are sent out upon the completion of specific projects for targeted feedback. Results of these efforts are reviewed quarterly. Further, it is important to dedicate time with clients during which key performance indicators are reviewed. In Charlotte, customer surveys and their subsequent performance goals are reviewed quarterly.

By utilizing the results from the survey conducted during the course of this audit, and developing more robust survey administration and analysis, Accounting Services can better understand its clients’ needs and support them accordingly. Implementing a more effective customer satisfaction survey would provide clients an outlet for frequent and meaningful feedback to enhance quality of services over time. Accordingly, Accounting Services should develop an additional customer satisfaction survey or similar measurement tool that is administered consistently and analyze the data to understand trends in client feedback over time. Conclusions from the data should be used to inform the unit’s broader communications and management strategy.

**Accounting Services Does Not Track All Performance Metrics**—The SLAs that Accounting Services has with most of its clients include a section dedicated to performance metrics, which specifies that they should be used as a tool for assessing the performance level of Accounting Services. This section includes process and accounting metrics with corresponding service targets. For example, the SLAs specify that Accounting Services staff should process budget journals within two business days. Figure 4 shows these performance measures and targets.


\textsuperscript{11} Ibid.

\textsuperscript{12} The City of Charlotte’s Administrative Management Division provides shared services to both internal and external organizations.
Despite establishing these targets for service delivery, Accounting Services only tracks some of these metrics and does so through a visual tool called a production board. This practice began in the summer of 2015 when the manager of Accounting Services identified a need to improve their former practice of using internal checklists. Figure 5 illustrates the production boards. Although the production boards may be a better way of tracking performance related to work on reconciliations and fixed assets, Accounting Services does not have tools in place to actively track how they are performing in the other targets for service delivery that are communicated in the SLAs.
Performance measurement is a means for governmental agencies and organizations to improve their service delivery by tracking and monitoring organizational progress. Establishing and tracking performance measures can enhance accountability and help improve performance by identifying areas where service may be below an established acceptable threshold. There are five commonly used types of performance measures: inputs, outputs, outcomes, efficiency, and quality. Performance measures should be based on data; tell a story about whether an agency, program, or activity is achieving its objectives; and determine whether progress is being made toward achieving policy or organizational goals.

Performance measures are especially important for governments that are operating under a shared services model. Many organizations encourage shared services managers to set clear and attainable goals for the delivery of their shared services initiatives, rather than relying on anecdotal evidence for support. As the federal government moves towards shared services, the U.S. Government Accountability Office has encouraged agencies to incorporate performance plans to ensure that desired results are achieved.

Accounting Services management acknowledged that they do not have a formal performance measurement strategy in place. The majority of the feedback that they receive on service delivery and satisfaction is informal in nature, occurring proactively through meetings or phone calls. They also do not share any performance metrics with clients. By not measuring its performance, Accounting Services cannot demonstrate that it is delivering services at the level established in its SLAs. It is also difficult for Accounting Services to show that it is achieving its goal of increasing efficiency. Therefore, Accounting Services should develop a comprehensive performance measurement strategy, which include already established and new performance measures and related goals, customer service feedback targets, and a strategy for communicating performance to clients.

Importance of a Comprehensive Communications and Management Strategy

By strengthening its communications and management strategy, Accounting Services will be able to support its client in an effective manner. First, the unit will be able to mitigate the negative impacts of turnover on clients. Second, Accounting Services will be able to better support and maintain its client relationships by establishing service expectations. Finally, Accounting Services will be able to aggregate and report on its performance to its clients and the City. By strengthening these components, Accounting Services can demonstrate its impact on its clients and Citywide efficiency, especially as Accounting Services continues to grow its client base.

14 Inputs measure the amount of human and capital resources needed to produce outputs and outcomes. Outputs measure the products or services provided by organization to customers. Outcomes measure the result of program activities. Efficiency is the ratio of inputs use per unit of output or outcome. Quality measures how effectively and/or timely a service is provided.
RECOMMENDATIONS

We offer the following recommendations to improve Accounting Services.

1.1 **Succession Plan**—Accounting Services should develop a formal succession plan with strategies related to workforce planning, recruitment, and retention.

**Audittee Response: Agree - June 30, 2016**

Accounting Services will develop and implement a formal succession plan by June 30, 2016. The succession plan will include strategies for addressing workforce planning, recruitment and retention. In addition, the succession plan will include tactics for maintaining consistent service delivery to clients in the event of personnel movement within Accounting Services.

1.2 **On-boarding Process**—Accounting Services should consistently follow all steps of its on-boarding process for all new client agencies, and complete all SLAs for its current client agencies.

**Audittee Response: Agree in principle - June 30, 2016**

Accounting Services will continue to consistently follow all steps of its formal onboarding process to the extent possible. In certain circumstances (ex. new agencies), there is no current state to analyze, so it is not possible to fully follow the formal process. In these instances, Accounting Service will conduct meetings to perform a needs assessment and then follow the regular process. Accounting Services will put service level agreements in place for all client agencies for which one doesn't currently exist by June 30, 2016.

1.3 **Service Level Agreements**—Accounting Services should formalize a structure for the annual review and maintenance of service level agreements, which should include updating all service expectations, communication expectations, performance measurements, and issue resolution mechanisms.

**Audittee Response: Agree - June 30, 2016**

Accounting Services will develop a structure for the annual review and maintenance of service level agreements by June 30, 2016. The structure will include updating, as necessary, service expectations, communication expectations, performance measurements, and issue resolution mechanisms.

1.4 **Customer Satisfaction Survey**—Accounting Services should develop an additional customer satisfaction survey or similar measurement tool that is administered consistently and analyze the data to understand trends in client feedback over time. Conclusions from the data should be used to inform the unit’s broader communications and management strategy.

**Audittee Response: Agree - December 31, 2016**

Accounting Services will develop a methodology for measuring customer satisfaction. The new methodology will be administered and client feedback will be gathered by 12/31/16.
1.5 **Performance Measurement**—Accounting Services should develop a comprehensive performance measurement strategy, which include already established and new performance measures and related goals, customer service feedback targets, and a strategy for communicating performance to clients.

**Auditee Response: Agree - September 30, 2016**

Accounting Services will develop a comprehensive performance measurement strategy by September 30, 2016. The new performance measurement strategy will include customer service feedback targets and a strategy for communicating performance to clients.
AGENCY RESPONSE

Auditor Timothy M. O’Brien, CPA
Office of the Auditor
City and County of Denver
201 West Colfax Avenue, Dept. 705
Denver, Colorado 80202

Dear Mr. O’Brien,

The Office of the Auditor has conducted an audit of Accounting Services.

This memorandum provides a written response for each reportable condition noted in the Auditor’s Report final draft that was sent to us on February 18, 2016. This response complies with Section 20-276 (c) of the Denver Revised Municipal Code (D.R.M.C.).

AUDIT FINDING 1
While Clients Are Satisfied with Services, Opportunities Exist for Accounting Services To Strengthen Its Communications and Management Strategy.

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311 for City Services
Denver gets it done!
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Accounting Services will put service level agreements in place for all client agencies for which one doesn’t currently exist by June 30, 2016.

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Narrative for Recommendation 1.5
Accounting Services will develop a comprehensive performance measurement strategy by September 30, 2016. The new performance measurement strategy will include customer service feedback targets and a strategy for communicating performance to clients.

Please contact Bill Riedell at 720-913-4854 with any questions.

Sincerely,

Beth Machann
Controller

cc: Kip R. Memmott, MA, CGAP, CRMA, Director of Audit Services
    Dawn Wiseman, CRMA, Audit Supervisor
    Brendan Hanlon, Chief Financial Officer