How effective is your jurisdiction's financial management?

Presenters:

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Why conduct a financial management self-assessment system

- Supporting the organization's and community’s strategic goals and efforts
  - Good financial management enhances public trust
- Providing accurate, timely and relevant information for management and decision making
- Assuring sound, fair and efficient stewardship
- Providing accurate, timely, and efficient transaction processing
- Determine if you are following best practices
  - Identify key functions (and explain their importance to leaders)
  - Understand performance within each area
  - Improve where necessary

Offering a self-assessment model adds to GFOA's toolbox of research, training, publications, consulting
The CIPFA-GFOA FM Self-Assessment Model

- Web-based financial management self-assessment tool
- Created by the Chartered Institute of Public Finance and Accountancy (CIPFA) a decade ago, in 3rd revision
- Customized by GFOA for U.S. and Canadian governments
What the FM Model Provides

- The CIPFA-GFOA FM self-assessment model helps governments
  - Understand current status of financial management within the organization
  - Highlight strengths and weaknesses
  - Identify predominant style and roles of financial management
  - Chart a path for progressive improvement

- Not a “box-checking” exercise
  - Ability to break down results lets you see the story behind the numbers
  - Statements developed and refined by GFOA member practitioners
  - Evidence based
  - Linked to GFOA best practices

How effective is your jurisdiction’s financial management?
Assessing Your Financial Management Style

1. Securing Stewardship
   - Control, accountability, regulatory requirements

2. Supporting Performance
   - Customer focus, efficiency, effectiveness

3. Enabling Transformation
   - Managing change and risk; receptive to new ideas

Where do you want to be and where are you now?
Dimensions of Financial Management

1. Leadership
   - Strategic direction, business management, “tone from the top”

2. People
   - Competencies and engagement of staff

3. Processes
   - Design, management and control of financial processes

4. Stakeholders
   - External and internal customer focus, relationships with those with interest in financial health

How are you doing and where do you need to get better?
**FM Model: a multi-dimensional, progressive perspective**

<table>
<thead>
<tr>
<th></th>
<th>Leadership</th>
<th>People</th>
<th>Process</th>
<th>Stakeholders</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Securing Stewardship</strong></td>
<td>Good Practice Statements &amp; Questions</td>
<td>Good Practice Statements &amp; Questions</td>
<td>Good Practice Statements &amp; Questions</td>
<td>Good Practice Statements &amp; Questions</td>
</tr>
<tr>
<td><strong>Supporting Performance</strong></td>
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</tr>
<tr>
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</tr>
</tbody>
</table>
Complete Survey

Statement and questions allow respondents to assess the extent to which the best practice statement reflects the government’s financial management.

**Statement**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Yes</th>
<th>No</th>
<th>Partly</th>
<th>Don’t Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>L1  There is an effective framework of financial accountability that is clearly understood and applied throughout the Government from the CEO through executives, to senior managers, to front-line service Other Finance/Other Finance.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. Does the CEO set the tone that finance matters?
2. Are there written policies and governance arrangements that define the financial management roles and responsibilities at all levels?
3. Does the CEO have an overview of the Government’s financial position, including from component units and important partners that provide government services (including major private contractors)?
4. Does the CEO have an overview of the Government’s risk exposures, including from component units and important partners that provide government services (including major private contractors)?
5. Are external audit and associated management letter free from concerns about the Government’s governing policies, accountabilities, or decision-making rights?

**Your scoring**

<table>
<thead>
<tr>
<th>Hardly</th>
<th>Somewhat</th>
<th>Mostly</th>
<th>Strongly</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.0</td>
<td>0.5</td>
<td>1.0</td>
<td>1.5</td>
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<td>2.5</td>
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</tr>
<tr>
<td>4.0</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**You answered**

100% of the questions above

**How you answered**

- Yes: 40%
- No: 40%
- Partly: 20%
- Don’t Know: 0%

**Comments:**

The County is currently undergoing a strategic planning process with budgeting for outcomes included. An ERP system will also be installed to track process of KPI and strategic plan processes.
Green: existing financial policies are aligned with strategic goals
Yellow: some misalignment of policies and goals
Red: Misalignment between financial policies and goals

Traffic light report using average from master survey

Master average scoring

<table>
<thead>
<tr>
<th>Leadership average</th>
<th>People average</th>
<th>Processes average</th>
<th>Stakeholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.5</td>
<td>2.0</td>
<td>3.0</td>
<td>3.0</td>
</tr>
</tbody>
</table>

Securing stewardship average

| 2.5 | 2.0 | 2.6 | 2.5 |

Supporting performance average

| 2.0 | 1.5 | 2.0 | 2.5 |

Enabling transformation average

| 2.0 | 1.5 | 2.0 | 2.5 |

Contributor average scoring

<table>
<thead>
<tr>
<th>Leadership average</th>
<th>People average</th>
<th>Processes average</th>
<th>Stakeholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.5</td>
<td>2.0</td>
<td>3.0</td>
<td>3.0</td>
</tr>
</tbody>
</table>

Securing stewardship average

| 2.5 | 2.0 | 2.6 | 2.5 |

Supporting performance average

| 2.0 | 1.5 | 2.0 | 2.5 |

Enabling transformation average

| 2.0 | 1.5 | 2.0 | 2.5 |

Contributor scoring by Management dimension/Financial management styles

How effective is your jurisdiction’s financial management?
## Analyze Results

Reports enable you to see how contributors’ responses compare to master scores (which may be averages or comparative).

### Master scores against average contributor scores

#### Scoring per statement and average contributor

<table>
<thead>
<tr>
<th>Leadership</th>
<th>Master score for L1</th>
<th>Average contributor score for L1</th>
<th>Master score for L2</th>
<th>Average contributor score for L2</th>
<th>Master score for L3</th>
<th>Average contributor score for L3</th>
</tr>
</thead>
</table>

#### Scoring per statement

<table>
<thead>
<tr>
<th>Categories:</th>
<th>Master</th>
<th>All</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statements:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>L1</td>
<td>3</td>
<td>2.5</td>
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<td>2.5</td>
<td>N/S</td>
<td>N/S</td>
<td>N/S</td>
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<tr>
<td>L2</td>
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<td>1.5</td>
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<td>1.5</td>
<td>N/S</td>
<td>N/S</td>
<td>N/S</td>
</tr>
<tr>
<td>L3</td>
<td>3</td>
<td>2.5</td>
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<td>2.5</td>
<td>N/S</td>
<td>N/S</td>
<td>N/S</td>
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<tr>
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<td>N/S</td>
<td>N/S</td>
</tr>
<tr>
<td>L5</td>
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<td>3</td>
<td>N/S</td>
<td>3</td>
<td>N/S</td>
<td>N/S</td>
<td>N/S</td>
</tr>
<tr>
<td>L6</td>
<td>2.5</td>
<td>2</td>
<td>N/S</td>
<td>2</td>
<td>N/S</td>
<td>N/S</td>
<td>N/S</td>
</tr>
<tr>
<td>L7</td>
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<td>N/S</td>
<td>N/S</td>
</tr>
<tr>
<td>L8</td>
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<td>2.5</td>
<td>N/S</td>
<td>N/S</td>
<td>N/S</td>
</tr>
<tr>
<td>L9</td>
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<td>2</td>
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<td>N/S</td>
<td>N/S</td>
</tr>
</tbody>
</table>

### Printing your report

To create a PDF of the page click on the 'Create PDF' link above. To print this page out click ‘CTRL+P’ or click on the 'Print' link above.
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Are Policies Being Followed?

Organizations can get a quick look at what best practices the organization believes are being followed.

In the example above, the organization believes that Long-Term Financial Planning (L4) policies are being followed.
City Example

- **Opportunities for Improvement**
  - FM Model highlighted the lack of a long term financial plan
  - Increased financial literacy among leaders
  - Stronger authority over employees in financial operations
  - Improved budgeting for operating cost increases resulting from capital improvement program

- **Confirmation that they were on track with**
  - IT governance program
  - Five year capital plan
  - Debt policy
County Example

- Looking for financial management model that supports financial sustainability.
- Found the FM Model
- Used survey tool to assess current practices
- Analyzed deviations from best practices
- Developed plan to phase in improvements
- Converted plan into tasks for inclusion in Tactical Plan which feeds into the Budget
County Example
Wanted to Understand Shortcomings

Result of the financial management assessment shows where improvement is needed:

<table>
<thead>
<tr>
<th>Financial Management Style</th>
<th>Management Dimension</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Leadership</td>
</tr>
<tr>
<td>Securing Stewardship</td>
<td>2.3</td>
</tr>
<tr>
<td>Supporting Performance</td>
<td>1.9</td>
</tr>
<tr>
<td>Enabling Transformation</td>
<td>2.1</td>
</tr>
</tbody>
</table>
County Example
Identify Gaps & Improvements

- Strategy: correct basic deficiencies first

<table>
<thead>
<tr>
<th>Color code</th>
<th>Management Style</th>
<th>Priority</th>
<th>Include in improvement plan?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Securing Stewardship</td>
<td>1</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Supporting Performance</td>
<td>2</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Enabling Transformation</td>
<td>3</td>
<td>No. Defer.</td>
</tr>
</tbody>
</table>

- Example of how to identify improvement:

P3  Managers understand they are responsible for delivering services **cost-effectively** and are held **accountable** for results. 1.9

Best practice questions

1. Is there evidence that Managers understand that they must **create Public Value** through service provision, including using resources efficiently?

2. Are Managers **at all levels held accountable for financial outcomes** and creating Public Value, with meaningful consequences for their appraisal?
Questions

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